Fraport
Frankfurt Airport
Services Worldwide

Annual Report 2002

Progress and Continuity

Contents

Three-year overview of Fraport Group's consolidated key performance data

Traffic figures Frankfurt Airport	**2000**	**2001**	**2002**	**2001/2002 change in %**[1]
Passengers (millions)	49.4	48.6	48.5	– 0.2
Airfreight (thousand metric tons)	1,589.4	1,494.1	1,514.8	1.4
Airmail (thousand metric tons)	141.0	141.1	141.0	– 0.1
Aircraft movements (thousands)[2]	458.7	456.5	458.4	0.4
MTOWs (thousand metric tons)	25,370.4	25,564.5	24,926.9	– 2.5
Seat load factor (in %)	69.8	68.2	69.8	

[1] Rate of change based on unrounded numbers.
[2] Excluding military flights.

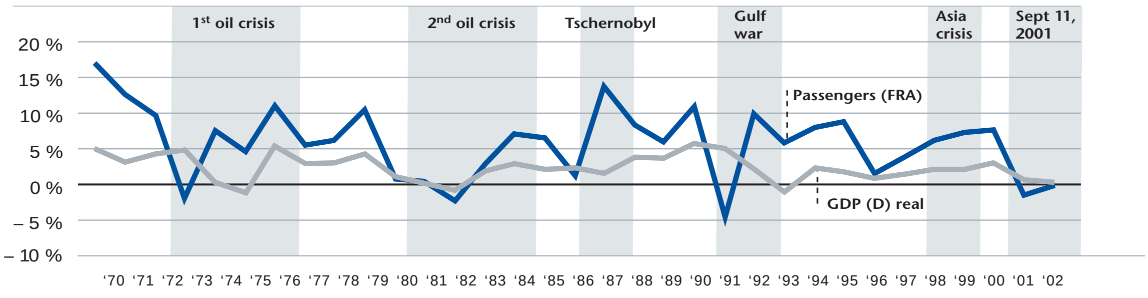
Revenues and profit in € millions	**2000**	**2001**	**2002**	**2001/2002 change in %**
Revenues	1,536.2	1,580.6	1,803.6	14.1
Total revenues	1,620.8	1,713.8	1,902.2	11.0
EBITDA	533.5	507.2	241.9	– 52.3
EBIT	329.9	235.2	– 4.9	– 102.1
Results from ordinary activities	265.9	170.2	– 35.1	– 120.6
Consolidated loss (profit) for the year	129.0	101.1	– 120.8	– 219.5

Key profitability data in %	**2000**	**2001**	**2002**
Return on revenues	16.6	10.3	– 2.2
EBITDA margin	34.7	32.1	13.4
EBIT margin	21.5	14.9	– 0.3
ROCE return on capital	15.3[1]	8.3[1]	– 0.2
Equity ratio	31.0	52.5	49.8

Employees	**2000**	**2001**	**2002**	**2001/2002 change in %**
Average number of employee	14,271	15,526	21,395	37.8

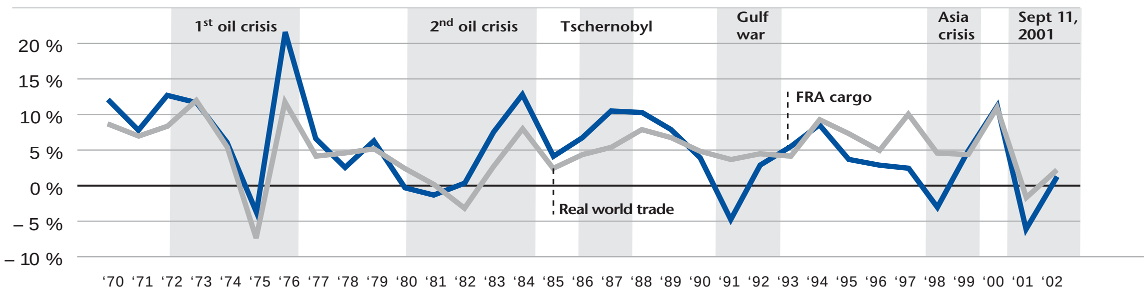
[1] The values shown deviate from previous publication.
The revaluation shown takes into account the outflow of dividends paid.

Long-term growth rates of annual passenger volume in Germany compared with gross domestic product (GDP)



Source: Real GDP (Germany): Federal Statistics Office.

Long-term growth rate of annual cargo volume and of world trade



Source: Real world trade, WTO.

Full Service. Efficiency. Hub Expertise. *As the successful owner and operator of Frankfurt Airport, Fraport is one of the leading enterprises active internationally in the airport business. Our area of expertise is the management of complex air transport hubs. One of the key factors for our success at Frankfurt in this area is the optimal linkup of rail, road, and air transportation systems. In the airport business, we also offer our hub expertise worldwide. Service excellence means combining top quality service with maximum efficiency in business processes – for the benefit of our customers. Our goal is to establish ourselves firmly as one of the three strongest and most profitable airport groups in the world.*

Our know-how is the basis for sustained growth.

DR. WILHELM BENDER
Chairman of the Executive Board

Dear Shareholders,

The 2002 financial year was favorable for Fraport AG. Our Company returned to its longer-term trend of growth, earnings capacity increased, and the foundation was laid for the Group's healthy development.

Only the development of our BOT project for a new international passenger terminal at the Ninoy Aquino International Airport in the Philippine capital of Manila put a damper on our income statement for 2002.

We worked vigorously on resolving the problems in Manila. However, so far, our considerable efforts to negotiate the issue and even a number of efforts by the German government have not resulted in satisfactory tangible results. This is true despite the fact that the Philippine government had held out the prospect of granting direct compensation. In connection with the presentation of the annual consolidated financial statements, the Executive Board of Fraport AG has, therefore, decided to write down completely the financial commitment in Manila in the total amount of €289.5 million.

We continue to be optimistic, and, with unabated commitment, will continue to fight for a solution to the problems through further serious discussions with the current partners, potential investors, and the Philippine government – and possibly also take legal action. The write-down therefore does not mean that we have given up any or all of our rights. After all, an independent expert opinion concluded that the terminal is worth substantially more than its construction cost.

Fraport AG sales increased overall by 14.1 percent to €1,803.6 million in 2002. This marked growth was primarily the result of the full consolidation of the Netherlands-based security service provider ICTS Europe Holdings B.V., the market leader throughout Europe. This firm’s shares have been wholly owned by Fraport AG since January 2002. Adjusted for this consolidation effect, sales increased by 4.0 percent over fiscal year 2001.

Excluding the exceptional write-down for Manila, EBITDA (earnings before interest, tax, depreciation and amortization) amounted to €502.5 million – slightly below the previous year’s figure and thereby matching the forecast operating result of over half a billion euros. Including this exceptional effect, EBITDA totaled €241.9 million and the net loss was €120.8 million. In connection with this non-recurring expense, Fraport AG posted a distributable profit of zero for 2002, after a release from capital reserves in the amount of €130.3 million. Therefore, no dividend will be paid for financial year 2002.

Major reasons for the growth in sales, which was adjusted by the effects of consolidation and the write-down-related extraordinary charge, again included an increase in retail revenue over the previous year, a rise in traffic fees as of the beginning of the year, and overall greater demand for security services.

Traffic developed quite favorably compared with the previous year. A clear upward trend was perceptible particularly during the second half of the year. At the consolidated level, passenger figures rose by 2.5 percent to a total of 69.3 million. This was substantially higher than the comparable figure for 2001.

As the Group’s major base of operations, Frankfurt Airport realized a strong increase in passenger traffic during the final months of the year, resulting in 48.5 million passengers for the year as a whole – 0.2 percent less than in the previous year. Cargo volume at Frankfurt increased by a modest 1.4 percent over the previous year to more than 1.5 million metric tons.

We have consistently expanded existing investments and projects within the framework of our “External Business” strategic pillar. In this connection I would like to highlight Antalya Airport as a prime example, where we operate the international passenger terminal together with a Turkish partner. As in the past, this facility again recorded strong passenger growth in 2002.

We expect to gain entirely new prospects from our partnership with the Shanghai Airport Group, which was established at the end of 2002. Within the framework of this long-term cooperation agreement, our Chinese partners will have access to the know-how and expertise which Fraport acquired over several decades of operating the Frankfurt intercontinental air transportation hub. This step, allows Fraport to position itself in the Chinese growth market at an early stage and acquire crucial local experience. We will spare no effort to make the strategic cooperation with the Shanghai Airport Group a success.

Traffic at Frankfurt-Hahn Airport developed extremely positive. Fraport AG holds a 73.1 percent ownership share in the operating company of this airport. Growth here accelerated further following the decision of the Irish-based low-cost carrier Ryanair to establish its second Continental European hub at Frankfurt-Hahn in 2001. Passenger volume increased from just above 450,000 to more than 1.4 million during the year. This was doubtlessly also a consequence of the booming “no frills” segment, which, according to forecasts by market observers, will hold a market share of 25 percent or more in just a few years.

We intend to expand the cooperation between our Frankfurt-Main and Frankfurt-Hahn airports further in the next few years. Together with the Hessian and the Rhineland-Palatinate state governments, we have, therefore, submitted a request for having the two airports designated as an airport system. The goal of this system is to develop further the two facilities based on their particular strengths: Frankfurt Airport as an international air transportation hub and Frankfurt-Hahn as the leading airport for low-cost airlines.

Fraport AG’s master plan, which was presented in 2002, focuses on three main aspects of Frankfurt Airport’s development: construction of a hangar for maintenance work on the Airbus A380 wide-body aircraft, which will go into service in 2007; construction of a landing runway to the northwest of airport; and construction of Terminal 3 at the southern part of the airport. The approval procedure for the construction of a hangar, an apron, and taxiways, which are required for the operation and maintenance of the new, quiet, and low-emission Airbus A380 wide-body aircraft, have already been initiated; the zoning request was submitted in January 2003. Capacity to service planes of this size will be a significant condition for sustaining the future competitiveness of Frankfurt Airport as an international air transportation hub.

Documentation supporting the zoning request for the construction of the new landing runway to the northwest of the airport is currently being prepared. Careful preparation of the application documents will help accelerate attaining our goal in the zoning procedure. Plans still call for the opening of the new landing runway in 2006. It is urgently required to accommodate future traffic growth at Frankfurt Airport. By means of a demand-oriented expansion of Frankfurt Airport, Fraport AG will continue meeting its obligations as a job engine in the Frankfurt/Rhine-Main region in the future.

The *WM 2005 Project – Creating Value for the Future* – has been operational since the summer of 2002. It has already led to revenue-enhancing increases in efficiency. In this connection, the signing of a company agreement by both employees and management has been particularly pleasing. This agreement, which represents a further important step in the project implementation, regulates in detail the consequences of personnel policy measures for employees. The central focus is on securing existing jobs.

We are not satisfied with the development of the price of the Fraport share. In a market environment generally characterized by steep declines, our share – like all aviation shares – has been under considerable pressure, losing 36 percent of its value in 2002. This development was in contrast to the company's business development during fiscal year 2002, to the fundamental financial data and long-term prospects for Fraport AG.

Fraport's 2002 financial results clearly reflect our considerably lower sales and earnings volatility compared with other companies active in the air transportation sector. This is a direct consequence of our balanced business model, which is based on a number of different revenue streams from the segments: Aviation, Non-aviation, Ground Handling, and Others. As part of our investor relations activities, we will continue in the future to bring this special Fraport strength to the attention of the capital market.

As part of Fraport's crisis management and in consensus with the works council we prepared a variety of measures designed to ensure that we can swiftly and flexibly react to the currently sluggish economy and effects of the Iraq war. As a responsible employer, we have made every effort further to prevent business-related layoffs.

I would particularly like to thank our capable and highly motivated employees for the dedication they have shown during the past year. Their spirit of teamwork and commitment to service have attained a level that should not be taken for granted in an enterprise as large as Fraport AG.

For this reason, among others, the Executive Board and the Supervisory Board look to the future of Fraport AG with great confidence. Our corporation rests on a solid foundation, and we expect all aspects of our business to share in the projected future growth of world aviation. With the appropriate concepts, we will progressively further enhance the profitability of our business at Frankfurt Airport and worldwide. The attractiveness of Fraport AG for shareholders, partners, customers, and employees will continue to grow.

Sincerely,

Dr. Wilhelm Bender
Chairman of the Executive Board

Dr. Wilhelm Bender
Chairman of the Executive Board

Prof. Manfred Schölch
Vice Chairman of the Executive Board
Executive Director for Infrastructure and Legal Affairs

Decades of experience and unique expertise

in the airport business ensure our success in this global growth industry. By continually optimizing our business operations and expanding airport capacities on a demand-oriented basis, we provide our customers with outstanding service at a fair price and Fraport shareholders an attractive investment.

Johannes Endler
Executive Board Member for Finance

Prof. Barbara Jakubeit
Executive Board Member for Real Estate Development

Herbert Mai
Executive Board Member and Executive Director Labor Relations

Dr. Wilhelm Bender
Chairman of the Executive Board since 1993.
Responsibilities include acquisitions and investments; corporate development, structural organization, as well as boards and committees; and corporate communications.

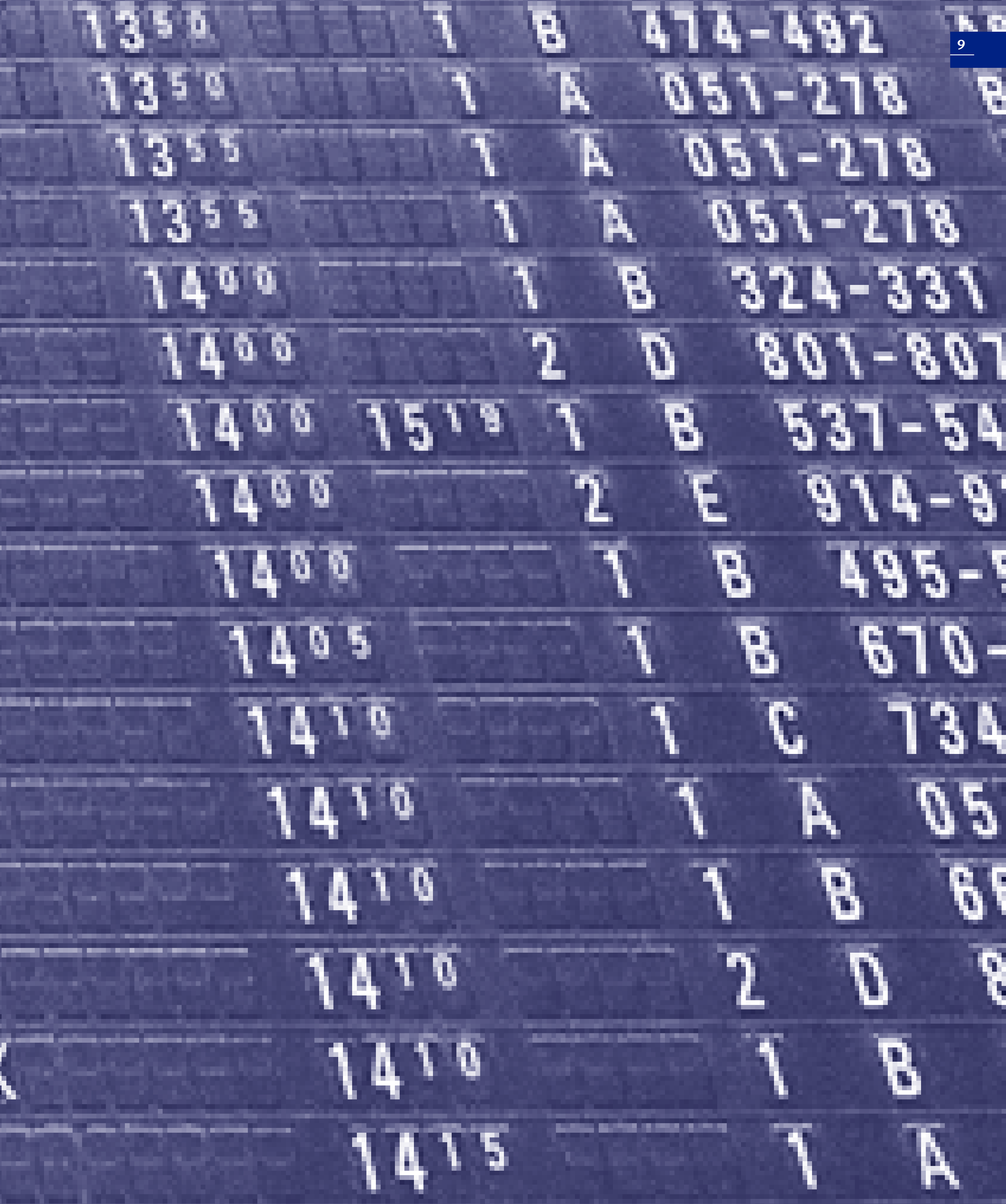
Prof. Manfred Schölch
Vice Chairman of the Executive Board.
Member of the Executive Board since 1986. Responsible for infrastructure; the Frankfurt Airport expansion program; and legal affairs.

Johannes Endler
Member of the Executive Board since 1993. He is responsible for controlling, finance, and accounting; central purchasing and awarding of construction contracts; and information technology and telecommunication services. His term of office expired on March 31, 2003.

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.

Hub Expertise



Our area of core expertise comprises the management of complex air transport hubs. We are vigorously expanding our position as a central hub facility and one of Europe's biggest airports. At Frankfurt Airport and in our global airport business, we offer our customers a comprehensive range of services from a single source, guaranteeing the highest standard of quality. **Fraport – The Airport Managers.**

The Fraport Share and Investor Relations

For the third year in a row, the development of stock market prices was generally disappointing in 2002. Although the business of Fraport AG was satisfactory during the financial year, the difficult market environment in the aviation industry and special factors resulted in a generally disappointing development of Fraport's share price. From the shareholders' point of view, a high point in fiscal year 2002 was the approval of the Corporate Governance Code by the Supervisory Board of Fraport AG. With this step, as a leader among publicly-quoted German companies Fraport commits itself to even greater transparency.

For the international aviation industry, the year 2002 was characterized by consolidation. The events of September 11, 2001, and continuing generally slow global economic development at times led the market to perceive our industry as a high-risk sector. The high degree of volatility from time to time, of the shares of airlines, aircraft manufacturers, and even airport operators reflects not only the generally disappointing situation on the stock market but in particular the continuing uncertainties surrounding the future development of global air traffic.

The DAX index, which represents the 30 largest German stock corporations, fell by 44 percent during the year, compared with its previous declines of 8 percent and 20 percent in 2000 and 2001, respectively. The MDAX, which includes the 70 largest corporations in the tier below the DAX shares, weakened by 30 percent. In addition to the weak global economic growth, the danger of a military confrontation in the Persian gulf and the U.S. financial reporting scandals contributed to the ongoing slump in 2002.

Despite the generally favorable business development and significant sales increases, the Fraport AG share tended downwards due to the weakness in capital markets. At the beginning of the year our share's price was €26.50, and on December 30, 2002, the last trading day of the year, it was at €17.00. The market value of Fraport AG consequently totaled €1.53 billion at year end – down by approximately 36 percent from the beginning of the year. On average, 67,432 shares were traded daily in 2002.

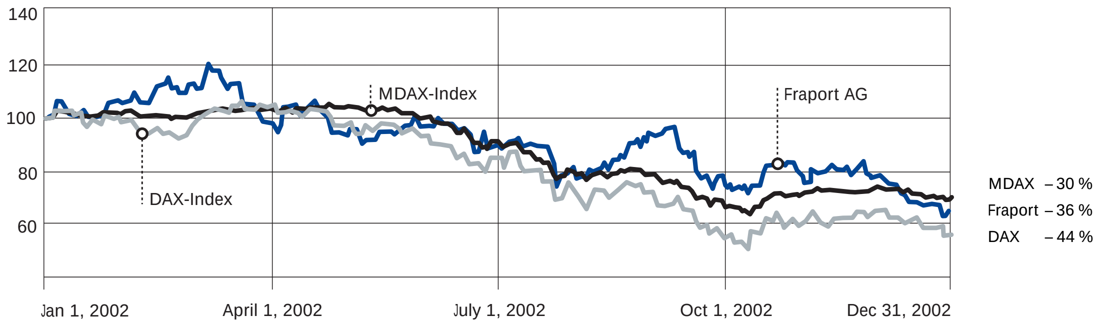
We are not content with the development of the price of the Fraport share. The Manila issue, which was still not resolved at the end of 2002, and the strike in the public service sector threatening at that time hampered a rise of the share price. Nevertheless, especially compared with airline shares, the price trend demonstrates moderate volatility. We are optimistic that in 2003, the price of the Fraport share will improve compared with other shares in the aviation sector – reflecting our excellent position as an efficient and competitive player in the international airport business, our large assets and our enormous potential for the future. In the first quarter of 2003, the Fraport share was already developing considerably better than the reference indices. The DAX and MDAX share indices lost a further 16 percent and 8 percent respectively, while in contrast Fraport's share remained unchanged at €16.97 at March 31, 2003. The financial markets recognize that Fraport has achieved stable financial results even in a difficult business environment.

The Fraport Share at a Glance

Securities ID Number (WKN): 577330 Non-par common bearer shares		2002	2001
Capital stock	(in €)	902,110,580	901,050,000
Absolute share in capital stock	(per share, in €)	10.00	10.00
Number of floating shares [1]		90,071,110	90,093,030
Turnover shares (average number of shares sold per day)		67,432	200,499
Market capitalization [2]	(€ in millions)	1,531	2,387
Share price at year end	(in €)	17.00	26.50
Highest price [3]	(in €)	32.00	34.80
Lowest price [4]	(in €)	16.54	20.10
Result per share (weighted) [5]	(in €)	– 1.34	1.28
Result per share [2]	(in €)	– 1.34	1.12
Price-earnings ratio [2, 6]		–	23.7
Dividend per share	(in €)	– [7]	0.40
Total dividend payment	(€ in millions)	–	36.0
Dividend yield [6]	(in percent)	–	1.5

[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 June 11, 2001 and on December 27, 2002.
[4] Closing price on October 3, 2001 and on December 27, 2002.
[5] Relating to the weighted annual average of floating shares.
[6] Relating to the year-end closing price.
[7] Subject to approval from the Annual General Meeting.

Development of Fraport Common Shares vs. DAX and MDAX



This assessment is underscored by initial successes achieved within the framework of the efficiency-boosting *WM 2005 – Creating Value for the Future* program, which was operating in 2002. The goal of this program is to improve the EBITDA (earnings before interest, tax, depreciation and amortization) by at least €150 million annually beginning in 2005.

Balance Sheet Results and Dividends

In connection with the extraordinary charge for the complete write-down on its financial investment in the construction of the new International Passenger Terminal at the Ninoy Aquino International Airport in Manila, Fraport AG shows a distributable profit of zero for fiscal year 2002. We will therefore not pay out a dividend for fiscal year 2002.

Manila represents an extraordinary non-recurring expense. We therefore expect to return to dividend distributions in 2003, because of the stable financial condition and anticipated business development of Fraport AG, provided, of course, that the Iraq war will not create additional significant risks for air travel.

Corporate Governance at Fraport AG

The Supervisory Board of Fraport AG unanimously adopted the Company's Corporate Governance Code in September 2002.

The Fraport Code guarantees to our shareholders an even greater flow of information concerning corporate activity, thereby enhancing confidence in the Corporation's executives and in the supervision of management. The Code contains additional instruments to promote even more efficient corporate control and generate still greater transparency for corporate policies.

The Fraport Code is based on the federal government's commission on the corporate governance code for German publicly-quoted corporations. The Code's guidelines comprise three categories. The Code lays the compulsory legal foundation for corporate governance; it includes arrangements that go beyond specific legal provisions or supplement the law in a certain manner (suggestions); and it specifies proposals (recommendations) for behavior that is oriented on corporate governance, which is expected by capital market participants.

Fraport AG has adopted its own corporate governance principles, thereby largely taking into account the recommendations of the government commission for the German corporate governance code. Fraport is committed to following additional voluntary recommendations put forth by the code. Fraport AG thereby underscores its position with respect to progressive and comprehensive corporate governance provisions.

Corporate governance at Fraport AG thus corresponds to the recommendations of the government commission with the following exceptions:

1. Remuneration to the members of the Supervisory Board currently does not have a success-oriented, variable component. However, the Executive Board and Supervisory Board have already decided to propose to the next Annual General Meeting that this type of reimbursement component be added to the Company's statute (5.4.5, II).

2. The consolidated annual financial statements for financial year 2002 will be publicly accessible at the latest on April 30, 2003. Beginning in financial year 2003, the organizational groundwork will have been established for the submission of annual financial statements within 90 days following the financial year-end in the future (7.1.2, Sentence 2).

3. Currently, there is no deductible provided for by the existing D&O insurance for Supervisory Board members. Nevertheless, at its meeting on September 18, 2002 the Supervisory Board approved the establishment of such a provision. This arrangement will satisfy the code as approved and provide for a deductible. A corresponding provision is to be implemented during the first half of 2003. (3.8, II).

With its strong corporate governance provisions, Fraport AG is striving to win the confidence of capital investors and promote a willingness to invest in one of the biggest airport operators. This should thereby further enhance the longstanding tradition of exemplary corporate management.

Intensive Investor Relations

In 2002, Fraport continued its intensive dialogue with investors and analysts. A high point was reached at the first Annual General Meeting in June 2002, which attracted over 2,500 visitors. Presentations were also held for analysts in connection with the presentations of the financial figures for fiscal year 2001 and the first half of 2002.

Periodic information within the framework of the quarterly report, which was introduced in 2002, related conference calls with institutional investors and analysts, and live transmissions over the Internet for our private shareholders stress our action plan of providing equal access to information for all shareholder target groups.

In 2002, we strove to attract investments in Fraport shares by means of road shows in all the world's key financial marketplaces. In periodic private conversations, we also provided detailed information and answered questions from investors. The high degree of acceptance of Fraport in the financial market is especially gratifying. All major German and international private and investment banks have meanwhile taken note of the coverage provided by financial analysts.

High priority was assigned to expanding and cultivating our investor relations presence on the Internet. This site makes available all the information that is of importance to investors as well as all the presentations that have been held since the original initial public offering (IPO). All presentations can be downloaded.

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.

Human Resources

Capable, motivated, and performance-oriented employees are a major factor in the success of Fraport AG as an airport service provider. Fraport employs thousands of highly experienced airport specialists. The trouble-free handling of complex airport processes could not be fully guaranteed without the considerable personal commitment and flexibility of these individuals.

At Fraport AG, there is a longstanding tradition of cooperation based on trust among employees, staff representatives, and corporate management. As part of this tradition, Fraport makes every effort as an employer to even out fluctuations in capacity utilization by means of innovative personnel concepts – if at all possible, without the need for operations-related employment terminations.

With this in mind, the excess capacity of individual segments resulting from traffic declines in the months following the terrorist attacks of September 11, 2001, were offset through systematically redistributing jobs – particularly in the area of passenger screening and airport security. Again in 2002, operations-related job terminations could therefore be averted.

Exemplary Company Agreement

The central goal of the WM 2005 value-enhancement program is to increase both competitiveness and corporate value. The preservation and growth in jobs in the Fraport Group is closely related to these goals. In the autumn of 2002, a company agreement was signed between the Executive Board and the works council governing the framework for personnel policies under WM 2005. This agreement regulates not only the social and material security of the employees. It also governs the conditions for a program designed to enhance employee qualifications by means of specially targeted specialized training courses that help staff members qualify for new responsibilities.

Innovative Concepts to the Benefit of Employees and Their Effectiveness

A further highlight event in the human resources area in 2002 was the launching of the GATE project (in German: "**G**esund und **a**nwesend – das **T**or zum **E**rfolg" – "Healthy and present – the gateway to success"). The goal of this project is to vigorously promote the health of employees and thereby perceptibly reduce the average sickness absence rate. The awareness of employees of the issue of health was enhanced within the framework of GATE through a number of individual measures.

Systematic Development of High Potentials

Acquiring talented employees and ensuring their long-term loyalty to the Company are among the central tasks of our human resources policy. A concept for management development that was introduced in 2002, which extends to the entire Group, along with the integrated management development program (KIM), which was launched this past year throughout the Group to promote globalization, are designed to promote these goals. Within the framework of this latter program, senior management and experts of Fraport are currently being prepared to assume future management functions in Germany and abroad.

Many employees again participated in our employee stock participation program last year. Innovative and diverse offers make it easier for employees at all levels of the Company to acquire shares in the company that employs them. Over 60 percent of Fraport's staff have meanwhile expressed their loyalty to the Corporation by acquiring employee shares.

Environmental Management

Environmental protection is a central element of Fraport's corporate philosophy. The primary goal is to contribute to sustaining the foundations of life for future generations. To meet its particular responsibilities as an airport operator, Fraport has integrated environmental management into the Company's strategic management.

Economic and ecological efficiency and sustainability are the paramount principles of our environmental policy. Avoiding pollution is more important for us than abating the effects. The goal of our environmental management is the strategic reduction of the damaging effects of the airport's operation on the environment. In particular, this means that we assign priority to the efficient use of natural resources: earth, water, air, and energy.

For example, through the sensitive utilization of the water resources, we succeeded in cutting back the consumption of fresh water at Frankfurt Airport between 1991 and today by approximately one-fourth despite the substantial increase in the passenger volume over the past decade. This was made possible through the systematic use of industrial water and a large number of individual measures, such as the use of flow limiters in lavatory basin faucets. This measure alone reduced annual water consumption by several thousand cubic meters.

Strategic Environmental Management with Economic Incentives

Aspects of environmental protection have also influenced our corporate operations for over 30 years – for example, in 1974 we were the first German airport to introduce noise-based airport fees. This fee arrangement, based on the polluter-pays principle, has been continuously refined since its introduction and adapted to the latest technical developments. In this manner, we have perceptibly reduced noise emissions in the Frankfurt/Rhine-Main region despite the growth in air transport.

Furthermore, in connection with the key issue of intermodality, the systematic linking of road, rail and air transport systems at the Frankfurt Airport hub contributes to optimizing traffic flows to the benefit of environmental protection. By making more suitable means of transportation available, such as the rail, many short-haul flights can be avoided. Passengers departing from or arriving at Frankfurt Airport have a direct connection to German Rail's high-speed ICE (InterCityExpress) network at the AIRail Terminal.

Expansion Planning Covers Environmental Issues

For the expansion of Frankfurt Airport, which is being planned in line with projected future traffic growth, we have made certain from the very beginning that our many years of experience in environmental management and environmental technology become part of all project planning and

realization measures. For example, the minimization of ground utilization plays a crucial role in the process of planning for the expansion. We thereby compensate for the unavoidable encroachment on the environment through systematic afforestation activity in the surrounding region.

Fraport launched a noise abatement program in the spring of 2002. This program improves sound insulation of bedrooms in neighboring resident's homes. Completion of the noise abatement measures is based on a concept that has been coordinated with the responsible state authorities. Over 1,200 applications have been submitted to date. The cost is financed by an additional passenger fee levied on the issue of flight tickets.

Many Years of Success for Fraport Environmental Sponsoring

We have contributed a total of approximately €13 million to our eco investment fund, which was established in 1997. We have since supported over 200 large and small environmental projects in the Frankfurt/Rhine-Main region. Over half are "traditional" nature conservation and environmental protection measures. Additional measures include ecological research and environmental education projects.

For example, the Forest Knapsack project has enjoyed unexpected popularity; we intend to help strengthen the understanding of young people for nature. To make it possible to equip additional elementary schools with these teaching aids, the Forest Knapsack project was again included among those receiving support in 2002.

Intermodality

In Frankfurt, we favor the intelligent networking of rail, road, and air transportation systems. This intermodality is one of Frankfurt Airport's key success factors. Linking up with the railway system's high-speed network geographically expands Frankfurt Airport's catchment area and increases the number of passengers who use the airport, thereby securing an important competitive advantage for us. **Fraport – The Airport Managers.**

Ground-handling Services

Fraport's aircraft-handling services at Frankfurt Airport are based on a complex logistics chain with the highest degree of precision and speed. With a shortened turnaround time, the excellence of our ground-handling services lends a boost to punctuality and enhances the performance of the overall air transportation system. Fraport's core expertise in this area thus becomes a strategic factor for success for the airlines.

Thursday, December 12, 2002: A takeoff is delayed at 7:25 in the morning local time at London-Heathrow (LHR). The Airbus A310-300 Aschaffenburg with flight number LH 4669 is in the air, on the way to its destination of Frankfurt Airport (FRA). A total of 168 passengers, 150 pieces of luggage, and two metric tons of cargo are on board. The 9:35 scheduled arrival time cannot be met, even if the pilot were to make up for some lost time during the flight. Arrival is now scheduled for 9:45, because the plane is scheduled to depart Frankfurt Airport for London again at 10:45. Only efficient and rapid ground handling can make up for the lost time. The danger is that should these efforts fail to succeed, the result could be a chain of delays during the rest of the day and well into the evening hours due to the closely timed rotation schedule in effect for Lufthansa's Airbus, the Aschaffenburg.

The ground-handling service specialists of Fraport AG go into action now. As partners to many airlines at Frankfurt Airport, they are responsible, among others for ground handling – the processing of planes parked on the apron and at the terminals. With over 6,200 highly-trained, specialized personnel using diverse special equipment and the computer-controlled, 67 kilometer-long baggage conveyor system, this division organizes the comprehensive ground handling of the aircraft within closely defined time slots – at the apron, when checking in passengers and their baggage at the airline counters, and behind-the-scenes.

Precision Work Against the Clock

Even prior to takeoff in London, precise data was transmitted concerning the number of passengers, the number of pieces of luggage, and the volume of cargo on board. Detailed information on connecting flights as well as the destinations of the 63 passengers needing to make a connection at the Frankfurt hub is received simultaneously. This timely communication of relevant data ensures a trouble-free forwarding of luggage via the baggage conveyor system either to connecting flights or the baggage claim area after the plane lands.

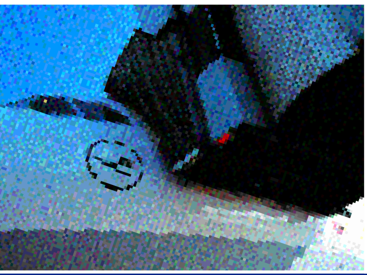
9:59: After landing, LH 4669 finally rolls to its parking position at Terminal 1. On blocks: yellow wheel chocks hold the aircraft in position, the aircraft brakes are released, and the engines are switched off. The plane is connected to Frankfurt Airport's electric ground power supply network, which guarantees a low-pollution supply of electric power for important on-board systems such as air conditioning after the plane's engines are shut down.

The clock now begins ticking for the professionals of the ground-handling services. This division's closely meshed logistics network is ready for action, and baggage and cargo specialists are ready to receive incoming freight. Cargo, mail and baggage containers are prepared for processing. The loading agent of Fraport Aviation Ground Handling and Logistics assumes responsibility for coordinating all the activity affecting the aircraft. This specialist plans and monitors each one of the more than one hundred steps necessary over the next 45 minutes maximum. As soon as the turbines are switched off, the passenger loading bridge is docked to the fore exit and the service bridge to the aft exit for cabin cleaning personnel. The engines and the wing tips are protected with markings to ensure that supply vehicles do not damage the aircraft.

Numerous Synchronized Steps

While the passengers begin debarking, the cargo doors are opened and a highlifter approaches – a vehicle that begins unloading baggage and cargo containers to place them on waiting trailers. A conveyer belt is set up for individual pieces of luggage, which also makes it easier to unload bulky items such as bicycles or strollers.

Within a short period of time, the aircraft is surrounded by numerous vehicles. The unloading and loading vehicles are joined by a catering truck, a toilet service vehicle, a fresh-water tank vehicle, and the van that brings up to ten cleaning staff to clean and clear up the aircraft cabin in the few minutes available between the debarking of arriving passengers and the boarding of departing passengers.



The unloading process is already completed 19 minutes after the arrival of the Aschaffenburg. Before the passengers embark, the plane has been refueled, provisions have been supplied by Catering, and the interior has been cleaned by the ten-member cleaning crew. The cargo and baggage loading procedure, which is subject to strict security guidelines, ensures that passenger baggage can be unloaded at the destination airport as quickly as possible. The Aschaffenburg is ready for takeoff within 46 minutes. If necessary, an aircraft can even be readied for takeoff in just 30 minutes. This is possible thanks to the close-meshed logistics chain, which is operated by Fraport's specialists with a maximum of precision and speed.

The fuel dispenser vehicle only approaches after the last passenger has left the aircraft. It establishes a link between the underground kerosene pipeline located in the apron area and the aircraft itself, ensuring a pressure balance between the pipeline system and the plane’s tanks during the refueling process. A Lufthansa crew bus brings the new crew. The captain and copilot make preparations in the cockpit and, using a special short dialing code, contact the loading agent via mobile phone.

Priority on Loading: Security

The unloading procedure is completed in just 19 minutes. Transport trailers with baggage, mail and cargo are already ready for loading. A precise loading plan is required so as not to ruin the sensitive weight and balance of the aircraft. This also makes it possible to rapidly offload passenger baggage on a priority basis at the destination airport.

Depending on the type of plane, the loading agent has already coordinated the arrangement of the baggage and cargo containers with the airline’s operations headquarters and is now monitoring the precise implementation by his or her team in close contact with the cockpit crew.

Cargo is stowed first, followed by mail and finally by baggage. To ensure maximum security, prior to stowing all the 193 pieces of baggage, a precise security check procedure determines whether the owners of these baggage items are also on board. If a passenger who has checked in baggage has not boarded the plane, the corresponding piece of luggage will not be loaded. Screening of hold baggage in the form of random sampling has long been a security-enhancing measure at Frankfurt Airport. To meet increased security concerns of passengers and customers following the 9/11 terrorist attacks we have gone a step further: Since January 1, 2003, we have provided 100-percent hold-baggage screening at Frankfurt Airport. Thus we have set new international standards again. To secure cargo from shifting during the flight, it is tied down to pallets, which, in turn are solidly anchored within the plane. As live cargo, two sheepdogs owned by one of the passengers are placed in the special air-conditioned freight compartments of the Airbus.

Simultaneous Loading and Boarding

The catering, waste disposal, and supply vehicles gradually drive away. However, the hatch to one of the cargo holds remains open until shortly before takeoff to permit the loading of last-minute baggage.

Immediately after the refueling process is completed, at Terminal 1 the 207 passengers begin to board for the return flight to London via the passenger loading bridge. The copilot runs through the so-called outside check covering the plane’s exterior, looking especially closely for engine damage or irregularities on the tail unit. Finally, donor organs destined for a London clinic reach the plane. As time-sensitive cargo, they must be sent to their recipients within a short period of time.

In just over 15 minutes, the passengers have boarded the aircraft and the cabin doors are closed. The last baggage conveyer belt is driven away and the passenger loading bridge moved away from the aircraft. Since the air temperature on the ground is only slightly above freezing, the deicing specialists of Fraport’s N*ICE subsidiary spray the wings and tails with deicer, which remains effective until the plane takes off. The engines are started up.

Efficient Ground-handling as a Competitive Factor

It is 10:52. Off blocks: the wheel chocks are taken away. A towing tractor pushes the Aschaffenburg back onto the taxiway. A Fraport employee establishes direct contact with the cockpit via cable and assists in the aircraft’s walk-out. The plane arrives on the taxiway and the towing tractor is disengaged. A short and powerful thrust by the engines starts the aircraft moving under its own power towards the takeoff runway.

Thanks to efficient handling, the initial 25-minute delay has been cut back by 18 minutes. A greater reduction would have been possible, but the slot situation at that time did not permit an earlier takeoff. In times of flight timetables determined with precision down to the minute, Fraport’s ground-handling services are an important competitive factor for all the airlines that use our services – 24 hours a day, even during busy periods, over 1,200 times a day.

Runway Maintenance

The prime responsibility of air transport is safety and security. As the airport’s lifeline the runway system must always be in optimal condition. Runway maintenance is a 24-hour job for Fraport’s experts in the Traffic and Retail division. They are responsible for the coordination and control of all maintenance efforts.

5:37 in the morning: After 13 hours in the air, the Cathay Pacific plane from Hong Kong is approaching Frankfurt Airport for landing. It is pouring rain. Nevertheless, the brake coefficients confirm to the pilot that he can land without problems. The braking effect will be favorable despite the wet runway. An central apron control employee ascertained the data using a yellow and black friction tester – a car outfitted with an additional measuring wheel – traveling at nearly 100 km per hour on the takeoff and landing runways.

The plane lands in Frankfurt without a hitch. The passengers from flight CX 289 are already moving towards the baggage claim area. None of them is aware of how much effort is involved in assuring maximum safety thanks to a well functioning runway system. The experts in traffic and terminal management make certain that the takeoff and landing runways as well as the taxiways are in an optimal condition. Full concentration and precision work are required, for just an instant of carelessness could cause considerable disorder in international air traffic. After all, there are an average of 1,251 flights each day at Frankfurt Airport. In busy periods, more than 80 planes take off and land each hour.

On the Job 24 Hours a Day

The central apron control staff have their hands full, because the northern and southern takeoff and landing runways as well as the western takeoff runway are each four kilometers long and 60 meters wide. At least once every four hours, and even more often if required, they become a part of the air traffic process and monitor the condition of the runway surface, the markings, the lighting, and the signs. The focus is on removing loose parts from the runway, because even small objects could be whirled up and damage an aircraft’s engines or important operating parts.

The runways are additionally cleaned during the night from Sunday to Monday in their full length and width. The special equipment used is outfitted with magnets to pick up any loose metal parts.

The work on the airport's runway system is especially energetic between 22:30 at night and 6:00 the next morning. During this time, over 25 firms are actively working at the airport. Work is progressing at top speed under the guidance of the construction coordination unit of Fraport's Traffic and Retail division. During this period, they undertake ongoing maintenance work on one of the three runways and larger modernization projects. Every minute counts, because no takeoff or landing may be cancelled.

Regular Checks Ensure Optimal Functioning

Moreover, at night, the center lines and border lights are checked – that is, the lights along the middle guideline and to the sides as well as at the beginning and end of the runways. Maintenance work in this area is undertaken by Fraport's own electrical department, the so-called lighting unit. The lighting is very important for a pilot's orientation during the landing approach and while taxi-ing.

A safe landing also necessitates the removal of the rubber that has rubbed off plane tires on the runways. During the landing process, tires leave heavy rubber tracks on the runway surface because at touchdown, in a fraction of a second the tires accelerate to over 200 km per hour. The friction tester goes to work here as well, identifying the areas with an inadequate braking effect. Using high-pressure water hoses, the rubber is dissolved, vacuumed, and properly disposed of up to five times a year. In 2002, some 28 metric tons of rubber residue had to be removed from the touchdown areas of the runways.

__The friction coefficient of the runways, the lighting for the runway system, and the green areas with their borders between the taxiways and the runways are all periodically monitored. Our specialists take advantage of the low-traffic nighttime hours to work on the runways, making small improvements and even undertaking comprehensive rehabilitation measures. This guarantees the smooth functioning of our runway system.__

Most of the ground markings must be renewed once a year. However, the process of over-painting results in a buildup of layers of paint, which become so thick that they must be completely removed and renewed every few years.

Safety in All Weather Conditions

Providing winter services is especially labor-intensive. Fraport employees from various units are on call to supplement a core team that is responsible for providing winter services. In times of heavy snowfall, up to 250 employees are responsible for ensuring that the runways, taxiways, aprons, and other areas remain free of snow and ice. Staff members are always on call during the period from November 15 through March 31. They make use of some 30 blowers and snow plows as well as snow throwers – which hurl the snow around 80 meters away from the runway – to remove the snow.

During snowfalls, the friction tester is continually at work checking brake coefficients, thereby supplying the required data to the winter services. The data, on which the pilots base their takeoff and landing decisions, is conveyed directly to air traffic control. Additional control is provided by the probes of black ice reporting equipment that are imbedded in the runways and give an overview of the temperature and extent of ice buildup.

Obstacle Clearance Combined with Animal Protection

Weather is not the only aspect of nature that must be taken into account in maintaining the runway system and the airport's operation. The approximately 500 hectares of space between the taxiways and the runways are surely the biggest parcel of non-agriculture grassland in the region. Yet animals, especially birds, endanger air traffic in the areas of the runways. A full-time forest ranger with staff are responsible for this. They catch the animals live and set them free again in safe areas. Fraport's own plant nursery mows the large grass areas, and outside firms trim the branches of trees that extend into the aircraft approach and the takeoff areas in order to fulfill statutory requirements ensuring obstruction-free operation.

Operationally Prepared for the Future

Maintenance of runways and other air traffic space requires considerable expertise and is costly. A total of approximately €4.6 million was spent in 2002 for ongoing civil engineering maintenance alone – for example, repairing the runway surface, renewing markings, and removing rubber residue. An additional €3.7 million was spent for electrical maintenance as well as for cleaning, the winter services, and maintaining green areas.

Fraport's experts in Frankfurt will face many labor-intensive night shifts, because in addition to the regular construction work, the northern runway has been subject to a comprehensive basic renovation since April 2003; work should be completed by the summer of 2005. In order to nevertheless ensure an uninterrupted flow of air traffic, construction work is being undertaken a few meters at a time, night after night. A special mixture of asphalt and synthetic resin is used here, so that each morning the northern runway is fully operational again. Additional responsibilities have arisen in connection with the planned construction of the new northwestern landing runway.

The newly constructed facility will be a challenge for the staff of the Traffic and Retail division, because it will make runway maintenance work even more extensive. This applies especially to logistics services. An even greater number of simultaneously running processes will need to be coordinated to ensure the full functionality of the runway system. Nevertheless, the staff of the Traffic and Retail division of Fraport AG already are preparing for the necessary capacity expansion. They will ensure that planes land and take off reliably and on schedule, even in view of the projected additional global growth of air traffic at Frankfurt Airport.

Frankfurt-Hahn Airport

Budget flights are becoming an increasingly important business segment in Germany. This development also makes it necessary on the ground to tailor offers to the needs of low-cost carriers and their passengers. With its strategic commitment to Frankfurt-Hahn Airport towards the close of the 1990s, Fraport AG has demonstrated its pioneering spirit. Setting off on this new course has proven to be the correct decision. By 2002, the passenger volume had already reached over 1.4 million, and the chances are good for Frankfurt-Hahn to establish a solid position among the top ten German passenger airports in 2003.

Consumers have meanwhile become as price conscious in their travel decisions as they are in their day-to-day purchases at the local food discounter. Low-cost flights have become a particularly important factor. Through intensive marketing by the steadily increasing number of suppliers in Germany and abroad, pricing is increasingly gaining in importance as a key criterion for passenger air travel.

Even though, in the opinion of many experts, the low-cost market with its many newcomers is still at a relatively early stage of development, an ongoing market re-segmentation of passenger air travel is expected. In the future, in addition to the continued existence of “traditional” offers for service and quality conscious customers – primarily in the short- and medium-range segment – offers will continue to be made for primarily price-sensitive passengers who are prepared to accept minimal comfort both on the ground and on board the aircraft in return for a lower ticket price. Overall, industry experts expect low-cost carriers to gain a market share of approximately 25 percent throughout Europe by 2010.

New Strategies for the Low-cost Market

In view of this figure, it is fully clear that that this new market segment will present airport operating companies with new opportunities – which, however, at the same time will also entail considerable challenges. To generate sustained new business with low-cost carriers, it is crucial for airport operators to associate themselves with such companies and to establish successful and long-term economic working relationships with them. At the same time, only those airports will be able to establish profitable business relationships in this new market segment whose services fully satisfy the needs of low-cost carriers. “No frills” is not only the strategic guiding principle of airlines like Ryanair or Germanwings. It must also serve as a signpost for the investment behavior of airports that strive for business success in this segment.




Fraport recognized the growing significance of the low-cost market at an early stage, acquiring a 73.1-percent share in Flughafen Frankfurt-Hahn GmbH from the federal state of Rhineland-Palatinate back in 1998. This facility in the Hunsrück region had been used by the U.S. Air Force as a military airfield from the end of World War II until the fall of Communism. The applicable strategy for the still young Frankfurt-Hahn operation concentrates on developing offers for low-cost carriers in the passenger travel sector as well as for a growing number of charter and cargo customers.

Further Rapid Increase in Passenger Volume Anticipated at Hahn

Developments to date at Frankfurt-Hahn bear out Fraport's strategy. Although just under 30,000 passengers were recorded in 1998, this figure had soared to over 1.4 million passengers in fiscal year 2002. The average number of daily flight movements exceeded the magic limit of 100 by the end of 2002. Projections call for a total of 2.3 to 2.5 million passengers in the low-cost and charter sector in 2003. Already today, this airport is a motor for jobs in the Hunsrück region. A total of 1,800 jobs have already been created by airlines, shipping agencies, newly established companies, airport administration services, and highly competent government administrative personnel in this structurally weak region.

The Irish-based airline Ryanair, one of the most successful low-cost carriers, has been located at Frankfurt-Hahn since 1999. Moreover, in 2001 Ryanair decided to establish its second base on the European continent there. From that location, the airline serves Oslo, Stockholm, Göteborg, London, Glasgow, Shannon, Bournemouth, Montpellier, Perpignan, Milan, Pescara, Pisa, Rome, Bologna and Girona – in some cases with several flights a day. In the airfreight area, in addition to Air France, the Russian airline Aeroflot is among the important customers and has established its European cargo hub at Frankfurt-Hahn. Particularly attractive for cargo traffic is the fact that there are no bottlenecks at Frankfurt-Hahn resulting from a shortage of free slots.




Fraport is pursuing two goals with its commitment at Frankfurt-Hahn Airport. The first goal is to offer low-cost airlines an attractive location – one with capabilities that are precisely tailored to the low-cost travel requirements of these airlines. The second goal is to realize an intelligent networking of Fraport's Frankfurt-Main and Frankfurt-Hahn airports in order to realize a systematic division of labor between the two locations: an international air travel hub on the one hand, and a low-cost provider on the other. The vigorous development experienced by Frankfurt-Hahn since the end of the 1990s confirms the correctness of our strategy.

Systematic Division of Labor between Frankfurt and Frankfurt-Hahn

To systematically optimize air transportation in the Frankfurt/Rhine-Main region, in the summer of 2002 Fraport AG, the Hessian Ministry of Economics, Transportation and Development, and the Rhineland-Palatine Ministry for Trade, Transportation, Agriculture, and Viticulture applied for the establishment of an airport system that would encompass the Frankfurt-Main and Frankfurt-Hahn airports.

The goal is a more systematic promotion of the characteristic features of the two airports – especially in the interest of the airlines themselves. This future-oriented airport system will provide the opportunity systematically to offer the individually required airport resources – a hub function on the one hand, and a low-cost area, on the other hand.

Even following its planned expansion, Frankfurt Airport will only be able to fulfill its function as a central hub airport if sufficient capacities are available for intercontinental flights and feeder flights by further developing network structures. Low-cost carriers are specialized in point-to-point routes without network linkups, and they do not offer network structures. That is why Frankfurt-Hahn Airport is favorable for them. Because an expensive infrastructure can be avoided due to the limited criteria profile compared with Frankfurt Airport, lower fees can be offered to the airlines.

Planning for Efficient Travel Connections

Furthermore, realization of the planned airport system also makes possible additional control opportunities in view of the ban on night flights that is planned following the expansion of the capacity of the runway system at Frankfurt Airport. Around-the-clock flights are no problem at Frankfurt-Hahn Airport – a major benefit in particular for freight airlines.

This systems approach is supported by the current expansion of the link between Frankfurt-Hahn Airport and the Frankfurt/Rhine-Main economic region. Among others, already today closely timed shuttle buses link Frankfurt Airport and Frankfurt's central railway station with Frankfurt-







Hahn Airport. In addition, intensive work is already in process to improve the roadway connection to Frankfurt-Hahn. A link with German Rail's network is also planned for in the medium term.

Further Growth at Hahn a Top Priority

The Frankfurt-Hahn catchment area extends far beyond the neighboring Frankfurt/Rhine-Main region and Cologne-Bonn. With some nine million inhabitants living within two hours driving time, this region is large enough to support continuing rapid growth. Thus Fraport has outstanding prospects for developing Frankfurt-Hahn into Germany's leading low-cost airport in the longer term – in terms of its operational status, thereby positioning it as part of an airport system with Frankfurt Airport as the Group's flagship.

Plans call for a further enhancement in the attractiveness of Frankfurt-Hahn both in terms of passenger and cargo traffic and for the acquisition of other airlines. Negotiations are currently being held with various providers, with finalization planned for 2003 or, at the latest, 2004. At that point, a further major increase is also anticipated in the passenger and cargo volumes. Expansion planning for Frankfurt-Hahn focuses on a demand-oriented, step-by-step increase in existing terminal capacities, with adequate land already available.

Retail Management

Airports are the marketplaces of a mobile society. With an inviting ambience and comprehensive retailing offers, Fraport AG is purposefully penetrating its considerable growth potential. This enhances the attractiveness of Frankfurt Airport for passengers and results in a marked boost in sales.

Baggage has been checked in and the security check completed. What could be better than spending the time left until boarding going on a pleasant shopping spree? Waiting rooms as locales for pleasant experiences: the terminals of the Frankfurt/Main international air transportation hub are superior for shopping and relaxation than many German downtown areas – and this at competitive prices.

The international public's high level of purchasing power makes the airport an extremely attractive location for retailers and restaurateurs. In times of declining retail sales, retailers located at Frankfurt Airport have experienced stable growth for many years. Unimpressed by stagnant passenger volume statistics and business cycles, passengers thereby ensure the success of concessionares and Fraport AG as the operating company of Frankfurt Airport.

Yet, the fact that on average air travelers are bigger spenders than casual customers in downtown areas is only one reason for this success story. Insistent and purposeful action is the crucial basis for the favorable development of retailing at Frankfurt Airport. Beside making available sufficient space at good locations, the principal aspects of Fraport's retailing strategy are the following: attractive architecture and interior decoration that invite you to linger; optimal signposting providing instructions for going from one place to another, which lead passengers to shopping areas along the way; and professional space management based on a demand-oriented attractive mix from varied specialty areas. The focus in the consumer retailing area is clearly on the sale of high-quality brand name merchandise. The placement of anchor stores, which are always required, is not ignored in the planning process. Thus, sufficient space is made available to permit travelers to purchase so-called travel requisites close by and without long waiting periods, not forgetting a relaxing cup of coffee along the way.

Frankfurt's Hub Function Stimulates Retailing

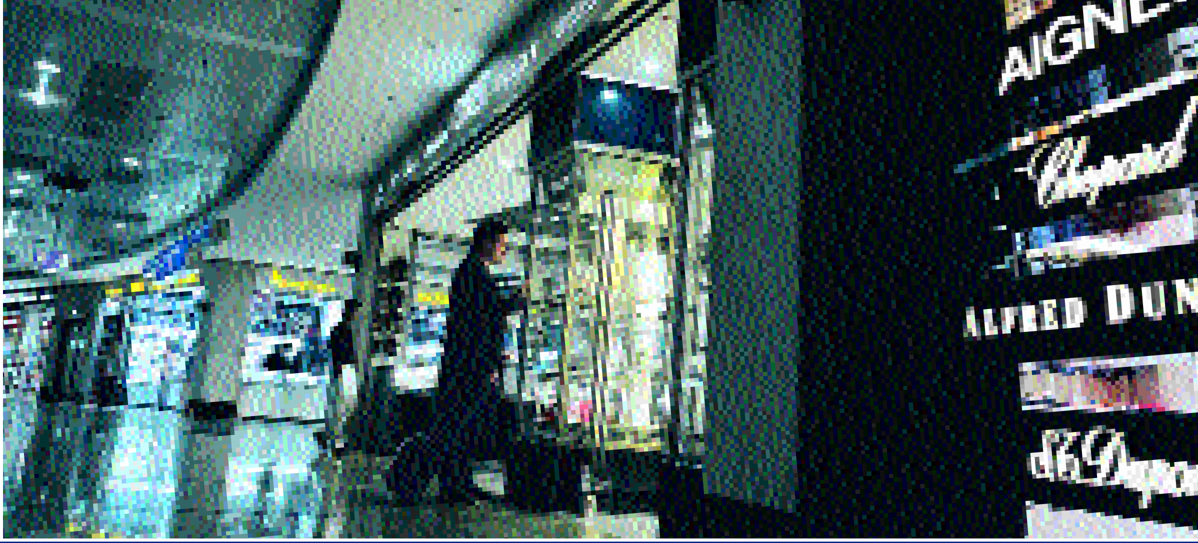
Retail spaces were already provided, of course, at the opening of Terminal 1 in the early 1970s. But at that time, shops primarily focused on covering travel requirements. For this reason, most retailing and food catering space was also situated landside – that is, before the security checks.

Today, however, especially in international air travel, waiting periods are increasingly being spent airside, beyond the security checks. With the development of Frankfurt Airport into the leading Continental European air transportation hub, the share of international passenger volume grew at a disproportionately rapid pace. Moreover, many passengers who are merely transferring from one flight to another at the Frankfurt hub remain at the airport. This frequently requires a period of waiting.

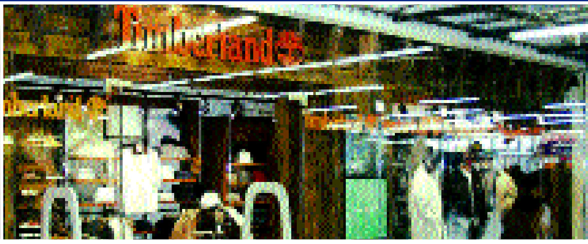
In recent years, the potential offered by a more efficient design of the retailing business at Frankfurt Airport has been recognized. Although only a small part of retailing and food catering space is located in the airside part of the terminal, by far the greater part of retail sales is realized there. Today, some 70 percent of sales is generated by the approximately 30 percent of retail space located airside.

Phased Expansion of Retail Space

It is the declared goal of Fraport continuously to enhance Frankfurt Airport’s attractiveness for air travelers as a center for shopping and food catering by means of investments in retailing. Retail space will be steadily expanded to a total of 20,000 square meters through 2007. Most of the new space will be located in airside areas of the terminals. Duty free and the successfully launched



The atmosphere at Frankfurt Airport, Continental Europe’s leading air transportation hub, is influenced by the high proportion of international travelers. With its high-end retailing offers, as an airport operating company Fraport AG has consistently met the needs of a more affluent clientele. We are continually optimizing available offers by purposefully modernizing existing retail space and designing new concepts. That makes the airport an attractive world of personal experiences for travelers and provides us with ever new growth potential.



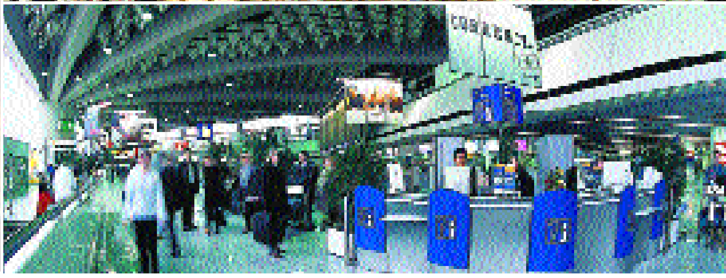
Travel Value concept for passengers traveling to airports within the EU as well as the sale of internationally prominent brand name merchandise is being increasingly augmented by products with regional characteristics. Attractive shopping opportunities are being offered in particular to an international clientele in this area.

The principal short-term projects are an additional shopping area in Hall A, the new marketplace in Transit Area B, and innovative dining concepts. Completely new shopping areas are being planned for Terminals 1 and 2 in the medium term, which are to be realized with an attractive structural form as a supplement to the existing building substance. In the long term, the Terminal 1 arrivals area as well as the space below the terminal is to be completely redesigned.

Shopping and food catering will also play a central role in the future Terminal 3. Planning for travel and shopping spaces on an integrated basis will make it possible to introduce completely new standards in retailing from the very beginning.

Strategic Partnerships Secure Additional Expertise

In order to take advantage of the architectural, planning, and building expertise of ECE, Europe’s market leader in shopping center services, a joint venture was formed by Fraport and ECE: Airport Retail Solutions GmbH (ARS). This new firm is already making a major contribution to the development of Frankfurt Airport’s large and continually growing retail potential.



To establish a continuously attractive range of products, Fraport's retailing experts place considerable value on a catalog of criteria for selecting new tenants, which is based on long-term planning requirements. Conceptual suggestions by potential tenants together with their credit standing are the determining factors in selecting a new tenant. Rents are linked to sales. Tenants report their financial results to Fraport on a monthly basis. This continually provides the facility management unit with full transparency regarding current retailing developments.

Fraport has been cooperating for some time with the French-based JC Decaux Group, the world market leader in outside and airport advertising, for the marketing of all advertising space on Frankfurt Airport property.

Increased Future Significance of Retailing Income

Fraport has ambitious plans for the future in the retail growth sector and intends to purposefully further develop this business area. Experience gained is also being used in the management at locations other than Frankfurt Airport. Already today, the economic contribution of the retailing operation represents an important sales pillar of the Fraport Group in addition to revenues from the aviation and ground handling segments. Concerted efforts are therefore being made to enhance the attractiveness of offers in view of the projected additional increase in passenger volume in the next few years. For our passengers, this means one thing above all: Having fun while shopping!

The Exciting Airport World

Airports are not only transportation centers for us, but a focus of personal experiences as well. At Frankfurt Airport, we offer passengers, visitors, and the employees of firms residing at the airport a broad range of shopping, food and dining facilities, and other services. We are successfully developing, planning, and operating the exciting airport world – in Frankfurt and globally. **Fraport – The Airport Managers.**

An Interview with Prof. Manfred Schölch

"The expansion will secure Frankfurt Airport's top position and create new jobs."

Questions concerning growth at Frankfurt Airport, posed to the Executive Board Vice Chairman of Fraport AG.

Prof. Schölch, everybody is talking about the expansion of Frankfurt Airport. What growth is forecast for Frankfurt?
Already today, Frankfurt Airport is a leading Continental European hub for passenger and cargo transportation. Forecasts call for the number of flight movements to increase from 459,000 in 2000 to approximately 660,000 in 2015. Over the same period, the airline passenger volume will rise from 49.4 million to 82.3 million. Cargo volume will also grow considerably, increasing by approximately 1.6 million metric tons to some 2.8 million metric tons.

Against this background, expansion is a question of future existence …
Frankfurt, which has solid potential for the future as an airport location, will continue to be the core business of Fraport AG if its capacities can be developed in line with market demand. If capacity stagnates, the requirements of customers and the region will not be met. With the expected growth in passenger volume and airfreight tonnage, the airlines can only be assured of demand-oriented and trouble-free service if the airport's capacity is expanded.

In view of such forecasts, what would be the consequences of not expanding the capacity of Frankfurt Airport?
A demand-oriented expansion of Frankfurt Airport is the deciding issue in determining the future position of Frankfurt Airport in global air transportation. Incidentally, the planned investment volume of approximately €3.3 billion is currently the largest private-sector investment project in Germany. Already today, the airport provides more than 62,000 jobs at nearly 500 companies, government agencies, and institutions. As was confirmed by the expert opinions drawn up in connection with the regional planning procedure, as many as 168,000 jobs in the region depend on a functioning airport in Frankfurt. When the expansion is concluded, the number of employees at the airport will grow to approximately 95,000 through 2015. Overall, a total of at least 50,000 additional airport-dependent jobs are expected. The airport expansion will thus secure jobs and serve as a motor for growth in the region.

What are the specific components of the investments in expansion?
The Airport Master Plan, which we presented in the autumn of 2002, calls for a total of three crucial construction measures through 2015: The maintenance base for the wide-body Airbus A380, the northwest landing runway, and the new Terminal 3 in the southern part of the airport.

What does the maintenance base for the Airbus A380 have to do with the expansion of the airport's capacity? Aren't maintenance facilities necessary for all aircraft in any case?
The new maintenance base is one aspect of the expansion – it ensures that Frankfurt Airport remains competitive – no more, no less. The wide-body Airbus A380, with more than 500 seats, will mainly be put into service on routes between hub airports in the future. Our goal must be to make Frankfurt Airport fit for this new aircraft generation – and put simply, one aspect of doing this is to provide for maintenance of the planes. It is interesting to note in passing that the A380 will be quieter and more environmentally friendly on takeoff and landing than the currently largest civilian aircraft, the Boeing 747-400. We will only be in a position to consolidate the hub function of the FRA location in the future if we keep pace with the development of air transportation at Frankfurt. Lufthansa, our biggest customer, who beginning in 2007 intends to station its own A380 fleet of at least 15 aircraft long term at Frankfurt, also needs this planning security.

In other words, the A380 maintenance base and the new northwest landing runway have nothing to do with each other directly?
The A380 will be put into service regardless of the planned capacity expansion of the runway system. Because of the urgently needed completion of the maintenance base – at the latest when the first new wide-body planes go into service – last year we took the logical step of separating the zoning procedure for the maintenance base from that for the new landing runway. The former was initiated in January 2003. This ensures that the A380 maintenance base will be available on time.

You've already discussed the projected future growth in traffic. What role will the new landing runway play here?
It is the keystone for handling the increasing volume of traffic. Fraport is striving to boost its capacity from 80 coordinated flight movements per hour today to as many 120 per hour by means of the expansion. The results of the mediation undertaken prior to activation of the regional planning procedure confirmed the necessity of the capacity expansion to handle the impending growth in traffic.

What were the basic reasons for the planned construction of a landing runway to the northwest of the airport site?
During the regional planning procedure that followed the mediation process, three expansion options were studied: a landing runway to the northeast of the airport, a landing runway to the northwest, and a takeoff and landing runway in the southern part of the airport. The regional planning procedure, which was concluded in June 2002 upon presentation of the regional planning evaluation, found that the northwest landing runway option should be adapted to regional planning requirements on a priority basis. We had already expressed our preference for a northwest landing runway during the mediation because this option offers the best compromise between capacity expansion on the one hand, and environmental protection and the least possible noise pollution for the surrounding region on the other hand.

So a new landing runway is absolutely necessary to cope with the growth in traffic?
Already during the mediation, but afterwards as well, opportunities were examined for shifting traffic elsewhere and making more use of intermodal transportation offers. Indeed, increasing use is being made of such opportunities. I refer here to our new high-speed ICE train station as well as to the fact that Frankfurt-Hahn is already realizing considerable success in the low-cost segment. Furthermore, a systematic shift of cargo and charter traffic especially nighttime flights to Hahn would also be conceivable within the framework of the airport system applied for in 2002, which covers the two Fraport locations in Frankfurt and Hahn. We are striving for mutual agreement with the airlines on this issue. Despite these efforts, however, in view of traffic forecasts there is no way of getting around a new landing runway. The existing capacities in Frankfurt are being fully utilized.

What steps will be taken next in the expansion program?

The documentation for the zoning procedure covering construction of the northwest landing runway is currently being carefully put together by Fraport on a priority basis. The scoping hearing comes next, at which the focus will be on the methodology for viewing environmental issues. Subsequent to that, we will activate the zoning procedure so that the northwest landing runway should be inaugurated by the end of 2006. In order to limit noise pollution in the neighboring communities, Fraport will meet its commitment to apply for a ban on nighttime flights between 23:00 to 5:00, when the new landing runway is inaugurated.

And why is a new terminal needed?

Of course, it is necessary to do more than just expand the runway system. The maximum annual capacity of Terminals 1 and 2 is 56 million passengers. With nearly 50 million passengers already today, we hardly have any reserves. For this reason, construction of the new Terminal 3 has also been included in the airport master plan. Completion is expected after 2005, when Fraport AG will take possession of today’s U.S. air base in the southern part of the airport site. We will undertake the construction of the new terminal on a modular basis, with the individual terminal modules completed in keeping with the development of the passenger volume. We could not afford to construct such a facility for the purpose of holding it in reserve – that would be an irresponsible use of our shareholders’ capital. The expansion of Terminal 3 must make sense at each stage of its expansion. In any case, once the terminal is open, in order to hold a top position in the competition among hub airports in the long term it will be absolutely necessary to still be in a position to guarantee a transfer time of 45 minutes.

What will be the capacity of the new Terminal 3?

When expansion is completed, a total of 50 docking and 25 apron positions will be available for aircraft, at which time approximately 25 million passengers can be welcomed there annually. With this new terminal, Frankfurt Airport will be in a position to handle a total of more than 80 million passengers a year.

Not everyone looks on the airport’s expansion favorably. What conclusion do you draw from this?

There is not a single construction project in Germany that meets with everyone’s unreserved approval. Nevertheless, a recent representative survey conducted by the “polis” institute shows the following: In the area surrounding the airport, which extends to the Taunus and Odenwald regions as well as to the cities of Mainz and Hanau, a stable majority of the population is in favor of expanding the airport with a simultaneous ban on nighttime flights. And in fact, it is crucial that the expansion of Frankfurt Airport progresses according to plan, while taking into consideration the legitimate interests of our neighbors in the region. As our principal customers, the airlines require this due to overall demand. They also require planning security. Passenger volume is expected to double again worldwide over the next 10 to 15 years. Without the expansion, the future growth of air traffic will pass Frankfurt by. This would have a negative impact on the economy and jobs in the region as well as overall prosperity in our state of Hesse. But rest assured, to the great benefit of all those affected, the expansion will come.

Financial Report

Ladies and Gentlemen,
Dear Shareholders,

Due to uncertainty regarding the ongoing value of our activities in Manila, in 2002 we fully wrote down all the assets relating to the Manila project. The impairment write-downs relating to the Manila project totaled €289.5 million and had a significant effect on group results for 2002. The successful performance of the group in 2002, with growth in revenues and profits excluding the exceptional charge for Manila, was overshadowed by this one-time effect. The Fraport Group suffered a group loss for the year of €120.8 million. After a transfer from capital reserves, retained profits were zero, hence allowing no dividend distribution for 2002.

Despite the special effects of Manila and a difficult period following the events of September 11, 2001 the Fraport Group can look back on a successful business year.

Key figures € millions	2002	2001	in %
Revenues	1,803.6	1,580.6	14.1
EBITDA	241.9	507.2	– 52.3
Results from ordinary activities	– 35.1	170.2	– 120.6
Group results	– 120.8	101.1	– 219.5
Capital expenditures	290.5	883.4	– 67.1
Cash flow from operations	395.6	364.8	8.4
Shareholders' equity	1,803.4	1,964.3	– 8.2
Total assets	3,620.7	3,672.0	– 1.4
Average number of employees (excluding trainees)	21,395	15,526	37.8

Highlights for 2002

- Recovery of air traffic – passenger traffic at Frankfurt Airport level with last year.
- Revenues up 14.1 percent to €1,803.6 million.
- Higher revenues in retail business at Frankfurt, up 12.1 percent to €67.6 million.
- Excluding the special charge for Manila, Group profits for the year would have been €106.7 million.
- Full consolidation of ICTS Europe Holdings B.V.
- Expansion of Frankfurt Airport: Completion of regional planning procedure (Raumordnungsverfahren) in June 2002, Fraport Group maintains its plans to complete the new runway by 2006.

Business Strategy

Our business strategy is based on three main pillars: consolidating our core business at Frankfurt Airport, expanding capacity to meet demand, and expanding outside Frankfurt. Thus, we are focussing on value-oriented growth and increasing our return on investment with the aim of being one of the three strongest and most profitable airport groups in the world by 2005.

Our Core Business

The core business of the Fraport Group is operating the Frankfurt Airport, one of the most important international hubs and Germany's largest airport. In order to maintain our market position, 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.

Frankfurt Airport's Growth Potential

The expansion of Frankfurt Airport is urgently required in order to maintain its long-term competitiveness and to allow it to participate in the forecast growth in air traffic.

The planned expansion includes adding a northwest runway to the existing runway system, as well as constructing a new passenger terminal and related infrastructure, primarily in the southern part of the airport. The airport expansion will enable capacity to reach some 660,000 aircraft movements per year, or 120 movements per hour.

The expansion requires various legally prescribed administrative procedures to be completed. On June 10, 2002, the regional planning procedure on expansion of Frankfurt Airport ended with the presentation of the state planning decision by the Darmstadt administrative district. This indicated that – in contrast to the south option – the northwest and northeast runway options comply with regional planning requirements if changes to the plan lead to a modification of various objectives set out in the South Hesse Regional Plan 2000 and if further issues are taken into account. A comparison of the two remaining options concludes that a runway in the northwest best meets regional planning requirements.

Fraport AG is currently preparing documentation for the zoning procedure (planning approval process or Planfeststellungsverfahren), which is required for the expansion of Frankfurt Airport. Because of the complexity of the procedure and the decision to prepare documentation as carefully and extensively as possible, filing of the zoning request, originally planned for 2002, has been postponed to 2003. The new runway is expected to be completed in 2006. Based on current knowledge, Fraport AG assumes that the entire project can be completed on schedule. In connection with the procedure, Fraport AG intends to apply for a nighttime ban on flights from 23:00 to 05:00 in the morning.

In 2002, Fraport AG began implementing noise abatement measures for households particularly affected by noise in the area around the airport, in compliance with requirements of the Hesse Ministry of Finance, Transport and State Development (HMWVL). This program for protecting nighttime peace now covers about 17,500 homes.

Independent of the planned airport expansion, Fraport AG notified the HMWVL in 2002 of its intended expansion measures for creating a maintenance base at Frankfurt Airport to handle Airbus' new A380 widebody jets. This second zoning procedure includes obtaining permission to build a hangar, an apron and a connecting taxiway required for the maintenance base. With its January 2003 application for a zoning procedure, Fraport AG is responding to the fact that Lufthansa, the main user of Frankfurt Airport, will begin operating the first A380 aircraft in 2007 and plans to base its entire A380 fleet at Frankfurt Airport. The Lufthansa A380 fleet will grow to 15 aircraft by 2015. By making this application, Fraport AG is meeting Lufthansa's need for planning security.

A significant milestone within the corporate planning process was the Supervisory Board's approval in September 2002 of the Airport Master Plan 2000. This plan serves as an instrument for planning and control and comprises all significant planning assumptions relevant for the future development of the airport's facilities and infrastructure. Starting from Frankfurt Airport's status on December 31, 2000, and incorporating the results of the state planning decision on the regional planning procedure of June 10, 2002, the Airport Master Plan 2000 sets out the framework for developing Frankfurt Airport through to 2015. The framework outlined in the Airport Master Plan 2000 is based on current knowledge but can vary depending on traffic development, results of the approval procedures, and Fraport AG's earning power.

We also see potential for growth in our retail business. Airports are increasingly becoming marketplaces, both for business travelers and vacationers who wish to enjoy the time they spend at airports as much as possible. They expect attractive shopping opportunities with a colorful and high-value range of products; enticing restaurants, bars and cafés where they can relax and enjoy themselves; as well as a wide range of services tailored to meet the diverse needs of people on the move. In addition to its primary function as an airport, retailing has meanwhile become a profitable business activity with above-average growth rates.

External Activities

One of our corporate objectives is also to achieve value-creating growth outside Frankfurt. The core of our internationalization strategy is exporting management and service abilities 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. Equity investments are not excluded but must meet the return on investment criteria for achieving long-term value enhancement.

WM 2005 – Creating Value for the Future

With its value management project, launched in 2001, Fraport has already started to optimize the internal monitoring and planning processes needed to achieve a value-oriented management system in response to the specific demands of capital markets. This objective is being rigorously carried out with the group-wide project "WM 2005 – Creating Value for the Future".

The main objective of the project, increasing value, is not just based on stock market values, but also on our competitive position and customer satisfaction. We want to grow steadily and profitably and increase our ability to react flexibly to market changes. Job security in an ever-changing market environment as well as our involvement in the region are also central objectives of the project.

As part of the "WM 2005" project, whose main phase began in February 2002, all the business segments developed value-enhancing measures centered on cost reduction, process optimization and higher revenues. In summer 2002 the Executive Board of Fraport AG approved the results of this project, an overall package with over 100 individual measures, for step-by-step implementation.

In addition to projects in the operating business areas at Frankfurt, the group structure is being reviewed with a view to strategic conformity and long-term value enhancement of the individual group entities and, where necessary, restructuring or disposal measures.

With the signature in Frankfurt of the works agreement to the "WM 2005" project in November 2002 an important milestone was achieved for implementing the changes needed. The agreement, signed by employer and employee representatives, sets out the framework for the form and implementation of measures in the program reflecting the interests of employees, together with procedures to secure wage levels and develop personnel. Capacity changes are covered by staff fluctuations, and efficiency improvement by personnel input and new work-time structures. When implementing the "WM 2005" measures, Fraport AG will also continue to avoid making redundancies due to the state of the business.

With the help of this package of measures, as from 2005 Fraport aims to achieve a constant improvement in group EBITDA of €150 million annually. Short-term steps taken in 2002 have already improved EBITDA by over €11 million. Further measures will also achieve visible success in 2003 and 2004.

Business Environment and Development of Air Traffic

The business environment was difficult in 2002. The overall economic position had a mixed effect on business activities of companies in the fast-growing air traffic business.

Business Environment

The global economic recovery increasingly slowed as 2002 progressed. Worldwide real economic growth was 1.7 percent for 2002 as a whole. The US market was comparatively robust with growth of 2.4 percent, but the rate of growth had declined considerably by the end of the year. The economies of European countries remained unsatisfactory. The geopolitical risks of a long-lasting war in Iraq, falling prices on stock markets and higher risk premiums for third-party debt negatively affected corporate business expectations as well as consumer confidence.

Gross domestic product (GDP)/world trade in 2002

Real changes compared with the previous year in %	2002
Germany	0.2
EU 15	1.0
USA	2.4
Japan	– 0.4
China	7.2
World	1.7
World trade	2.3

Source: United Nations, January 2003.

In Germany, real gross domestic product (GDP) showed only a marginal growth of 0.2 percent. Apart from state consumption, it was the external terms of trade, the balance of exports less imports, which contributed to this marginal growth. Exports increased by 2.6 percent, whereas imports declined by 2.1 percent. Imports were dampened by weak internal demand (– 1.5 percent).

Two factors were mainly responsible for the decline in domestic demand. On the one hand there were considerably lower capital expenditures by companies, and on the other hand private households continued to show consumer reticence. The drop in capital expenditures had a particularly negative effect on GDP. Capital expenditures were 6.7 percent lower than in 2001, whereby capital expenditures on equipment (– 9.4 percent) and construction (– 5.9 percent) fell dramatically.

Private consumption, to which 57 percent of the overall gross domestic product relates, decreased by 0.6 percent and was below the previous year's level for the first times in 20 years. A major reason for this was the 1 percent lower growth in available income of private households due to almost stagnating net take-home pay (0.2 percent). Net salaries were also dampened by a decrease of 0.6 percent in employment compared with the previous year and above-average high wage taxes and social security charges. Furthermore, there was another increase in savings, to 10.3 percent.

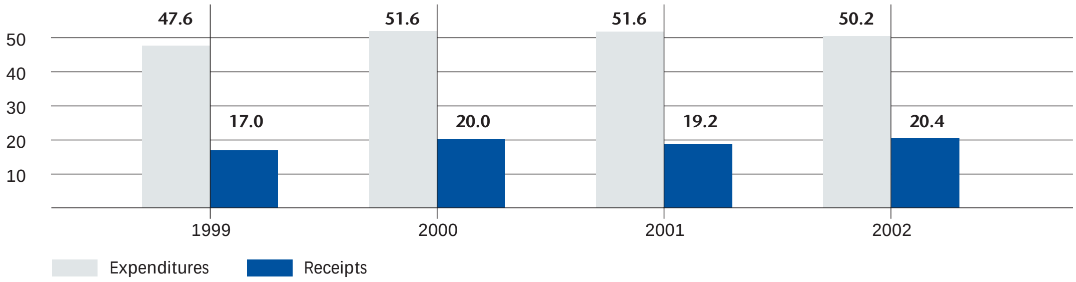
Outflows in real gross domestic product (GDP)

Change compared with the previous year in %	2002	2001
Private consumption	– 0.6	1.5
State consumption	1.5	0.8
Gross capital expenditures	– 6.7	– 5.3
Equipment	– 9.4	– 5.8
Construction	– 5.9	– 6.0
Other	2.5	5.0
Domestic output	**– 1.5**	**– 0.8**
Exports	2.6	5.0
Imports	– 2.1	1.0
Gross domestic product	**0.2**	**0.6**

Source: Federal Statistics Office, February 2003.

German balance of travel

in € billions



Source: German Central Bank, balance of payments statistics, February 2003.

Consumer reticence was also reflected in the German balance of travel. After 20 years of increased expenditure for vacations abroad, Germans spent 2.7 percent less than in the previous year for the first time, spending €50.2 billion in 2002 for holiday and business travel abroad. On the other hand, on the receipts side, travel to Germany was positive. Receipts from foreign tourists and business people rose by 6.3 percent to €20.4 billion. Germany profited from the trend to travel to neighboring countries, particularly following the introduction of the EURO.

Development of Air Traffic

The poor state of the economy, the effects of the terrorist attacks on September 11, 2001 and uncertainties regarding the political situation had a negative effect on air traffic levels worldwide. The number of passengers in 2002 fell globally by 0.4 percent compared with 2001. The decline at European airports was 0.5 percent, whereas cargo showed an increase of 1.3 percent. Passenger traffic at German airports was 2.8 percent lower than in 2001, whereas cargo movements, including airmail, increased by 3.5 percent.

The lower demand for passenger traffic forced many airlines to reduce their capacity. After bankruptcy proceedings were opened in 2001 for such well-known airlines as Swissair and Sabena, in 2002 two large US lines, US Airways and United Airlines, applied for protection from creditors (chapter 11). Only some European "low-cost/no-frills" airlines achieved double-digit growth rates, despite the overall weakness of the industry.

Comparative air traffic growth (in %) [1]

	Frankfurt Airport		Germany (International airports)		Europe		World	
	2002 [3]	2001 [2]	**2002** [3]	2001 [2]	**2002** [5]	2001 [4]	**2002** [5]	2001 [4]
Number of passengers	– 0.2	– 1.6	– 2.8	– 2.5	– 0.5	– 0.6	– 0.4	– 2.6
Airfreight tonnage + airmail (cargo)	1.3	– 5.5	3.5	– 3.9	1.3	– 6.1	4.3	– 8.4
Aircraft movements	0.4	– 0.3	– 1.8	– 1.8	– 2.7	– 1.1	– 1.9	– 3.0

[1] Passenger and cargo transportation figures refer to commercial transportation (arrival + departure + transit).
[2] ADV Monthly Statistics December 2001 (table of accumulated monthly amounts).
[3] ADV Monthly Statistics December 2002 (table of accumulated monthly amounts).
[4] ACI Monthly World Wide Airport Traffic Report December 2001, Geneva, 20.03.2002, no page ref.
[5] ACI Monthly World Wide Airport Traffic Report December 2002 Geneva, 24.03.2003, no page ref.

Traffic Movements in the Fraport Group

In contrast to the global and European-wide decline in the industry, 69.3 million passengers used Fraport Group's airports in 2002, an increase of 2.5 percent over 2001. Transported cargo tonnage (airfreight plus airmail) was up by 2.6 percent to 1.9 million metric tons, with the number of aircraft movements rising by 1.1 percent to 717,700.

Traffic figures for Fraport Group

	Passengers[2] (millions)		Cargo (airfreight + airmail) (thousand metric tons)[3]		Movements (thousands)	
	2002	Change to 2001 in %[1]	2002	Change to 2001 in %[1]	2002	Change to 2001 in %[1]
Frankfurt Airport	48.5	– 0.2	1,631.5	1.1	458.4	0.4
Frankfurt-Hahn[4]	1.4	228.0	139.3	3.0	25.7	12.4
Hanover	4.8	– 7.9	13.1	– 8.3	85.6	– 4.7
Saarbrücken	0.5	– 3.9	0.2	12.2	15.2	1.5
Antalya[5]	9.8	12.3	n.a.	n.a.	62.5	16.9
Lima[6]	4.3	4.2	136.7	26.1	70.3	– 2.5
Group	**69.3**	**2.5**	**1,920.8**	**2.6**	**717.7**	**1.1**

[1] Changes based on exact figures.
[2] Only commercial traffic in + out + transit.
[3] Only commercial traffic in + out.
[4] Hahn freight includes trucking.
[5] International passengers and movements.
[6] Internal data provided by Lima.

Traffic figures for Frankfurt Airport

	2002	2001	Change in %[1]
Passengers (millions)	48.5	48.6	– 0.2
Airfreight (in thousand metric tons)	1,514.8	1,494.1	1.4
Airmail (in thousand metric tons)	141.0	141.1	– 0.1
Aircraft movements (in thousand)[2]	458.4	456.5	0.4
Maximum take-off weight (in thousand metric tons)	24,926.9	25,564.5	– 2.5
Seat load factor (%)	69.8	68.2	

[1] Rate of change based on exact numbers.
[2] Excluding military flights.

Passenger traffic

Frankfurt Airport had 48.5 million passengers and hence 70.0 percent of group passenger volumes and was again the most important location in 2002. The number of passengers was 0.2 percent down on 2001, but Frankfurt Airport performed well in international, and in particular in national, comparison with an almost stable number of passengers. As a hub with a high level of continental and intercontinental transit passengers (in 2002 the transit share was 53 percent, the highest number to date) the airport profited from airline policy of concentrating their capacity on the major hubs in times of crisis. Furthermore, passenger traffic was less affected than other German airports by the considerable consumer reticence of German citizens, due to Frankfurt's high proportion of international passengers.

With its strategic position on the low-cost/no-frills market, **Frankfurt-Hahn** held up well in the market, despite the difficult economic environment, and passenger numbers more than tripled in 2002, to 1.4 million.

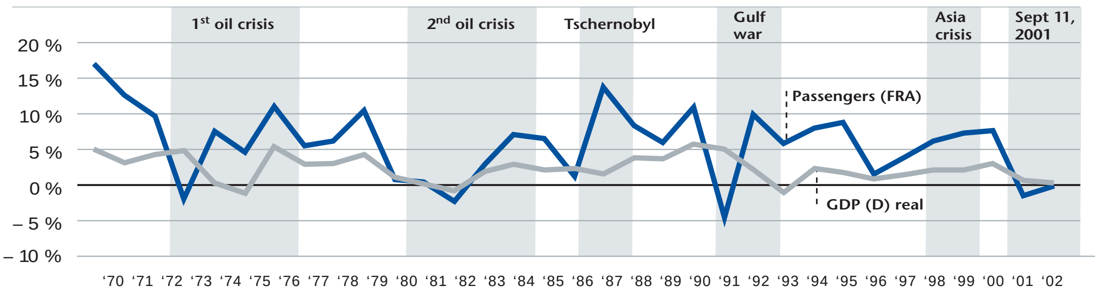
Hanover-Langenhagen was least favorably placed of all the group's airports to overcome the crisis following September 11, 2001. The major proportion of vacation flights to total movements explains a high level of dependency on the tourist industry, for which there was weak demand in 2002. Also, trade fair movements could not make a positive contribution due to the unsatisfactory industrial and economic situation. Passenger movements were 4.8 million, 7.9 percent lower than in 2001. The airport expanded its activities in the "low-cost/no-frills" market with the establishment of a new "no-frills" connection to London-Stansted.

Saarbrücken airport also suffered a decrease of 3.9 percent in passenger numbers, to 461,300. This was a good performance compared with other German airports, as the airport could profit from a trend to higher demand for low-priced holiday locations on the Black Sea coast and in Turkey.

At **Antalya** airport, where we manage the international passenger terminal jointly with a business partner, the number of passengers rose by 12.3 percent to 9.8 million in 2002. The success of our Turkish location thus continued even in a weak year for the global air travel industry. Thanks to expanding tourism on the Turkish Mediterranean coast, the number of passengers doubled within two years compared with 1999, to 8.7 million in 2001.

The group's **Lima** location was less affected than European airports by the crisis in the industry and the events following September 11, 2001 and registered 4.3 million passengers, an increase of 4.2 percent.

Long-term growth rates of annual passenger volume in Germany compared with gross domestic product (GDP)



Source: Real GDP (Germany): Federal Statistics Office.

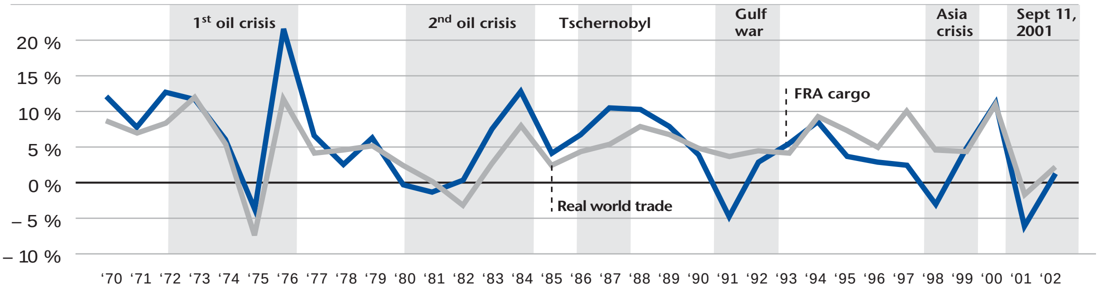
Cargo

The 1.4 percent increase in cargo volumes at **Frankfurt Airport** to over 1.5 million metric tons was primarily due to positive growth in the second half of the year. Whereas up to and including April 2002 the previous year's figures could not be matched (the 2001 volumes were particularly high due at the tail-end of the 2000 freight boom), monthly growth as from May 2002 was some 5 percent.

The increase was due to considerable growth on Far East and North America routes. These two markets are of particular importance to Europe's leading airfreight airport, due to their high share of total volumes, being 40.6 percent and 25.7 percent respectively in 2002. Positive for cargo quantities handled was that Far Eastern markets flourished in 2002 and that the U.S. economy was more stable than initially feared following the terrorist attacks.

On the other hand, domestic cargo, whose share of total volumes at Frankfurt was only 2.5 percent, continued the decline recorded in 2001. The poor state of the German economy, together with an expansion of heavy-load trucking, resulted in a downturn of 10.5 percent. African and European cargo volumes were also lower.

Long-term growth rate of annual cargo volume and of world trade



Source: Real world trade, WTO.

The volume of airmail handled at Frankfurt Airport again remained almost constant at 141 thousand metric tons compared with 2001. The structural changes already noted in 2001 continued unchecked in 2002. The strong increase in foreign, and above all intercontinental, airmail was offset by a decline in domestic mail. Hence, domestic mail's share of total mail fell to 43.1 percent and intercontinental mail rose to 37.8 percent. Once again, every fourth metric ton of mail was sent to the U.S.A.

Frankfurt-Hahn recorded 139,300 metric tons of airfreight and airmail in 2002, an increase of 3.0 percent over the previous year. Growth was above all recorded in the second half of the year, with a considerable increase in "ad-hoc" charter traffic as well as due to the acquisition of new customers.

The weak economy had a negative effect on trade fair business, which is significant to cargo handled at **Hanover-Langenhagen.** As a result, it declined by 8.3 percent to 13,100 metric tons.

On the other hand, **Saarbrücken** showed a sharp increase of 12.2 percent in metric tons, although freight transport is not this airport's core business, but is rather a service, with only a very small quantity of 166 metric tons a year.

At **Lima** cargo volume handled since June 2002 increased continuously and reached 136,700 metric tons, 26.1 percent higher than the figure for the previous year.

Aircraft movements

Frankfurt Airport showed a slight increase of 0.4 percent with 458,400 take-offs and landings compared with the previous year. The previous year's decline of 0.5 percent could thus almost be compensated. As for passenger and cargo developments, the slight growth was again due to an increase in air traffic in the second half of the year. The first few months of the year were strongly influenced by capacity adjustments made by airlines following the September 11, 2001 attacks, and as the year progressed capacity increased, particularly on those routes which were particularly affected by the effects of terrorist attacks, the North Atlantic, the Middle East and Arab Mediterranean states.

The policy of the airlines of improving the seat-load factor in the face of lower demand by using smaller and lighter aircraft had a particularly strong effect on maximum take-off weights (MTOW), which are the basis for calculating take-off and landing fees. Accordingly, maximum take-off weights decreased by 2.5 percent compared to aircraft movements. On the other hand, seat load factor, the key figure for capacity, improved by 1.6 percentage points to 69.8 percent in 2002.

The sharp increase of 12.4 percent in aircraft movements to 25,700 at **Frankfurt-Hahn** was mainly due to new connections of Ryanair, the Irish airline. In line with the overall weak development in traffic at **Hanover-Langenhagen,** the number of take-offs and landings also decreased, by 4.7 percent to 85,600. The slight increase of 1.5 percent at Saarbrücken airport, to 15,200 movements was due to new commercial traffic connections to Leipzig, Luxembourg-Saarbrücken-Munich and Catania (southern Italy).

In line with the growth in passenger traffic, aircraft movements at **Antalya,** mainly concentrated on tourist traffic, increased sharply. At 62,500, the number of take-offs and landings increased by 16.9 percent. During 2002 there were direct connections with 198 cities throughout Europe, Asia and Africa.

The capacity reductions initiated by the airlines following the terrorist attacks of September 11, 2001 only affected **Lima** at a relatively late stage. Thus, the 70,300 take-offs and landings were 2.5 percent lower than the previous year's figure, although growth could be achieved compared with 2000.

Business Development

Due to uncertainties regarding the on-going value of our Manila project we fully wrotedown the related assets in 2002. The impairment write-downs of €289.5 million relating to the Manila project had a significant effect on the 2002 consolidated financial statements. The successful performance in 2002, with an increase in revenues and profits excluding the special charges relating to Manila, were overshadowed by this one-time effect. The Fraport Group suffered a group loss of €120.8 million for 2002. After transfers from capital reserves, group retained profits were zero. Hence, it is not possible to declare a dividend for 2002.

Consolidated revenues and consolidated results

in € millions	2002	2001	Change in %
Revenues	1,803.6	1,580.6	14.1
EBITDA	241.9	507.2	– 52.3
EBIT	– 4.9	235.2	– 102.1
Results from ordinary activities	– 35.1	170.2	– 120.6
Consolidated loss (profit) for the year	– 120.8	101.1	– 219.5

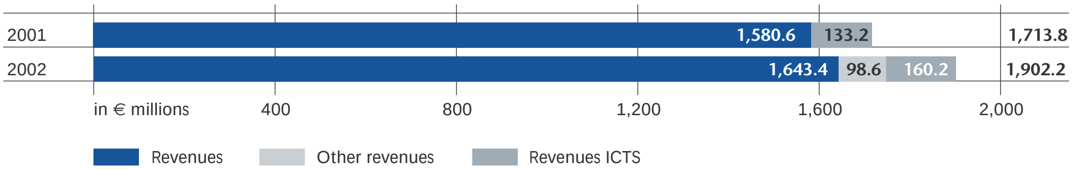
Effects on earnings of the Manila project

in € millions	2002	2002 – Adjusted for effect of full write-down of the Manila project
EBITDA	241.9	502.5
EBIT	– 4.9	284.6
Results from ordinary activities	– 35.1	254.4
Consolidated loss (profit) for the year	– 120.8	106.7

Despite the special effects of Manila and the difficult period following September 11, 2001 the Fraport Group can look back on a successful business year. The Fraport Group could increase its **revenues** by 14.1 percent in 2002, to €1,803.6 million. This growth was mainly due to acquisitions. After adjusting for revenues of ICTS Europe Holdings B.V. (ICTS Europe), which was fully consolidated for the first time from the beginning of 2002, the increase in revenues was 4.0 percent. This stemmed primarily from our Frankfurt operations, where we achieved revenues from airport charges. With stagnating traffic volumes the increase in charges, which took effect from January 1, 2002, of an average of 3.2 percent for landing, take-off, passenger and parking charges together with charges for central ground handling infrastructure and, in particular, a greater volume of military traffic, all had a positive effect on revenues. Due to the increased security requirements since September 11, 2001 revenues from securities services also increased. Furthermore, our retail business at Frankfurt was once again satisfactory, with revenues from retailers and duty-free business rising by 12.1 percent to €67.6 million.

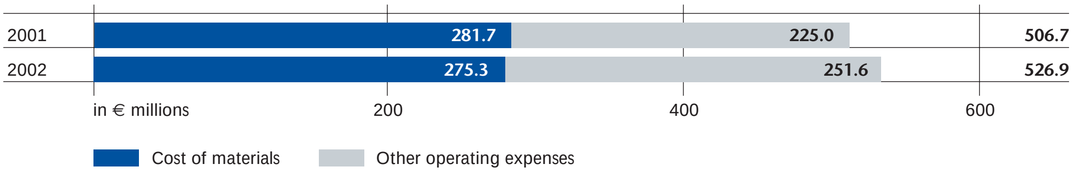
Total revenues of the Fraport Group grew by 11.0 percent to €1,902.2 million. The flatter rate of increase compared with the rise in revenues was due to other operating income being €33.9 million lower than for 2001. More provisions were released in 2001 and there was one-time income from recovery claims for environmental expenses incurred in previous years.

Revenues and total revenues



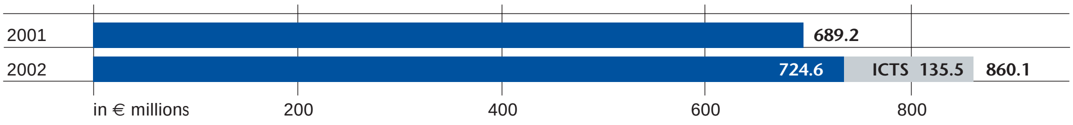
Non-staff costs, cost of materials and other operating expenses increased by 4.0 percent to €526.9 million. **Cost of materials** of €275.3 million were 2.3 percent lower than for 2001, whereas **other operating expenses** rose by 11.8 percent to €251.6 million, the main increases being for rent, leasing and advisory fees.

Non-staff costs



The increase of 24.8 percent, or €170.9 million, in personnel expenses was also significantly influenced by the addition of ICTS Europe to the group. Excluding the personnel-intensive security services business, personnel expenses would have exceeded 2001 by 5.1 percent. An increased take-up of early retirement and part-time early retirement opportunities, together with the 2.4 percent BAT collective bargaining increase effective September 2001 at Fraport AG, were responsible for this increase. Personnel expense per employee fell throughout the group compared with 2001, from €44.4 thousand to €40.2 thousand, or over 9 percent, as the personnel cost structure changed following inclusion of ICTS Europe.

Personnel expenses



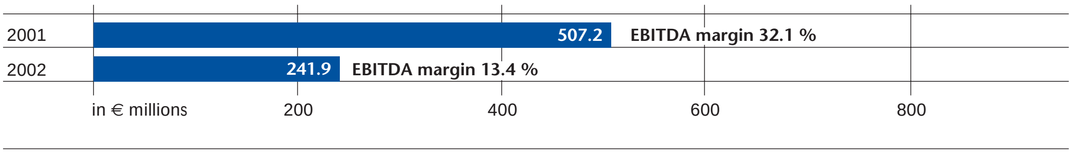
Fraport Group employed an average of 21,395 people in 2002. This represents an increase of 37.8 percent compared with 2001, primarily influenced by the increase in companies consolidated. The aviation segment showed the sharpest increase in persons employed, due to acquisitions during the year. Personnel numbers for the ground handling and non-aviation segments decreased.

Employees by group segments

	2002	2001	Change in %
Segments			
Aviation	8,437	3,145	168.3
Ground Handling	7,201	7,575	– 4.9
Non-aviation	3,667	3,698	– 0.8
Others	2,090	1,108	88.6
Total	**21,395**	**15,526**	**37.8**

Fraport's **EBITDA** was €241.9 million, a decrease of 52.3 percent compared with 2001. The reason for the decrease was mainly the impairment write-down of assets relating to the Manila project, of €241.7 million on receivables and €18.9 million on investments held at equity. Furthermore, **income from investments** of €4.3 million was 71.5 percent, or €10.8 million, lower than in 2001 as income from dividend rights from Antalya airport in 2001 were recorded in the same year, but income from dividend rights for 2002 will be recorded in 2003. EBITDA adjusted for the Manila effect was €502.5 million.

EBITDA and EBITDA margin



Depreciation and amortization of intangible assets and property, plant and equipment increased, partly due to acquisitions during the year, by 2.3 percent to €214.1 million. Depreciation at Frankfurt was at the same level as for 2001.

Net interest expense decreased by 53.4 percent compared with 2001, to €34.0 million. A significant contribution to this was the decline in liabilities following the IPO in 2001.

The **results of investments held at equity** was a loss of €17.0 million, of which €10.7 million relates to the Hanover Airport. Furthermore, a provision for probable losses of €18.7 million has been included in other, operating expenses in connection with a put option on the shares in Flughafen Hannover-Langenhagen GmbH, which Norddeutsche Landesbank can exercise on Fraport AG.

Investment income did not reach last year's levels. The reason for the decrease was mainly the different period of recognizing income from dividend rights for our operations in Antalya. In 2001 the receipts were recorded in the same financial year.

The investment fund produced a lower **other financial result** in 2002 than in 2001. The investment fund was disposed of in the fall of 2002.

Write-downs of financial assets and securities in current assets rose by €0.2 million compared with the previous year. **Impairment write-downs** of €289.5 million were made to the Manila project, of which €241.7 million related to receivables, €18.9 million related to investments held at equity and €28.9 million was for financial assets.

In 2002, the Fraport Group showed **a loss from ordinary operating activities** of €35.1 million. Results for the previous year were considerably better due to the special effects of the Manila project in the current year. Hence, group profit for 2001 turned into a **group loss** for 2002 of €120.8 million.

Ignoring the Manila special charges, the result from ordinary operating activities would have amounted to €254.4 million. After considering income tax effects of €62.0 million on the special charges, the group loss for the year would have turned into a group profit of €106.7 million.

Basic **earnings per share,** as set out in IFRS and calculated based on weighted average shares outstanding during the year, amounted to a loss per share of €1.34.

A dividend for 2001 of €0.40 per share was distributed on June 27, 2002. No dividend distribution will be made for 2002, due to the partial release of capital reserves to offset the loss for the year in the financial statements of Fraport AG.

Key profitability ratios

in %	2002	2001
Return on revenues	– 2.2	10.3
EBITDA margin	13.4	32.1
EBIT margin	– 0.3	14.9
ROCE	– 0.2	8.3[1]

[1] The published ROCE for 2001 was 8.2 percent. The new calculation in the table above is after considering dividend distributions.

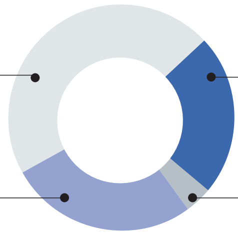
Due to the impairment write-downs relating to our Manila project, we suffered a group loss for the year, a considerably lower EBITDA and a negative EBIT. Accordingly, this has also had an effect on key profitability ratios. The return on revenues fell to – 2.2 percent and the EBITDA margin fell by 18.7 percentage points to 13.4 percent. The EBIT margin and ROCE, by which EBIT is shown as a percentage of operating capital, amounted to – 0.3 percent and – 0.2 percent respectively.

Adjusted for the Manila effect, the EBITDA margin would have been 27.9 percent and EBIT 15.8 percent.

Group Segments

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

Group segments



2002 Third-party revenues: €1,902.2 million

Source: Fraport AG.

The Aviation segment generated the highest share of third-party revenues in 2002, followed by Ground Handling and Non-aviation. Aviation and Others increased revenues compared with the previous year, whereas Non-aviation and Ground Handling suffered a decline in revenues. The full write-down of the Manila project had a particularly significant effect on EBITDA of the Aviation and Non-aviation segments.

Third-party revenues

in € millions	2002	2001	Change in %
Segments			
Aviation	878.8	655.7	34.0
Ground Handling	518.4	538.5	– 3.7
Non-aviation	429.1	469.4	– 8.6
Others	75.9	50.2	51.2
Total	**1,902.2**	**1,713.8**	**11.0**

Segment result

in € millions	2002	2001	Change in %
Segments			
Aviation	6.9	9.5	– 27.4
Ground Handling	– 1.2	7.2	– 116.7
Non-aviation	282.5	281.8	0.2
Others	12.9	10.1	27.7
Total	**301.1**	**308.6**	**– 2.4**

EBITDA by segments

in € millions	2002	2001	Change in %
Segments			
Aviation	– 38.9	53.7	– 172.4
Ground Handling	21.3	27.6	– 22.8
Non-aviation	227.0	402.4	– 43.6
Others	32.5	23.5	38.3
Total	**241.9**	**507.2**	**– 52.3**

EBITDA effects from the Manila project

in € millions	2002	2002 – Adjusted for effect of full write-down of the Manila project
Segments		
Aviation	– 38.9	57.5
Ground Handling	21.3	21.3
Non-aviation	227.0	391.2
Others	32.5	32.5
Total	**241.9**	**502.5**

Third-party revenues by geographic markets show an increase in revenues for other European countries in 2002, which is attributable to the first-time inclusion of ICTS Europe in the group financial statements. The foreign share of revenues thus rose from 7.0 percent in 2001 to 12.8 percent in 2002. 87.2 percent of our business operations were in Germany in 2002.

Third-party revenues by geographic markets

in € millions	2002	2001
Geographic markets		
Germany	1,659.2	1,593.2
Other European countries	159.4	33.6
Asia	70.4	81.2
Other regions	13.2	5.8
Total	**1,902.2**	**1,713.8**

Aviation

The group segment Aviation focuses on the development and operation of airport infrastructures, including take-off and landing runway systems, apron and baggage handling facilities, as well as providing air travel-related security services.

Aviation could increase its third-party revenues by 34.0 percent to €878.8 million compared with 2001. Adjusted for the effect of the first-time full consolidation of ICTS Europe, growth in this segment was 14.3 percent, or €93.7 million. This was primarily due to growth in Frankfurt, where airport and infrastructure fees grew strongly despite stagnating traffic volumes due to an increase in charges of an average 3.2 percent effective January 1, 2002 for landing, take-off, passenger and parking fees, and in particular due to the increase in military traffic. Higher revenues could also be recorded from services to ensure airport safety, which we provide at Frankfurt on behalf of the Federal Interior Ministry based on the Air Traffic Law. Higher foreign currency gains than in 2001 also had a positive effect on revenues.

Operating expenses increased by 38.5 percent to €873.6 million. After adjusting for the first-time consolidation of ICTS Europe, the increase was 20.9 percent, or €111.1 million, above all due to sharply higher non-staff cost at Frankfurt Airport. There was increased outsourcing of security services to third parties. Due to the greater need for personnel for security services, personnel expenses at Frankfurt Airport were sharply higher than for 2001. In addition, the net higher charges for internal group services of €46.1 million, mainly attributable to the modified calculation method following introduction of a value-based controlling system, had a negative effect on income. As this had an equal and opposite effect, particularly in the Non-aviation segment, there was no net effect on profits at group level.

Segment profit declined by 27.4 percent to €6.9 million. Antalya made a positive contribution to earnings. The increase in traffic resulted in higher revenues from terminal management in Turkish Lira in Antalya. However, when translated into euros, revenues decreased due to the decline in value of the Turkish Lira. Frankfurt-Hahn had a negative effect on segment results, as the growth in revenues was more than offset by costs for expanding capacity and noise reduction measures.

Segment EBITDA declined by €92.6 million compared with the previous year to a loss of €38.9 million. Of this amount, €96.4 million relates to impairment write-downs for our Philippine activities, and after adjusting for the Manila effect the aviation segment showed an EBITDA of €57.5 million.

Ground Handling

The ground handling segment covers primarily the provision of aviation ground services such as aircraft handling, passenger and cargo services.

Third-party revenues of the Ground Handling segment decreased by 3.7 percent over 2001 and amounted to €518.4 million. The decline in revenues resulted primarily from decreases at Frankfurt Airport, as the airlines used smaller and lighter aircraft due to stagnating or declining demand. Hence, for aircraft aviation ground services, revenues per aircraft handled decreased. In addition, the aviation ground services segment incurred a slight loss in market share due to the opening up of the market. Market share in 2002 was an average of 92.5 percent compared with 93.6 percent in 2001. Third-party revenues at Vienna increased, and a number of new customers were acquired during 2002.

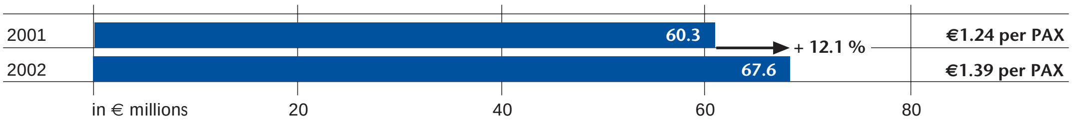
The reduction in operating costs of 0.8 percent was mainly achieved at Frankfurt Airport. Segment results were positively affected by the change in internal group charging system for the central cost area. The decline in revenues and negative results at Frankfurt-Hahn airport and Saarbrücken airport could not be fully offset, so that segment results declined by €8.4 million to a loss of €1.2 million. Income from investments improved compared with 2001 and there was an increased share of income from investments held at equity, so that EBITDA amounted to €21.3 million, only €6.3 million lower than for 2001.

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.

Third-party revenues decreased by 8.6 percent in 2002, to €429.1 million. In 2001 there were one-time effects, increasing revenues by €52.8 million, from the release of two provisions to income and a recovery claim as well as from the disposal of an investment. There was no such one-time income of this size in 2002. There was a sharp increase in revenues from retail revenues from duty-free and retail shops at Frankfurt Airport in 2002. These rose by 12.1 percent over 2001, to €67.6 million. Retail revenues per passenger increased by 12.1 percent to €1.39. This demonstrates the success of our concept of raising the attractiveness of the retailing range by taking construction measures and optimizing passenger routing, use of space and product mix.

Retail revenues



Operating expenses in the Non-aviation segment increased by 5.5 percent to €475.5 million, partly due to higher foreign exchange losses.

Segment results of €282.5 million were slightly above those for 2001. In addition to the mirrored effects as described in the Aviation segment from the charges for internal transactions, the change in charging system for the central cost area had an opposite effect. This led to a net increase of €29.3 million in the segment result.

The impairment write-downs of assets relating to the Manila project had a €164.2 million negative effect on the Non-aviation segment. EBITDA fell by €175.4 million to €227.0 million.

The lower EBITDA, even after adjustment for the Manila effect, is due to lower depreciation charges on segment assets, partly due to modernization leading to a longer useful life for Frankfurt Airport's Terminal 1, and by lower income from investments.

Others

The group segment "Others" includes activities in support of the airport operations, largely information and communication services (ICT solutions and ICT infrastructure) as well as the electric power supply and operation of canteen facilities at Frankfurt Airport. With the full consolidation of ICTS Europe, security services outside the airport area, such as security relating to the Euro Tunnel, were added.

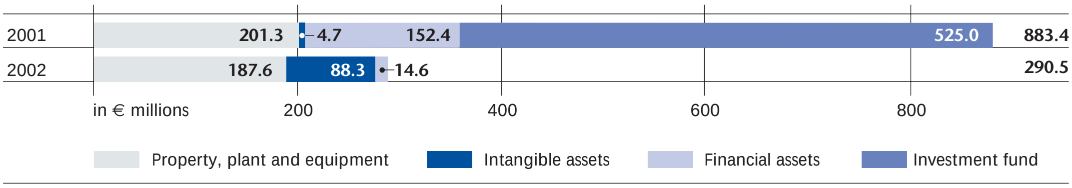
Third-party revenues in this segment rose by 51.2 percent to €75.9 million. Of this, €24.2 million was due to the first-time consolidation of ICTS Europe. In addition, the first-time inclusion of Air-Transport IT Services, Inc. (AirIT) and, since the beginning of the third quarter of 2002, Decision Support Technologies Inc. (DST) had a positive effect on revenues. AirITSystems Hannover GmbH has been proportionately consolidated since the end of 2001, which also led to an increase in revenues compared with the previous year.

Segment results for 2002 were 27.7 percent, or €12.9 million, higher than for 2001 and EBITDA increased by 38.3 percent to €32.5 million.

Capital Expenditures

Total capital expenditures amounted to €290.5 million in 2002, compared with €883.4 million in 2001. The change in financial investments were mainly responsible for this sharp decrease. In 2001, following the initial public offering, part of the proceeds from the issue amounting to €525.0 million were invested in a investment fund but, due to the poor development of the securities markets, the fund was fully disposed of in the fall of 2002. Adjusted for this matter, capital expenditures declined by 19.0 percent.

Capital expenditures



Capital expenditures on intangible assets increased from €4.7 million to €88.3 million. With the acquisition of the remaining 55 percent of the shares in ICTS Europe effective January 1, 2002 and the resulting consolidation, there was an addition to goodwill of €60.0 million, which is being amortized over 15 years. Furthermore, goodwill of €8.2 million arose in connection with the acquisition of DST. With the successful introduction of SAP R/3 software effective July 1, 2002 there were costs incurred in 2002 to be recognized in the balance sheet amounting to €10.5 million.

More than three quarters of the capital expenditures for property, plant and equipment of €187.6 million, a decrease of 6.8 percent compared with 2001, related to Frankfurt Airport. These capital expenditures were concentrated on the redevelopment and expansion of the terminals, including fire protection technology, for which a total of €45.5 million was invested in appropriate measures. Modernization of existing apron spaces, including beacons, amounted to €8.9 million. In addition, new construction of a building for the authorities was carried out for €10.1 million. Furthermore, planning work in connection with the expansion of the airport amounted to €30.2 million.

Capital expenditures on investments held at equity and other financial assets were €14.6 million, 90.4 percent less than in 2001.

Cash Flow Statement

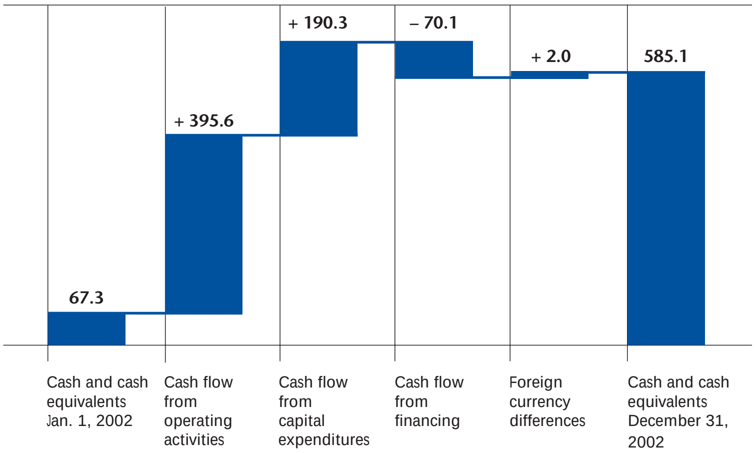
Net cash from operating activities of €395.6 million includes €513.8 million (2001: €480.9 million) from operations. This was partly offset by cash outflows of €29.7 million for financial receipts and expenditures, and of €88.5 million for income taxes (2001: €58.3 million). Hence, net cash from operating activities were about €30 million higher than in 2001.

Whereas capital expenditures on intangible assets, property, plant and equipment, subsidiaries and associated companies hardly changed compared with the previous year, the disposal of the investment fund in 2002 led to cash inflows from investing activities.

Cash flow from financing activities show cash outflows of €70.1 million due to the dividend distribution and primarily scheduled repayments of financial debt. Cash inflows from financing activities in 2001 were €515.4 million, influenced by receipts of €903.9 million from the initial public offering offset by early retirement of long-term debt at the end of 2001.

Cash and cash equivalents rose mainly due to cash received from the disposal of the investment fund being placed in short-term deposits.

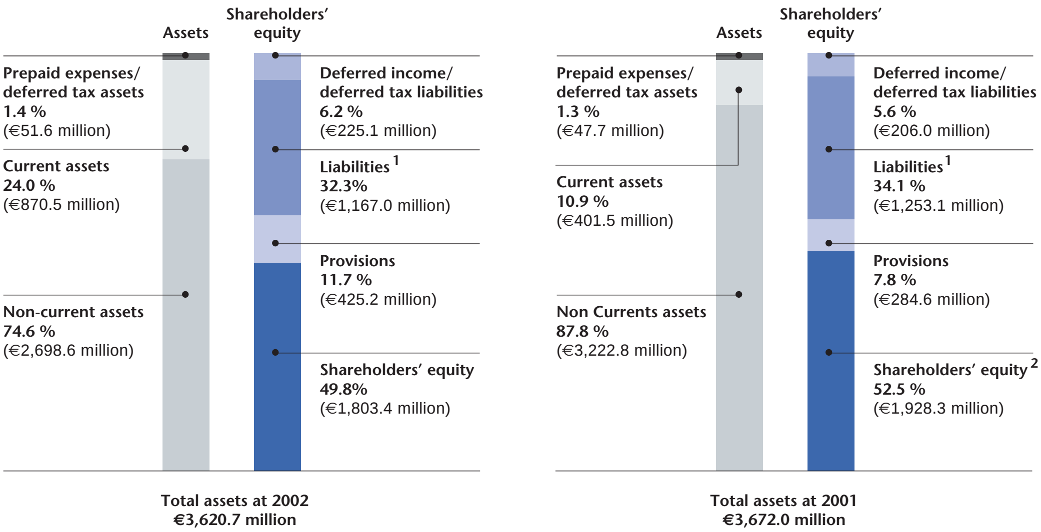
Change in cash and cash equivalents
in € millions



Asset and Capital Structure

Total assets declined by 1.4 percent compared with December 31, 2001, to €3,620.7 million. This is mainly due to the impairment write-downs of assets relating to the Manila project. The asset structure of Fraport AG remains primarily long-term.

Balance sheet structure



[1] Including dividend distributed for 2001, minority interests, deferred investment grants on non-current assets.
[2] Excluding dividend distributed for 2001.

Following the initial public offering in 2001, part of the receipts from the listing of €525.0 million were invested in an investment fund. Hence, non-current assets rose sharply in 2001. Due to the poor development and prospects for securities markets, the investments fund was fully disposed of in the fall of 2002. The nominal capital preservation of the investment could be saved despite turbulence on capital markets. Until further notice the cash has been invested in short-term deposits.

Mainly due to the sale of the investment fund, **non-current assets** decreased by 16.3 percent, or €524.2 million, to €2,698.6 million. **Current assets** increased by 116.8 percent, or €469.0 million, to €870.5 million, primarily due to the investment of cash from disposal of the investment fund in short-term deposits. This was partly offset by the write-down of receivables relating to the Manila project.

Key ratios

Key balance sheet ratios		2002	2001
Net financial debt (Financial debt less liquid funds)	€ million	324.6	895.4
Gearing (Net financial debt/Shareholders' equity [1])	%	18.0	46.4
Debt ratio (Net financial debt/Total liabilities and equity)	%	9.0	24.4
Dynamic debt ratio (Net financial debt/Cash flow [2])	%	82.1	245.5
Working capital (Current assets less current liabilities)	€ million	422.0	– 112.3
Non-current asset coverage (Shareholders' equity [1]/ Non-current assets less deferred investment grants)	%	67.4	60.3
1st level liquidity (Liquid funds/Current liabilities)	%	130.5	14.5
2nd level liquidity (Liquid funds plus short-term receivables/Current liabilities)	%	185.0	71.0

[1] Excluding dividend distributed for 2001.
[2] Net cash from operating activities.

The **ratio of shareholders' equity** to total liabilities and shareholders' equity (excluding dividend distributions) decreased slightly from 52.5 percent at the end of 2001 to 49.8 percent at the end of 2002. Shareholders' equity funds 67.4 percent of non-current assets (after deduction of deferred investment grants on items in non-current assets).

Third-party capital (including deferred investment grants and deferred income) amounted to €1,817.3 million at December 31, 2002 and thus made up 50.2 percent of total liabilities and shareholders' equity. Compared with the end of 2001, bank debt decreased by €60.4 million to €909.7 million at December 31, 2002. Net financial debt amounted to €324.6 million at the end of 2002. Following the disposal of the investment fund, the ratio of net financial debt to shareholders' equity (gearing) improved from 46.4 percent to 18.0 percent. On the other hand, a provision for a bank guarantee granted to a banking consortium for the Manila project of €137.9 million was set up for the first time.

The funds invested as short-term deposits form the basis for financing our expansion over the next few years. Capital expenditures for expanding the airport long-term require additional third-party funds to be raised. The ratio of shareholders' equity to total debt and equity will then decline.

Report on Related Party Transactions

Due to the majority shareholdings of the Federal Republic of Germany (18.4 percent), the State of Hesse (32.1 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 18, 2002 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

The Fraport Group has a risk management system. We can determine, evaluate and control the risks with which our activities are related timely.

The primary objective of the 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 are 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 process. 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 in the relevant supervisory boards.

The central body responsible for the risk management system is the risk management committee, which is 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 that 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. Current forecasts contain uncertainties regarding future political and military developments in the Middle East. It can be assumed that forecast growth rates for GDP will not be achieved after the start of fighting in Iraq. Even if the conflict is of brief duration, it should be assumed that the economy will only recover slowly. The effects of a longer-lasting war cannot currently be estimated.

We are directly affected by the consequences of armed conflict in Iraq through 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 the airlines concentrate their business on hubs. We are confident that, as in the past, the effects of the crisis can be offset after a relatively short time as, for example, occurred following the Gulf War in 1990/91 or the terrorist attacks of September 11, 2001.

Market risks

Business relation with our major customer, Lufthansa, made a considerable contribution to revenues in 2002. Frankfurt Airport is also used by its partners in the Star Alliance as a central hub in Europe. A deterioration in relationships with Lufthansa would thus have a significantly disadvantageous effect on Fraport. 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 Group will grow.

The economic situation of some air carriers is difficult. For example, US Airways and United Airlines, the two US airlines, have applied for protection from creditors under US law ("Chapter 11"). Some airlines may possibly have to partly or entirely stop flying in times of economic crisis. Any resulting free slots at Frankfurt Airport could then be offered to other interested parties, as there is currently no free capacity available for them. The negative consequences of a possible loss of individual customers would thus be limited.

Currently, Fraport receives concession fees from the companies operating at Frankfurter airport in accordance with the ordinance on ground handling services at airports. It is possible that this source of revenues could be restricted by changes in regulatory conditions.

Possible delays in construction work on terminals at Frankfurt could lead to delays in expanding the retail area and thus to a considerable drop in revenues. Also, legal regulations could lead to a prohibition of selling tobacco products at reduced prices and thus to a significant decrease in retail revenues.

Risks in connection with the planned airport expansion

With completion of the planned capacity expansion via construction of an additional runway and a third passenger terminal, Frankfurt Airport has the opportunity of maintaining and further expanding its position as a major international airport in the future. Airport expansion is one of the key prerequisites for overcoming the current capacity bottlenecks and for enabling Fraport Group to participate in the long-term growth in global air traffic. Foregoing airport expansion would mean that traffic flows could be expected to bypass Frankfurt Airport in the future. It is possible that the airlines might switch some of their flight connections to other airports, thus endangering our hub function. In particular, there would be substantial adverse effects if Lufthansa moved fight connections or some of its operating units to other airports.

The expansion plans are meeting considerable resistance from various interest groups in our region. Because of the expansion plans, suits and threats of legal proceedings by various groups and municipalities are already pending. Despite the successful conclusion of the regional planning procedure in the summer of 2002 as a first step in the required administrative approval process, the risk of a significant delay or even preventing expansion due to legal proceeings cannot be ruled out. To create as broad a public consensus as possible among the general population and other groups affected by the airport expansion, we have decided to accept the results and recommendations of the mediation process in implementing the expansion plans. These recommendations have been included in Fraport's ten-point program. This ten-point program includes passive noise-abatement measures for buildings, increasing the use of Frankfurt-Hahn Airport, and encouraging the use of alternative transportation modes such as rail.

Financial risks

We use derivative financial instruments to manage foreign currency and interest rate change risks. These are solely used to hedge underlying contracts and not for trading or speculation purposes.

Due to current interest rate expectations both on the liabilities and on assets side for cash invested in term deposits, we foresee no significant interest rate change risks.

Fraport Group's foreign currency strategy is a project-related hedging of positions using the natural hedge principle, in other words building-up an equivalent liability balance to hedge transaction risks arising from a planned asset position. For example, anticipated dividend payments in U.S. dollars from our engagement in Antalya is hedged by an appropriate liability in U.S. dollars. Thus, there is no significant foreign currency risk.

Legal risks

Fraport AG could be obliged to make damage compensation payments. The background is a dispute between the new entity owning partial heritable building rights for the Sheraton building at Frankfurt Airport and the former owner, to whom Fraport AG sold its rights. The purchaser at that time now claims from Fraport AG that the partial heritable building rights were valueless, due to hidden construction deficiencies. These deficiencies are supposed to be due to poor construction management. We believe the risk that Fraport AG will be obliged to make any payments is very remote.

Other risks and IT risks

Our business can be negatively affected by events such as accidents, terrorist attacks, fire or technical difficulties. Fraport Group's insurance coverage includes normal risks arising from airport activities. They include in particular events which lead to the loss or damage of property, including any resulting business interruption costs. Damage claims by third parties from operating liability risks are also covered. Following the terrorist attacks of September 11, 2001 in the United States, airport insurers cancelled the coverage for liability claims of third parties resulting from war and terrorist attacks. By the end of 2002 we had obtained coverage from the federal government for third-party damage based on war or terrorist attacks. As from January 2003 this risk has again been covered by the insurance industry up to an amount of U.S.-$1 billion. Insurance coverage for damage from terrorist attacks was included in the property insurance policies up to the end of 2002. As from 2003, Fraport has effected a coverage in this area for €1.5 billion.

We took various steps to increase air safety in 2002. This was carried out in close cooperation with the authorities. Since the beginning of 2003 and in accordance with an EU ordinance, all baggage checked-in by passengers is examined before being loaded into aircraft. The high standards of our security measures in comparison to international levels is thus being further extended.

We see no significant risks in the IT security area. Increased requirements for security of airport-specific information systems were met by establishing the “Corporate Information Management” (“CIM”) unit at Frankfurt Airport. CIM bundles responsibilities for IT security and IT architecture to make the strategically necessary. We have invested considerable amounts in IT infrastructure. We have established a secondary data center for storing redundant systems in an offsite area to minimize possible disturbances.

Risks arising from group companies

General political and economic risks are worthy of mention for certain foreign locations. This applies particularly engagements in Manila, Antalya and Lima.

Also in 2002 the engagement in Manila, the capital of the Philippines, to construct and operate an airport terminal was Fraport AG’s largest financial activity outside Frankfurt Airport. The company responsible for constructing and operating the terminal is PIATCO, in which Fraport AG directly and indirectly holds a large minority shareholding.

After many consultations with the Philippine government and negotiations with our co-shareholders in 2002, as well as continued negotiations up to the end of March 2003, we were unable to obtain the necessary concessions needed from our point of view to ensure the long-term profitability of the Manila project. Considering all legal requirements, the main focus of the negotiations was our intention to have a greater influence on the company and thus on our investment or, alternatively, reach an agreement for Fraport AG to exit the project. At the end of 2002, the situation was deadlocked. The first three months of 2003 showed that no change to the position could be expected. Hence, we assume that the Manila project will not be successful in the foreseeable future and cannot be profitably implemented. As required by current accounting principles, this uncertainty concerning the project’s long-term value-in-use has been reflected by fully writing down the assets relating to the Manila project. Hence, we have recognized the currently discernible risks from the Manila engagement in the financial statements of Fraport AG and in the group’s consolidated financial statements.

Fraport AG wishes to continue to find a solution to the problem in further discussions with its former partners, possible investors and the Philippine government. In the light of an external valuation report valuing the terminal at some U.S.-$350 million, Fraport AG will take all necessary legal steps to continue to protect its investment. Amongst other steps, the Executive Board is reviewing commencing arbitration proceedings at the World Bank against the Philippine government.

In connection with the operation of the international terminal at Antalya airport, as in 2001 the co-shareholder, Bayindir Insaat Turizm Ticaret ve Sanayi A.S. (Bayindir Insaat), is suffering from liquidity bottleneck which, however, has had no effective impact to date on the Antalya terminal operations. On the other hand, this situation does have an effect on the operating company, Antalya, which is jointly and severally liable for a loan drawn down by Bayindir Insaat and for which it has to stand ready to perform for Bayindir Insaat, and as a shareholder loan from Antalya to Bayindir Insaat could prove uncollectable. Fraport AG owns 50 percent of the operating company. In addition to its shareholding, Fraport AG also has a further 30 percent of the dividend rights. Antalya has an enforceable right to future dividend distributions to Bayindir Insaat as collateral for its shareholder loan. An agreement to restructure the Bayindir group, initiated by the Turkish government and which entered into force on December 2, 2002, envisages repayment of debts to its third-party creditors after a grace period of two years. Regardless of this, alternative possibilities of earlier repayment or reduction of the current shareholder loans are being reviewed.

The concession to operate the international terminal at Antalya airport is limited until July 31, 2007. A tender for an second terminal, to be operated alongside and in competition to our terminal before 2007 in order to cope with the expected increase in passenger traffic, was postponed.

In view of the hostilities in the Middle East, it can be assumed that our activities in Antalya will suffer more than at other locations.

Foreign currency risks from the high rate of inflation in Turkey are countered by most revenues being received in U.S. dollars.

Our engagement at Lima Airport in Peru is endangered particularly by political risks. However, these risks are covered by an insurance policy. There is also a risk that Fraport AG, together with the co-shareholder, Alterra Partner Ltd., must increase its shareholding in LAP, because the third shareholder, the Peruvian construction company Cosapi S.A., which holds 14.5 percent of the shares, is insolvent. The construction contract (EPC contract) for the modernization and expansion of the existing airport installations was signed on October 11, 2002. Negotiations on financing the investments are currently in process. If necessary LAP's shareholders may have to raise more shareholders' equity than originally planned in the coming years.

Overall Evaluation of Risk

The overall evaluation of 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 is concerned. There are no discernible risks endangering continuation of the company as a going concern in the foreseeable future. The significant risks described above are limited and easily comprehensible.

Significant Events After the Balance Sheet Date

In connection with the planned construction of a hangar, an apron and a runway needed for maintenance of the new wide-bodied Airbus A380 aircraft, in December 2002 Fraport AG published the intended expansion measures with the Hesse Ministry of Economics, Transport and State Development and applied for planning permission in January 2003.

The regional planning procedure for extending the existing runway at Frankfurt-Hahn airport was completed in February 2003, with permission being granted by the planning authorities. Expansion of the runway from its current 3,045 meters to 3,800 meters will permit economical long-distance flights, particularly for cargo, in future.

Outlook

Expansion

Fraport AG intends to submit an application this year to open an approval procedure for the urgently required expansion of Frankfurt Airport. The new runway is expected to be completed in 2006. Based on current knowledge, Fraport assumes that the entire project can be completed within the planned timetable. As part of the approval process, Fraport AG intends to apply for a nighttime ban on flights from 23:00 to 05:00 in the morning.

Prospects for 2003

2003 has started well, and increased traffic was recorded at Frankfurt in January and February over the same months of the previous year. However, this growth has slowed since the end of February. Fear of war and the economic slowdown have had a negative effect on demand for business travel as well as on tourism. Further global economic development will depend on the duration and results of the Iraq war.

In March 2003 it is difficult to make a reliable forecast of results for 2003. Despite consumer uncertainty and the fighting in the Middle East, we consider that EBITDA and group profit for 2003 will be higher than the same amounts for 2002 adjusted for the effects of the Manila project. There are a number of factors affecting development in revenues and expenses. The average 2 percent increase in airport fees for Frankfurt Airport effective January 1, 2003, plus a further 0.5 percent for special services agreed with the airlines, helps to increase revenues. We also expect revenues for security services to rise following the introduction of 100 percent baggage controls at European airports since the start of the year. On the other hand, operating expenses will increase faster than revenues due to the airport expansion approval process and reconstruction on the north runway.

We have defined a bundle of integrated measures to combat the decrease in traffic following outbreak of the Iraq war. Foremost is a review of capital expenditures and operating costs. An agreement was made with the Frankfurt works council in mid-March 2003 to permit a flexible use of personnel input. For example, the three-stage package of measures includes reducing overtime and time account balances, a reduction in use of out-sourced personnel and temporary staff and in particular, more flexibility in working shifts. If traffic figures remain well below plan, as a last resort the package foresees steps such as delaying, reducing or temporarily halting social benefits such as the company loyalty premium.

Fraport Group’s economical position is stable. Based on operations to date and expected business conditions, we envisage Fraport AG will be able to pay a dividend for 2003, provided the Iraq war does not lead to significantly more risks. Steps to improve efficiency set out in the “WM 2005” project will already contribute to a long-term improvement in our position in 2003.

Airport construction at Berlin-Schönefeld

Fraport AG has been involved in the privatization process for Berlin-Brandenburg Flughafen Holding (BBF) since 1997. The consortium leaders are IVG Immobilien AG and Hochtief Airport GmbH. Fraport AG has a 7.0 percent share in the tender consortium. The consortium would operate the three existing airports and design, construct and then operate the new Berlin-Brandenburg International Airport. A letter of intent was signed on August 30, 2002 by the consortium and the state owners (the federal government and the states of Berlin and Brandenburg), setting out the major legal and financial conditions. This statement of intent was not prolonged unilateral by the state owners beyond February 7, 2003 and hence the privatization negotiations were ended. Although no official statement on the status of the privatization negotiations has yet been issued by the state owners, all information available indicates that the privatization process in its current form has probably failed.

Fraport AG Frankfurt Airport Services Worldwide
Consolidated Income Statement for the Year Ended December 31, 2002

in € millions	Note	2002	2001
Revenues	(6)	**1,803.6**	**1,580.6**
Change in work-in-process	(7)	– 0.8	0.7
Other internal work capitalized	(8)	19.2	18.4
Other operating income	(9)	80.2	114.1
Total revenues		**1,902.2**	**1,713.8**
Cost of materials	(10)	– 275.3	– 281.7
Personnel expense	(11)	– 860.1	– 689.2
Depreciation and amortization of tangible and intangible non-current assets	(12)	– 214.1	– 209.3
Other operating expenses	(13)	– 251.6	– 225.0
Operating profit		**301.1**	**308.6**
Interest result	(14)	– 34.0	– 72.9
Results of investments held at equity	(15)	– 17.0	– 25.8
Income from investments	(16)	4.3	15.1
Write-downs of financial assets	(17)	– 3.8	– 3.6
Impairment write-downs relating to the Manila project	(18)	– 289.5	– 59.1
Other financial results	(19)	3.8	7.9
Financial result		**– 336.2**	**– 138.4**
Result from ordinary operations		**– 35.1**	**170.2**
Taxes on income	(20)	– 79.4	– 60.7
Other taxes	(21)	– 5.0	– 7.0
Minority interests' share of results		– 1.3	– 1.4
Group loss for the year (2001: group profit)		**–120.8**	**101.1**
Transfer from capital reserves		130.3	–
Transfer to revenue reserves		– 9.5	– 65.1
Group retained profits		**0.0**	**36.0**

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

EBITDA	**241.9**	**507.2**
EBIT	**– 4.9**	**235.2**

Fraport AG Frankfurt Airport Services Worldwide
Consolidated Balance Sheet at December 31, 2002

Assets in € millions	Note	Balance at Dec. 31, 2002	Balance at Dec. 31, 2001
A. Non-current asset		**2,698.6**	**3,222.8**
I. Intangible assets	(23)	225.1	99.8
II. Property, plant and equipment	(24)	2,403.9	2,435.1
III. Investment held at equity	(25)	37.3	126.1
IV. Other financial assets	(26)	32.3	561.8
B. Current assets		**870.5**	**401.5**
I. Inventories	(27)	13.1	11.9
II. Trade accounts receivable	(28)	195.9	141.3
III. Other receivables and other assets	(29)	76.4	173.6
IV. Checks, cash and bank balances	(30)	585.1	74.7
C. Prepaid expenses	(31)	**43.1**	**41.5**
D. Deferred tax assets	(32)	**8.5**	**6.2**
		3,620.7	**3,672.0**

Liabilities and equity in € millions	Note	Balance at Dec. 31, 2002	Balance at Dec. 31, 2001
A. Shareholders' equity	(33)	**1,803.4**	**1,964.3**
I. Subscribed capital		900.6	900.9
II. Capital reserves		532.0	662.4
III. Revenue reserves		370.8	365.0
IV. Group retained profits		0.0	36.0
B. Minority interests	(34)	**12.9**	**5.5**
C. Deferred investment grants on items in non-current assets	(35)	**24.2**	**22.4**
D. Providions and accruals	(36)	**425.2**	**284.6**
E. Liabilities		**1,129.9**	**1,189.2**
I. Financial liabilities	(37)	909.7	970.1
II. Trade accounts payable	(38)	94.8	99.0
III. Other liabilities	(39)	125.4	120.1
F. Deferred income	(40)	**66.6**	**71.0**
G. Deferred tax liabilities	(41)	**158.5**	**135.0**
		3,620.7	**3,672.0**

Consolidated Cash Flow Statement

in € millions	Note	2002	2001
Group loss for the year (2001: group profit)		**– 120.8**	**101.1**
Taxes on income		79.4	60.7
Minority interests' share of results		1.3	1.4
Adjustments for:			
Depreciation/write-ups (non-current assets)		279.3	288.4
Write-down of receivables relating to the Manila project		241.7	–
Interest results		34.0	72.9
Investment income		– 4.3	– 15.1
Gains/losses on disposals of non-current assets		0.6	– 9.3
Unrealized foreign currency losses		2.7	11.7
Changes in investments held at equity		5.2	8.1
Changes in inventories		– 0.9	– 1.6
Changes in receivables		– 31.4	– 32.3
Changes in other current assets		1.2	1.7
Changes in provisions and accruals		7.1	9.3
Changes in other third-party liabilities		18.7	– 16.1
Interest paid		– 53.8	– 90.1
Interest received		19.8	17.2
Dividends received		4.3	15.1
Taxes on income paid		– 88.5	– 58.3
Net cash from operating activities	(43)	**395.6**	**364.8**
Purchases of intangible assets		– 20.0	– 4.7
Purchases of property, plant and equipment		– 187.6	– 201.3
Acquisitions of consolidated subsidiaries and joint ventures (net of cash acquired)		– 70.4	–
Proceeds from disposals of consolidated subsidiaries and joint ventures		–	8.2
Acquisitions of investments held at equity		– 0.6	– 73.9
Investment fund		489.9	– 525.0
Other financial investments		– 31.9	– 159.7
Proceeds from disposals of non-current assets		10.9	89.2
Net cash from/net cash used in investing activities	(43)	**190.3**	**– 867.2**
Distributions		– 37.7	– 78.0
Capital increase		6.5	903.9
Expenses for initial public offering		–	– 41.2
Shareholder contribution		–	44.4
Changes in financial liabilities		– 38.9	– 313.7
Net cash used in/net cash from financing activities	(43)	**– 70.1**	**515.4**
Effects of exchange rate changes on cash and cash equivalents		2.0	– 0.5
Net increase in cash and cash equivalents		**517.8**	**12.5**
Cash and cash equivalents at January 1		67.3	54.8
Cash and cash equivalents at Dezember 31	(43)	**585.1**	**67.3**

Movements in Consolidated Shareholders' Equity

in € millions	Subcribed capital	Capital reserves	Legal reserves	Other revenue reserves	Group retain-ed reserved	Total
Balance at January 1, 2001	**640.0**	–	**36.5**	**266.1**	**76.7**	**1,019.3**
Capital increase against deposits	261.1	618.1	–	–	–	879.2
Distribution/shareholder contribution		44.4	–	–	– 76.7	– 32.3
Purchases of treasury shares	– 0.2	– 0.1	–	–	–	– 0.3
Group profit for the year	–	–	–	65.1	36.0	101.1
Foreign currency translation differences	–	–	–	– 3.4	–	– 3.4
Fair values of derivates	–	–	–	0.8	–	0.8
Effects of changes in companies consolidated	–	–	–	– 0.1	–	– 0.1
Balance at December 31, 2001	**900.9**	**662.4**	**36.5**	**328.5**	**36.0**	**1,964.3**
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
Purchases 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 derivates	–	–	–	– 1.3	–	– 1.3
Effect of changes in companies consolidated	–	–	–	2.5	–	2.5
Balance at December 31, 2002	**900.6**	**532.0**	**36.5**	**334.3**	**0.0**	**1,803.4**

Consolidated Statement of Movements in Non-current Assets

(Note 23 et seq.)

in € millions	Accumulated acquisition costs/production costs at January 1, 2002	Changes due to foreign currency differences	Changes in consolidation	Additions	Disposals	Reclassifications	Accumulated acquisition costs/production costs at December 31, 2002
Intangible assets							
Consessions, patents and similar rights	93.2	0.0	2.9	20.0	– 2.2	9.5	**123.4**
Goodwill	84.3	0.0	8.0	68.3	– 0.3	52.8	**213.1**
Total	**177.5**	**0.0**	**10.9**	**88.3**	**– 2.5**	**62.3**	**336.5**
Property, plant and equipment							
Land, land rights and buildings including buildings on leased land	3,142.4	0.0	0.0	59.0	– 15.6	10.1	**3,195.9**
Technical equipment and machinery	1,534.7	0.0	0.0	23.9	– 14.5	7.1	**1,551.2**
Other equipment, operating and office equipment	320.1	0.0	4.9	32.8	– 23.0	1.0	**335.8**
On-account payments and construction in process	89.0	0.0	0.0	71.9	– 3.2	– 27.7	**130.0**
Total	**5,086.2**	**0.0**	**4.9**	**187.6**	**– 56.3**	**– 9.5**	**5,212.9**
Investments held at equity	**155.0**	**– 5.9**	**0.0**	**4.3**	**– 9.0**	**– 69.3**	**75.1**
Other financial assets							
Shares in affiliated companies	0.7	0.0	– 0.7	0.0	0.0	0.0	**0.0**
Other investments	27.8	0.0	0.0	0.1	0.0	– 7.6	**20.3**
Loans to investments[1]	97.6	0.2	– 0.5	10.2	0.0	– 30.6	**76.9**
Securities in non-current assets	0.1	0.0	0.0	0.0	0.0	0.0	**0.1**
Investment fund	489.9	0.0	0.0	0.0	– 489.9	0.0	**0.0**
Other loans	18.3	0.0	0.0	0.0	– 1.7	0.0	**16.6**
Total	**634.4**	**0.2**	**– 1.2**	**10.3**	**– 491.6**	**– 38.2**	**113.9**
Non-current assets	**6,053.1**	**– 5.7**	**14.6**	**290.5**	**– 559.4**	**– 54.7**	**5,738.4**

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

	Accumulated depreciation at January 1, 2002	Changes in consolidation	Additions	Disposals	Reclassifi-cations	Write-ups	Accumulated depreciation at December 31, 2002	Net book values at December 31, 2002	Net book values at December 31,2001
	48.0	0.4	12.3	– 1.5	0.1	0.0	**59.3**	**64.1**	45.2
	29.7	2.3	16.6	0.0	3.5	0.0	**52.1**	**161.0**	54.6
	77.7	**2.7**	**28.9**	**– 1.5**	**3.6**	**0.0**	**111.4**	**225.1**	99.8
	1,220.0	0.0	97.8	– 1.1	0.0	0.0	**1,316.7**	**1,879.2**	1,922.4
	1,197.8	0.0	60.7	– 9.7	– 0.1	0.0	**1,248.7**	**302.5**	336.9
	233.3	2.7	26.7	– 19.1	0.0	0.0	**243.6**	**92.2**	86.8
	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**130.0**	89.0
	2,651.1	**2.7**	**185.2**	**– 29.9**	**– 0.1**	**0.0**	**2,809.0**	**2,403.9**	2,435.1
	28.9	**0.0**	**31.4**	**0.0**	**– 22.5**	**0.0**	**37.8**	**37.3**	126.1
	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	0.7
	3.1	0.0	14.4	0.0	– 1.7	0.0	**15.8**	**4.5**	24.7
	68.9	0.0	18.5	0.0	– 23.1	0.0	**64.3**	**12.6**	28.7
	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.1**	0.1
	– 1.1	0.0	7.2	0.0	0.0	– 6.1	**0.0**	**0.0**	491.0
	1.7	0.0	0.0	0.0	0.0	– 0.2	**1.5**	**15.1**	16.6
	72.6	**0.0**	**40.1**	**0.0**	**– 24.8**	**– 6.3**	**81.6**	**32.3**	561.8
	2,830.3	**5.4**	**285.6**	**– 31.4**	**– 43.8**	**– 6.3**	**3,039.8**	**2,698.6**	3,222.8

Segment Reporting

(Note 42)

Primary Segment Reporting in € millions		Aviation	Non-aviation	Ground Handling	Others	Adjust-ments	Group
Third-party revenues	**2002**	**878.8**	**429.1**	**518.4**	**75.9**	**–**	**1,902.2**
	2001	**655.7**	**469.4**	**538.5**	**50.2**	**–**	**1,713.8**
Inter-segment revenues	2002	57.6	445.6	53.1	167.3	– 723.6	–
	2001	32.3	388.7	46.1	130.5	– 597.6	–
Total revenues	2002	936.4	874.7	571.5	243.2	– 723.6	1,902.2
	2001	688.0	858.1	584.6	180.7	– 597.6	1,713.8
Segment profit (loss)	**2002**	**6.9**	**282.5**	**– 1.2**	**12.9**	**0.0**	**301.1**
	2001	**9.5**	**281.8**	**7.2**	**10.1**	**0.0**	**308.6**
Depreciation and amortization of segment assets	2002	55.9	116.7	20.1	21.4	–	214.1
	2001	47.7	125.6	20.2	15.8	–	209.3
Share of results of investments held at equity	2002	– 5.3	– 8.0	– 1.9	– 1.8	–	– 17.0
	2001	– 10.1	– 10.2	– 3.1	– 2.4	–	– 25.8
Income from investments	2002	0.0	0.0	4.3	0.0	–	4.3
	2001	6.6	5.2	3.3	0.0	–	15.1
EBITDA before Manila project impairment write-downs	**2002**	**57.5**	**391.2**	**21.3**	**32.5**	**–**	**502.5**
	2001	**53.7**	**402.4**	**27.6**	**23.5**	**–**	**507.2**
Impairment write-downs relating to the Manila project – affecting EBITDA	2002	96.4	164.2	0.0	0.0	–	260.6
	2001	0.0	0.0	0.0	0.0	–	0.0
EBITDA	**2002**	**– 38.9**	**227.0**	**21.3**	**32.5**	**–**	**241.9**
	2001	**53.7**	**402.4**	**27.6**	**23.5**	**–**	**507.2**
Depreciation and amortization of segment assets	2002	55.9	116.7	20.1	21.4	–	214.1
	2001	47.7	125.6	20.2	15.8	–	209.3
Depreciation of financial assets	2002	0.0	3.8	0.0	0.0	–	3.8
	2001	0.3	0.4	2.9	0.0	–	3.6
Impairment write-downs of financial assets relating to the Manila project	2002	10.7	18.2	0.0	0.0	–	28.9
	2001	10.8	48.3	0.0	0.0	–	59.1
EBIT	**2002**	**– 105.5**	**88.3**	**1.2**	**11.1**	**–**	**– 4.9**
	2001	**– 5.1**	**228.1**	**4.5**	**7.7**	**–**	**235.2**
Book values of segment assets	2002	493.1	2,782.0	143.3	193.8	8.5	3,620.7
	2001	465.0	2,911.2	144.8	144.4	6.6	3,672.0
Segment liabilities	2002	194.6	1,222.8	66.8	87.9	245.2	1,817.3
	2001	165.8	1,157.8	64.6	65.8	253.7	1,707.7
Acquisition cost of addition to property, plant and equipment and intangible assets	2002	78.4	126.2	27.5	43.8	–	275.9
	2001	40.8	118.6	24.3	22.3	–	206.0
Other significant non-cash expenses	2002	95.3	121.6	30.2	9.9	–	257.0
	2001	33.3	31.8	23.2	3.2	–	91.5
Acquisitions of investments held at equity	2002	17.1	8.3	8.5	3.4	–	37.3
	2001	83.2	28.2	9.5	5.2	–	126.1

Secondary Segment Reporting **in € millions**		**Germany**	**Rest of Europe**	**Asia**	**Rest of world**	**Adjust-ments**	**Group**
Third-party revenues	**2002**	**1,659.2**	**159.4**	**70.4**	**13.2**	**–**	**1,902.2**
	2001	**1,593.2**	**33.6**	**81.2**	**5.8**	**–**	**1,713.8**
Book values of segment assets	2002	3,262.8	201.4	120.2	27.8	8.5	3,620.7
	2001	3,358.7	94.9	191.4	20.4	6.6	3,672.0
Acquisition cost of addition to property, plant and equipment and intangible assets	2002	192.0	75.6	0.5	7.8	–	275.9
	2001	204.0	1.6	0.4	0.0	–	206.0

Notes on Accounting Policies

1 Basis of preparation of the consolidated financial statements

Fraport AG's consolidated financial statements for the year ended December 31, 2002, 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 2002 consolidated financial statements are the International Financial Reporting Standards (IFRS), together with the Interpretations issued by the Standing Interpretations Committee (SIC). We have applied those standards issued by the IASB which are relevant for 2002.

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 EURO. All disclosures are in € millions unless otherwise stated.

Effects of the Manila project on results of operations:

As part of its overall evaluation of the Manila project, Fraport AG has fully written down all carrying values of amounts relating to this project in the consolidated financial statements, totaling €289.5 million. The impairment write-down relates to receivables (€241.7 million), shares in investments at equity (€18.9 million) and other financial assets (€28.9 million). The difference, of some €36.4 million, to the write-down in the German commercial financial statements of Fraport AG is mainly due to the valuation of the Philippines companies at equity for the period between January 1, 1999 and September 30, 2002. The group reserves also include negative foreign currency translation differences of €9.2 million arising from the valuation at equity which, as set out in IAS 21, are to be charged to the income statement in the period of disposal of the company.

After adjusting for the complete write-down of the Manila project, EBIT amounts to €284.6 million and adjusted earnings from operating activities are €254.4 million. After considering tax effects of €62.0 million, the adjusted group profit would amount to €106.7 million.

in € millions	Group income statement	Adjusted for full write-down of the Manila project	Manila effect
Impairment write-down of the Manila project	289.5	–	– 289.5
EBITDA	241.9	502.5	– 260.6
EBIT	– 4.9	284.6	– 289.5
Earnings from ordinary activities	– 35.1	254.4	– 289.5
Group loss/group profit	– 120.8	106.7	– 227.5

2 *Major differences between IFRS and Fraport AG’s financial statements 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, 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 where possible. 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, transaction costs, net of income taxes, relating to the capital increase arising from the initial public offering have been deducted from 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.
  Reductions in the charge for corporation tax arising on profit distributions are only reflected in the period the distribution is resolved.
- 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)
- Consolidation of special purpose entities (SIC-12)
- 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 to date, although the number of companies included in the consolidated financial statements increased significantly in 2002 due to the first-time inclusion of the ICTS group.

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

	Domestic	Foreign	Total
Fraport AG	**1**		**1**
Fully-consolidated subsidiaries (including investment fund)			
Dec. 31, 2001	17	7	24
Additions	2	20	22
Disposals (including investment fund)	4		4
Dec. 31, 2002	**15**	**27**	**42**
Proportionately consolidated joint ventures			
Dec. 31, 2001	7	8	15
Additions		2	2
Disposals	1	1	2
Dec. 31, 2002	**6**	**9**	**15**
Companies included in consolidation at Dec. 31, 2001	**25**	**15**	**40**
Companies included in consolidation at Dec. 31, 2002	**22**	**36**	**58**
Associated companies held at equity			
Dec. 31, 2001	3	3	6
Additions		4	4
Disposals		5	5
Dec. 31, 2002	**3**	**2**	**5**
Group companies including associates at Dec. 31, 2001	**28**	**18**	**46**
Group companies including associates at Dec. 31, 2002	**25**	**38**	**63**

Appendix 3 to the notes to the financial statements set 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).

Two (2001: three) subsidiaries and one (2001: two) joint ventures which have an insignificant influence on the group's net assets and results of operations are not consolidated in the Fraport group, but are stated at acquisition cost or realizable value, if lower. A further seven (2001: twelve) associated companies which are also insignificant are stated at acquisition cost or net realizable value. Overall, these companies make up less than 2 percent of revenues, results of operations and total assets of the Fraport group.

Effects of changes in companies included in the consolidated financial statements

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

in € millions	Dec. 31, 2002	Dec. 31, 2001
Non-current assets	– 483.0	497.9
Current assets excluding cash and cash equivalents	66.9	19.8
Cash and cash equivalents	506.0	31.4
Provisions and accruals	12.0	1.3
Liabilities	52.7	13.4

The effect of newly-consolidated companies on the profit for the year, before consolidation adjustments, was to increase profits by €6.0 million (2001: profit of €4.6 million).

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

in € millions	2002	2001
Non-current assets	51.3	47.8
Current assets	47.7	49.9
Other assets	1.5	0.6
Shareholders' equity	41.7	39.9
Third-party liabilities	58.8	58.4
Income	104.8	114.7
Expenses	91.5	89.2

Significant acquisitions and newly-formed companies

ICTS group → In December 2001 Fraport AG became party to a purchase contract dated October 5, 2000 between CIVAS GmbH and ICTS International N.V., Amstelveen, Amsterdam, and acquired the remaining 55 percent of the shares in ICTS Europe Holdings B.V., Amstelveen, Amsterdam, effective January 1, 2002. The ICTS group has been controlled by the Fraport group as from this date. The ICTS companies were consolidated in the Fraport group for the first time as from January 1, 2002. The sub-group financial statements of ICTS, in which a further 18 subsidiaries and one joint venture are included, were used for the first-time consolidation into the Fraport group.

The companies making up the ICTS sub-group provide air traffic security services in Europe, particularly in the high-quality segment, as well as other terminal services.

Goodwill of €60.0 million, which is being amortized over 15 years, was included in the purchase price of €67.3 million for the acquisition of the remaining 55 percent of the shares.

During 2002, and under the control of Fraport AG, ICTS and CIVAS group were integrated in order to achieve synergies and this was implemented by a legal restructuring involving CIVAS GmbH (CIVAS), Civas Deutschland GmbH (Civas Deutschland), ICTS Europe Holdings B.V. (ICTS) and Flug- und Industriesicherheit

Service- und Beratungs-GmbH (FIS) which is a subsidiary of ICTS. The 55 percent holding in ICTS acquired by Fraport effective January 1, 2002 was increased to 100 percent by acquisition of the remaining 45 percent of the shares from CIVAS. The foreign subsidiaries of CIVAS were acquired by Fraport AG and, apart from Airport Carts LLC (ACLLC), which remains in Fraport AG's portfolio, were transferred to the capital reserves of ICTS. CIVAS and Civas Deutschland were merged into FIS in December 2002. The resulting investment in FIS was also included in ICTS's capital reserves. This legal restructuring had no effect on the consolidated financial statements.

In 2001 the shares in ICTS (45 percent) were held at equity and the companies making up the CIVAS group were consolidated. All companies in the sub-group, including the CIVAS companies, were consolidated in 2002. ICTS sub-group revenues of €174.1 million were included in the Fraport group revenues for 2002. The newly-consolidated ICTS companies made a contribution of €160.2 million to this amount.

The group loss for the year was negatively affected by ICTS sub-group losses of €11.9 million (2001: €5.0 million).

DST and Air-Transport IT → Effective July 1, 2002 the joint venture Air-Transport IT Services Inc. was fully taken over by Fraport AG. At the same date, Air-Transport IT Services Inc. acquired a 100 percent of DST for a purchase price of U.S.-$8.5 million. The objectives of this company are marketing IT products and services, particularly to airports.

The acquisition of DST for a purchase price of U.S.-$8.5 million included goodwill of €8.2 million, which is being amortized over 15 years.

Investment fund → The entire "BLUE SKY-UNIVERSAL-FONDS" special investment fund was sold effective October 15, 2002. Cash received from the sale was invested in short-term deposits.

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, 2002	Average rate 2002	Year-end rate Dec. 31, 2001	Average rate 2001
1,000,000 Turkish Lira (TLR)	0.5761	–	0.7937	–
1,000 Greek Drachme (GRD)	–	–	2.9347	2.9347
100 Philippine Pesos (PHP)	1.7785	2.0477	2.1894	2.1807
1 U.S. Dollar (USD)	0.9531	1.0569	1.1334	1.1166
1 Swedish Crown (SEK)	0.1093	0.1091	0.1072	0.1080
1 Pound Sterling (GBP)	1.5344	1.5904	1.6426	1.6081
1 Hong Kong Dollar (HKD)	0.1231	0.1355	0.1454	0.1432
1 New Sol (PEN)	0.2712	0.3003	0.3293	0.3141

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 and property, plant and equipment are stated at acquisition or production cost less systematic straight-line depreciation (IAS 16). 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. They are measured at acquisition or production cost less accumulated depreciation (IAS 40). However, the amount of investment properties held by the group is not significant.

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

Financial assets → To the extent they relate to loans and receivables, other financial assets are valued 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 also valued at acquisition cost. Changes to fair values are recorded in income (IAS 39).

Until its disposal on October 15, 2002, the investment fund was consolidated in the IFRS financial statements (SIC-12) and its underlying available-for-sale financial assets were included at fair value.

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 nominal value less any allowances to reduce the balance to their net realizable value. 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).

Capital increase → Equity transactions costs incurred in connection with the initial public offering in 2001, are shown as a deduction from capital reserves, net of related income tax benefit (SIC-17).

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 (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.

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.

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

As set out in IAS 12, corporation tax credits arising as a result of appropriations of profits are only recognized upon distribution.

Provisions for pensions and similar obligations → Pension provisions have been calculated actuarially in accordance with IAS 19, using a discount rate of 6.0 (2001: 6.0) percent per annum. Actuarial assumptions include a pension increase of 3.0 percent and wages and salary increases of 0.0 percent.

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 valued 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.

Notes on the Consolidated Income Statement

6 Revenues

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

7 Change in work-in-process

in € millions	2002	2001
Reduction in work-in-process (2001: increase)	**– 0.8**	0.7

The change in work-in-process relates to invoiced consulting contracts.

8 Other internal work capitalized

in € millions	2002	2001
Other internal work capitalized	**19.2**	18.4

Other internal work capitalized relates primarily to engineering, planning and construction work, as well as other works output at Fraport AG. In 2002, this item includes €6.0 million for planning work relating to the extension to Frankfurt Airport. Third-party borrowing costs are not capitalized.

9 *Other operating income*

in € millions	2002	2001
Income from unrealized foreign currency gains	**26.5**	19.8
Income from realized foreign gains	**23.9**	1.8
Release of provisions and accruals	**14.0**	33.9
Release of allowances	**3.3**	1.2
Release of deferred investment grants	**1.8**	1.7
Gains of disposals of items included in non-current assets (excl. financial assets)	**1.6**	3.7
Income from recoveries of environmental costs incurred in previous year	**0.0**	23.0
Gains on disposals of financial assets	**0.0**	7.7
Other prior year income	**0.0**	6.9
Write-ups of current assets	**0.0**	2.1
Other	**9.1**	12.3
	80.2	114.1

The recoveries of environmental costs incurred in previous years result from a settlement reached in 2001.

10 *Cost of materials*

in € millions	2002	2001
Cost of raw materials, consumables, supplies and purchased merchandise	**– 60.6**	– 56.5
Cost of services	**– 214.7**	– 225.2
	– 275.3	– 281.7

11 *Personnel expenses and number of employees*

in € millions	2002	2001
Wages and salaries	**– 691.2**	– 553.6
Social security and welfare expense	**– 141.3**	– 108.0
Pension expense	**– 27.6**	– 27.6
	– 860.1	– 689.2

The increase in personnel expenses is primarily attributable to the first-time consolidation of ICTS. Furthermore, the increase in personnel expenses was also affected by a collective bargain increase of 2.4 percent in wages and salaries in September 2001, particularly relating to Fraport AG.

Expenses include €5.2 million for share-based compensation for 2002 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	2002	2001
Salaried staff	**7,407**	7,765
Wage earners	**13,281**	7,075
Part-time (interns, students, pupils)	**707**	686
	21,395	15,526

The average number of persons employed by the fully consolidated companies during the year (excluding apprentices) amounted to 20,850 (2001: 15,080), with the share of persons employed in proportionately consolidated companies being 545 (2001: 446).

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

in € millions	2002	2001
Depreciation and amortization of items included in intangible assets and in property, plant and equipment	**– 214.1**	– 209.3

Further details of depreciation and amortization are set out in notes 23 and 24.

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 – 25 years
Operating and office equipment	3 – 20 years
Goodwill	Normally 15 years, except for concession periods
Other intangible assets	3 – 15 years

Goodwill is normally amortized over 15 years. In the case of Antalya, goodwill is being amortized over nearly 8 years, the period of the concession.

13 *Other operating expenses*

in € millions	2002	2001
Rental and leasing expense	– 51.7	– 36.2
Advisory fees	– 35.2	– 26.8
Unrealized foreign currency losses	– 29.2	– 22.2
Advertising costs	– 14.3	– 13.9
Insurance premiums	– 10.1	– 6.0
Provision for loss on put option Hanover	– 18.7	0.0
Realized foreign currency losses	– 8.0	– 13.5
Demolition costs	– 2.5	– 3.3
Losses on disposals of items included in non-current assets	– 2.2	– 2.1
Other	– 79.7	– 101.0
(of which prior period)	(– 5.1)	(– 13.0)
	– 251.6	– 225.0

14 *Interest result*

in € millions	2002	2001
Other interest and similar income	19.8	17.2
Interest and similar expenses	– 53.8	– 90.1
	– 34.0	– 72.9

Interest expense decreased due to early repayment of long-term loans at the end of 2001. In this connection, an early repayment charge of €12.1 million became due in 2001.

Interest expense includes a loss on the net monetary position in hyperinflationary economies of €2.8 million (2001: €1.0 million).

15 Result of investments held at equity

The result is made up as follows:

in € millions	Positive result	Negative result	Write-down	Total 2002
Hanover Airport			– 10.7	**– 10.7**
PIATCO (until Sept. 30, 2002)		– 6.3	– 0.2	**– 6.5**
PAGS (until Sept. 30, 2002)		– 1.9	– 1.0	**– 2.9**
PTI, PTH (until Sept. 30, 2002)			– 0.2	**– 0.2**
LAP	2.7		– 0.4	**2.3**
ACF	0.1			**0.1**
ASG	0.9			**0.9**
	3.7	**– 8.2**	**– 12.5**	**– 17.0**

in € millions	Positive result	Negative result	Write-down	Total 2001
Hanover Airport			– 14.1	**– 14.1**
PIATCO		– 10.5	– 0.2	**– 10.7**
ICTS	2.2		– 3.5	**– 1.3**
LAP		– 0.1	– 0.3	**– 0.4**
ACF				**0.0**
ASG	0.7			**0.7**
	2.9	**– 10.6**	**– 18.1**	**– 25.8**

Additional impairment write-downs were made to investments held at equity in connection with the Manila project. We refer to note 18.

16 Income from investments

Income from investments of €4.3 million (2001: €15.1 million) related entirely to income from the Spanish investments Ineuropa Handling. Income of €7.4 million received from our 30 percent dividend rights in Antalya in 2001 was recorded in the income statement in the same year.

17 Write-downs of financial assets

The write-downs of financial assets related particularly to €1.7 million shares in, and €0.2 million loans to, JC Decaux Airport Media GmbH, Frankfurt am Main, and €1.8 million for a loan to Tradeport.

18 *Impairment write-downs relating to the Manila project*

The impairment write-downs relating to the Manila project are made up as follows:

in € millions	2002	2001
Write-downs of receivables (affecting EBITDA)	**– 241.7**	0.0
Write-downs of investments held at equity (affecting EBITDA)	**– 18.9**	0.0
Write-downs of financial assets	**– 28.9**	– 59.1
	– 289.5	– 59.1

We also refer to note 1.

19 *Other financial results*

in € millions	2002	2001
Investment fund	**0.4**	4.1
Income from securities and loans	**3.4**	3.8
	3.8	7.9

The entire investment fund was sold on October 15, 2002. Over the holding period, income before taxes arising from the sale was €4.5 million.

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 € millions	2002	2001
Current taxes on income	**– 54.5**	– 84.1
Deferred taxes on income	**– 24.9**	23.4
	– 79.4	– 60.7

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

in € millions	2002		2001	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	**1.2**	**– 160.1**	1.0	– 150.5
Financial assets	**0.6**	**–**	1.5	– 1.8
Inventories	**–**	**– 0.6**	–	– 0.5
Receivables and other assets	**–**	**– 1.9**	0.7	– 1.1
Prepaid expenses	**0.5**	**–**	0.7	–
Pension provisions	**1.3**	**–**	1.3	–
Other provisions and accruals	**7.7**	**–**	15.3	– 0.2
Liabilities	**4.2**	**– 7.5**	3.5	– 1.8
Other balance sheet items	**0.8**	**–**	–	– 0.2
Tax loss carried forward	**5.3**	**–**	2.9	–
Total in individual financial statements	**21.6**	**– 170.1**	26.9	– 156.1
Offsets	**– 14.7**	**14.7**	– 22.4	22.4
Consolidation adjustments	**1.6**	**– 3.1**	1.7	– 1.3
Consolidated financial statements	**8.5**	**– 158.5**	6.2	– 135.0

The current tax credit for 2002 includes €6.0 million corporation tax credit arising from the distribution for 2001. No distribution is foreseen for 2002.

Deferred taxes on tax losses carried forward have not been set up in the amount of €4.0 million (2001: €4.4 million) as these will probably not be available for offset against taxable profits.

Deferred taxes include €3.8 million deferred tax assets on negative market values of financial derivatives. The change compared with the previous year of €0.9 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 € millions	2002	2001
Result before income taxes	– 40.1	163.2
Municipal trade tax on income in Germany	– 4.8	– 28.2
Result after municipal trade tax on income	– 44.9	135.0
Expected tax income/expense [1]	11.9	– 35.6
Tax effect of foreign tax rate differences	– 3.4	– 2.0
Taxes on non-deductible expenses	– 0.3	– 0.8
Permanent differences, including non-deductible tax audit provisions	– 86.4	1.6
Tax effect of equity consolidation adjustments affecting income	– 4.7	– 8.6
Tax effect of tax-free income and taxable income prior years	2.2	0.2
Tax reduction due to distributions in Germany	6.0	16.4
Effect on municipal tax related to IPO expenses	0.0	– 5.6
Other	0.1	1.9
Municipal trade tax on income in Germany	– 4.8	– 28.2
Taxes on income as shown in the income statement	– 79.4	– 60.7

[1] Expected corporation tax income/expense of 25 percent plus solidarity surcharge of 5.5 percent.

21 *Other taxes*

Other taxes consist primarily of property taxes.

22 *Earnings per share*

	2002		2001
	Basic	Diluted	Basic
Group loss for the year (2001: group profit) in € millions	– 120.8	– 120.8	101.1
Weighted average number of shares	90,121,763	91,060,389	78,835,712
Basic earnings per € 10 share in €	– 1.34	– 1.33	1.28

Basic earnings per share for 2002 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 April 29, 2002 and the purchase and redistribution of treasury shares, the number of issued shares changed from 90,093,030 to 90,071,110 at December 31, 2002. With the weighted average number of outstanding shares for 2002 at 90,121,763, basic earnings per €10 share amounted to a loss of €1.34.

As a result of the rights to acquire shares granted to employees as part of the employee investment program (authorized capital), the diluted number of shares amounts to 91,060,389 and hence the diluted earnings per €10 share amounts to a loss of €1.33.

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 (see Appendix 1 to the notes).

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 €37.3 million for 30 percent of the dividend rights from Antalya, which are being amortized over the term of the rights.

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. 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.

Costs of €30.2 million were incurred in 2002 for planning work in connection with the airport extension and are recorded in property, plant and equipment.

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 can not 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*

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

Philippine Airport and Ground Services Terminals, Inc. (PTI), Philippine Airport and Ground Services Terminals Holdings, Inc. (PTH), and Philippine Airport and Ground Services Holdings, Inc. (PAGS) were valued at equity during 2002 up to September 30. As significant influence was no longer exercised over these companies after this date, they were reclassified to other investments.

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

The reclassifications mainly result from the transfer of ICTS from investments held at equity to being fully consolidated.

Amortization is being charged systematically on the goodwill arising from the equity valuation of Hanover Airport (€1.1 million), the Philippine companies (€1.4 million) (to Sept. 30) and LAP (€0.4 million). An additional impairment write-down of €9.6 million was made for Hanover Airport following a change to this airport's medium-term budget as a reaction to the decline in traffic and the resulting deterioration in forecast earnings. We refer to note 15 regarding other changes.

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 other financial assets relate to loans to investments and are made up of €7.5 million to PIATCO, €1.6 million to Tradeport Hong Kong Ltd. and €1.1 million to TCR.

The write-downs of other investments primarily relate to the shares in PIATCO reclassified to other investments at September 30, 2002 and amounting to €12.5 million (included in the impairment write-downs of the Manila project) and shares in JC Decaux Airport Media GmbH of €1.7 million. The write-downs of loans to companies in which a participating interest is held includes €16.4 million loans to PTI and PTH, the Philippine companies, (included in impairment write-downs of the Manila project, see note 18).

The effects of the write-down of the Manila project are disclosed extensively in the management report under the heading „risks arising from group companies".

The entire investment fund was sold on October 15, 2002 and reinvested in short-term money market funds.

27 *Inventories*

in € millions	Dec. 31, 2002	Dec. 31, 2001
Raw materials, consumables and supplies	**10.6**	9.4
Work-in-process	**1.8**	1.4
Purchased merchandise	**0.2**	1.0
On-account payments	**0.5**	0.1
	13.1	11.9

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 € millions	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2002	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2001
Trade receivables from third parties	195.9	0.0	**195.9**	140.9	0.4	**141.3**

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

29 *Other receivables and other assets*

in € millions	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2002	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2001
Due from affiliated companies	0.1	–	**0.1**	0.3	–	**0.3**
Due from joint ventures	0.5	–	**0.5**	7.6	–	**7.6**
Due from associated companies	2.2	–	**2.2**	88.5	–	**88.5**
Due from other investments	6.1	–	**6.1**	1.6	1.5	**3.1**
Other assets	39.6	27.9	**67.5**	51.1	23.0	**74.1**
	48.5	27.9	**76.4**	149.1	24.5	**173.6**

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

Other assets include a receivable of €23.0 million from the State of Hesse resulting from an agreed settlement in connection with soil decontamination work carried out in previous years.

30 *Checks, cash and bank balances*

in € millions	Dec. 31, 2002	Dec. 31, 2001
Checks, cash and bank balances	**585.1**	74.7

Checks, cash and bank balances mainly include short-term bank deposits, €526.5 million of the funds arising from the sale of the investment fund in October 2002 (including interest).

31 *Prepaid expenses*

Prepaid expenses mainly consist of construction grants of €32.2 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 April 29, 2002, Fraport AG’s Executive Board exercised their rights to increase capital as set out in § 4 para. 3 (b) of the company statutes. The subscribed capital was increased by €1.0 million through the issue of 106,058 new bearer shares with an imputed share in the subscribed capital of €10.0 each and with full distribution rights beginning 2002.

Number of shares issued → The subscribed capital is made up of 90,211,058 (2001: 90,105,000) bearer shares of no par value, each having an imputed share of €10.0 in the share capital.

Authorized capital → The authorized capital of €15.0 million at December 31, 2001 was used, in the amount of €1,060,580, by issuing new shares for cash to have available to issue shares to employees of Fraport AG and its subsidiaries. Existing shareholders have no preemptive rights.

The remaining authorized capital amounted to €13.9 million at December 31, 2002.

Restricted authorized capital → Restricted authorized capital at December 31, 2002 was €13.9 million.

As part of the 2001 share option plan, options of €2.2 million were granted in 2002 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 139,948 at December 31, 2002.

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

	Subscribed capital	Shares in circulation	Treasury shares		
	Number	Number	Number	Amount of share capital in €	Share of share capital in %
Balance at Jan. 1, 2002	**90,105,000**	**90,093,030**	**11,970**	**119,700**	**0.013**
Employee participation program:					
Capital increase (April 29, 2002)	**106,058**	106,058			
Shares purchased		– 106,058	106,058	1,060,580	0.118
Shares re-distributed to employees		106,058	– 106,058	– 1,060,580	0.118
Executive board remuneration:					
Shares purchased		– 138,016	138,016	1,380,160	0.153
Shares re-distributed to members of the Executive Board		10,038	– 10,038	– 100,380	0.011
Balance at Dec. 31, 2002	**90,211,058**	**90,071,110**	**139,948**	**1,399,480**	**0.155**

The shares relating to the employee participation program were acquired on May 10, 2002 for €23.96 per share and were re-distributed to employees for the same amount.

The shares in connection with the Executive Board remuneration program were acquired in the period from July through October 2002 for an average price of €22.35 per share. The shares re-distributed to the members of the Executive Board were offset at €21.35.

Capital reserves → Capital reserves rose by the premium of €13.96 per share in connection with the capital increase and issue of 106,058 new shares. In addition to the change through acquisition and re-distribution of treasury shares, a transfer of €130.3 million was made from capital reserves to cover Fraport AG’s loss for the year.

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 €–12.5 million (2001: €–7.6 million), the reserve for fair value accounting for derivatives is €–5.7 million (2001: €–4.4 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 → The group retained profits for 2001 were distributed to Fraport AG’s shareholders. The group loss for 2002 was offset by a transfer from group reserves.

34 *Minority interests*

The minority interests relate to shares in Media, Saarbrücken airport, GCS, Hahn airport, Hahn Campus, ACLLC, ARS, Fraport Peru, Fraport Philippines and companies in the ICTS sub-group. The minority shareholders have increased particularly by means of the capital increase of €7.3 million at Hahn airport, of which €4.0 million was contributed.

35 *Deferred investment grants on items in non-current assets*

These represent investment grants given by the government of €14.5 million (2001: €16.8 million) and by other providers of grants of €9.7 million (2001: €5.6 million). The government grants relate primarily to advance expenditures at 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 € millions	Balance at Jan. 1, 2002	Use	Change in companies consolidated	Expense	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**

in € millions	Balance at Jan. 1, 2001	Use	Release	Expense	Interest	Balance at Dec. 31, 2001
Pension obligations	15.3	– 0.9	–	1.8	1.0	**17.2**
Employee-financed pension benefits	0.2	–	–	–	–	**0.2**
	15.5	– 0.9	–	1.8	1.0	**17.4**

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).

Actuarial assumptions:

in %	**2002**	2001
Discount rate	**6.0**	6.0
Future salary increases	–	–
Future pension increases	**3.0**	3.0
Staff fluctuation	–	–

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

Tax liabilities amount to €86.7 million (2001: €118.7 million).

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

in € millions	Balance at Jan. 1, 2002	Use	Release	Additions	Change in companies consolidated	Other changes	Balance at Dec. 31, 2002
Personnel	70.4	– 34.0	– 3.6	52.8	0.4	2.4	**88.4**
Environment	19.3	– 3.5				1.6	**17.4**
Other	58.8	– 33.9	– 10.4	198.7	1.3	– 2.1	**212.4**
	148.5	– 71.4	– 14.0	251.5	1.7	1.9	**318.2**
Of which long-term:	41.3						**46.0**

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.

Provisions of €137.9 million were set up for probable performance relating to the guarantee to a consortium of banks in connection with the Manila project.

Furthermore, a provision for losses of €18.7 million was set up for Norddeutsche Landesbank's put option to transfer its 10 percent investment in Flughafen Hannover-Langenhagen GmbH to Fraport AG.

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

37 *Financial liabilities*

in € millions	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2002	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2001
Liabilities to banks	239.7	279.3	386.1	**905.1**	294.8	196.2	475.6	**966.6**
Other	4.6	–	–	**4.6**	3.5	–	–	**3.5**
	244.3	279.3	386.1	**909.7**	298.3	196.2	475.6	**970.1**

Individual loans exceeding €25 million are as follows:

in € millions	Term from – to	Currency	Interest rate %	Balance at Dec. 31, 2002	Balance at Dec. 31, 2001
1. 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	U.S.-$	7.11	**40.3**	51.0
2. Variable-interest loans	2000 – 2007	U.S.-$	1.96	**24.5**	34.0

38 *Trade accounts payable*

in € millions	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2002	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2001
To third parties	88.9	5.9	–	**94.8**	99.0	–	–	**99.0**
	88.9	5.9	–	**94.8**	99.0	–	–	**99.0**

39 *Other liabilities*

in € millions	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2002	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2001
On-account payments on orders	2.4	–	–	**2.4**	0.7	–	–	**0.7**
Bills of exchange liabilities	–	–	–	**0.0**	3.2	–	–	**3.2**
To joint ventures	1.2	–	–	**1.2**	0.9	–	–	**0.9**
To associated companies	1.1	–	–	**1.1**	8.9	–	–	**8.9**
To other investments	1.8	0.3	–	**2.1**	1.7	1.1	–	**2.8**
Other liabilities	108.8	9.8	–	**118.6**	101.1	1.2	1.3	**103.6**
	115.3	10.1	–	**125.4**	116.5	2.3	1.3	**120.1**

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 € millions	Dec. 31, 2002	Dec. 31, 2001
Rental income paid in advance	**16.9**	18.6
Long-term lease income paid in advance	**26.0**	28.2
Infrastructure contributions	**10.9**	11.1
Other	**12.8**	13.1
	66.6	71.0

Most of the deferred income will be realized 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.

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

The inter-segment revenues result mainly from internal charges made by Fraport AG for the rental of land and buildings. These assets are allocated to the non-aviation segment. Rental costs re-charged to the units located in these premises is calculated based on actual cost incurred including imputed interest.

As already stated in our interim reports, in 2002 we further tightened our method of charging for internal services. These changes were made primarily as a result of introducing a value-oriented controlling instrument, which resulted mainly in changes in the internal charging between the aviation and non-aviation segments due to charges for terminal areas. A higher interest surcharge led to higher inter-segment charges, particularly in the segment aviation. There was a further effect from the adjustment to head office costs charged to the segments. Income from re-charging such costs is also expenses within the operating results of the units benefiting from the services concerned.

Inter-segment income also includes income earned by consolidated subsidiaries which are allocated to 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 the Philippines.

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

Significant changes compared with 2001 arise from acquisitions and newly-formed companies in 2002 (see note 3).

As a result of the first-time full consolidation of the ICTS group and the merger with Civas group in 2002, the financial statements include segment reporting for the ICTS sub-group. This mainly affected the aviation segment compared with the previous year. Security services outside airports, and particularly for the Euro Tunnel, affected the segment "other". ICTS profits are divided into segments as follows: 71.4 percent aviation, 15.3 percent non-aviation, 13.3 percent other (before consolidation adjustments).

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 (€395.6 million), €513.8 million (2001: €480.9 million) is from operations, whereas net cash of €29.7 million (2001: €57.8 million) was used for financial activities and €88.5 million (2001: €58.3 million) for taxes on income. The net cash flow thus increased by €30.8 million.

Cash flow from investing activities/cash flow from financing activities

Whereas capital expenditures in intangible assets, property, plant and equipment and subsidiaries and associated companies hardly changed compared with 2001, the sale of the investment fund in 2002 led to cash inflows from investing activities. The disposal of the investment fund for €525.0 million led to net cash inflows from investing activities of €489.9 million, as the difference, being other funds included in the investment fund, were already shown under cash and cash equivalents in the consolidated balance sheet.

Acquisitions of subsidiaries and joint ventures consist of shares in ICTS (remaining 55 percent), and in DST (100 percent) as well as in Tradeport (remaining 50 percent). This had the following effects on the statement of cash flows:

in € millions	2002
Cash and cash equivalents	5.5
Net current assets	– 5.4
Property, plant and equipment	4.3
Shareholders' equity acquired	4.4
Total purchase price	75.9
Less net cash and cash equivalents acquired	– 5.5
Acquisition of consolidated subsidiaries and joint ventures	**70.4**

There was a cash outflow of €70.1 million in 2002 from financing activities which resulted from the distribution and primarily scheduled repayment of financial debt. Cash inflows from financing activities of €515.4 million in 2001 were mainly influenced by the cash receipts from the initial public offering of €903.9 million, partly offset by the early repayment of long-term loans at the end of 2001.

Cash and cash equivalents

Cash and cash equivalents are made up of the following balance sheet captions: cash, bank balances and checks (2001: less liabilities arising from bank overdrafts of €7.4 million). The balance increased primarily due to the investment of cash from the disposal of the investment fund in short-term money market funds.

Other Disclosures

44 Contingent liabilities

The contingent liabilities disclosed in 2001 in connection with the Manila project are no longer in force at the end of 2002. This is particularly due to the take-up of guarantees to construction companies and banks in connection with short-time financing. The other contingent liabilities have been removed due to cancellation of long-term funding by the banks.

At December 31, 2002 there were contingent liabilities from guarantees of €8.4 million and from guaranty contracts of €116.6 million. These mainly consist of contractual fulfillment guarantees of €108.9 million. The contractual fulfillment guarantees include a guarantee to the Hong Kong Airport Authority in connection with the Tradeport Hong Kong Limited investment project of €95.9 million, for which there is a recourse receivable of €75.8 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 amortization.

45 Other financial commitments

in € millions	Dec. 31, 2002	Dec. 31, 2001
Orders placed for capital expenditures	**266.0**	299.1
Rental and leasing contracts > 1 year		
1. Due in the first subsequent year	**65.6**	61.2
2. Due in the second subsequent year	**42.2**	40.8
3. Due in the third subsequent year	**42.0**	40.4
4. Due in the fourth subsequent year	**41.6**	39.9
5. Due in the fifth subsequent year	**41.0**	37.6
6. Due in the sixth subsequent year and thereafter (accumulated)	**47.9**	41.9
	280.3	261.8

In connection with the Manila project:

	Dec. 31, 2002	Dec. 31, 2002
	in U.S.-$ millions	in € millions
Capital contribution commitment to PIATCO	40.0	38.4
Conditional remaining purchase price payment for PAGS	2.0	1.9
	42.0	40.3

The above-mentioned capital contribution commitment of U.S.-$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.

Other financial commitments from the Manila project have reduced due to the cancellation of long-term funding by the banks compared with the previous year.

In connection with carrying out noise abatement measures at Frankfurt am Main, the company will have expenditures of some €76 million over the next few years, which will be recovered fully from landing charges at Frankfurt Airport over the same period of time.

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. As part of this program, 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 €10.0 share of the share capital.

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

Number of options	Total volume	Options issued to previous years	Options issued in 2002	Options not yet issued
Share options to				
– Executive board members	410,000	82,000	82,000	246,000
– Members of management				
of affiliated companies	187,500	11,250	16,250	160,000
– Management of Fraport AG	797,500	118,350	125,500	553,650
Total	1,395,000	211,600	223,750	959,650

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. An authorization of the annual general meeting to acquire treasury shares for this purpose is not currently available.

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 and over an exercise period of three years. The above-mentioned share options were issued in 2002, effective May 15, 2002, and with a vesting period of two years.

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. Hence, based on an exercise price for the first installment issued of €25.6 per share, the share price must have reached at least a price of €29.5 per share. The exercise price for future installments will be the average closing price of the Fraport share over the 20-day period immediately preceding the date the options are granted. €2.2 million share options were granted in 2002.

The first tranche of share options granted can first be exercised on June 11, 2003. The minimum share price to be attained before exercise is €36.3.

Accounting policies

There was no personnel expense in 2002 as a result of the share option program. The share options were measured at their intrinsic value. This value was negative at December 31, 2002, hence they were not recognized in the financial statements.

47 *Disclosures on investments in accordance with the Securities Trading Law*

On April 3, 2002 information was provided to us as set out in § 21 para. 1 sentence 1 in connection with § 41 para. 2 sentence 1 WpHG by the state of Hesse, represented by the Hesse Ministry of Finance, the Federal Republic of Germany represented by the Federal Ministry for Transport, Construction and Housing, and Stadtwerke Frankfurt am Main Holding GmbH (Stadtwerke).

The total voting shares as set out in § 22 para. 2 WpHG held by the state of Hesse, the Federal Republic of Germany and the Stadtwerke in Fraport AG Frankfurt Airport Services Worldwide amounted to 71.0 percent on April 1, 2002. This is made up of 32.1 percent held by the state of Hesse, 18.4 percent by the Federal Republic of Germany and 20.5 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. In addition to two interest rate swaps which are classified as cash flow hedges in accordance with IAS 39, there are also four interest caps taken out to limit the risks arising from interest rate increases for variable-interest liabilities. Two interest caps which have already been allocated to an underlying transaction are treated as fair value hedges (expired on September 30, 2002). Two further interest caps not yet allocated are classified as trading transactions. Another two interest caps, for which Fraport is the obligor, represent the underlying transactions for the unallocated interest caps. There are also two foreign currency forwards open at the end of the year for U.S.-$30.0 million and U.S.-$40.0 million.

All derivatives are recognized in the balance sheet at their fair values. Changes in market values of cash flow hedges (interest rate swaps) are recorded directly to a separate caption in shareholders' equity. Changes in fair values of the foreign currency forwards are recognized in the income statement, as they are designated as fair value hedges.

Credit risk is calculated as the total of individual market values and thus represents the risk of non-payment by counterparties, which has been minimized by only entering into such transactions with blue-chip banks. Derivative financial instruments are not used for speculative purposes.
There were the following derivative financial positions at the end of the year:

in € millions	Nominal volumes		Fair values		Credit risk	
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Interest rate swaps	**82.8**	93.6	**– 9.5**	– 7.4	**–**	–
Interest caps (beneficiary)	**102.2**	132.9	**0.3**	2.1	**0.3**	2.1
Interest caps (obligor)	**102.2**	102.2	**– 0.3**	– 2.1	**–**	–
Forex forwards	**68.4**	–	**– 1.3**	–	**–**	–

49 Related parties

Company in € millions	Nature of transactions	2002	2001
Mainova AG, Frankfurt am Main	Utility services: electricity, heating, cooling, water, gas, waste water	**44.3**	43.4
Landesbank Hessen-Thüringen, Frankfurt am Main	Loans	**147.8**	165.5
	Interest expense	**8.8**	11.8

Stadtwerke Frankfurt am Main Holding GmbH (Stadtwerke) holds over 20 percent of the shares in Fraport AG. A subsidiary of Stadtwerke, Mainova AG, supplies companies within the Fraport group with energy, cooling, water, gas and waste water. In addition, Landesbank Hessen-Thüringen, Frankfurt am Main, is a related party as defined in IAS 24. The contractually agreed interest rates are at normal market conditions.

50 *Disclosures on service concession arrangements (SIC-29)*

The following companies within the Fraport group have been granted service concession licenses or similar agreements that give public access to major economic and social facilities:

Fraport AG

In agreement with the Federal Minister for Transport and as set out in § 7 of the Air Transport Law dated August 21, 1936, the Hesse Ministry of Employment, Economy and Transport issued a license to operate the civil airport at Frankfurt/Main on December 20, 1957, for which a one-time fee was charged. The license is for an unlimited period of time.

The right to operate the airport is linked to several obligations laid down in the license. Amongst other things, Fraport AG must maintain the airport at all times in proper operating condition, provide and maintain the equipment and signals required for air traffic control purposes and ensure the installation of fire protection systems suitable for the special operating conditions at the airport. In a supplement to the license dated July 16, 1999, the company was required to limit night flights. The operating license was further limited and its conditions set out in more detail in a letter dated April 26, 2001 by specifying that, in addition to taking active noise protection measures, Fraport AG was required to carry out steps to ensure passive noise protection.

The company charges traffic fees to airlines using Frankfurt Airport for making the traffic infrastructure available. These traffic fees are divided into an airport charge subject to authorization and other charges not subject to authorization.

- The airport charges subject to authorization, as set out in § 43 para.1 Air Traffic Admission Rules (LuftVZO), can be divided into landing and takeoff fees, passenger and aircraft parking fees and, since November 1, 2002, fees for financing noise protection measures. The fee levels are set out in an ordinance of charges published for this purpose. The ordinance of charges for 2002 was authorized by the Hesse Ministry for Economy, Transport and State Development (HMWVL) on November 28, 2001 and entered into force on January 1, 2002. The increase in passenger-related fees to meet the current security position for air traffic at Frankfurt for the period from April 1 through December 31, 2002 was authorized on February 26, 2002. On April 30, 2002 a framework agreement for airport charges was completed between Fraport AG and the airlines, in which the airport charges were agreed for a longer term for the first time, through December 31, 2006. In addition, there is a public authority agreement on determining and adjusting regulated airport fees, made between the State of Hesse, represented by HMWVL, and Fraport AG dated October 29, 2002. Airport fees made up 31.0 percent of Fraport AG's third-party revenues in 2002.
- The other charges not subject to authorization can be divided between fees for central ground handling infrastructure and fees for ground handling services. Due to EU regulations dated April 1, 2000, ground transport apron services were opened up to competition to the extent that a third party was permitted to perform such services as well as Fraport AG. Central ground handling infrastructure services are still exempted from competition (monopoly area). 37.5 percent of Fraport AG's third-party revenues in 2002 came from ground handling services and infrastructure fees.

In addition to traffic fees, Fraport AG mainly receives revenues from charges on sales, rental and parking and security services. These receipts, which are not subject to authorization, made up 31.5 percent of Fraport AG's total revenues in 2002.

Flughafen Frankfurt-Hahn GmbH

Flughafen Frankfurt-Hahn GmbH ("Hahn Airport") was issued a license to use the military airport of Hahn for civil flight purposes on July 14, 1993 (with subsequent changes), issued by the Ministry for Economy and Transport of the State of Rhineland-Palatinate. The license is for an unlimited period of time. The company was required to take passive noise abatement measures.

The ordinance on fees for operating Hahn airport took effect from November 1, 2001. The authorization of landing, takeoff, passenger and aircraft parking fees (airport charges) was issued as set out in § 43 para. 1 Air Traffic Admission Rules (LuftVZO) by the Rhineland-Palatinate State Office for Road and Transport (air traffic department). Airport charges made up 24.9 percent of revenues in 2002.

A further part of traffic fees are those not requiring authorization, made up of revenues from ground handling services and making infrastructure available (18.9 percent).

In addition to traffic fees, other revenues, mainly consisting of rental and security services, make up some 56.2 percent of total revenues.

Antalya Havalimani Uluslararasi Terminal Isletmeciligi A.S. ("Antalya")

The international terminal at Antalya airport is a BOT project (build, operate, transfer) based on a concession agreement made with DHMI, the Turkish Concession Authority. Hence, Antalya has the right to use all assets listed in the concession agreement in order operate the terminal through July 31, 2007.

Antalya is required to supply terminal services in conformity with international standards, together with the processes and principles set out in the concession agreement. With regard to the assets made available for its use, Antalya is required to carry out maintenance work and major repairs as well as replace assets with new assets to the extent their useful lives have expired.

The company receives income from passenger fees and from charges to retailers. The level of passenger fees is set by DHMI. Depending on the number of passengers, up to two-third of passenger fees are to be passed to DHMI as an ongoing license fee. Furthermore, a fee is also levied on one-third of a certain part of retail revenues. In the event passenger numbers do not reach a guaranteed minimum of some 2 million annually, DHMI returns an appropriate settlement amount to the company based on actual passenger charges in U.S. dollars.

At the end of the concession term, Antalya must return all the assets listed in the concession agreement to DHMI in a proper and operating condition.

As set out in the concession agreement, Antalya issues annual guarantees to DHMI in the amount of 1 percent of expected receipts for the respective year, which are to be returned to Antalya one month after the complete transfer of the terminal equipment. Furthermore, Antalya is required to issue a guarantee to DHMI for the annual depreciation charge. Antalya must provide payments to DHMI in the amount of production costs not renewed at the time of the transfer of the terminal.

51 *Events after the balance sheet date*

We refer to details set out in the group management report concerning the future development of our involvement in Manila.

Payment has meanwhile been made to settle the call on the guarantee to banks in connection with the Manila project.

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

On December 18, 2002 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.

53 *Executive Board and Supervisory Board*

Provided the Supervisory Board approves the financial statements, total remuneration of the members of the Executive Board was €2,370[1] thousand. Pension obligations to these persons totaled €5,723 thousand. They also received share options, as further described in note 46. The members of the Supervisory Board received meeting fees of €421 thousand.

Fraport AG has taken out a "Directors' and Officers' Liability Insurance" policy (D&O insurance) for the senior management of the Fraport group in the form of an combined policy. The policy includes as insured persons the members of the Executive Board and Supervisory Board of Fraport AG and related bodies of its subsidiaries, together with employees and members of management bodies as set out in Appendix 1 to the policy, who hold supervisory or advisory positions at the request or in the interests of Fraport AG at other companies in which there is a participating interest (appointed members of management bodies). Insurance premiums of €230 thousand were paid for 2002.

Provisions for pension obligations in the amount of €11,365 thousand have been recorded for former members of the Executive Board and their dependent relatives, and current pension payments were €934 thousand in 2002.

[1] Thereof €1,011 thousand variable.

Executive Board of Fraport AG Frankfurt Airport Services Worldwide

Members of the Executive Board	Memberships in statutory supervisory bodies and similar controlling bodies
Chairman **Dr. Wilhelm Bender**	Vice 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 – Flughafen Saarbrücken Betriebsgesellschaft mbH – Tradeport Frankfurt GmbH Member of the Supervisory Board of: – Deutsche VerkehrsBank AG
Chief Financial Officer **Johannes Endler**	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**	Chairperson of the Supervisory Board of: – Deutsche AeroConsult GmbH Member of the Supervisory Board of: – Airport Retail Solutions GmbH
Human Resources **Herbert Mai**	

Supervisory Board of Fraport AG Frankfurt Airport Services Worldwide

Members of the Supervisory Board	Memberships in statutory supervisory bodies and similar controlling bodies
Chairman **Roland Koch** Prime Minister of the State of Hesse	Member of the Administrative Board of: – ZDF (Second German Television Channel)
Vice Chairman **Gerold Schaub** ver.di Vice Chairman for the State of Hesse	Member of the Supervisory Board of: – Lufthansa Service Deutschland GmbH – Lufthansa Service Holding AG
Herbert Becker External Liaison Officer	Member of the Supervisory Board of: – Eintracht Frankfurt Fußball AG
Dr. Manfred Bischoff Member of the Executive Board of DaimlerChrysler AG (since January 30, 2002)	Chairman of the Supervisory Board of: – MTU Aero Engines GmbH* – DaimlerChrysler Aerospace AG* – DaimlerChrysler Luft- und Raumfahrt Holding AG* – EADS Deutschland GmbH* 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: – Mitsubishi Motors Corporation – Lagardère-Sociétés S.A. – EADS Participations B.V.* – European Aeronautic Defence and Space Company EADS N.V. (Chairman of the Board) * Group mandate
Wolfgang Bödicker Member of the Works Council	Member of the Supervisory Board of: – Volks- Bau- und Sparverein (VBS) e. G. – Umland GmbH
Paul Breider Loading Foreman	
Matthias Eckert Member of the Works Council	
Dr. Hans-Jürgen Froböse Ministerial Director (until January 2, 2002)	Chairman of the Supervisory Board of: – DFS Deutsche Flugsicherung GmbH Vice Chairman of the Supervisory Board of: – Duisport-Ruhrorter Häfen AG Member of the Supervisory Board of: – Germanische Lloyd AG
Albrecht Glaser former City Treasurer (until January 2, 2002)	Member in controlling bodies of the following business enterprises: – Hospital-Service & Catering GmbH – Frankfurter Sparkasse – Sparkassen- und Giroverband Hessen-Thüringen
Jörg-Uwe Hahn Leader of the FDP party in the Hesse state parliament Member of the Hesse state parliament	Member of the Supervisory Board of: – Flughafen Frankfurt-Hahn GmbH – TaunusFilm GmbH Member in the radio committee of Radio Hesse

Supervisory Board of Fraport AG Frankfurt Airport Services Worldwide

Stefan Kempkens
ver.di trade union representative

Lothar Klemm
former Hesse State Minister
Member of the Hesse state parliament

Chairman of the Supervisory Board of:
- MANIA Technologie AG

Member in controlling bodies of the following business enterprises:
- active photonics AG (Austria)

Prof. Karel Van Miert
President of Nyenrode University,
Former Vice President
of the European Commission
(since January 30, 2002)

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

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 Council of:
- Guidant Europe N.V. (Belgium)
- Eli Lilly Holdings Ltd. (U.S.A.)
- Rabobank Nederland (The Netherlands)
- Goldmann Sachs International (Great Britain)

Helmut Raith
Specialist foreman

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

Petra Roth
Lord Mayor

Chairperson 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
- Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH
- Gas-Union GmbH
- Rhein-Main-Verkehrsverbund GmbH
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH

Member in controlling bodies of the following business enterprises:
- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- Frankfurter Sparkasse
- Landesbank Hessen-Thüringen
- Nassauische Sparkasse
- Ruhrgas AG
- THÜGA AG
- Advisory Council der ING-Gruppe (The Netherlands)

Werner Schmidt
Project Manager

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

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

Supervisory Board of Fraport AG Frankfurt Airport Services Worldwide

Dr. Jürgen Siewert
Assistant State Secretary

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

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

Edgar Stejskal
Member of the Works Council

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

Christian Strenger
Member of the Supervisory Board of DWS Investment GmbH
(since January 30, 2002)

Chairman of the Supervisory Board of:
- The Germany Funds

Member of the Supervisory Board of:
- BASF Coatings AG
- Metro AG
- Incepta plc (Great Britain)

Achim Vandreike
Mayor
(since February 7, 2002)

Chairman of the Supervisory Board of:
- Waldstadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH
- Stadion GmbH

Member of the Supervisory Board of:
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH
- ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH
- Messe Frankfurt GmbH
- Frankfurter Aufbau AG

Warren Walsh
GÖD trade union representative
Training Supervisor

Dr. Martin Wentz
former City Councilor
(until January 14, 2002)

Member of the Supervisory Board of:
- Deutsche Hausbau Holding AG

Member in controlling bodies of the following business enterprises:
- Immobilienwirtschaft der DePfa Bank AG

Henner Wittling
Member of the Executive Board of Saarstahl AG

Frankfurt am Main, March 31, 2003

Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

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

Investments

		Place of incorporation		Share of capital %	Shareholders' equity €000	Profit after tax €000	Revenues €000	Average number of employees
Subsidiary companies								
Germany								
Airport Assekuranz	AAV	Frankfurt a. M.	2002	100.00	144	92	1,362	7
Vermittlungs-GmbH			2001	100.00	217	166	1,429	6
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2002	100.00	26	0	16,009	134
			2001	100.00	26	0	9,359	144
Airport Retail Solutions GmbH	ARS	Frankfurt a. M.	2002	51.00	451	1	2,240	9
			2001	51.00	758	358	966	7
AirIT Airport IT Services Hahn GmbH	AirIT Hahn	Lautzenhausen	2002	100.00	295	15	1,111	9
			2001	100.00	280	25	764	7
CIVAS GmbH	CIVAS	Neu-Isenburg	2002[1]	–				
			2001	100.00	23,715	– 3,030	0	5
Civas Deutschland GmbH	Civas Deutschland	Frankfurt a. M.	2002[1]	–				
			2001	100.00	924	90	18,265	820
Deutsche AeroConsult GmbH	DACO	Frankfurt a. M.	2002	100.00	– 854	– 624	2,875	14
			2001	100.00	– 230	– 1,332	3,128	20
Energy Air GmbH	Energy Air	Frankfurt a. M.	2002	100.00	1,238	1,186	65,798	0
			2001	100.00	1,568	1,516	58,296	0
Flughafen Frankfurt-Hahn GmbH	Frankfurt Hahn	Lautzenhausen	2002	73.07	31,942	– 380	14,908	241
	Airport		2001	73.07	5,321	– 117	10,078	248
Flughafen Saarbrücken	Saarbrücken	Saarbrücken	2002	51.00	724	– 23	9,233	157
Betriebsgesellschaft mbH	Airport		2001	51.00	746	– 238	9,230	134
Gesellschaft für Cleaning	GCS	Frankfurt a. M.	2002	40.00	2,401	1,376	23,386	589
Service mbH & Co.			2001	40.00	2,579	1,505	22,280	579
Airport Frankfurt/Main KG								
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2002	73.07	25	– 660	409	6
			2001	73.07	685	114	463	5
HSG Hanseatic Security	HSG	Hamburg	2002[1]	–				
and Services GmbH			2001	51.00	– 6	– 393	2,543	81
Media Frankfurt GmbH	Media	Frankfurt a. M.	2002	51.00	1,362	710	18,325	22
			2001	51.00	1,813	1,198	19,686	21
proceedAir Aviation Services GmbH	proceedAir	Frankfurt a. M.	2002	100.00	66	218	0	0
			2001	100.00	– 152	– 143	39	1
Verwaltungsgesellschaft für Cleaning	VCS	Frankfurt a. M.	2002	100.00	35	2	242	1
Service mbH			2001	100.00	33	3	220	1
Spezialfonds	investment fund	Frankfurt a. M.	2002	–				
"BLUE SKY-UNIVERSAL-FONDS"			2001	100.00				
Tradeport Frankfurt GmbH	Tradeport	Frankfurt a. M.	2002[2]	100.00	– 6,190	– 1,398	14,383	452
			2001	50.00	– 4,792	– 4,208	16,293	466

		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., Amstelveen (sub-group)	ICTS	The Netherlands	2002 [3]	100.00	17,347	5,439	192,821	6,834
			2001	45.00	7,773	4,659	126,493	n.a.
20 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) Limited, London	*ICTS UK*	*Great Britain*						
ICTS France S.A., Paris	*ICTS France*	*France*						
VAS Flughafen Bodenverkehrs-dienste GmbH, Vienna	VAS	Austria	2002	100.00	1,387	– 707	6,921	145
			2001	100.00	94	– 1,730	4,470	101
Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athens	Hellas	Greece	2002	100.00	304	148	866	1
			2001	100.00	621	465	2,845	1
Civas Scandinavia AB, Stockholm	Civas Scandinavia	Sweden	2002 [4]	100.00				
			2001	100.00	344	77	1,690	24
CIVAS UK Ltd., London	CIVAS UK	Great Britain	2002 [4]	100.00				
			2001	100.00	431	153	4,365	180
America								
Airport Carts LLC, Delaware	ACLLC	USA	2002	66.67	1,464	26	2,338	42
			2001	66.67	2,600	36	2,603	44
Air-Transport IT Services, Inc., Delaware	Air-Transport IT	USA	2002 [5,6]	100.00	– 933	– 1,083	7,250	20
			2001	50.00				
Decision Support Technologies, Inc., Florida	DST	USA	2002 [6]	100.00				
			2001	–				
Fraport Peru S.A.C., Lima	Fraport Peru	Peru	2002	99.99	282	299	1,557	5
			2001	99.99	330	304	1,091	5
Asia								
Fraport (Philippines) Services Inc., Manila	Fraport Philippines	Philippines	2002	99.99	– 114	– 732	2,214	12
			2001	99.99	307	82	1,368	0

		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.	2002	50.00	691	364	10,396	1
			2001	50.00	411	148	3,167	0
AirITSystems Hannover GmbH	AirIT Hanover	Hanover	2002	50.00	2,223	223	8,917	42
			2001	50.00	2,162	162	2,880	34
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2002	33.33	164	89	4,048	0
			2001	33.33	152	52	3,861	0
Medical Airport Service GmbH	MAS	Kelsterbach	2002	50.00	495	307	2,509	29
			2001	50.00	188	59	634	9
NICE Aircraft Services & Support GmbH	NICE	Frankfurt a. M.	2002	52.00	4,790	991	8,219	12
			2001	52.00	4,549	1,592	11,588	4
Rest of Europe								
S. A. TCR International N.V., Brussels (sub-group) *six wholly-owned subsidiaries of TCR are included in the TCR sub-group, in which Fraport AG indirectly holds 50 %.*	TCR	Belgium	2002	50.00	6,475	– 1,981	25,985	188
			2001	50.00	8,455	– 512	29,141	174
Asia								
Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anomin Sirketi, Istanbul	Antalya	Turkey	2002	50.00	61,713	28,234	107,946	367
			2001	50.00	64,436	34,304	117,860	208
Pantares Tradeport Asia Ltd., Hong Kong	Pantares Tradeport	China	2002	50.00	6,652	– 330	0	0
			2001	50.00	4,139	– 264	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.	2002	40.00	733	306	14,198	24
			2001	40.00	427	289	12,823	n.a.
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2002	49.00	2,438	1,925	29,802	857
			2001	49.00	1,925	1,411	31,507	n.a.
Flughafen Hannover-Langenhagen GmbH	Hanover Airport	Hanover	2002	20.00	n.a.	n.a.	n.a.	1,119
			2001	20.00	85,796	– 149	119,747	1,171
Rest of Europe								
Portway-Handling de Portugal, S.A., Lisbon	Portway	Portugal	2002	40.00	5,057	– 1,750	16,403	585
			2001	40.00	5,632	– 3,906	15,395	529
Asia								
Philippine International Air Terminals Co. Inc., Manila	PIATCO	Philippines	2002 [7]	30.00	n.a.	n.a.	n.a.	n.a.
			2001	30.00	77,114	– 36,967	0	n.a.
Philippine Airport and Ground Services Terminals Holdings, Inc., Pasay City	PTH	Philippines	2002 [7]	40.00	n.a.	n.a.	n.a.	n.a.
Philippine Airport and Ground Services Terminals, Inc., Manila	PTI	Philippines	2002 [7]	40.00	n.a.	n.a.	n.a.	n.a.
Philippine Airport and Ground Services, Inc., Manila	PAGS	Philippines	2002 [7]	40.00	n.a.	n.a.	n.a.	n.a.
America								
Lima Airport Partners S.R.L., Lima	LAP	Peru	2002	42.75	34,222	6,132	68,094	n.a.
			2001	42.75	34,828	– 143	55,719	n.a.

n.a. = not available.

1 Merged into FIS.

2 Proportionate consolidation in 2001.

3 Company was valued at equity in 2001. Figures 2001 in accordance with US-GAAP group report.

4 Company is consolidated in the ICTS sub-group in 2002.

5 Not consolidated in 2001.

6 Consolidated financial statements Air-Transport and DST.

7 Associated company and at-equity valued until Sep. 30, 2002.

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, for the business year from January 1 to December 31, 2002. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2002 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 law.

Frankfurt am Main, April 14, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harwart	Scholz
German Public Auditor	German Public Auditor

Report of the Supervisory Board

During the year ended December 31, 2002, the Supervisory Board intensively addressed the situation of the company. Carrying out its duties under the law and the Company's statutes, the Supervisory Board supervised the Executive Board's conduct of business and advised the Executive Board with regard to its responsibilities. The Supervisory Board was involved in decisions that were of fundamental significance for the Company. In a total of seven Supervisory Board meetings, the Executive Board regularly provided the Supervisory Board with immediate and comprehensive information. In addition, four Supervisory Board committees met 21 times to consult with the Executive Board and prepare important issues for discussion at meetings of the Supervisory Board. Between the meetings, the members of the Supervisory Board were regularly informed in writing and, on a case-by-case basis, orally about important issues. Moreover, the Chairman of the Supervisory Board and the chairmen of the committees were kept regularly informed about significant developments and management decisions.

A significant event for the Company and the Supervisory Board was the first public Annual General Meeting, which was held on June 26, 2002. Approximately 2,400 shareholders of Fraport AG were welcomed to this meeting.

Principal Focus of Attention

In view of the difficult situation of the economy in general and the continuing problems in the air transport sector, regular reporting focused on the business development and economic situation of the Fraport Group, its subsidiaries, joint ventures and affiliated companies. Corporate planning for financial year 2003 was discussed in detail. Another focus of attention was on the local development at Frankfurt and other Fraport locations. The Supervisory Board also dealt intensively with the issue of corporate governance.

Developments at Frankfurt

Development at Frankfurt Airport was marked by numerous measures to secure and purposefully expand the existing business. At the same time, ongoing vigorous efforts are being undertaken that are designed to secure the future of the airport and forge ahead with the planned expansion of the runway system.

The establishment of additional shipping and logistics companies in the southern part of the airport should provide an additional impetus to the cargo business. The AIRRAIL center frankfurt, which received the go-ahead in November and whose construction is expected to begin this year, will also provide additional momentum for Frankfurt Airport. The Supervisory Board was continually involved in the considerations of the Executive Board and favorably assisted in the implementation of the strategy for further developing the current business. The measures undertaken will also contribute to achieving the ambitious corporate goals in the coming years.

Completion of the application for the Frankfurt-Main and Frankfurt-Hahn airport system should increase opportunities to enhance even more purposefully the characteristic features of these airports in the future and to utilize Frankfurt Airport's resources optimally. The Supervisory Board expressly lends its support to this project and considers it to be a major element for securing the future.

Conclusion of the regional planning procedure in June 2002 was a first major milestone in the expansion of the airport. It cleared the way for taking further steps in the planning process for a northwest landing runway.

The Supervisory Board also acknowledged the urban development concept of Foster & Partners for construction of the new Terminal 3 to the south and thereby bindingly settled on the concept for additional planning. The new Frankfurt Airport Master Plan, which had previously been discussed by the Supervisory Board, was subsequently presented to the public.

Preparations for the zoning procedure in connection with the construction of the new landing runway are moving ahead in high gear. The zoning request for upgrading the airport to accommodate the new Airbus A380 was already submitted in January. The Executive Board announced that it expects to submit the zoning request for construction of the landing runway in the second half of this year. The Supervisory Board considers the construction of the new landing runway and infrastructure facilities a decisive contribution to securing the airport's future.

Development of Subsidiaries, Joint Ventures, and Affiliated Companies

The Supervisory Board was also informed in detail about new and existing investments and supplied management advice to the Executive Board.

In the area of new acquisitions, the takeover of International Consultants on Targeted Security Europe Holdings B.V. (ICTS Europe), a European leader primarily in security services for airports and a member of the Fraport Group since the end of 2001, is worthy of mention. The Supervisory Board was kept regularly informed by the Executive Board on the status of this company's integration within the Group and on the related restructuring of its security services.

The Supervisory Board was regularly informed in writing on the business development of the existing investments. Additional discussions on this topic were held in the Investment Committee.

The Supervisory Board also thoroughly discussed the difficulties involved in the Manila project. Every Supervisory Board meeting and numerous committee meetings last year were devoted to the development of this project. The Supervisory Board unanimously approved the Executive Board's decision to write down completely Fraport's financial investment in Manila for the 2002 financial statements. Because of continuing uncertainties and existing political risks in the Philippines, the Supervisory Board feels this was a necessary move in accordance with the accounting and reporting law. The Supervisory Board regrets the suspension of dividend payments for financial year 2002. The write-down does not mean that we have given up any legal or other rights regarding our legitimate claims.

Corporate Governance

The Supervisory Board expressly welcomes the recommendations submitted in the summer of last year for a German corporate governance code. Most of the recommendations made have been an integral part of the corporate practice at Fraport AG for quite some time. They therefore do not require any additional implementation measures. This also applies to the rights and obligations of the Supervisory Board that are mentioned in these recommendations. In September 2002, Fraport AG issued its own corporate governance code based on the requirements of the government commission. At the same time, the company established a task force to focus on the short-term implementation of standards that are not yet established practice. The task force will also draw up and submit appropriate recommendations for implementation to the Supervisory Board. Meanwhile, we have decided on a retention provision (deductible) as part of the existing D&O insurance for Supervisory Board and Executive Board members. Introduction of a performance-related reimbursement component for Supervisory Board members is basically considered to be a positive development and, following further examination of the new governance elements, is expected to be implemented in the coming year. The code's deadline for publishing quarterly figures within 45 days will be met by Fraport AG, beginning in the current financial year. The Executive Board informed the Supervisory Board that is planning to meet the 90-day deadline for publishing the annual financial statements, beginning with the annual report for 2003.

All changes in the Company's statutes required for implementing the code will be submitted for approval to the Annual General Meeting on June 25, 2003. In the coming months, the Supervisory Board will carry out efficiency audits specified by the code to examine and further advance the Supervisory Board's past work. Incidentally, at its meeting on December 18, 2002, the Supervisory Board agreed on issuing a statement of compliance. This was also published on the Company's home page.

Annual Financial Statements

The audit of Fraport AG's annual financial statements and the management report, the consolidated financial statements according to International Financial Reporting Standards (IFRS), and the Group management report as of December 31, 2002, as well as the result of the audit by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft-Wirtschaftsprüfungsgesellschaft did not give cause for any objections. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft-Wirtschaftsprüfungsgesellschaft issued the statutory unqualified auditors' certificate. Upon completion of its examination, the Supervisory Board raised no objections and approved the annual financial statements as of December 31, 2002.

Appointments to the Supervisory Board and Executive Board

Chief Financial Officer, Mr. Johannes Endler, retired from the Company effective March 31, 2003. At its meeting on December 18, 2002, the Supervisory Board appointed Dr. Stefan Schulte as the Company's Executive Board member for finance (CFO). Dr. Schulte assumed his duty effective April 16, 2003.

The term of office of the present Supervisory Board expires at the time the Annual General Meeting is held on June 25, 2003. Already in March/April of this year, the staff representatives elected their representatives for the new term of office by means of an electoral committee. In accordance with corporate law provisions, the shareholders elect their representatives at the Annual General Meeting on June 25, 2003.

The Supervisory Board additionally thanks all employees for their substantial commitment and dedication to Fraport during the past financial year. Their efforts contributed decisively to Fraport's continued secure and successful business operation even in difficult times.

Frankfurt am Main, April 2003

Roland Koch
(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. Bernd Fahrholz
Speaker of the Executive Board
Dresdner Bank

Dr. Erich Forster
Chairman of the Executive Board
Thyssen Krupp Materials AG
(Member until September 2002)

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

Klaus Herms
Chief Executive Officer
Kühne & Nagel International AG

Prof. Konrad Hinrichs
Chairman of the Supervisory Board
Philipp Holzmann AG

Dr. Jürgen Jeske
Publisher
Frankfurter Allgemeine Zeitung

Dieter Kaden
Managing Director
DFS Deutsche Flugsicherung GmbH

Hemjö Klein

Prof. Dr. Rolf-Dieter Leister
Infra Beratung AG

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

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

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

Dr. Bernd Thiemann
Member of the Supervisory Board
Rothschild GmbH

Prof. Dr. Günter W. Tumm
Corporate Liaison
Deutsche Post AG

Dr. Gert Vogt
ASEM Speaker for German Business
Asia Pacific Committee of German Business

Klaus Wächter
Chairman of the Executive Board
Frankfurter Sparkasse

Jürgen Weber
Chairman of the Executive Board
Deutsche Lufthansa AG

Ernst Welteke
President
Deutsche Bundesbank

Permanent Guest:
Roland Koch
Prime Minister of the State of Hesse
Chairman of the Supervisory Board
of Fraport AG

Glossary

Air traffic terms

ACI
Airports Council International.

ADV
Association of German Airports
(Arbeitsgemeinschaft Deutscher Verkehrsflughäfen).

Airline alliance
Cooperative association of airlines.

Aviation
Air transport.

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

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.

DFS
DFS Deutsche Flugsicherung GmbH – the air traffic supervisory agency that directs aircraft movements in the Federal Republic of Germany.

Duty-free shops
Shops which offer goods for sale free of valued added (sales) tax or consumption duties.

Aircraft movements
Take-offs and landings.

Airport fees
Fees, which are subject to official approval (landing, take-off, passenger and aircraft parking fees).

Fraport AG
Fraport AG Frankfurt Airport Services Worldwide.

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

HALS/DTOP
High Approach Landing System / Dual Threshold Operation; a new landing procedure, under which the two east-west runways can be used more efficiently by shifting the landing threshold.

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.

IT
Information technology.

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

Interconts
Intercontinental flights.

Intermodality
Connecting different modes of transportation.

Coordinated aircraft movements
The maximum number of scheduled take-offs and landings in a specific period of time.

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

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

Air traffic hub
Synonym for hub.

MTOW
Maximum Take-off Weight;
Maximum take-off weight for aircraft – the decisive regulation size to determine the extent of take-off and landing fees.

PAX
Number of passengers.

Slots
Allocated time for a take-off or landing.

Star Alliance
Alliance of fiveteen airlines (Air Canada, Air New Zealand, ANA All Nippon Airways, Asiana Airlines, Austrian Airlines, BMI British Midland, Lauda Air, Lufthansa, Mexicana, SAS, Singapore Airlines, Thai Airways International, Tyrolean Airways, United Airlines, VARIG).

Terminal
Arrival and departure buildings at airports.

Terminal services
Services provided in connection with the operation of terminals.

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 take-off 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.

Traffic fees
Airport, infrastructure and ground handling fees.

Apron
Area in which aircraft are loaded and unloaded.

Ten-point program
Fraport has agreed to a ten-point program to accompany the 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 rail
- Self-imposed limits set by the airlines for night flights, waiver of planned scheduled flights, restriction of the number of holiday and cargo flights while optimizing daytime capacity
- Evaluate moving the overnight domestic airmail service, i.e. to Frankfurt-Hahn Airport or to another location
- Commitment to introduce and use particularly quiet landing and take-off 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.

Business management terms

BAT
Collective bargaining agreement (Bundes-Angestelltentarifvertrag)

GDP
Gross domestic product

Capital employed
Shareholders' equity excluding dividend distributions + net financial debt.

Chapter 11
Part of US insolvency law allowing entities to delay meeting creditors' claims until it is restructured.

DVFA/SG
German Association of Financial Analysts and Asset Management/Schmalenbach-Gesellschaft.

EBIT
EBITDA less depreciation and amortization of intangible and tangible non-current assets, write-downs of financial assets and of securities included in current assets.

EBIT margin
EBIT/revenues.

EBITDA
Operating result + results of investments held at equity + income from investments + depreciation and amortization of intangible and tangible non-current assets.

EBITDA margin
EBITDA/revenues.

EPC contract
Construction contract.

Gearing
Net financial debt/shareholders' equity excluding dividend distributions.

MDAX
The mid-cap share index of Deutsche Börse AG, comprising the 70 shares of corporations that are one category smaller than those listed on the DAX. As from March 2003, MDAX comprises only 50 shares.

Net financial debt
Bank liabilities – liquid funds.

Operating costs
Cost of materials + personnel expense + other operating expenses.

ROCE
Return on capital employed
EBIT/capital employed.

Return on revenues
Result before income taxes and minority interests/revenues.

WKN
Securities identification number.

Five-year Overview

in € millions	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
A. Non-current assets	**2,394.6**	**2,609.0**	**2,729.2**	**3,222.8**	**2,698.6**
I. Intangible assets	19.6	80.8	110.7	99.8	225.1
II. Property, plant and equipment	2,294.9	2,434.2	2,447.7	2,435.1	2,403.9
III. Investments held at equity	54.8	59.3	71.0	126.1	37.3
IV. Other financial assets	25.3	34.7	99.8	561.8	32.3
B. Current assets	**164.0**	**194.3**	**264.1**	**401.5**	**870.5**
I. Inventories	23.2	13.0	10.3	11.9	13.1
II. Trade accounts receivable	91.6	106.8	135.5	141.3	195.9
III. Other receivables and other assets	35.8	51.4	59.1	173.6	76.4
IV. Checks, cash and bank balances	13.4	23.1	59.2	74.7	585.1
C. Prepaid expenses	**46.1**	**46.4**	**43.4**	**41.5**	**43.1**
D. Deferred tax assets	**3.1**	**4.5**	**6.0**	**6.2**	8.5
A. Shareholders' equity	**860.6**	**920.7**	**1,019.3**	**1,964.3**	**1,803.4**
I. Subscribed capital	511.3	511.3	640.0	900.9	900.6
II. Capital reserves	–	–	–	662.4	532.0
III. Revenue reserves	328.8	383.8	302.6	365.0	370.8
IV. Group retained earnings	20.5	25.6	76.7	36.0	0.0
B. Minority interests	**1.9**	**3.0**	**4.8**	**5.5**	**12.9**
C. Deferred investment grants on items in non-current assets	**19.9**	**18.1**	**23.1**	**22.4**	**24.2**
D. Provisions and accruals	**247.6**	**264.8**	**286.4**	**284.6**	**425.2**
E. Liabilities	**1,225.6**	**1,383.5**	**1,452.4**	**1,189.2**	**1,129.9**
I. Financial liabilities	1,007.7	1,170.6	1,267.9	970.1	909.7
II. Trade accounts payable	102.3	98.7	113.8	99.0	94.8
III. Other liabilities	115.6	114.2	70.7	120.1	125.4
F. Deferred income	**68.0**	**66.9**	**74.8**	**71.0**	**66.6**
G. Deferred tax liabilities	**184.3**	**197.3**	**181.9**	**135.0**	**158.5**
Total	**2,607.8**	**2,854.2**	**3,042.7**	**3,672.0**	**3,620.7**

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

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

in € millions	1998	1999	2000	2001	2002
Revenues	**1,281.4**	**1,374.9**	**1,536.2**	**1,580.6**	**1,803.6**
Change in work-in-process	8.5	– 11.9	– 2.9	0.7	– 0.8
Other internal work capitalized	11.0	11.4	15.4	18.4	19.2
Other operating income	64.3	40.8	72.1	114.1	80.2
Total revenues	**1,365.2**	**1,415.2**	**1,620.8**	**1,713.8**	**1,902.2**
Cost of materials	– 212.9	– 226.9	– 264.4	– 281.7	– 275.3
Personnel expense	– 571.9	– 596.7	– 633.4	– 689.2	– 860.1
Depreciation and amortization of tangible and intagible non-current assets	– 200.9	– 179.5	– 194.9	– 209.3	– 214.1
Other operating expenses	– 120.4	– 148.3	– 193.7	– 225.0	– 251.6
Operating profit	**259.2**	**263.7**	**334.4**	**308.6**	**301.1**
Interest result	– 83.7	– 63.3	– 66.2	– 72.9	– 34.0
Results from investments held at equity	– 0.2	– 7.0	– 4.3	– 25.8	– 17.0
Income from investments	0.0	4.0	8.5	15.1	4.3
Write-downs of financial assets	– 0.5	0.0	– 8.7	– 3.6	– 3.8
Impairment write-downs relating to the Manila project	–	–	–	– 59.1	– 289.5
Other financial results	1.2	1.3	2.2	7.9	3.8
Financial result	**– 83.2**	**– 64.9**	**– 68.5**	**– 138.4**	**– 336.2**
Result from ordinary operations	**176.0**	**198.8**	**265.9**	**170.2**	**– 35.1**
Taxes on income	– 96.0	– 108.3	– 125.2	– 60.7	– 79.4
Other taxes	– 5.1	– 9.9	– 10.9	– 7.0	– 5.0
Minority interests' share of results	– 0.8	– 0.9	– 0.8	– 1.4	– 1.3
Group loss/profit for the year	**74.1**	**79.7**	**129.0**	**101.1**	**– 120.8**
Transfer from capital reserves	–	–	–	–	130.3
Transfer to revenue reserves	– 53.6	– 54.1	– 52.3	– 65.1	– 9.5
Group retained earnings	**20.5**	**25.6**	**76.7**	**36.0**	**0.0**
Basic earnings per 10 shares	**1.45**	**1.56**	**2.16**	**1.28**	**– 1.34**
Diluted earnings per 10 shares	–	–	–	–	**– 1.33**

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

Calendar of Events 2002

The latest TV news can be viewed at Frankfurt Airport's departure gates.

Fraport AG's first public Annual General Meeting for shareholders.

Targeted ongoing development at FRA's CargoCity South.

Dr. Stefan Schulte, Fraport's Executive Board Member for Finance since April 16, 2003.

January 15	FRA is the first German airport to offer passengers the latest TV news in the boarding gate areas.
February 6	Readers of the German Business Traveller magazine once again vote FRA as the "Best Airport in Europe".
March 5	Fraport AG launches a noise abatement program for residents in the airport vicinity.
March 26	The airport company signs agreements for integrated groundwater monitoring with the State of Hesse and Hessenwasser GmbH.
April 23	At the company's fiscal 2001 press conference, the Chairman of the Executive Board, Dr. Wilhelm Bender, discloses that consolidated profit for the year reached €101.1 million.
April 30	Fraport and airlines sign first longer-term (five-year) agreement on airport charges at FRA. "Fee cap" provisions ensure that opportunities and risks of traffic development are shared.
June 11	Conclusion of the regional planning procedure on capacity expansion at FRA.
June 26	Fraport's first public Annual General Meeting is held in Frankfurt-Hoechst.
July 10	Launch of the *"WM 2005 – Creating Value for the Future"* efficiency-boosting program.
August 1	High-speed ICE-3 trains (InterCityExpress) commence service on the newly completed rail line linking Frankfurt Airport and Cologne.
August 29	Fraport AG and Frankfurt-Hahn GmbH submit application to be designated as a common airport system.
August 30	Fraport wins second prize in the "stock market newcomers" category of the "Best Annual Report" competition sponsored by the German business publication *Manager Magazin.*
September 6	Fraport Supervisory Board adopts a Corporate Governance Code, in which Fraport AG commits to even greater transparency.
October 10	CargoCity South grows: for the first time, two topping-out ceremonies are held on the same day.
November 20	Presentation of the new master plan for airport expansion through to the year 2015.
December 18	Fraport Supervisory Board appoints Dr. Stefan Schulte as the company's new CFO to succeed Johannes Endler.
December 30	Fraport and the Shanghai Airport Group sign long-term cooperation agreement.

Financial Calendar

May 15, 2003:	1st Quarter Interim Report
June 25, 2003:	Annual General Meeting
August 14, 2003:	1st Half Interim Report
November 13, 2003:	3rd Quarter Interim Report

Investor Relations
Telefon: +49(0)69-690-74842
Telefax: +49(0)69-690-74843
E-Mail: investor.relations@fraport.de

Internet: www.fraport.de

Yes,

I want additional information!

Imprint

Publisher:
Fraport AG
Frankfurt Airport Services Worldwide
Press and Publications (VSP)
60547 Frankfurt am Main, Germany

Text and concept:
Charles Barker
Corporate Communications GmbH,
Frankfurt am Main, Germany

Design:
Bert Klemp Corporate Design,
Frankfurt am Main, Germany

English version:
Stephen Klain, Frankfurt am Main, Germany
Fraport AG

Photography:
Martin Joppen, Frankfurt am Main, Germany
Bert Klemp, Frankfurt am Main, Germany
Fraport AG (VSP)

Production:
Fraport AG (VSP)

Typesetting and lithography:
Layout Service Darmstadt GmbH, Darmstadt, Germany
MDDigitale Produktion, Maintal, Germany

Printing:
gzm Grafisches Zentrum
Bödige und Partner GmbH,
Mainz-Hechtsheim, Germany

Printed in Germany

Reply

Fraport AG
Frankfurt Airport Services Worldwide
Press and Publications (VSP)

60547 Frankfurt am Main
Germany

Sender:

Name ____________________

Street ____________________

Zip Code/City/Country ____________________

Please send me

- ❑ Image video of Fraport AG (DVD)
- ❑ Image brochure of Fraport AG
- ❑ Facts and Figures brochure
- ❑ Information on Airport Expansion