Fraport
Frankfurt Airport
Services Worldwide

Annual Report 2001

Continuing Development and Growth

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

Traffic figures Frankfurt Airport

	1999	2000	2001	2000/2001 change in %[1]
Passengers (millions)	45.9	49.4	48.6	–1.6
Airfreight (thousand tonnes)	1,428.1	1,589.4	1,494.1	–6.0
Airmail (thousand tonnes)	138.9	141.0	141.1	0.1
Aircraft movements (thousands)[2]	439.1	458.7	456.5	–0.5
MTOWs (thousand tonnes)	23,764.5	25,370.4	25,564.5	0.8
Seat load factor (in %)	68.4	69.8	68.2	

1 Rate of change based on unrounded numbers.

2 Excluding military flights.

Revenues and profit Fraport Group

in € millions	1999	2000	2001	2000/2001 change in %
Revenues	1,374.9	1,536.2	1,580.6	2.9
Total revenues	1,415.2	1,620.8	1,713.8	5.7
EBITDA	440.3	533.5	507.2	–4.9
EBIT	260.8	329.9	235.2	–28.7
Profit from ordinary operations	198.8	265.9	170.2	–36.0
Profit for the year	79.7	129.0	101.1	–21.6

Key profitability data Fraport Group

in %	1999	2000	2001
Return on revenues	13.7	16.6	10.3
EBITDA margin	32.0	34.7	32.1
EBIT margin	19.0	21.5	14.9
ROCE return on capital	12.6	14.8	8.2
Equity ratio	31.4	31.0	52.5

Employees Fraport Group

	1999	2000	2001	2000/2001 change in %
Average number of employees	13,336	14,271	15,526	8.8

Organizational structure

Fraport AG
Frankfurt Airport Services Worldwide

Executive Board (EB)

- **VS** Chairman of the Executive Board
- **VI** EB Member Real Estate
- **VF** EB Member Finance
- **VA** EB Member Labor Relations
- **VE** EB Member Airport Development

Staff functions reporting directly to the Executive Board

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

VI
- VIF Freight Logistics
- VIR Legal Affairs

VA
- VAD Data Protection
- VAF Promotion of Equal Opportunities for Women and Families
- VAV Office for Reporting Confidential Information

VE
- VEK Airport Expansion Public Relations

Strategic Business Divisions (SGB)

- **IFM** Real Estate and Facility Management (VI)
- **IUK** Information Technology and Telecommunications (VF)

Support Divisions (UB)

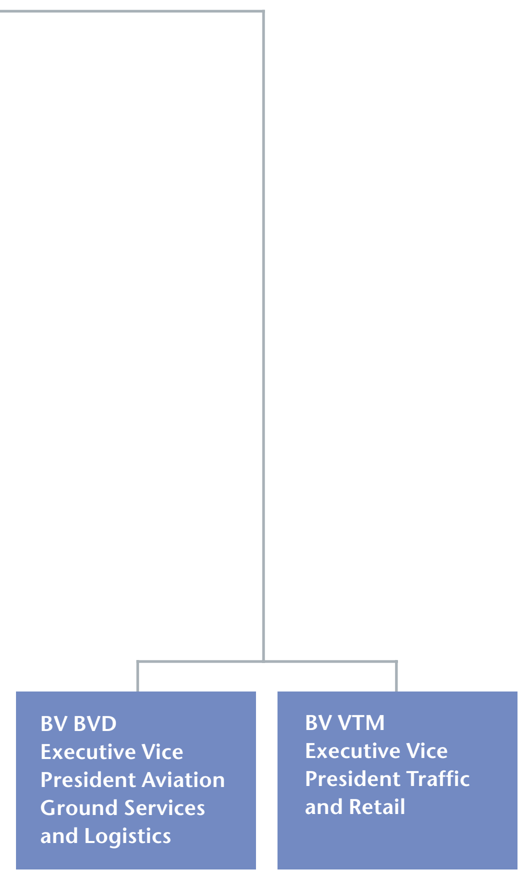
VS
- **AUB** Global Investments and Management
- **USG** Corporate Development, Organizational Structure, Boards and Committees
- **MAR** Marketing

VF
- **CFR** Controlling, Finance, Accounting
- **ZEB** Central Purchasing/Construction Contracts

VA
- **PSL** Human Resources

VE
- **APF** Airport Expansion Program

As of March 31, 2002


BV BVD
Executive Vice
President Aviation
Ground Services
and Logistics
BV VTM
Executive Vice
President Traffic
and Retail

Contents

Strong performance. Profile. Growth power.

Our Company's strength results from decades of knowledge and experience as the operator of one of Europe's leading air transport hubs. Our successful initial public offering (IPO) opened the door to greater entrepreneurial independence. We continue to develop our Frankfurt home base further and the capabilities that we acquire here – with a clear emphasis on innovation, commitment, and value orientation. This serves to highlight our profile wherever we seek out new opportunities. We have set the goal of strengthening and expanding our position as one of the three most competitive and profitable airport groups in the world. With this strategic orientation, we are also laying the groundwork for securing our growth and income in the future.

We are on the right path with our strategy.

Dear Friends of Fraport,

The year 2001 brought Fraport not only substantial progress but unexpected turbulence as well.

The beginning of the year was marked by the introduction of our new corporate branding. Substantively and visually, it embodies the strategic orientation of Fraport AG Frankfurt Airport Services Worldwide. The new name as well as the Group's new branding signal our ambitious entrepreneurial goals, both within the Company and externally.

The successful IPO of Fraport AG on June 11 was undoubtedly the high point of the year, as well as the most significant step taken to ensure our Company's future success. Despite the rather weak capital market environment, this was the second largest new issue of the year in Germany, and it was 7.5-fold oversubscribed. Our share aroused the strong interest of both institutional and private investors in Germany and abroad. We are especially pleased with the strong demand among private investors within the region as well as the high 56 percent level among employees authorized to subscribe to shares, who took advantage of the employee stock participation program to become a shareholder in their company.

We were also pleased that Fraport's shares were included in the German mid-cap index, MDAX, as early as September 24 – an important step for a newly listed share. We will work with all our might to ensure that our shares develop strongly in the long term and – as opposed to price developments during the months following the initial listing, which was influenced by other factors – we will strive to ensure that the price level is an appropriate reflection of the Company's substance and net value added potential. We will be reporting on a quarterly basis beginning in the 2002 financial year.

The funds generated from the IPO represent the financial basis for expanding the capacity of Frankfurt Airport. In August 2001, by initiating on schedule the regional planning process, we took a step forward in this project, which will be our most important project over the next few years. Having met our ambitious timetable for the expansion, we are optimistic regarding the phases that are still pending.

Nevertheless, we want to make efficient use of our growth prerequisites, which were optimized with the IPO, not only in our own Frankfurt/Rhine-Main region but in other parts of the world as well. We are able to enhance our effectiveness in global airport projects thanks to our alliance with the Schiphol Group. The cooperation with our alliance partner under the umbrella of the Pantares joint venture continues to be successful.

We further developed our existing participations and projects and undertook new long-term enhancing commitments. For example, Antalya Airport, where we operate the international terminal with a Turkish partner, again recorded a high volume of passenger growth. This modern terminal is our "business card" in the eastern Mediterranean. Additionally, with the 100 percent acquisition of ICTS

Dr. Wilhelm Bender

Prof. Manfred Schölch

Johannes Endler

Prof. Barbara Jakubeit

Herbert Mai

Europe Holdings B.V. on January 1, 2002, Fraport has established itself as Europe's market leader in the provision of aviation security services.

Our BOT (build, operate, transfer) project for a new international terminal at the Ninoy Aquino International Airport in the Philippine capital of Manila presented difficulties in 2001. Construction is on target and the opening is scheduled for November 2002. Because of a changed forecast of future profitability, we made a write-down. In addition, political difficulties have arisen in connection with this project, which were not expected when we first undertook the commitment. We are vigorously working on a solution.

Within the Company, we made further progress on the portfolio optimization, which was first initiated in 2000. We created structures that enable us to manage the Group even more efficiently, to increase our capabilities, and to hold costs down – all of which are prerequisites for success in the increasingly aggressive global competitive environment.

The year 2001 was divided into two phases as far as business development is concerned. About the first seven months, during which time traffic was in line with our expectations despite the economic slowdown and Lufthansa's pilot strike, were followed by a disappointing autumn. Not only the worsening cyclically related weakness, but more importantly the dramatic events of September 11 prevented our original forecasts from being realized, based on the traditionally more favorable second half of the year. Nevertheless, the declines for the year as a whole of only 1.6 percent in passenger volume and 6 percent in cargo tonnage were less than had been initially feared.

We thus remained on track in a difficult market environment and are pleased to be able to submit generally favorable annual financial statements for the Fraport Group.

We generated our financial statements denominated in euros for the first time. We were able to increase revenues in 2001 by 2.9 percent to €1,580.6 million. The result before interest, taxes and depreciation and amortization (EBITDA) amounted to €507.2 million, versus €533.5 million in the preceeding year. The Group's net earnings in 2001 reached €101.1 million, a decline over 2000. In accordance with the HGB (German Commercial Code) result of €61.0 million for Fraport AG, the Executive Board and Supervisory Board believe it will be appropriate, dear Shareholder, to propose payment of a dividend of €0.40 per share at the upcoming Annual General Meeting.

The year 2001 brought with it a change in the Executive Board. Early in April, we were pleased to welcome Herbert Mai to the Executive Board of Fraport AG as the new Executive Director Labor Relations. He succeeds Hans Georg Michel in this position, who retired on March 31 after 15 years of service on the Executive Board. We wish to express our thanks to Hans Georg Michel for his contributions to our Company.

At the end of 2001 with effect on January 1, 2002, Peter Schmitz and Bernd L. Struck were appointed executive vice presidents for the two largest Fraport divisions: Aviation Ground Services and Logistics; and Traffic and Retail. This move towards decentralization promotes our goal of ensuring an even stronger customer orientation.

At the close of a tumultuous year, we wish to thank our employees for their renewed personal commitment and work on behalf of Fraport.

Our expectations are favorable for the foreseeable future. These expectations are based on our experience over the past 10 years and the projection for continuing solid medium-term growth in air traffic. The traffic figures for the first few months of the current year confirm our anticipation of a speedy return to normality – in other words, satisfactory growth rates once again. The market weakness following September 11 accelerated the process of consolidation in the aviation industry. As a consequence, the large airlines will emerge stronger than before. Leading hubs such as Frankfurt Airport are also benefitting from this development.

We will consistently pursue our established strategy. The milestones of this strategy are: continuously developing our core expertise, expanding capacity at Frankfurt Airport in keeping with business and demand aspects, as well as offering our i know-how internationally for acquisitions and participations. The overall goal of our strategy is to maintain a sustainable increase in the value of the Company. With this goal in mind, the Executive Board launched a new project in 2001 called *WM 2005 – Creating Values Together for Tomorrow (WM 2005 – gemeinsam Werte schaffen für morgen)*. Within this framework, all areas of the Company will be developing and implementing value-increasing initiatives.

Dr. Wilhelm Bender   Prof. Manfred Schölch   Johannes Endler   Prof. Barbara Jakubeit   Herbert Mai

Calendar of Events 2001

January 1	Fraport's CIVAS GmbH subsidiary acquires a 45 percent stake in Amsterdam-based ICTS Europe Holdings B.V., which provides security services for a number of European airports. The remaining 55 percent shareholding is to be acquired by Fraport AG as of January 1, 2002.
February 14	Fraport AG, the U.S. construction firm Bechtel, and the Peruvian construction company Cosapi – operating as Lima Airport Partners – assume management of the airport in the Peruvian capital.
February 21	Within the framework of their Pantares alliance and working together with local partners, Fraport AG and the Schiphol Group win the tender for building and operating a cargo logistics center in Hong Kong.
February 22	Frankfurt Airport is proclaimed Europe's most punctual hub airport by the Association of European Airlines (AEA).
March 28	The new airport in Athens is opened. Fraport AG is the principal advisor to the airport operating company.
April 24	First annual results press conference under the new Fraport AG corporate name. CEO Dr. Wilhelm Bender presents record figures for financial year 2000 – including figures reflecting 62 percent higher net earnings for the year.
May 21	The offering prospectus for the pending IPO of Fraport AG is published.
May 29	A larger and more modern call center is inaugurated.
June 1	Our Company presents itself with a completely new Internet offering at www.fraport.de, which invites the user to engage in dialogue.
July 11	Fraport AG becomes the first German airport operator to be listed on the Frankfurt Stock Exchange.
July 5	Surveys confirm that the general population stands behind a demand-oriented expansion of airports in Germany.
August 23	Fraport AG publishes an interim report for the first time: revenues increase by 5 percent and the consolidated result rises by 43 percent.
August 27	Fraport AG submits an application to the headquarters of the Darmstadt regional administrative district (Regierungspräsidium) to initiate the regional planning procedure for airport expansion.
September 11	Following the terrorist attacks in the U.S., security measures are also intensified in Frankfurt.
September 24	Fraport AG is included in the German mid-cap index, MDAX.
October 12	The coordinated aircraft capacity figure for Frankfurt Airport increases slightly.
November 30	As of January 1, 2002, Fraport AG increases airport charges at Frankfurt Airport by an average of 3.2 percent overall.
December 31	The Fraport share is again on the upswing: a year-end price of €26.50 bodes well for the new stock market year.

Successful launch of Germany's first airport share

The IPO of Fraport AG represented a major partial privatization in Germany – one of the largest new issues in stock market year 2001. With the introduction of official trading on the Frankfurt Stock Exchange on June 11, Fraport (which meanwhile has also been included in the MDAX) became Germany's first airport share.

Approximately 29 percent of the share capital was placed, corresponding to gross revenues of €903.9 million. Including the greenshoe option, a total of 26,105,000 ordinary shares were issued, each having a mathematical interest in the share capital of €10. The shares are fully eligible for dividends for financial year 2001.

With a price range of between €32 to €37, demand considerably surpassed the supply for both institutional and private investors. German and international investors placed orders for more than 190 million shares overall. This represented a 7.5-fold oversubscription. The issue price was established in a book-building process at €35, with a €1 per share discount for individual investors who subscribed early. The initial listing reached a level of €35.40.

The subscription orders placed by private investors alone exceeded the volume of the transaction, thereby representing 13 percent of total demand. Similarly, with their orders for 167.5 million shares, institutional investors from Germany, Europe and the U.S. demonstrated an interest that surpassed expectations by a wide margin.

There was a very strong response from the Frankfurt/Rhine-Main region in connection with preferred allotments for private investors, which accounted for approximately 28 percent of overall demand from private investors – an indication of the region's loyalty to Frankfurt Airport. Approximately 56 percent of the employees of the Fraport Group authorized to subscribe took advantage of the attractive employee stock participation program. The Executive Board and Senior Management participate in a stock option plan.

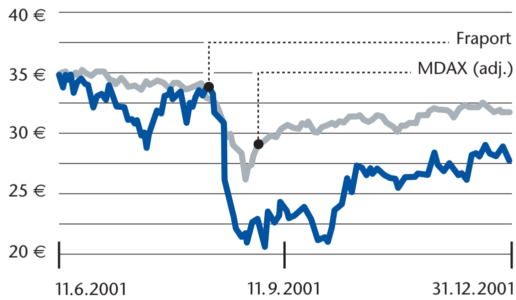
The proceeds of the issue are to be allocated for the financing of our future growth at Frankfurt Airport and other target markets. In accordance with IAS (International Accounting Standards), the expenses for the IPO were offset from shareholders' equity without effect on the income statement.

Uncertainty in the capital and air transport markets

Stock market year 2001 was characterized by uncertainty in the capital markets and at times severe price movements. Particularly during the second half of the year, the share prices of airlines, aircraft manufacturers, and also airports reflected not only the generally poor situation on the stock market, but also the strongly reduced growth forecast for air travel following the September 11 terrorist attacks.

Our share also tended downward in line with the trend of the markets, on September 21 reaching its low point for the year of €17.80. A volatile recuperation phase then followed, which on November 23 led to a temporary high of €27.25, then finally settling at a price of €26.50 at year-end. Overall, the price development of our share fell below that of the MDAX Index in 2001. The Company's market value amounted to approximately €2.4 billion as of December 31, 2001 – 24 percent below its value at the time of the stock exchange listing in June.

Price development: Fraport ordinary share vs. MDAX

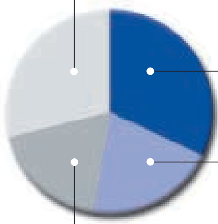


Earnings per share and dividend

During financial year 2001, we achieved earnings per share of €1.28. Here, the number of shares considered, according to IAS during the year under review, were calculated based on a weighted average. On the basis of all the shares at year-end, there was a result of €1.12 per share.

Even following the partial privatization, Fraport continues to follow the policy of disbursing a dividend to shareholders oriented on its income position. For 2001, the Executive Board and the Supervisory Board therefore propose a dividend of €0.40 for each ordinary bearer share.

Shareholder structure



Fraport Group's strong intrinsic value

The value of airports is fundamentally not exclusively dependent on airlines and air traffic volume. Value factors that are also important for Fraport include the Company's stable cash flow as well as the high growth potential of Frankfurt Airport, whose planned expansion enjoys strong political and public support. An additional factor is the extended scope for action – and the correct concepts – for the currently accelerated expansion of our retailing business. Furthermore, Fraport is solidly positioned as an efficient and competitive player in the international markets. This applies to terminal and retail management as well as to such special services as ground handling, airport security, and IT services. We have entrepreneurial-oriented senior management and qualified employees in all areas – qualities of considerable value to a service provider like Fraport.

The Fraport share at a glance

Class of share:	
Ordinary bearer shares with a notional par value	
Share capital	€901,050,000
Mathematical interest in the share capital, per share	€10.00
Total number of shares	90,105,000
Earnings per share (weighted)	€1.28
Earnings per share (year-end)	€1.12
Proposed dividend per share	€0.40
Market capitalization as of Dec. 31, 2001	€2.4 billion

Ongoing dialogue with investors and analysts

By supplying the capital market with comprehensive, open and prompt information, we strive to create the greatest possible transparency for our Company. In addition to our Annual Report, an additional important vehicle for this policy is our Interim Report, which we published for the first time in mid-2001, as well as information issued regarding the Group's current developments. We will produce quarterly reports on a regular basis beginning with the first quarter of 2002. We also make available company and financial information via our web site at www.fraport.de. During the financial year, we considerably improved our overall Internet offering and added an investor relations section.

A key aspect of our investor relations is the promotion of our contacts with financial analysts and institutional investors through conferences, presentations, and even individual meetings. During the financial year, we dedicated a considerable amount of time to these activities in connection with our IPO. We will continue and further enhance this dialogue.

Additional information and important dates for the current financial year are available in the Financial Calendar located on the inside back cover of this Annual Report.

Group Strategy

Further Development of Core Expertise in Frankfurt

Further development of Frankfurt Airport has many aspects but one single goal: to increase our hub expertise.

Growth in Frankfurt

Frankfurt Airport has great growth potential. We wish to take advantage of this potential by expanding runway and terminal capacity and by introducing innovative retailing concepts.

External Growth

Our strategic long-term goal continues to be to strengthen Fraport’s position as one of the world’s three leading airport groups. We further focused our strategy for external growth during financial year 2001.

Landside and airside, Frankfurt Airport functions with the precision of a gigantic clock.

Further Development of Core Expertise in Frankfurt

Further development of Frankfurt Airport has many aspects but one single goal: to increase our hub expertise.

As an international air transport hub, Frankfurt Airport maintained a strong position in the industry during a sometimes tumultuous environment in 2001. Frankfurt Airport realized an advantage from the airlines' policy of adapting capacity during times of crisis – that is, closing down individual routes and increasingly centralizing flights through large hubs. But this also intensifies the requirements for hub quality at our airport: It must be in a position, for example, to cope with an even greater amount of transfer traffic and a higher share of widebody aircraft.

Therefore, the core of our policy for Frankfurt Airport is to improve continuously and vigorously the hub expertise of Germany's largest airport. In this sense, we achieved much in 2001, optimizing operating and administrative processes and introducing further innovations.

Frankfurt – Europe's most punctual hub

In close cooperation with air traffic control and Lufthansa, we are pursuing numerous projects to make it possible for us gradually to increase the capacity of the existing runway system and further improve punctuality in Frankfurt. We made excellent progress in both areas during the financial year.

In 2001, punctuality improved over the previous year's good figure (75.5 percent) by 0.8 percentage points to 76.3 percent. This occurred despite the more difficult underlying conditions – caused among other things by the introduction of a new airspace structure in April, and by the strike of the Vereinigung Cockpit pilots' union. We were recognized for this improvement in punctuality by the Association of European Airlines (AEA), which in 2001 – the second consecutive year – named Frankfurt Europe's most punctual hub. IATA's Connectivity Index also lists Frankfurt as the most attractive hub airport in Europe, before Amsterdam-Schiphol, Paris-Charles de Gaulle, and London-Heathrow.

The new HALS/DTOP landing procedure, which is primarily designed to increase capacity, is currently undergoing testing. The heart of the process is a second landing runway threshold on the south runway (landing direction 25), which makes it possible to reduce the separation between approaching planes and thereby markedly boost the capacity of the runway system. A trial phase confirmed the functional capability of the procedure. In order to even better manage traffic on the ground, since 2001 we have been utilizing two new systems. This also contributes to more effective use of existing capacity.

In view of these developments, in October 2001 we were able to achieve an increase in coordinated aircraft capacity for the 2002 Summer Timetable. With the implementation of the 2002 Summer Timetable early in April, Frankfurt will be benefitting from a runway capacity of 80 flight movements per hour (previously 78) between 14:00 and 22:00. We are also optimistic about further increasing capacity utilization in the future.

Top logistics for passengers and baggage, aircraft and cargo.

Prepared for a new generation of widebody aircraft

We continued to make progress in the development of the ground infrastructure. At Frankfurt Airport, well before 2001 we began to organize all the significant planning measures in line with the dimensions of the new generation of wide-bodied aircraft, including the Airbus A380.

In preparing for the Airbus A340-600, which will go into regular service at Frankfurt Airport beginning in 2003, this aircraft underwent a test flight at the end of October 2001. The landing, taxiing, and test handling proceeded smoothly – a test result that underscores the compatibility of Frankfurt Airport with jets of this size.

New design for Transit Area B

Investments have totalled some €170 million since 1993 for the ongoing modernization and expansion of the heavily frequented Transit Area B (Terminal 1), of which approximately a third went for improved fire protection alone. Important phases of the project were completed during the financial year. The new Level 3, which was conceived as a traffic area for arriving passengers, features a large glass dome that creates a light and pleasant atmosphere. Level 2 is now used for departing passengers.

The remodeling resulted in the creation of additional commercial space. A number of restaurants, the Airport Casino, an additional Lufthansa lounge, and numerous shops provide attractive food catering, shopping, and entertainment offerings. The work is proceeding on target and should be completed during the current year.

Pioneers in networking transportation systems

Our airport’s rail links provide an incentive for air travelers to avoid the need for a feeder flight or the use of their own cars to get to Frankfurt Airport. Intermodality generates additional traffic for Frankfurt Airport and provides relief at the same time: Short-haul flights can be switched to the rail system, thereby freeing up urgently required slots for medium- and long-haul flights.

The AIRail service, which we have been offering in cooperation with Deutsche Bahn (German Rail) and Lufthansa since March 1, 2001, on the route from Stuttgart central train station to Frankfurt Airport’s AIRail Terminal, provides us with considerable additional intermodality. This “Rail & Fly” service recorded continually rising capacity utilization during the year. Intermodal logistics for passengers and baggage is working smoothly, so that a transfer time of 45 minutes from train to plane and vice versa is guaranteed in Frankfurt.

The next step will be to link the cities of Cologne and Dusseldorf to the AIRail service. A project group has been working on this project at Fraport since mid-November 2001. Beginning this coming August, shuttle service will begin on the new Cologne – Frankfurt/Rhine-Main ICE (InterCityExpress) line, followed by regular ICE service in December 2002. We expect high rates of growth in traffic for Frankfurt from the North Rhine-Westphalia region. The same development is expected with southwestern Germany, if Deutsche Bahn expands the high-speed ICE route to Stuttgart, as it has been announced.

During the financial year, 1.9 million passengers used the ICE trains as their preferred means of transport to get to and from Frankfurt Airport. We view this as a success for our intermodal concepts, which to the extent that the European high-speed rail network is expanded, will make Frankfurt Airport one of the most important integrated transport centers in Europe.

Frankfurt Airport links the world.

In the next few years, plans call for building a superstructure on the rooftop of the AIRail Terminal (Long-distance Train Station). Among other things, this complex will contain a hotel, a clinic, offices, restaurants and shops.

The key function of ground handling

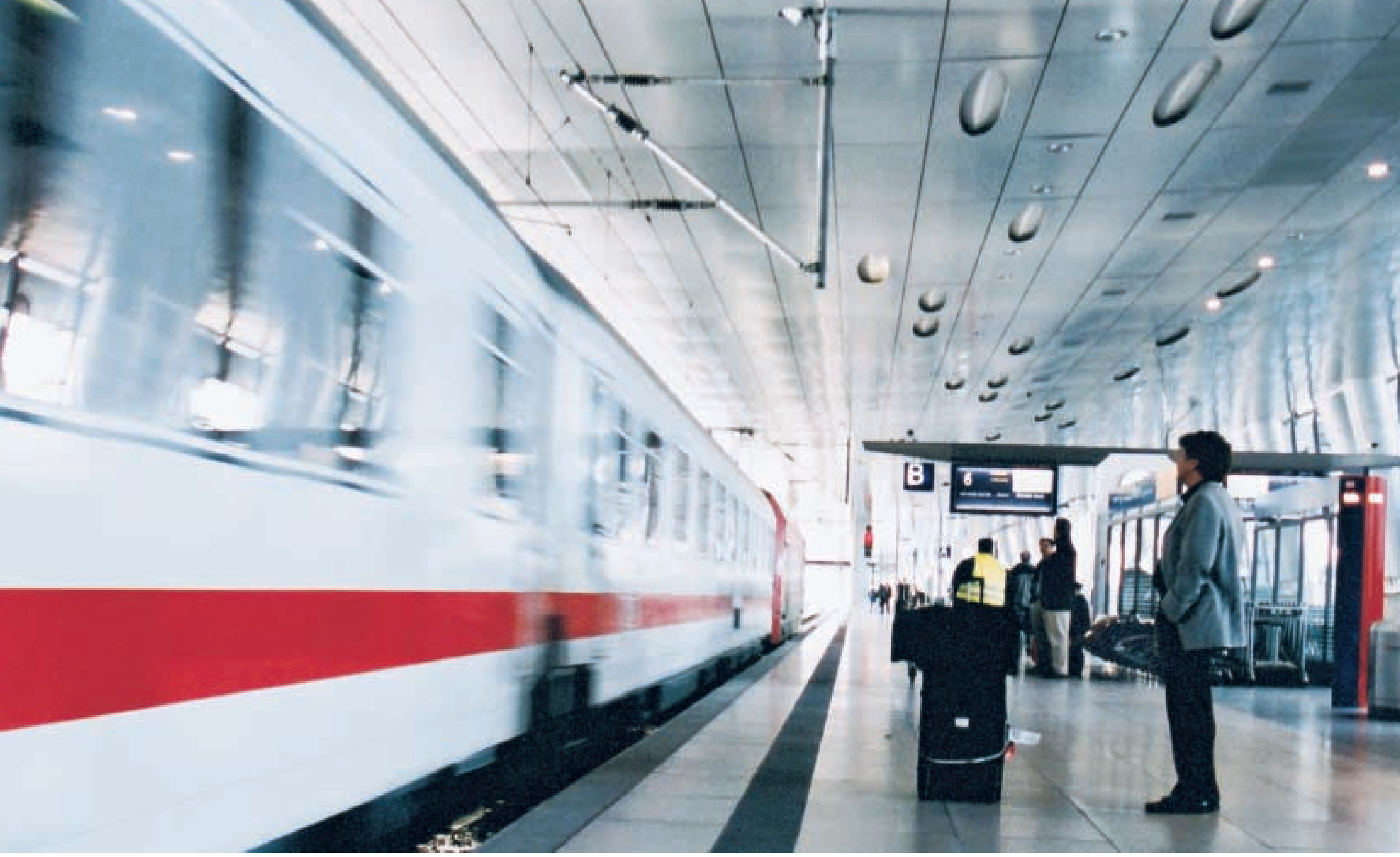
The linking and management of the overall ground handling logistics chain on the ground, with a focus on the greatest possible precision and speed, is one of our core areas of expertise. Here, excellence in service enhances the efficiency of the overall system, improves punctuality, and shortens turnaround times on the ground – an economic factor for the airlines.

With our well-trained and highly qualified employees plus state-of-the-art equipment, we fulfill the service requirements for aircraft handling. For example, in the year under review Fraport's Aviation Ground Services and Logistics division particularly improved aircraft towing activities by introducing three modern tractors that do not require tow bars. When changing aircraft positions, these vehicles make it possible to tow planes at a considerably higher speed on the taxiways, thereby increasing the capacity of the taxiway system. The optimization of operational control systems for ramp and baggage services, as well as the presence of our own coordinators in the Lufthansa Hub Control Center, makes us fit for international competition. A further example of the numerous innovations introduced during the financial year is "Fast Lane" – a new truck dock procedure that speeds up the transport chain on the ground. As a result, airfreight pallets from planes can be loaded directly onto freight trucks, without a need for temporary warehousing.

Ground handling expertise has a key function in the Fraport Group, particularly in an environment such as that of the past year – which was characterized from a market perspective by increasing competition with deteriorating economic conditions and from a customer perspective by growing pressure on prices with simultaneously rising expectations.

Booming CargoCity South

Efficient ground handling, high hub quality, excellent intermodal transport links, strong customer orientation, and state-of-the-art facilities in operation at CargoCity South – these advantages convinced Asia's cargo experts to select Frankfurt Airport again in 2001 as the best European cargo hub. We further expanded Frankfurt's position as an all-cargo (complete range) airport during the financial year.



We create mobility for everyone – by ensuring appropriate capacity, while maintaining our environmental commitment.

We acquired further new investors in 2001 who agreed to establish operations in the CargoCity located at the southern side of Frankfurt Airport – among them, leading international shipping agencies. Like some 200 firms already located in CargoCity South, the newcomers benefit from the highly concentrated and optimally linked logistics structures at CargoCity Frankfurt. In total, by year-end 2001 89 percent of the marketable area at CargoCity South had already been occupied. In our original planning we did not expect to reach this level until at least until 2010.

Approximately 4,300 people are already employed at CargoCity South. Several thousand workplaces will be added when committed investors complete existing construction projects.

The planned airport expansion in Frankfurt is of enormous importance for Frankfurt as a cargo center, as well as for Fraport. Approximately 50 percent of the cargo volume processed in Frankfurt is transported on passenger planes as extra cargo. Thus, ensuring the existence of airport capacity based on the need for passenger transportation, which we are striving to create through the expansion of the airport, also signifies a considerable growth potential for our cargo business.

Security – a central issue in aviation

We are working closely with the authorities to enhance security of the airport and its users. We maintain ongoing contacts with customers and concessionaires in this regard. Particular demands have arisen in the aftermath of September 11. We reacted quickly and systematically to the changed security situation. Among other things, special control stations were established for U.S. flights and British carriers; aircraft positions were changed to meet the new security aspects; and access controls to security-related areas were intensified.

We welcome the guarantee issued by the German federal government to cover aviation liability insurance risks. This guarantee ensures that air transport can be maintained following the terrorist attacks, in view of the termination of liability insurance contracts by insurers. The subsequent decision by the federal government to repeatedly extend state coverage of damages arising from acts of war and terrorism in the aviation industry was received with relief by the entire industry.

Growth in Frankfurt

Frankfurt Airport has great growth potential. We wish to take advantage of this potential by expanding runway and terminal capacity and by introducing innovative retailing concepts.

The beginning of the financial year was influenced by extensive preparations undertaken for the regional planning procedure (ROV), the first of two crucial steps in the planning approval process for the expansion of Frankfurt Airport's capacity. This had been preceded in November 2000 by the so-called scoping process, under which the responsible Darmstadt administrative district (Regierungspräsidium) determined the type and scope of documents to be submitted.

The expansion project is on time and in budget

On August 27, 2001, we submitted our application for the regional planning procedure – supported by a comprehensive presentation of the expansion plans, plus numerous studies and opinions by specialized experts. The Darmstadt administrative district determined in October that the documentation was complete – an important step in officially inaugurating the procedure.

Municipalities, other public-sector bodies, and specialized public authorities all participate in this official process, which examines the regional and environmental impact of the expansion project and determines whether it is compatible with regional planning goals. As of November 12, the applicable documentation has also been on view for interested citizens to examine. All the objections raised against the planned capacity expansion will be examined and discussed by the Darmstadt administrative district. Immediately after the ROV concludes and the planning opinion is announced by the Darmstadt administrative district, Fraport will apply for the initiation of the zoning procedure (Planfeststellungsverfahren or PFV) – project approval procedure.

Our option: Runway Northwest

While all three of the proposed runway options presented by the mediators were included in the regional planning procedure, Fraport explicitly prefers a new runway to be located northwest of the airport (Northwest option for landings only) over the other sites examined – a northeastern runway (landings only) or a southern runway (for takeoffs and landings). We have presented the reasons for our preferred option at numerous times during the financial year. Fraport's preferred option would require the least amount of land and would have the least impact on the forest around the airport. This option would cause the least noise disturbance and, would provide relatively the best capacity potential. Which of the three options will be realized in the end can only be determined when the regional planning procedure is completed. The zoning procedure will only focus on the option that is ultimately selected during the regional planning procedure.

Frankfurt Airport's hub expertise: advanced technology combined with a high level of employee performance.

Capacity based on need – significant for an international hub's existence

All forecasts for growth in international aviation – which, as in the past, is expected to continue being one of the most dynamic growth markets – confirm that Frankfurt Airport has to add an additional runway to its runway system as well as a third passenger terminal. Yet traffic growth in the air necessitates adequate capacity on the ground. This applies primarily to large hubs like Frankfurt, because they focus primarily on global air traffic growth. Moreover, the foreseeable consolidation in the aviation industry will further intensify the trend towards concentrating flight movements at large hubs.

For quite some time, demand for takeoff and landing slots at Frankfurt Airport has been exceeding availability by a wide margin. The improvement in coordinated aircraft capacity for the Summer Timetable 2002 does not negate the fact that the capacity limit has already been de facto exceeded in Frankfurt. If the runway capacity is not expanded, the airlines, the network structures, and the infrastructure will migrate to other locations. Frankfurt's competitors stand ready – and are in a position – to accept firms who decide to move. Other large European locations that also serve as hubs already have sufficient runway capacity at their disposal or are planning to increase their capacity relatively quickly – Paris, for example.

Frankfurt Airport can only remain competitive as a hub if it has adequate capacity. Otherwise, the hub function could be lost. In other words, failing to expand capacity would mean not only stagnation for Frankfurt at its current level but would result in FRA sliding backwards – with serious negative repercussions for the surrounding region, its economy, and its labor market.

Support from the political arena and the public

We are tackling our most important project of the coming years with the certainty that it has the broadest political and public support. We wish to point to the decision of the federal government to support the demand-oriented expansion of the capacities of German airports as well as the resolution of the Hessian state parliament, which passed by an overwhelming majority, calling for the expansion of Frankfurt Airport. The majority of the general public is also in favor, which has been verified by all the opinion surveys conducted by independent research institutes to date in the region and throughout the state of Hesse.

Fraport fully accepted the mediation result, which was issued at the end of January 2000. The mediation package couples the addition of a runway (for landings) with an explicit ban on scheduled flights between 23:00 and 5:00 in the morning. The decision on this matter lies with the Hessian Minister for Economics, Transportation and Regional Development.

Far-reaching measures entail problems

Understandably, night flights and their possible prohibition is a controversial topic – one that is being intensively discussed in public and among interest groups. Therefore, we contracted an independent expert opinion during the financial year. This opinion verifies that, from a logistics point of view, prohibiting night flights is fundamentally realistic at Frankfurt Airport. However, it also makes it clear that problems are involved in introducing such a drastic measure at an international hub like Frankfurt Airport, with its complex traffic responsibilities.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Fraport
Frankfurt Airport
Services Worldwide
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Frankfurt Airport
Services Worldwide

Mobile consumers as well as the requirements of a global economy are driving the increasing demand for slots.

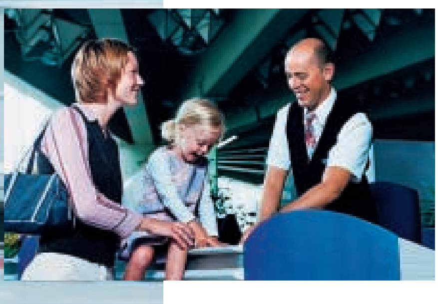
10-Point Program demonstrates its effectiveness

Constructive dialogue is a central issue of our 10-Point Program, which we presented at the Hessian parliamentary hearing on airport expansion in May 2000. We can report today that we have meanwhile made good progress in implementing some of the points of this program.

The 2001/2002 Winter Timetable already limited the number of coordinated nighttime aircraft movements to the volume of the preceding winter timetable. Hesse's Minister of Transport converted this aircraft movement limit to a noise quota, which intelligently controls the flight noise volume for the period running from summer 2002 through to the winter 2005/2006 timetable. If due to the use of quieter aircraft an airline falls below its noise point account for a timetable period, the airline may transfer a third of its unused noise points to the subsequent timetable for additional movements. If it exceeds its noise point account, its noise quota accordingly decreases for the following timetable period.

On January 1, 2001, Frankfurt was the first German airport to introduce a fee structure that differentiates the noise-dependent fee component based on locational noise measurements. The calculation of the landing fees is now partially based on a noise-class system that is structured into seven noise classes for various aircraft types. With this fee structure, which has been in effect since the beginning of 2002, noise-intensive night flights are subject to a financial charge that is higher than under the previous fee arrangement. Quiet aircraft are appropriately favorably rated, with the result that no additional revenues arise for them under this fee structure.

The new fee structure represents an enormous incentive for airlines to schedule quieter aircraft for flights to and from Frankfurt. Moreover, we can now identify "noise sinners" with even greater precision. During the financial year, we further improved our aircraft noise monitoring, which had already surpassed statutory requirements. Using radar data, it is now possible to establish a high degree of correlation between noise measurement data and flight events. With 25 stationary and three mobile measuring units, Frankfurt has one of the most comprehensive aircraft noise monitoring networks in the world.



One objective of our 10-Point Program is the economically sensible use of other locations in order to relieve Frankfurt Airport. However, this issue can only be implemented on a long-term basis, since shifting flights away from Frankfurt is only possible based on a consensus with the affected partners – airlines, the Deutsche Post (German Postal Service), and cargo companies. Together with the concerned users, we are currently examining the degree to which some cargo and charter traffic, particularly evening and nighttime traffic, could be transferred to Frankfurt-Hahn Airport. But also this measure, together with the relocation of the overnight domestic airmail network from Frankfurt, would be at best an option for the medium term, since complex logistics processes cannot be altered in the short term. Furthermore, the burdens for the concerned companies arising from a shift in traffic will need to be very carefully considered.

Nevertheless, even with the greatest possible realization of all measures, such as shifting traffic to other locations or to the railway, and improving utilization of existing capacity, we will need to have a capacity of at least 120 coordinated movements per hour at Frankfurt Airport. There is thus no alternative to an expansion of the runway system.

The new runway – a signal for the future

With our commitment to ensuring that our expansion project is oriented to actual needs and is realized within the planned time frame, we wish to set a signal for the future – not only for our shareholders, who rightly expect an appreciation of value on their investment, but also for the firms active at Frankfurt Airport, for the Frankfurt/Rhine-Main region, and not least for our employees.

Many of our employees are showing an enormous level of commitment through their cooperation in the regional Dialogue Forum, in talks, or even on trips taken with our Infobus to the communities of the surrounding region. Informed and open to discussion, they even make themselves available to talk about controversial issues and speak out on behalf of expansion. We have a high regard for their integrity and active support in shaping public opinion in favor of airport expansion.

Our investments increase the attractiveness of FRA's "Airport World".

Expansion of the retailing business

An airport is a marketplace, a meeting place, and a world of experiences for today's mobile society. We want to take advantage of this to realize greatest possible business success.

A declared goal of Fraport is to make Frankfurt Airport's areas that are reserved for retailing, food and beverage, and for services even more attractive to travelers. Underlying this is our effort to decisively and vigorously strengthen our non-aviation business, which includes not only retailing but also the management of parking facilities and leasing as additional important sources of revenue.

Master Plan 2003 for expanding shopping and the "Airport World"

At Frankfurt Airport, in recent years the retailing business has continually increased in significance. Simultaneously, Terminal 1 has developed into an entirely new world of experiences, including, for example, varied and attractive food and shopping offers.

However, our plans extend beyond this. During the financial year, we developed a master plan for Frankfurt Airport that calls for the completion of two partial projects by the end of 2003. In a first stage, two extensions to Terminals 1 and 2 will provide additional and valuable new space for duty free and travel value shops. In a second phase, by 2007 total retail space at FRA will be expanded to some 20,000 square meters in the two terminals.

Considerable opportunities for our retailing business, which are structurally and conceptually entirely new, will open up over the longer term in connection with the planned airport expansion, which calls for construction of a third terminal.

Specialized affiliated companies

During the financial year, the decision was made to combine resources with ECE, a member of the Otto Group. This firm is Europe's market leader in the shopping center sector. Early in August, our joint venture with ECE, Airport Retail Solutions GmbH (ARS), began operations in Frankfurt. With the planning know-how that ECE will bring into our joint venture, we wish to penetrate the large and future growing retailing potential at Frankfurt Airport. We also have our sights set on the attractive opportunities offered by the Internet and e-commerce. As an internationally oriented airport group, we are planning in the long term for the external marketing of our retailing expertise, especially at Fraport locations but also at other airports around the world.

Strengthening of our retailing activities also serves to expand our capacity as an advertising medium. Since January 2001, we have been cooperating with the French firm JC Decaux Group, the world market leader in outdoor and airport advertising. In return for the commitment of JC Decaux in the Fraport subsidiary Media Frankfurt GmbH, we have acquired shares in the newly established company JC Decaux Airport Media GmbH. This strategic partnership makes it possible for us to develop and market new advertising technologies beyond Frankfurt Airport.

External Growth

Our strategic long-term goal continues to be to strengthen Fraport's position as one of the world's three leading airport groups. We further focused our strategy for external growth during financial year 2001.

In Germany, Fraport's expansion strategy places its principal focus on Frankfurt-Hahn Airport. The situation of that airport, located in the nearby Hunsrück region, is characterized by a high volume of infrastructure investment and considerable growth in passenger traffic. For example, the average passenger volume has doubled since the opening of the new terminal in April 2000 alone.

High investment volume at Frankfurt-Hahn Airport

The laying of the foundation for the terminal expansion occurred on August 16, 2001, which meanwhile has been completed. The annual capacity will thereby increase to 1.2 million passengers. The projected extension of the runway to make the airport suitable for larger aircraft is currently under study. The possibility of 24-hour operations, rapid processing, and short ground times create increasingly superior prerequisites for Frankfurt-Hahn to augment Frankfurt Airport in the areas of cargo, charter, and low-cost European-wide scheduled passenger connections.

With the decision of Ryanair, announced in November, to set up its second continental European hub at Frankfurt-Hahn, the current year shows favorable prospects. The move of this Irish airline impressively underscores the outstanding longer-term opportunity for Frankfurt-Hahn to develop into Germany's leading low-cost airport.

Support for Frankfurt-Hahn can also be found in the political arena. The state governments of Hesse and the Rhineland-Palatinate are pressing for support from the German federal government for the rapid expansion of transportation links from the airport in the Hunsrück region towards Frankfurt/Main, as a prerequisite for a smoothly functioning airport system involving both airports.

Berlin project on hold

The opportunity of applying our airport expertise at an additional location in Germany is offered in Germany's capital, with the planned Berlin Brandenburg International Airport. The consortium partners have made a new offer. No concrete decision on it had been made as of the printing of this annual report.

Management expertise: core of the globalization strategy

For us, expansion in international markets does not mean merely growth in volume at any cost through the acquisition of revenues. We concentrate on ongoing profitable business activities that meet our criteria for both strategic as well as value-creating potential. We strive for an appropriate influence in the management of projects or companies in which we are involved. For this is the only leverage to ensure the transferability of Fraport expertise – which is an absolute necessity if we want to achieve the operating and economic goals.

Internationally, we primarily offer our management expertise, which we have developed as continental Europe's leading air transport hub and have been offering with growing success for many years. This expertise, augmented by the conceptual capabilities of our DACO consulting subsidiary, is our core offering within the framework of our globalization strategy: making it possible for us to manage large airports as highly complex systems. What further differentiates us from the competition is our ability to supply qualified airport services – these are specialized ground handling capabilities with which we optimize the quality of hub operations for airlines.

We intend to increasingly focus on large projects in the future. Such projects place especially great demands on management expertise and experience – precisely the qualities that distinguish us as an air-

Manila

Antalya

We are successfully exporting Frankfurt Airport's know-how.

port manager and service provider. They also offer above-average potential. Nevertheless, projects of this category are subject to heavy global competition.

Global activities

We focused on various types and magnitudes of international projects during financial year 2001.

Our first BOT project in the eastern Mediterranean region – the international terminal at Antalya Airport – continued its success during the financial year. With 8.9 million air passengers in 2001 – a new passenger record – this terminal was used primarily by vacationers traveling to the Turkish Riviera. Rapidly growing Antalya Airport is a strategically significant asset in our portfolio, as well as a model project in the region.

In the Philippines, we celebrated the topping-out ceremony for the new international passenger terminal at the Ninoy Aquino International Airport in Manila on July 24, 2001. Construction work on the largest infrastructure project in the Philippines began in July 2000. Construction progressed on target, so that the opening of the new terminal can probably occur at the end of the current year. Negotiations regarding outstanding topics are in progress.

In South America, Fraport and its partners Bechtel Enterprises and Cosapi took over the management of the Jorge Chavez Airport in Lima, Peru in February. The consortium had won the bid for the operation and expansion of this airport in November 2000. Over the next few years, based on expertise from Frankfurt, this airport in Peru's capital city will be modernized and expanded into an attractive, economically successful airport that meets international standards.

The first Asian project of Pantares, our airport alliance with Schiphol Group, is progressing well. In October, ground was broken for the construction of a four-story freight logistics center at Hong Kong's new Chek Lap Kok Airport. This project is being realized by Tradeport Hong Kong Ltd., which was established in February 2001 with local partners. This logistics center is expected to commence operations at the beginning of 2003. The operating concession has a term of 25 years.

In Athens-Spata, the new Eleftherios Venizelos Airport was officially inaugurated in March 2001, following more than four years of construction. With its capacity of 16 million passengers at the current expansion level and the potential of being expanded to a capacity of 50 million passengers, Athens-Spata has all the prerequisites for becoming a large hub in southeastern Europe. Within the framework of a contract that has been in force since June 1996, Fraport AG has been the principal advisor to the Athens International Airport S.A. (AIA) operating company and also prepared and assisted in the opening of the airport.

Growing airport security market

Even before the terrorist attacks of September 11, we have noted a perceptible upsurge in the demand for professional aviation security services at airports. We already began in previous years to increase our business in this market. We continued with this approach during the financial year. At the beginning of 2001, via our CIVAS GmbH subsidiary, we acquired a participation in ICTS Europe Holdings B.V. (with a total of over 6,000 employees), the European market leader in aviation security. We then took over the remaining shares on January 1, 2002. This company is active at over 30 locations throughout Europe and is thus the European market leader in aviation security.

Frankfurt-Hahn Airport located in the Hunsrück region.

Consolidation of ground handling

During the financial year, our external business in the ground handling services market was influenced by a trend towards consolidation and integration of our existing investments within the Fraport Group.

The operations of our subsidiaries and joint ventures in the ground handling area are concentrated on our core market Europe. Spain, where we provide aviation ground services at a total of six locations, forms a principal focus of our business. Our joint venture Ineuropa Handling is exemplary for the successful international marketing of Fraport expertise. This company was successful in further expanding its already strong position during the financial year.

Other locations where we provide ground handling services include Athens-Spata, Vienna-Schwechat, and the three Portuguese airports at Lisbon, Faro and Porto.

Airport IT solutions meeting world market standards

In October 2001, Pantares Systems B.V. was formed as a joint venture in the area of information technology and communications services under the umbrella of our strategic alliance with the Schiphol Group. Pantares Systems specializes in the development and operation of IT solutions under the aspect of the greatest possible synergy effects. The principal focus is on projects in the area of automated passenger control and passenger guidance as well as wireless LAN solutions. Pantares Systems will be active primarily at airports where Schiphol Group and Fraport have shareholdings. In the medium term, this firm intends to make use of the considerable market potential for its IT solutions and advisory services worldwide – also at locations outside the alliance. Frankfurt and Amsterdam airports are expected to serve as outstanding reference models.



Highly Qualified and Motivated Employees

When a plane is on landing approach at Frankfurt or airline passengers are checking in their baggage at the counter, a complex mechanism is operating in the background. The employees of Fraport – each of them a specialist at his or her particular job – ensure trouble-free processing on the apron, in the passenger terminals, and in the baggage handling area. Each minute counts, each step must be coordinated with other steps – both in direct contact with passengers and airline customers as well as in the back offices. Nowhere can the advanced technology that we use replace work performed by actual people.

This primarily applies when, as in 2001, unusual events necessitate special measures and an extreme degree of flexibility. It is largely due to the mobility and level of commitment of our employees that we were able to cope, largely without difficulties, with the operational challenges in the wake of the Lufthansa pilots' strike and the terrorist attacks of September 11.

Fraport AG engages in this commitment with a maximum of social responsibility. Rather than cutting back jobs, we focused on flexibly adapting the labor input to the altered demand situation and thereby maintaining in the Company valuable resources that we will urgently need when traffic begins to grow again.

Higher level of employee and corporate performance with LEA

Promoting and expressing appreciation for personal contributions on the job is the objective of our new performance and success participation program called LEA ("Leistung – Erfolg – Anerkennung"), which means "Performance – Success – Recognition". This system, developed by the management and works council of Fraport AG, is a combination of performance and successbased salary with profit sharing. It will remain in effect for at least the next five years. The new system has been well received by the overwhelming majority of our employees. We are confident that it will contribute to the corporate success of the Fraport Group in the future.

Employees – welcome shareholders

The IPO of Fraport AG motivated many of our employees to become shareholders in their own company. We view favorably the high, approximately 56 percent participation in our attractive employee stock participation or subscription program – evidence of our staff's confidence in Fraport's future. Going beyond the IPO, within the framework of the new LEA system we will also be offering our employees a chance to share in Fraport's earnings in the future.

Factor for the future: human resources

Ultimate success in our markets and the stock market as well – and here the circle closes – depends directly on the capability and personal commitment of each individual in the Company. Winning over good employees and ensuring their long-term loyalty to the Company are crucial factors for us in securing growth – and also the prerequisite for ensuring sustained operating income for Fraport in the global airport business. We therefore assign strategic significance to employee training and specialized continuing education, as well as to recruiting and qualifying capable junior managers.

Aerial view of FRA's Long-distance Train Station (AIRail Terminal) with its bubble roof and Terminal 1 (upper left).

Professional and inter-disciplinary specialized training were again the main focus of human resource development activities. One of the innovations during the financial year was the introduction of the so-called Qualification Card, or "Q Card", which serves among other things as a continuing education offering for our employees. The employees of Fraport AG receive an annual personal training budget valued at €600, which they can use for attending seminars during their free time. The Airport Academy and Airport College make available a comprehensive curriculum of job-related advanced training. In order to advance a unified and Groupwide corporate orientation of our human resource development, these programs are also being made available to the employees of our majority-owned subsidiaries.

We also support the professional and personal development of our employees via the "Job Alliance", a cross-company cooperative program operated jointly with Degussa AG, Deutsche Bank AG, and Deutsche Lufthansa AG within the framework of Germany's federal Initiative for Employment. The Job Alliance partners together offer an Intranet-based platform that comprises a so-called area of competence and inclination catalogue, practice-oriented guidance for intercompany possibilities for enhancing one's qualifications and development, temporary employee exchange programs, a common job market, and up-to-date information regarding labor market trends.

Fraport Group and the Environment

As an airport operator, the Fraport Group is conscious of its special environmental responsibility. Therefore – and because we have our own considerable interest in maintaining an environmental policy that ensures ecological capability and sustainability – environmental protection has already been a guiding principle of our corporate philosophy for some 30 years.

Initiatives for continuous optimization of environmental conditions

During these years, we worked diligently to ensure that Frankfurt Airport's impact on the environment is as minimal as possible. For example, for many years we have been financially rewarding airlines (by means of our fee policy) that use quieter aircraft. Our intermodal transportation concept, which focuses on the optimal linking of air, rail and road transportation has become a role model worldwide.

In order to reduce drinking water consumption, we vigorously pursue the use of industrial water wherever possible. We regularly monitor the quality of groundwater and the air at the airport site.

In all airport areas, especially in the terminals, we are continually working on optimization measures to improve energy efficiency – for example, through the use of modern heat recovery technology.

Finally, our resource-conserving waste management policy utilizes all opportunities for waste avoidance and the recycling of unavoidable waste. With a recycling rate of 80 percent (for commercial waste similar to household waste), Frankfurt Airport is exemplary in Germany.

Environmental know-how for airport expansion

The declared goal of Fraport is to expand the airport's runway capacity in consensus with the region and in accord with the result of the Mediation Group. Not solely but certainly in this context, we view our environmental policy as a critical success factor for Frankfurt Airport. With the planned initiatives within the framework of airport expansion, we have therefore made certain from the start that our available know-how in the areas of environmental management and technology will be applied to all phases of the planned expansion project and will be used on the basis of ecological sustainability. In order to protect "area" resources, our expansion planning strives for an optimum gain in capacity that uses a minimum of area.

Environmental management based on EU standards

Initially at Frankfurt Airport, Fraport has established environmental management that has been validated in accordance with European standards, fulfilling the requirements of the European Management Audit Scheme of the European Union (EU). This confirms our dedication to observing statutory requirements and, in particular, to improving environmental protection. We successfully passed the first independent monitoring of the environmental protection measures and environmental management at Frankfurt Airport in 1999. Since then, we have continuously developed our environmental management system. In our Environmental Declaration – also available via the Internet since 2001 – we regularly disclose key data concerning the environmental situation and environmental protection within our Company.

Fraport AG's eco sponsoring

Fraport AG has decided not to limit its intensive efforts on behalf of the environment and nature conservation to the airport's property alone, but rather to expand its commitment to the surrounding region. This decision led to the establishment of the Fraport Eco Fund back in 1997. A total of 140 nature conservation and environmental protection activities in the region have already been supported. Of these, 88 projects are "traditional" nature conservation and environmental protection initiatives, 30 are in the area of environmental education, and 22 are for ecological research. To date, Fraport AG has made a total of €12 million available from the eco fund.

Again in the year under review, many municipalities and nature conservation associations – due to this eco initiative and despite their limited available financial means – carried out projects that had long been planned. These serve not only to strengthen nature and the environment. The citizens in the region can also take part in an enhancement of leisure-time activities and in enjoying the quality of life.

As a form of compensation for land required by Frankfurt Airport, Fraport AG augments its environment-oriented activities by returning sealed ground areas to their natural state, providing for the forestation of fallow land in the Frankfurt/Rhine-Main region, and giving financial assistance for forest stabilization measures by the Hessian Forestry Office, primarily in the neighborhood of the airport.

Financial Report

On track: Despite a difficult market environment during financial year 2001, Fraport achieved positive Group results – a solid foundation for our future growth.

Thus, we are on the right path for a sustainable increase in the value of our Company – according to our business mission and value management.

- Revenues: €1,580.6 million
- EBITDA: €507.2 million
- Consolidated profit: €101.1 million
- Proposed dividend: €0.40 per share

Holding a Steady Course

Fraport remained on track despite difficult underlying conditions in 2001. The annual financial statements are generally favorable. With consolidated profit for the year of €101.1 million, a 2.9 percent growth in revenues, and EBITDA of €507.2 million, we successfully continued making business progress – even against the background of a weakening global economy and a downturn in air traffic volume following the attacks of September 11.

Market Environment and Development of Air Traffic

The global cyclically related weakness, which affected Germany in particular due to that country's substantial international interrelationships and the ramifications of the attacks of September 11, 2001, resulted in a significant downturn in international air traffic. Cargo volume handled fell considerably both worldwide and throughout Europe. Nevertheless, European airports were less affected by declines in passenger volume than, for example, airports in North America and the Middle East.

Comparative air traffic growth (in %)[1]

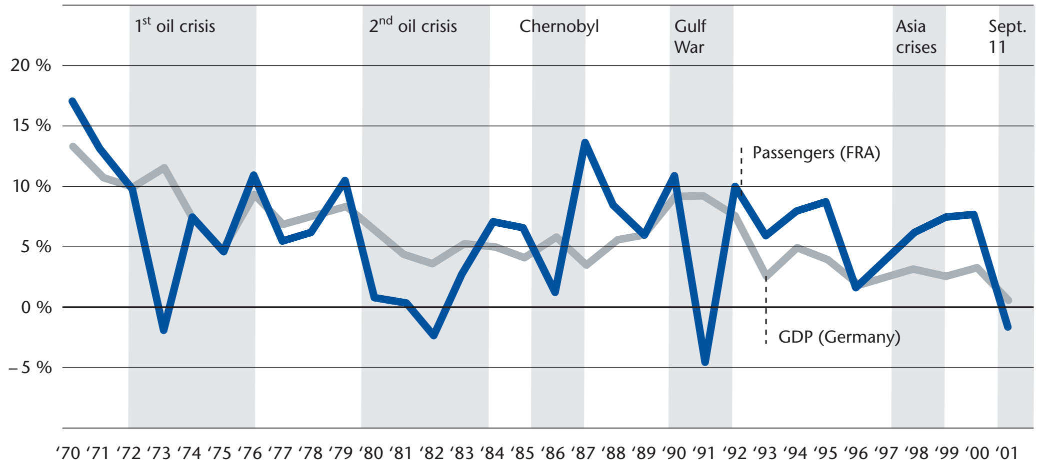
January – December 2001	Frankfurt Airport		Germany (international airports)		Europe		World	
	2001[3]	2000[2]	2001[3]	2000[2]	2001[5]	2000[4]	2001[5]	2000[4]
Number of Passengers	–1.6	7.6	–2.5	6.7	–0.6	7.9	–2.6	5.8
Freight Tonnage and Mail	–5.5	10.4	–3.9	8.5	–6.1	7.9	–8.4	5.8
Aircraft Movements	–0.3	4.6	–1.8	5.2	–1.1	3.2	–3.0	0.5

1 All figures refer to commercial transportation (arrival, departure, transit).
2 ADV Monthly Statistics December 2000 (table of accumulated monthly values).
3 ADV Monthly Statistics December 2001 (table of accumulated monthly values).
4 ACI Monthly World Wide Airport Traffic Report December 2000, Geneva, March 23, 2001, no page ref.
5 ACI Mail of March 26, 2002, (preliminary results, not released yet).

Fraport Group

A total of 67.9 million passengers were serviced throughout the Group –0.2 percent more than the previous year. Transported airfreight tonnage (cargo plus airmail) was up by 1.8 percent to 1.9 million metric tons, with the number of aircraft movements declining by 1.1 to 718.7 thousand.

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



Passenger traffic

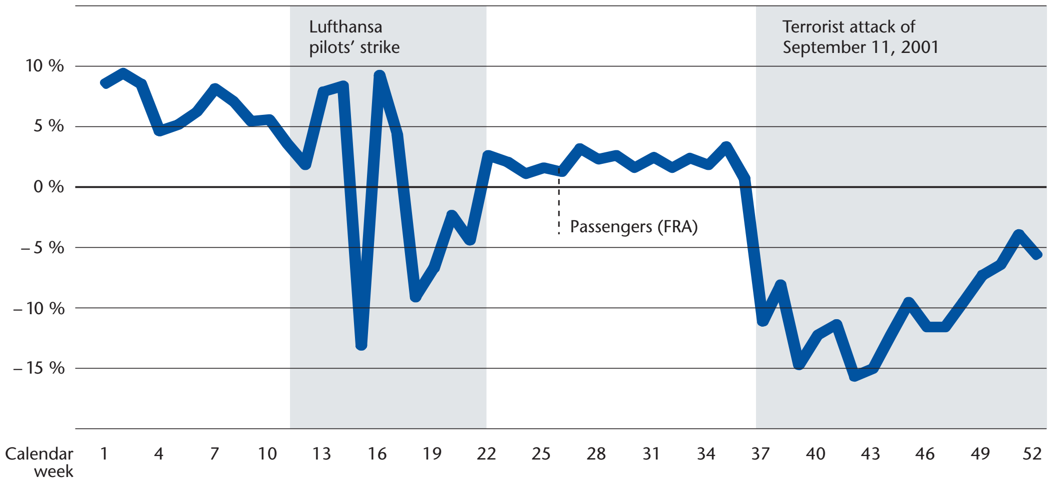
The weakening of the world economic situation and the ramifications of September 11 led to declines in passenger volume compared with the previous year at our three operations at Frankfurt Airport, at Hanover-Langenhagen, and Lima. Especially at Lima Airport, where North America traffic accounts for a large share of the total, economic weakening in the U.S. at the beginning of the year and the resultant decline in international travel had a negative impact on the number of airline passengers. In contrast, at Frankfurt-Hahn Airport the passenger volume increased by a substantial 19.1 percent. The lower volume of travel as a result of economic conditions had the effect of stimulating demand in the low cost/no-frills market.

Antalya Airport, which is predominantly devoted to leisure travel, recorded a substantial 23.3 percent growth in passenger volume.

Frankfurt Airport, which accounts for the largest, 71.6 percent share of the Fraport Group's overall passenger volume, posted a decline in passenger traffic for the first time since the Gulf War in 1991, with the number of passengers falling by 1.6 percent to 48.6 million in 2001 – below the level posted in record year 2000.

The trend of previous year's growth initially continued at Frankfurt Airport during the first three months of the financial year. However, a slowdown in the economy was already evident in Germany during the second quarter. This was reflected in

Change in the weekly passenger volume in 2001

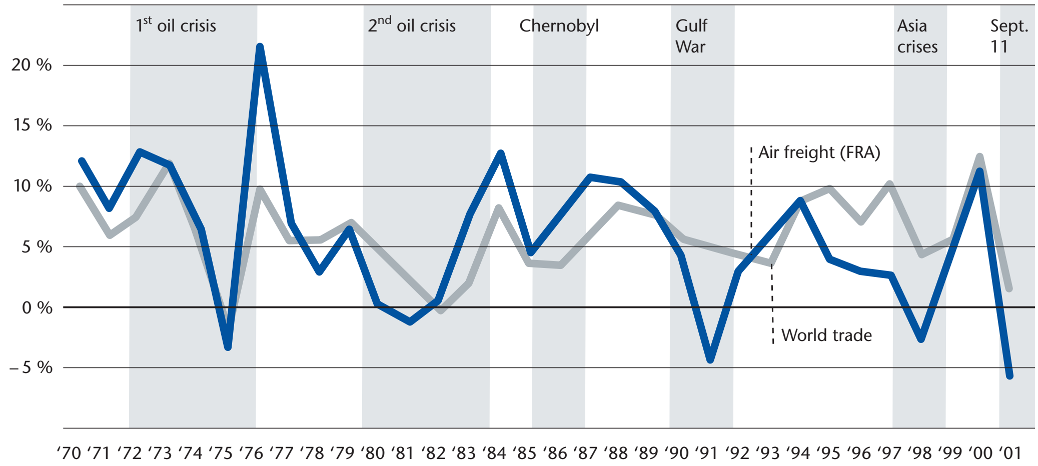


weaker demand for domestic flights. This development was reinforced by the pilot strikes at our biggest customer, Deutsche Lufthansa AG (Lufthansa). The largest downturns occurred on stretches for which train travel represents an alternative to air travel. Intercontinental traffic increasingly weakened during the second quarter, with North America traffic in particular suffering from the weakening of U.S. economic conditions.

Influenced by the terrorist attacks in New York and Washington as well as the subsequent armed conflict in Afghanistan, Frankfurt Airport posted double-digit downturns in passenger volume. The impact of the declines continuously weakened, however. Whereas the decline in airline passengers compared with the same month the previous year was 13.9 percent in October, it had improved to a 10.9 percent decrease in November and 7.9 percent in December.

In some areas, Frankfurt Airport posted lower declines than other German airports. Capacity adjustments and the process of consolidation among the airlines increased the volume of transfer traffic at Frankfurt Airport. This is in line with a centralization on hubs that can be observed in times of crisis.

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



Airfreight

Growth in cargo volumes' is largely dependent on global economic conditions – the September 11 terrorist attacks had much less of an impact on airfreight volume due to the stronger production bond evident in cargo handling as compared with passenger traffic. The weakening of the world economic situation and the strong U.S. dollar led to marked losses compared with the previous year at all locations of the Fraport Group, with the exception of Lima Airport. At Frankfurt-Hahn Airport, the decline in airfreight volume was further worsened by a major customer's departure.

At Europe's largest cargo airport, Frankfurt Airport, which accounted for an 86.1 percent share of the Group's overall cargo volume during the financial year, the volume of tonnes of airfreight handled also declined in 2001. A total of nearly 1.5 million metric tons of cargo was loaded in 2001 – down by 6 percent from the exceptionally successful previous year.

Whereas airfreight volume grew by 6.1 percent during the first quarter, driven especially by the still vigorous domestic economy in the winter of 2000/2001, a marked quantity decline occurred during the second quarter, resulting in a 0.6 percent falloff in transported airfreight tonnage during the first half of the year compared with the same period the previous year.

During the summer, the economic forecasts of leading economic research institutes were subject to several downward corrections, with recessionary trends evident in Germany towards the end of 2001. No favorable impetus came for the globally oriented cargo handling Frankfurt Airport from the world economy either. The transported cargo volume accordingly declined during the year.

Following the attacks of September 11, marked declines occurred in some areas, which were mainly attributable to cancelled flights and intensified safety checks. Overall, however, at Frankfurt Airport as well, the events in the U.S. had less of an impact on the cargo sector than on passenger traffic.

Airmail

The volume of airmail handled at Frankfurt Airport of 141.1 thousand metric tons remained virtually unchanged from the previous year, although it was subject to strong fluctuations in the volume handled during the financial year. This was caused by tests of new distribution services in the spring by Deutsche Post AG and the pilots' strike in May.

Aircraft movements

Saarbrücken and Hannover-Langenhagen airports posted declines in the number of take-offs and landings from the previous year. At the Group's airports in Frankfurt and Hahn, the number of movements was held at the previous year's level. Lima Airport, and to a significant degree Antalya Airport, both recorded growth.

The number of take-offs and landings at Frankfurt Airport, which totalled 456.5 thousand aircraft movements in 2001, was 0.5 percent below the previous year's level. The financial year was influenced by a number of special occurrences, with aircraft movements influenced by weather, strike-related losses, attack-related flight cancellations, and route cancellations.

The peak month in Frankfurt was July 2001, when 41,092 take-offs and landings were realized. The absolute record day was June 28, which saw a total of 1,395 aircraft movements. The peak hour, with respectively 98 take-offs and landings within a single hour, occurred on July 29 and September 26 – only slightly less than the previous historic peak figures.

The development of accumulated maximum take-off weights (MTOWs) is decisive in determining take-off and landing fees. At Frankfurt Airport, MTOWs increased by a moderately favorable 0.8 percent for 2001 as a whole. It benefitted, however, from the above average increase of MTOWs prior to September 11.

For the financial year, capacity utilization (seat load factor) declined slightly at Frankfurt Airport from approximately 70 percent the previous year to 68 percent. The airlines increasingly reacted to the – in some areas – marked declines of the seat load factor following the terrorist attacks in the U.S. by adjusting capacity. Thus, during the fourth quarter the seat load factor increased again – without, however, reaching the level prior to the events of September 11.

Traffic figures for Frankfurt Airport

	2001	2000	Change in %[1]
Passengers (million)	48.6	49.4	–1.6
Air freight (in k metric tons)	1,494.1	1,589.4	–6.0
Airmail (in k metric tons)	141.1	141.0	0.1
Aircraft movements (in k)[2]	456.5	458.7	–0.5
Maximum take-off weight (in k metric tons)	25,564.5	25,370.4	0.8
Seat load factor	68.2 %	69.8 %	

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

Business Strategy

We are pursuing our corporate business mission of becoming one of the three highest-performing and most profitable airport groups in the world by 2005 on the basis of a business strategy that links increasing yields with value-oriented growth. This strategy rests on three pillars: consolidating the core business at Frankfurt Airport, expanding capacity based on demand at Frankfurt Airport, and expanding at locations beyond Frankfurt Airport. The name "Fraport AG Frankfurt Airport Services Worldwide" and our new corporate image, which was rolled out during 2001, are designed to reflect these objectives by retaining a reference to the Corporation's origin while simultaneously emphasizing a reorientation in an airport market characterized by increasing globalization and competition.

Projects

One the most important measures undertaken by Fraport AG in 2001 was our successful IPO, which occurred on June 11. Despite the difficult stock market environment, this, the second largest German issue in 2001 was 7.5-fold oversubscribed. Our share already became a component of the MDAX on September 24, 2001.

In implementing our corporate goals, we focus on business areas with a great deal of both strategic as well as value-creating potential. We assess the strategic potential based on market volume, market development, the number of the competitors, and the intensity and type of competition. Value-creating potential is evaluated based on the yield in excess of the cost of capital.

During the financial year, we initiated a project, value management, that deals with these basic ideas by developing a value-oriented management instrument. The introduction of SAP R/3, in some areas already in 2001, enhances the corresponding monitoring elements of our planning and controlling processes.

Airport expansion

The expansion of Frankfurt Airport is necessary to remain competitive in the long term and to participate in projected air traffic growth. The declines in demand occurring during the financial year will only have a temporary impact on the development of traffic. The basic long-term cyclical data continue to be the significant influencing variable for growth in air traffic.

The planned airport expansion includes expanison of the runway system, construction of new terminal facilities, as well as other necessary infrastructure. The airport expansion is designed to increase capacity to 660,000 aircraft movements per year, or 120 take-offs and landings per hour.

The expansion necessitates implementation of various administrative measures required by law. The presentation of the regional planning application by Fraport AG to the Darmstadt adminsitrative district, the first required step in the process, occurred in autumn of last year. The process was formally introduced through its publication in the Hesse State Gazette (Hessischer Staatsanzeiger) on October 22, 2001. We expect the application to be completed during the first half 2002 in line with our time plan.

The initiated regional planning procedure is being held to determine whether the airport expansion is in agreement with the requirements of the regional planning authorities. Of the three runway options under consideration, (northwest, northeast, and south), Fraport favors the northwest alternative. Nevertheless, all three expansion options are included in the regional planning process.

Only the runway option preferred by Fraport resulting from the regional planning precedure will be included in the zoning procedure (plan approval procedure). This procedure ensures that the airport expansion is approved after giving consideration to all matters of public concern. Construction of the new runway may begin immediately following the announcement of the enforceable zoning decision.

We are aiming for the new runway to be inaugurated in 2006. Completion of the first terminal module is expected in 2007, with stages two and three of the new terminal to follow, respectively, in 2009 and 2013. Completion of the overall airport expansion program is expected in 2013.

The five points recommended by the mediation group of the Hesse state government and the package of measures supported by Fraport include optimization of the existing runway system, achieving greater capacity through expansion, establishing a regional dialogue forum, drawing up an Anti-noise Package, limiting or even prohibiting scheduled night flights. The capacity of the existing runway system will beenhanced by the new High Approach Landing System/Dual Threshold Operation (HALS/DTOP) landing procedure and other appropriate measures. A noise reduction program foresees among other things the limitation of aircraft noise and the establishment of noise ceilings. The program additionally takes into account measures for passive noise protection. Fraport has established the 10-Point Program to accompany the expansion, with the goal of attaining relief for residents near the airport, especially during the night hours, if possible, already before the new runway is inaugurated.

Through implementation of the measures for noise protection in 2002, we will follow an obligation set by the Hessian Ministry of Economics, Transportation and Development. This obligation is related to other approvals and operating permits for Frankfurt Airport.

Fraport is aware of its environmental responsibilities. Our environmental policy is accordingly oriented to both economic as well as ecological efficiency and sustainability. We ensure that our expertise in environmental management and technology is extensively taken into consideration in the planned measures to be undertaken in connection with airport expansion.

Business Development

Consolidated revenues and consolidated profit

	2001 in € millions	2000 in € millions	Change in %
Revenues	1,580.6	1,536.2	2.9
EBITDA	507.2	533.5	–4.9
EBIT	235.2	329.9	–28.7
Profit from ordinary operations	170.2	265.9	–36.0
Consolidated profit for the year	101.1	129.0	–21.6

In the past financial year, during which time the economy weakened worldwide, Fraport had to deal with not only difficult macro-economic overall conditions, but also with downturns in traffic figures following the terrorist attacks of September 11. As a consequence, the consolidated profit could not reach the levels of record year 2000. We nevertheless remained on track, generating consolidated profit for the year of €101.1 million, with EBITDA of €507.2 million, and revenues growing to €1,580.6 million.

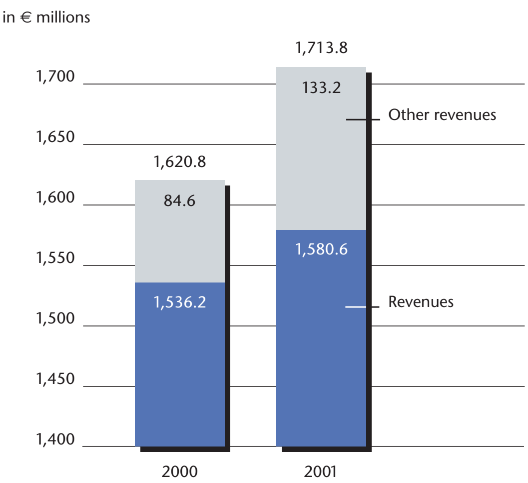
The **revenues** generated by the Fraport Group in 2001 of €1,580.6 million correspond to a 2.9 percent increase over the previous year. The average 3 percent increase in airport and infrastructure fees at Frankfurt Airport as of January 1, 2001 had the effect of increasing revenue. Higher rental income and sales-linked revenues at Frankfurt Airport than in the previous year contributed to the rise in revenues.

The higher revenues additionally result from the first-time full consolidation of CIVAS GmbH, CIVAS UK, and Civas Deutschland GmbH, which were included on a proportional basis or at equity in the previous year. The first-time inclusion of HSG Hanseatic Security and Services GmbH, Civas Scandinavia AB, Fraport Peru S.A.C. and Fraport (Philippines) Services Inc. also had an impact.

By contrast, the decline in traffic volume due to the worldwide economic slowdown and the terrorist attacks of September 11 had the effect of decreasing revenues.

The **total revenues** of the Fraport Group grew by 5.7 percent to €1,713.8 million, a higher rate of increase over the previous year than the growth in revenues. This largely resulted from other operating income, which amounted to €114.1 million, 58.3 percent higher than the previous year's figure. Significant items included the release of an environmental provision at Frankfurt Airport, which affected earnings, as well as a related provision for legal proceedings amounting to a total of €22.2 million as a consequence of a settlement with the State of Hesse. In connection with the soil restoration work already completed in previous years, a claim against the State of Hesse arose based on a settlement amounting to €23.0 million. The sale of 39 percent of the shares in Media Frankfurt GmbH (Media), which generated a €7.6 million gain, as well as higher

Revenues and Total Revenues



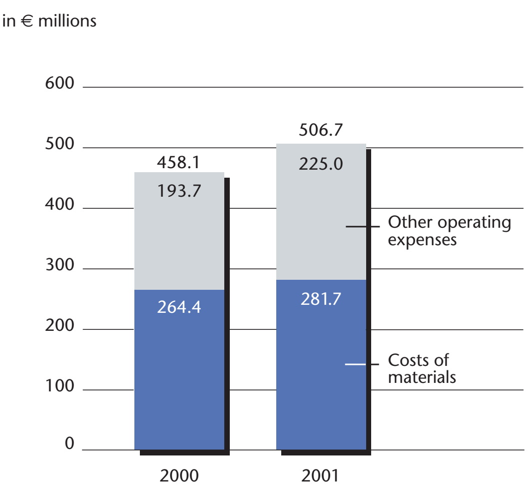
income from prior periods had the effect of increasing total revenues. Within the framework of foreign currency valuation, also taken into account was income from foreign currency gains totaling €21.6 million, compared with €13.3 million the previous year, which was largely attributable to the strengthening in the U.S. dollar.

Non-staff costs amounted to €506.7 million – up by 10.6 percent over the previous year.

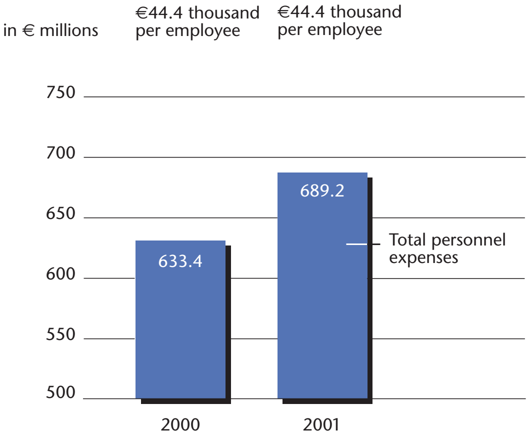
The **cost of materials** increased by 6.5 percent over the previous year to €281.7 million. Prior periods' maintenance expenses caused the higher cost of purchased services at Frankfurt Airport.

Other operating expenses grew by 16.2 percent, or €31.3 million, to €225.0 million. This development was largely caused by the high one-time expenses for the execution of strategic projects, such as the introduction of SAP R/3 and value management. Additional significant items were the foreign currency losses arising from liabilities in connection with the activities in Manila, Antalya, and Lima, caused in particular by the stronger U.S. dollar. These items were up by €20.0 million to €35.7 million during the financial year. This contrasted with foreign currency gains included under other operating income of €21.6 million.

Non-Staff Costs



Personnel expenses



Personnel expenses increased over the previous year by 8.8 percent to €689.2 million. This development resulted from a rise in the number of employees during the first half-year in order to handle the expected growth in the volume of traffic at Frankfurt Airport. Personnel expenses also grew due to the consolidation of subsidiaries active in labor-intensive business areas, in particular as a result of the inclusion of Civas Deutschland GmbH (Civas Deutschland). Overall, €8.1 million of the increase in the personnel expenses was attributable to new companies included in the consolidation. Furthermore, the previous year's 2 percent increase in the collective bargaining agreement (BAT) was effective for the first time for the full year in 2001. The salary scale was further increased by 2.4 percent as of September 2001. There were also expenses for special developments such as the IPO-related employee stock option program and the newly-introduced employee incentive program called LEA (Leistung – Erfolg – Anerkennung), or Performance – Success – Recognition. Nevertheless, the personnel expenses per employee were successfully held at the previous year's level.

Fraport had on average 15,526 **employees** in 2001 – up by 8.8 percent over the previous year. Ground Handling continues to be the most labor intensive segment in the Group. The Non-aviation segment, which grew by 27.2 percent, posted the most rapid increase in the number of employees. The number of employees rose in this segment primarily due to changes in the scope of the consolidation, especially as a result of the inclusion of Civas Deutschland.

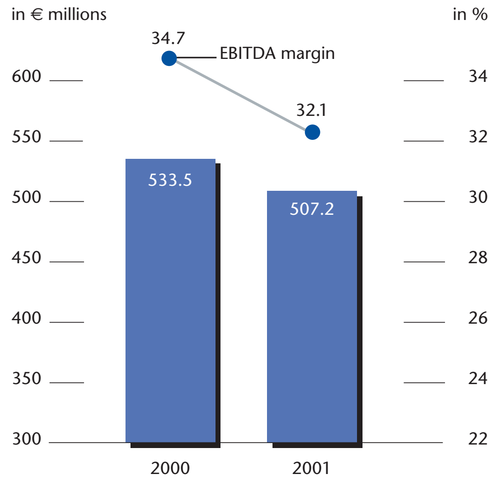
Employees by Group segments

	2001	2000	Change in %
Segments			
Aviation	3,145	3,008	4.6
Ground Handling	7,575	7,367	2.8
Non-aviation	3,698	2,908	27.2
Others	1,108	988	12.1
Total	**15,526**	**14,271**	**8.8**

In response to the terrorist attacks of September 11, within the framework of the groupwide cost reduction measures we also took immediate action in the human resources area. In particular, vacation rights based on the wage agreement were reduced to the greatest possible extent at Frankfurt Airport in 2001. In addition, a process of revising human resources planning as well as a fluctuation-based adaptation to reduced traffic were introduced. Despite the measures introduced, personnel expenses as a share of revenues rose from 41.2 percent the previous year to 43.6 percent during the financial year.

EBITDA fell by 4.9 percent to €507.2 million. The EBITDA margin on revenues declined from 34.7 percent to 32.1 percent. The decrease in EBITDA reflects special one-off effects in the area of personnel and non-personnel expenses. In addition, Philippine International Air Terminals Corporation, Inc. (PIATCO) and Hannover-Langenhagen Airport increased the net loss from associated companies.

EBITDA



Depreciation and amortization of intangible assets and property, plant and equipment rose by 7.4 percent to €209.3 million. This development was primarily caused by the need to enhance fire protection at Terminal 1, expand Pier A, extend the baggage conveyor system, and improve the link between Long-distance Train Station for high-speed ICE (InterCityExpress) trains and Terminal 1 at Frankfurt Airport.

Net Interest expense increased by €6.7 million to €–72.9 million. The 10.1 percent increase from the previous year was attributable to refinancing measures within the framework of the IPO, which resulted in early loan repayment charges of €12.1 million. Mostly long-term loans were repaid at the end of 2001 using funds initially invested at short notice following the IPO.

The **results of associated companies** and **other financial results** deteriorated, particularly due to negative results from our activities in Hanover and Manila. **Write-downs of financial assets** increased considerably. Following the terrorist attacks, long-term traffic forecasts were revised downwards for many airports. As a result, the value of the investment in Hannover-Langenhagen Airport was subject to an impairment write-down of €12.0 million. We also revised downwards our long-term assessment of the potential traffic volume at Manila Airport. Among other things, this resulted in an impairment write-down of the loans to our investment in the Philippines of approximately €60 million. Additional impairment write-downs were taken for Portway Handling de Portugal S.A. totaling €1.8 million and for Goldair Aviation Handling S.A. of €1.2 million, as their start-up-phase has been more difficult than originally expected.

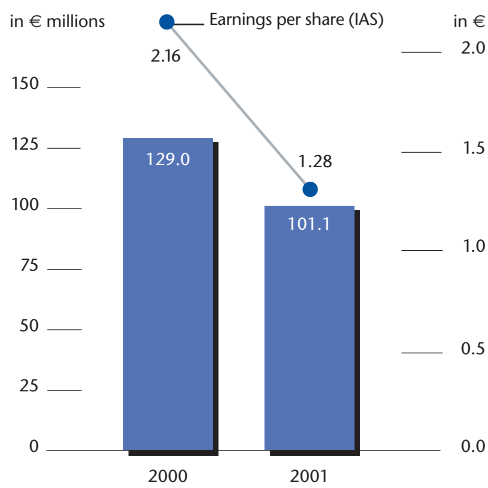
By contrast, **income from investments** increased from €8.5 million to €15.1 million during the financial year. This was largely caused by €11.4 million in dividend payments from our investment in Antalya and €3.3 million from the successful ground handling business at our Spanish locations.

The **profit from ordinary operations** fell short of the previous year's record result, falling by 36.0 percent to €170.2 million. This development was caused not only by expense items, but in particular by the considerably higher write-downs of financial assets and the negative results of associated companies.

After deducting taxes and minority interests' share of results, the **consolidated profit for 2001** was €101.1 million, a 21.6 percent below the previous year's figure. Especially due to a decrease in the corporation's tax rate during 2001, the **tax expense** was considerably below the previous year's figure. We also made substantial tax accruals in 2000.

Earnings per share according to IAS, which were calculated based on the weighted average of issued shares during the financial year, amounted to €1.28. Including all shares entitled to dividends at the end of the year, the earnings per share were €1.12.

Consolidated profit for the year



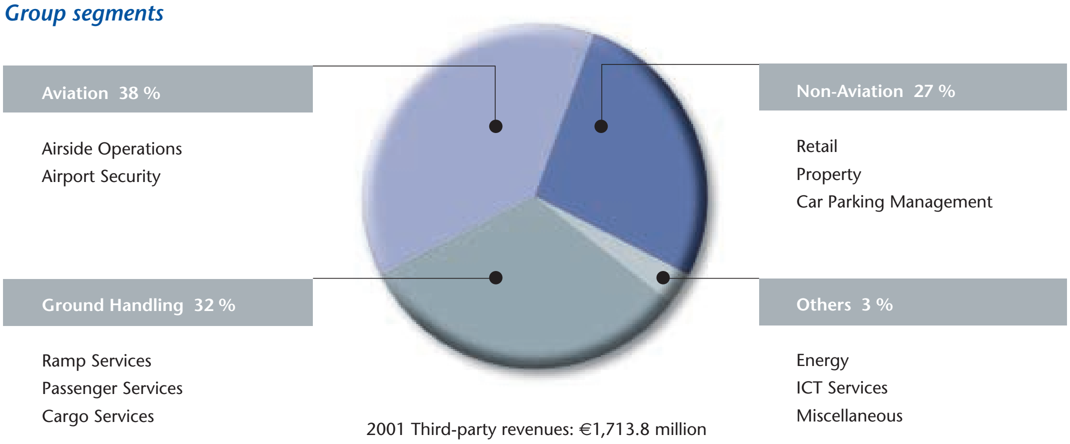
The supervisory board and the executive board of Fraport AG will propose to the shareholders' general meeting on June 26, 2002, that payment of a **dividend** of €0.40 per share for 2001 be approved. This will correspond to a dividend yield of approximately 1.5 percent in terms of the year-end share price of €26.5. In terms of the consolidated profit for the year, the dividend rate amounts to 35.6 percent.

Key profitability figures

in %	2001	2000
Return on revenues	10.3	16.6
EBITDA margin	32.1	34.7
EBIT margin	14.9	21.5
ROCE	8.2	14.8

Due to the worsened income position, the key profitability ratios declined in 2001 from the previous year. The return on revenues fell to 10.3 percent and the EBITDA margin was down by 2.6 percentage points to 32.1 percent.The EBIT margin and ROCE, which fell by 6.6 percentage points, decreased the most. ROCE, which reflects the relationship of EBIT to capital employed, declined to 8.2 percent.

Group segments



2001 Third-party revenues: €1,713.8 million

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

The Aviation segment generated the highest share of third-party revenues, followed by Ground Handling and Non-aviation. Compared with the previous year, the Non-aviation segment achieved the highest growth rates.

Third-party revenues

in € millions	2001	2000	Change in %
Segments			
Aviation	655.7	617.7	6.2
Ground Handling	538.5	565.0	–4.7
Non-aviation	469.4	391.5	19.9
Others	50.2	46.6	7.7
Total	**1,713.8**	**1,620.8**	**5.7**

Segment profit

in € millions	2001	2000	Change in %
Segments			
Aviation	9.5	51.7	–81.6
Ground Handling	7.2	41.2	–82.5
Non aviation	281.8	230.0	22.5
Others	10.1	11.5	–12.2
Total	**308.6**	**334.4**	**–7.7**

EBITDA by segment

in € millions	2001	2000	Change in %
Segments			
Aviation	53.7	95.3	–43.7
Ground Handling	27.6	64.8	–57.4
Non aviation	402.4	348.1	15.6
Others	23.5	25.3	–7.1
Total	**507.2**	**533.5**	**–4.9**

Third-party revenues by geographic markets show that, as in the previous year, our business operations were mainly concentrated on Germany. However, the international share (7 percent) increased in line with our strategy for expanding activities outside Germany.

Third-party revenues by geographic markets

in € millions	2001	2000
Geographic markets		
Germany	1,593.2	1,553.0
Other European countries	33.6	19.7
Asia	81.2	47.8
Other regions	5.8	0.3
Total	**1,713.8**	**1,620.8**

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, and the provision of airport security at Frankfurt Airport.

Third-party revenues reached €655.7 million in 2001, up by 6.2 percent over the previous year. This was largely attributable to the rapid increase in revenues at Antalya Airport, where we operate the international passenger terminal together with a partner.

Only a slight growth in revenues was realized at Frankfurt Airport. A 3 percent increase in airport and infrastructure fees was offset by falling traffic figures due to the ramifications of the terrorist attacks and the deteriorating world economic situation. Also higher were revenues from services to ensure air aviation security, which we provide on behalf of the Federal Ministry of the Interior under the terms of a framework agreement between Fraport AG and the Federal Republic of Germany.

Due to an unexpectedly weak increase in revenues, the Aviation segment posted a decline in segment profit in 2001 to €9.5 million. EBITDA fell by 43.7 percent to €53.7 million. The increase in operating costs in the Aviation segment resulted largely from improved internal cost allocation systems between segments. This had the effect of increasing revenues in the Non-aviation segment by the same amount. The increase in operating costs additionally resulted from higher personnel expenses and maintenance expenses at Frankfurt Airport as well as special developments such as unrealized foreign currency losses.

Our commitment at Antalya Airport again made a favorable contribution to segment profit. By contrast, the loss at Frankfurt-Hahn Airport had a dampening effect. This was attributable to the high expenses for capacity development measures at this former U.S. military airport, which even the continued favorable development of passenger volume was unable to compensate.

Hannover-Langenhagen and Saarbrücken airports had to deal with losses in air traffic volume because of the increasingly weak economic situation as well as the ramifications of the terrorist attacks, factors that encumbered the operating results of both airports. Saarbrücken Airport nevertheless generated a favorable contribution to segment profit. The loss recorded by Hannover-Langenhagen Airport decreased results of associated companies in EBITDA.

In Manila, Fraport holds a participation in PIATCO, which is the leading project company, with responsibility for funding, planning and building the new international passenger terminal at Ninoy Aquino International Airport (NAIA). The capacity of the building, which is to be used by international airline passengers, will initially be 13 million passengers per annum. It is scheduled to open at the end of 2002. It is intended to locate shops and food catering facilities and operate duty-free shops within the terminal. Our investment in this project not only focuses on the international marketing of our terminal management expertise. According to current plans, Fraport AG will generate revenues largely from rent and concessionary revenues via the results of associated companies. In 2001, during the construction phase of the terminal, Manila Airport recorded a loss.

Fraport holds a 42.75 percent participation in Lima Airport Partners S.R.L. (LAP), Peru, which has a thirty-year concession for the operation and expansion of the Jorge Chavez Airport in Lima. LAP took over the airport's operation as of February 14, 2001. Lima Airport recorded a loss, which is included in results from associated companies.

Ground Handling

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

Third-party revenues of the Ground Handling segment declined by 4.7 percent to €538.5 million in 2001. The falloff in revenues resulted primarily from declines at Frankfurt Airport and Hahn in the wake of the terrorist attacks of September 11 as well as the increasingly deteriorating global economic situation during the year. At Frankfurt Airport, slight losses in market share occurred in line with the intensified competition. The departure by a major customer had a dampening effect at Frankfurt-Hahn Airport.

Ground Handling achieved a segment profit of €7.2 million and a 57.4 percent lower EBITDA of €27.6 million. In addition to revenue declines at Frankfurt and Hahn airports, increased personnel expenses dampened the result because of higher wage increases under the collective bargaining agreement as well as the introduction of LEA at Frankfurt Airport. The high level of expenses resulting from market penetration at Vienna Airport is also reflected in the segment profit. Favorable results were generated from the provision of aircraft de-icing services at Frankfurt Airport as well as leasing and maintenance of ground service equipment at Brussels Airport. This segment's EBITDA was additionally reduced by a negative profit contribution from associated companies.

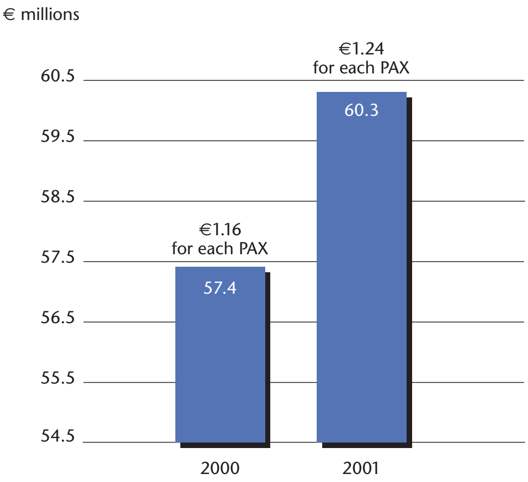
Non-Aviation

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

In the Non-aviation segment, we generated 19.9 percent growth of third-party revenues to €469.4 million in 2001. Some of this increase resulted from the improved assignment system in 2001. This had no net effect on the consolidated result. Additional one-off effects at Frankfurt Airport resulted from capital gains of €7.6 million arising from the partial sale of Media, the release of an environmental provision and the release of a provision formed in this connection for legal proceedings amounting to a total of €22.2 million as a consequence of a settlement with the State of Hesse. Soil restoration work undertaken in previous years also resulted in a settlement claim against the state of Hesse.

Higher rent revenues and concessionary revenues are also significant factors for the growth in revenues at Frankfurt Airport. Of concessionary revenues, income from retailing activities also increased during the financial year, rising by 5.1 percent to €60.3 million. Retail revenues per passenger grew by 6.9 percent over the previous year. This growth reflected the success of our strategy to enhance the attractiveness of our retail space through construction measures, optimized passenger routing, space layout and sector mix. In addition, the travel value shops, which replaced the duty-free shop concept for flights within the European Union, are being received positively.

Retail Revenues at Frankfurt Airport



The master plan for the expansion of retail space was provided by Airport Retail Solutions GmbH (ARS), which was founded during 2001, as a joint venture of Fraport AG with ECE Projektmanagement GmbH & Co. KG, Europe's market leader in shopping centers.

The marketing of advertising space and articles also made further progress at Frankfurt Airport in 2001 and contributed to an increase in the segment's revenues.

The increase in third-party revenues was attributable to effects related to changes in the scope of the consolidation.

Due to the favorable development of revenues, the segment profit rose by 22.5 percent to €281.8 million. The 15.6 percent increase of EBITDA to €402.4 million was dampened by losses of associated companies.

Others

The Group segment Others includes activities in support of the airport operation – largely information and communications services (ICT Solutions) as well as the electric power supply and operation of dining facilities at Frankfurt Airport.

This segment generated third-party revenues of €50.2 million – up by 7.7 percent over the previous year. The growth in revenues primarily results from the energy business at Frankfurt Airport. The first-time inclusion of AirITSystems Hannover GmbH in the scope of the consolidation also had a favorable effect.

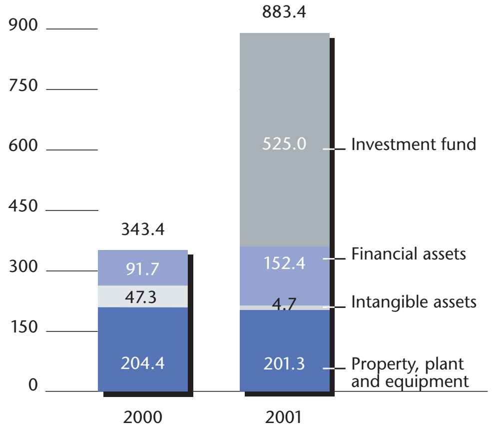
The segment profit amounted to €10.1 million – approximately €1.4 million below the previous year's figure due to higher operating costs. EBITDA was €23.5 million. Earnings were reduced by losses of associated companies.

Capital expenditure

Total capital expenditure during 2001 amounted to €883.4 million, substantially in excess of the previous year's figure. The increase was largely attributable to the €525.0 million raised by the IPO, which was invested in a investment fund. The level of investments in property, plant and equipment was at the previous year's level. Investments in intangible assets decreased.

Investments

in € millions



As in the previous years, investments in property, plant and equipment of €201.3 million served to strengthen business at Frankfurt Airport, in particular. These investments focused on: redevelopment and expansion of Terminal 1 – Pier B (€15.0 million) and Pier A (€6.0 million); projects for linking the Long-distance Train Station (AIRail Terminal) to Terminal 1 and for constructing a superstructure on top of the AIRail Terminal (€13.0 million); the extension of Pier A (€12.6 million); fire protection technology in Terminal 1 (€6.5 million); as well as sorting facilities (€5.8 million) in A and West areas of the terminal. The investments in property, plant and equipment for capacity expansion – in order to create additional airside operational areas including infrastructure and passenger facilities – grew by €17.3 million to €23.7 million over the previous year. We capitalized a total of €6.7 million in connection with the implementation of SAP R/3.

The extensive measures in connection with the planned expansion at Frankfurt Airport remain the central focus of the medium- and long-term capital expenditure program. Adjusted for inflation, an amount of approximately €3.3 billion has been allocated for the planned construction of a new landing runway, including passenger handling and other operations facilities. Other investment projects include the further development of commercial space; the ongoing improvement of fire protection, especially for the terminal buildings; the remodelling and expansion of Terminal 1, and additional structural measures for the modernization of the apron, which will also accomodate the new generation of widebody aircraft.

Excluding the investment fund, investments in associated companies accounted for by the equity method and other financial assets totalled €152.4 million, approximately 60 percent higher than in the previous year.

At Manila Airport, Fraport holds a direct 30 percent participation and additional indirect participation rights in PIATCO, the principal project company for the financing, planning, and construction of the new international passenger terminal. In 2001, Fraport AG acquired a 40 percent shareholding in Philippine Airport and Ground Services Inc. (PAGS), Pasay City, for a purchase price of $14.7 million. PAGS holds both a direct and an indirect participation in PIATCO. Additional investments at Manila Airport included demands for capital by PIATCO and by the other investment companies within the framework of this project as well as payments to the firms contracted for the construction of the terminal building under guarantees on behalf of PIATCO in line with the status of the construction; and loans covering bridge financing for the terminal construction as well as the working capital needs of PIATCO. Gross investments totalled €83.0 million in 2001. After deducting repayments of €28.8 million, we invested a net amount of €54.2 million. In addition, Fraport AG made payments of €77.5 million for a bridging loan and issued guarantees for an additional €144.6 million. Regarding the developments of payments made and guarantees issued we refer to the section “Risks arising from corporate participations and from projects” below.

Following the 100 percent acquisition of CIVAS GmbH in 2000, our activities focused on additional expansion of Aviation Security in 2001. For its part, at the beginning of 2001 CIVAS GmbH acquired a 45 percent shareholding in ICTS Europe Holdings B.V. and received a capital increase from Fraport AG. The above investments totalled €56.2 million. In order to expand our strong position in the market for specialized aviation security services, on January 1, 2002 we acquired the remaining 55 percent of ICTS Europe Holdings B.V. for approximately €69.1 million.

On February 15, 2001, the LAP consortium, which Fraport AG (consortium share: 42.75 percent) founded together with two other partners, took over the operation and expansion of the airport in Lima, Peru for the next 30 years plus an option to renew for up to 60 years. The expansion measures are part of the concession contract; investments totalled €13.7 million in 2001.

Cash flow statement

Net cash from operating activities totalled €364.8 million, €91.0 million higher than the comparable figure for 2000. In addition to the increase in cash flow of €16.6 million, this increase was due to reduced income tax payments of €70.6 million.

Whereas capital expenditures in property, plant and equipment were €201.3 million in 2001, approximately at the previous year’s level, in particular the high level of investment in financial assets, amounting to €758.6 million, caused a marked increase in the net cash used for investing activities. Especially worthy of mention here are investments in the investment fund amounting to €525.0 million in connection with the investment of some of the proceeds of the IPO and, as in the previous year, outflows in connection with the investment in Manila.

Cash flow from financing activities of €515.4 million in 2001 reflects a substantially larger cash influx than in the previous year. The principal causes for this were the net cash flows arising from the capital increase in connection with the IPO of €862.7 million and the investment by shareholders of distributed profits amounting to €44.4 million. The marked decline in financial liabilities was largely caused by the early repayment of €362.2 million in bank liabilities by Fraport AG.

Asset and capital structure

In connection with the IPO, the consolidated **balance sheet** total rose by a substantial 20.7 percent compared with December 31, 2000, to €3,672.0 million.

The asset structure of the Fraport Group continues to be shaped on a long-term basis. This is reflected in a high, 87.8 percent share of **non-current assets** in total assets. We initially utilized the proceeds of the share issue generated from the IPO to repay liabilities of €362.2 million and to acquire a medium-term investment in a investment fund. The early repayment of the higher-interest loans contributed to a decline in financial liabilities. Investing in the investment fund resulted in an increase in non-current assets and, to a smaller extent, in current assets.

The increase in **current assets** was largely caused by receivables from companies in which participations are held. Additional contributions were made by a claim against the state of Hesse and an increase in liquid funds.

Shareholders' equity also rose substantially in connection with the IPO. Due to the capital increase, subscribed capital grew by €261.1 million to €901.1 million. This corresponds to the issue of 26,105,000 no-par shares with an imputed nominal value of €10,0 each. After deduction of the costs related to the IPO, net of tax, the additional paid-in capital proceeds of the issue resulted in a €618.1 million increase in the capital reserve. The deduction of costs of the IPO from the capital reserve was made in accordance to IAS SIC-17.

Fraport AG distributed a dividend of €76.7 million for 2000. Of this, an amount of €44.4 million was added to the capital reserve by the shareholders.

Shareholders' equity (excluding dividends proposed) covers 59.8 percent of non-current assets. The ratio of shareholders' equity to liabilities and equity increased to 52.5 percent in 2001.

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 Article 312 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."

Risk Management

A systematic risk management within the Fraport Group ensures a sound evaluation and controlled handling of risks associated with our business operations. It allows us to actively take advantage of business opportunities to the extent that the relationship between the intended advantages and the risk that is undertaken is appropriate.

Risk management structures

The central body for the risk management system is the risk management committee, which is made up of representatives from the Group's divisions. This ensures the functionality and further development of risk management structures.

The risk management committee, which reports directly to the executive board, is responsible for monitoring risks and coordinating measures from the point of view of the Group. On the other hand, the respective division is responsible for ensuring the suitability and effectiveness of such measures.

Risks arising from investments are subject to monitoring by Fraport AG, on the one hand by the divisions as well as by an equity investment controlling department, and on the other hand by the representatives of Fraport AG in the supervisory bodies. In 2001, the investments with a high measure of significance for the asset, financial and income position of the Group were integrated within the risk management system.

These procedures for identifying, evaluating, and treating risks, procedures that have been adapted to the requirements of the Fraport Group, provide us with a transparent and open system for the optimization of the risk environment. The regularly scheduled reporting requirements, which are supplemented by reporting on a case-by-case basis and the exchange among individuals involved in the risk management system ensures that those who are responsible are informed about the risk situation in a comprehensive and timely manner.

Explanations concerning potential risks

The risk situation of the Fraport Group is largely influenced by the risks mentioned below.

Market risks

The course of the business of the Fraport Group depends on the development of global air traffic. Current economic conditions decisively affect demand. The deterioration in traffic figures, which was already evident before the terrorist attacks of September 11, was a consequence of the global weakening of the economy.

The ramifications of the attacks and the armed conflicts in the Middle East on world air traffic cannot yet be definitively judged. In particular, renewed terrorist attacks and a further deterioration of the economy could have a negative impact on our business operations. The declines in demand that could be expected in such a situation would lead to revenue declines in the Fraport Group. However, we believe that such a scenario is unlikely. Our opportunities to alleviate the risk of a decline in demand are limited. Due to its hub function, however, Frankfurt Airport could benefit from the fact that especially in times of crisis, the airline companies concentrate their business on hubs.

The economic situation of some airline companies worsened due to the booking declines following the terrorist attacks. It cannot be excluded that in an economic crisis, individual airlines could be forced to completely or partially close down their air traffic operations. The free slots would then be made available in the short term to other interested airlines, for which no free capacity could otherwise have been offered at that time. The consequences of a possible loss of individual customers would consequently be limited.

Frankfurt Airport is used as a central hub for Europe by our principal customer Lufthansa together with that airline's other partners in the Star Alliance. The business relationship with our main customer contributed a considerable amount to the revenues generated in 2001. Due to the economic significance of Lufthansa and the current process of consolidation within the European airline industry, a strengthening of the main customer of Fraport AG on a long-term basis can be expected.

Risks at Frankfurt Airport

With the completion of the planned capacity expansion through the construction of an additional runway and a third passenger terminal, Frankfurt Airport has the opportunity of maintaining and further expanding its status as a major international airport in the future as well. The airport expansion is one of the significant prerequisites for the participation by Fraport AG in the long-term growth of world air traffic. Forgoing the expansion would mean that the traffic flows could be expected to pass Frankfurt by. It cannot be excluded that the airlines would shift some of their air flight connections to other airports, which would endanger our hub function. In particular, a shift by Lufthansa of air connections or operating units to other airports would have substantial adverse ramifications for us.

The expansion plans for Frankfurt Airport are meeting with considerable resistance among various interest groups. Because of the expansion plans, suits and threats of legal proceedings by various groups and municipalities are already pending. The risk of a significant delay or even a prohibition against the expansion due to legal proceedings cannot be excluded. Furthermore, there is a risk that construction measures could be delayed for other reasons – for example, because of the delayed clearance of the US air base. To generate as broad as possible a public consensus among the general population and the other groups affected by the airport expansion, in the implementation of the expansion plans we have decided to accept the results and recommendations of the mediation process. These recommendations have been included in the 10-Point Program of Fraport AG.

Among other things, the 10-Point Program calls for passive noise abatement measures for buildings. This current application with the State of Hesse's Ministry of Economics, Transportation and Development to include the costs of the passive noise abatement program as part of the cost basis underlying the airport fees has not yet been concluded. Fraport AG assumes that the €76 million required to finance the program will be based on the polluter-pays principle and integrated in the take-off and landing fees.

Fraport AG currently receives concession fees according to the Airport Ground Handling Services Regulation from companies providing ground-handling services at Frankfurt Airport. It cannot be excluded that this income potential may be limited due to changes in underlying regulatory conditions.

In the area of environmental protection, we have undertaken considerable efforts to counteract risks. At Frankfurt Airport, environmental management has been established that is aligned with European legal requirements. As a result, a continuous optimization of environmental protection is assured due to the application of corresponding organizational measures and controls. However, it cannot be excluded that a future increase in environmental legal requirements may lead to considerable burdens for Fraport AG. This is especially applicable to environmental contamination that has not yet been discovered or whose scope goes beyond what is now known, as well as water protection.

Our business operations could be impaired through events such as accidents, attacks from terrorists, fires, or technical breakdowns. The insurance coverage of Fraport AG protects the company from the usual risks faced by airport operators; coverage also extends to participations. Insurance coverage includes, in particular, events that may result in the loss or damage of property, including resulting operational disruption, third-party compensation claims and operational liability risks. Following the terrorist attacks in the United States, the insurance coverage commitment to Fraport AG for third-party liability claims resulting from war and acts of terror was cancelled by insurers. At present, we hold an insurance coverage commitment issued by the German federal government that covers third-party damages arising from acts of war or terror. The coverage also extends to the majority holdings of Fraport AG in Germany. For participations located outside Germany, for which third-party claims could arise because of damages in connection with acts of war or terror, in some cases insurance exists or commitments have been made by the respective local government.

Following the terrorist attacks, in cooperation with the authorities, to an extensive degree we further strengthened our existing security measures, which already corresponded to a high standard by international comparisons. This applies to Frankfurt Airport as well as to the operations of participations at other locations in Germany and abroad. The more demanding requirements for the security of airport's information systems are being met by the newly established area "Corporate Information Management" (CIM) at Frankfurt Airport. CIM ensures the strategically necessary bundling of responsibilities for IT security and architecture. We are establishing a secondary data center at a separate location in order to accommodate systems redundancy and thereby minimize potential disturbances of the IT infrastructure.

In order to manage currency risks as well as risks arising from interest rate changes, we also make use of derivative financial instruments. These are utilized exclusively to safeguard underlying transactions, and not for trading or speculative purposes. In connection with current interest rate expectations, no significant risks exist for the liabilities and the assets invested in the investment fund that could result from interest rate changes. The currency risks associated primarily with the U.S. $ funding of the overseas participations in Manila, Antalya, and Lima are viewed as being minor due to the current exchange rate.

Risks arising from shareholdings in other companies and from projects

Ryanair was acquired as a particularly important customer at Frankfurt-Hahn Airport. We expect that a greater share of revenues at Hahn Airport will arise from the business relationship with this customer in future.

The restructuring of this former military airfield as a modern major airport places considerable demands on the technical capabilities there, which were continuously further developed in 2001.

General political and economic risks are worthy of mention with respect to certain foreign locations. This applies particularly to our involvement in Manila, Antalya and Lima.

Our activities in **Manila**, the capital of the Philippines, involving the construction and operation of an airport terminal, is currently Fraport AG's financially largest and most important activity apart from Frankfurt Main airport. The company primarily responsible for the construction and operation of the terminal is PIATCO, in which Fraport AG directly and indirectly holds a substantial minority interest.

The total involvement in the Manila project at December 31, 2001 and at March 26, 2002, can be summarised as follows:

Total involvement in Manila

in US $ millions	at Dec. 31, 2001	at Mar. 26, 2002
Equity/ shareholders' advances	108.3	108.3
Shareholder loans	131.1	121.9
Guarantees for bank loans	104.4	138.5
Waived receivables	0.0	6.2
Total	**343.8**	**374.9**

Up to December 31, 2001, we had paid €234.7 million to the Philippine companies in which we hold a participating interest to finance the construction of the terminal and issued guarantees totaling €144.6 million.

In the period from December 31, 2001, to March 26, 2002 we mainly issued further guarantees, as planned, of $34.1 million (€38.7 million) to PIATCO and made further payments of $16.4 million (€18.6 million) as bridging loans.

When the long-term financing is provided, based on the current contractual position the risk position will be significantly cut back, from approximately $375 million to some $224 million. The decrease in contingent liabilities from guarantees and expected repayments of loans will lower the risk. At the same time, we are obliged under the current contractual position to make additional contributions to shareholders' equity. However, it can be assumed that the contracts relating to the long-term financing made in July 2001 will have to be amended as the project progresses.

In addition, in anticipation of the provision of long-term financing, we have pledged shares in PIATCO amounting to $42.5 million (current book value).

Despite its considerable investment holding in PIATCO, Fraport AG's opportunities to exercise influence on the operating activities of PIATCO are limited due to regulatory requirements and the resulting complex legal and contractual arrangements in place.

The project is endangered, particularly due to the political situation in the Philippines, as demonstrated for example by the change in government, delayed or outstanding approvals from the public authorities or other activities involving government authorities, accusations of corruption levelled at PIATCO from a number of different sources, legal challenges to the concession agreement, and the change in economic parameters. Fraport AG considers the accusations of corruption to be unfounded and expects, as supported by the dropping of a major proceeding, that negotiations will solve the attacks against the concession agreement and that the outstanding approvals or other activities involving government authorities can be received and carried out.

Nevertheless, it is possible that parts of the underlying concession agreement will have to be changed due to government pressure, or that the Philippine government be politically unable to meet certain of its obligations set out in the concession agreement. If state approvals were not granted or the concessions were cancelled, which is not currently expected to happen, this would prevent the project from being achieved. Fraport AG is currently supporting PIATCO management in its intensive and constructive negotiations with the Philippine government to minimize changes to the existing agreements and to persuade the government to back the project more strongly.

There is also a risk that certain requirements set by the Philippine government, failure by the Philippine government to fulfil obligations set out in the concession agreement, altered economic conditions, or changes in the parameters of agreements intended to be made with contractual parties of PIATCO, will result in additional costs and could reduce opportunities to receive income. In this connection, there is a risk that differing views of matters relating to tax law could lead to higher taxes levied by the Philippine authorities. The risks set out above could have a detrimental effect on the planned overall profitability of the project.

The contracts for the long-term financing of the Manila project were signed in 2001. Together with PIATCO's other shareholders, Fraport AG has taken on an obligation to equip the company with considerable amounts of shareholders' equity and subordinated shareholder loans. Fraport AG's overall risk position will probably be considerably reduced upon the first payment to be made under the long-term financing agreement. Most of the conditions for this payment have not yet been fulfilled, and cannot be easily fulfilled in the current economic climate. Hence, negotiations may need to be re-opened with the lenders. To the extent, due to the matters set out above, PIATCO's ability to service its debts deteriorates considerably, this could lead to the abandonment of the long-term financing plan in its present form. The results of current negotiations between the government and shareholders will determine in what form the long-term financing can be adapted and whether significant additional amounts of capital contributions by PIATCO's shareholders are needed to provide the financing.

PIATCO's other shareholders are not currently in a position to provide PIATCO's further short-term financing until the conditions for the initial payment under the long-term financing arrangement are met. If it proves impossible to secure PIATCO's further short-term financing, PIATCO will be threatened by insolvency, which could cause the overall project to be abandoned.

However, Fraport AG assumes that PIATCO's shareholders will contribute, by making the appropriate resolutions, to establishing the conditions under which PIATCO's liquidity can be assured, in order for the terminal to commence operations.

In view of PIATCO's current liquidity position, Fraport AG has initially waived immediate payment of receivables due from PIATCO totaling $6.2 million. Furthermore, under certain conditions (change to the shareholders' agreement and receipt of the necessary government approvals), Fraport AG is considering providing additional financing in the form of advance capital contributions, shareholder loans or loans granted by third parties and secured by guarantees given by Fraport of up to $80 million in order to ensure continuation of the construction work. This requires prior approval by Fraport AG's supervisory board. However, based on the current position, this will be granted if the above-mentioned conditions are met.

Within the framework of the operation of the international terminal at **Antalya Airport**, the other partner, Bayindir Insaat Turizm Ticaret ve Sanayi A.S. (Bayindir Insaat) has been subject to liquidity problems, which, however, have not so far had any actual impact on the operation of Antalya International Terminal. Nevertheless, for the operating company, Bayindir Antalya, which is jointly and severally liable for a share of the credit handed out to Bayindir Insaat, this circumstance means that it must take responsibility for Bayindir Insaat. In 2001, this resulted in loan repayments by Bayindir Antalya in favor of Bayindir Insaat totaling $13.4 million (additional bank debt of Bayindir Insaat remained as of December 31, 2001, totaling $15.0 million). Additionally, a shareholders' loan by Bayindir Antalya to Bayindir Insaat could be cancelled.

Fraport AG holds a 50 percent participation in the operating company. In addition to its capital share, Fraport AG also has the right to a further 30 percent of dividends. Fraport AG intends to acquire the remaining capital shares and dividend shares of this operating company from Bayindir Insaat soon. Approvals by the responsible Turkish authorities for the acquisition of a participation are currently being arranged. It cannot be wholly excluded that the concession for the international terminal may be withdrawn if Fraport AG becomes the exclusive shareholder of Bayindir Antalya. However, Fraport AG assesses the risk of a withdrawal of the concession despite the receipt of all the official approvals for the complete takeover of the operating company by Fraport AG as very unlikely.

The concession for Antalya international terminal expires on July 31, 2007, and the underlying business is highly dependent on tourism. Considerable downturns could have the consequence that the Antalya investment may become unprofitable. However, the concession authority has guaranteed the operating company an annual minimum number of passengers. The currency risk arising from the high inflation rate in Turkey is counteracted by the fact that most of the revenues are denominated in US dollars.

The commitment at **Lima Airport** in Peru is endangered especially by political risks. However, these risks have been taken into account by corresponding insurance policies. There is also a risk that due to a threatened delay in the contractual agreement between LAP and a consortium for the construction of new terminal installations, the conclusion of the long-term financing contracts could be delayed.

Overall evaluation of risk

The Fraport Group's risk situation is determined by the above-mentioned significant risks. There are no discernible risks that could threaten the Group's going concern.

Significant Events After the Balance Sheet Date

As of January 1, 2002, Fraport AG acquired the remaining 55 percent shareholding in ICTS Europe. In order to strengthen our position in the market for air traffic security services, already at the beginning of 2001, via our subsidiary CIVAS we acquired a 45 percent participation in ICTS Europe, which belongs to ICTS. Through this acquisition, we are striving for European market leadership in air traffic security services.

Frankfurt-Hahn Airport is gaining a key strategic function, because it makes possible 24-hour operations in cargo and passenger traffic and additionally offers attractive conditions for the low cost/no-frills market. The Irish airline Ryanair established its second continental European base at Frankfurt-Hahn Airport in February 2002. We expect this airport to become a leader for low cost carriers in Germany in the future. To finance infrastructural measures, together with the other shareholder Fraport AG agreed to a €27,0 million capital increase as of January 2002. With its improved capabilities, the airport can even better augment the low-cost segment within the Fraport Group.

According to plan, additional guarantees for PIATCO amounting to US $34.1 million were issued between January 1 through March 26, 2002, for the expansion of Manila Airport. A payment of $16.4 million made as part of the interim financing plan has led to a net reduction to the risk position of $7.6 million by offset against outstanding guarantees granted. Trade accounts receivable from PIATCO of $6.2 million arising in the period from December 31, 2001, and March 26, 2002, have been rescheduled. With interest payments of $1.6 million, the above items have led to an increase of $31.1 million in the overall involvement.

Outlook

With the value management project, we have already begun optimizing our internal control and planning processes for value-oriented management in view of the considerable requirements of the capital market. We will purposefully continue on this path in the Groupwide project "WM 2005". Within the framework of the project, value-enhancing measures are being developed for all areas of the Company, whose gradual implementation is already beginning during the current financial year.

The consortium Berlin-Brandenburg Flughafen International Partner GmbH & Co. KG, in which Fraport AG holds a 7.53 percent share, made an offer during the financial year to acquire the holding company of the three current Berlin airports, Berlin-Brandenburg Flughafen Holding GmbH, and to build and operate the planned Berlin Brandenburg International airport. The offer covers optimization of the existing airport systems in terms of both traffic and its commercial aspects as well as the timely completion of the new airport.

As of January 1, 2002, the State of Hesse's Ministry of Economics, Transportation and Development (HMWVL) approved an application by Fraport AG for a fee increase. In terms of the fee volume in 2001, the increase of the fees at Frankfurt Airport amounts to a total of 3.2 percent, of which 2.1 percent are allocated to cover the costs of the current airport operation and the remaining 1.1 percent to finance the costs arising in connection with preparation for the authorization processes of the airport's expansion. With the increase of a part of the noise-related fees as well as fees for flight movements at night and during blocked out times, we continue to pursue a reduction of flight noise in accordance with our 10-Point Program. Furthermore, the HMWVL permitted from April 2002 onwards to levy a surcharge of €0.11 per departure passenger to provide for additional measures following the terrorist attacks in the U.S.

The ramifications of the September 11 attacks, which are still difficult to assess at present, make it difficult to draw up a valid forecast for future business developments. Nevertheless, in line with analyses by research institutes, which expect an improvement of the macro-economic underlying conditions in the course of 2002, as a result of which a favorable impetus can be expected for growth opportunities in the airline industry, we expect air traffic developments to stabilize for the current financial year. We anticipate the number of passengers to surpass the 50 million mark beginning in 2003.

From today's perspective in 2002, the increase of airport fees by a total of 3.2 percent and especially the effects on the consolidation of the first-time inclusion of ICTS result in a considerable increase in revenues with an overall stagnant volume of traffic. We are currently striving for a stable EBITDA compared with the previous year and expect consolidated profit for the year in 2002 to approximate the previous year's level. By the same token, we expect that special occurrences related to the income statement that only applied to 2001 will be more than made up for by the elimination, among expenses, of one-off charges. During the current year, the expected increasing tax burden will result in a stable net profit after taxes on income.

Fraport AG Frankfurt Airport Services Worldwide
Consolidated Income Statement for 2001

in € millions	Note	2001	2000
Revenues	(25)	**1,580.6**	**1,536.2**
Change in work-in-process	(26)	0.7	–2.9
Other internal work capitalized	(27)	18.4	15.4
Other operating income	(28)	114.1	72.1
Total revenues		**1,713.8**	**1,620.8**
Cost of materials	(29)	–281.7	–264.4
Personnel expense	(30)	–689.2	–633.4
Depreciation and amortization of tangible and intangible non-current assets	(31)	–209.3	–194.9
Other operating expenses	(32)	–225.0	–193.7
Operating profit		**308.6**	**334.4**
Interest results	(33)	–72.9	–66.2
Results of associated companies	(34)	–25.8	–4.3
Other financial results	(35)	–39.7	2.0
Profit from ordinary operations		**170.2**	**265.9**
Taxes on income	(36)	–60.7	–125.2
Other taxes	(37)	–7.0	–10.9
Minority interests' share of results		–1.4	–0.8
Consolidated profit for the year		**101.1**	**129.0**
Transfers to revenue reserves		–65.1	–52.3
Consolidated retained earnings	(16)	**36.0**	**76.7**
Earnings per €10 share in €	(38)	**1.28**	**2.16**

Fraport AG Frankfurt Airport Services Worldwide
Consolidated Balance Sheet at December 31, 2001

Assets

in € millions	Note	Balance at Dec. 31, 2001	Balance at Dec. 31, 2000
A. Non-current assets		**3,222.8**	**2,729.2**
I. Intangible Assets	(6)	99.8	110.7
II. Property, plant and equipment	(7)	2,435.1	2,447.7
III. Investments at equity	(8)	126.1	71.0
IV. Other financial assets	(9)	561.8	99.8
B. Current assets		**401.5**	**264.1**
I. Inventories	(10)	11.9	10.3
II. Trade accounts receivable	(11)	141.3	135.5
III. Other receivables and other assets	(12)	173.6	59.1
IV. Checks, cash and bank balances	(13)	74.7	59.2
C. Prepaid expenses	(14)	**41.5**	**43.4**
D. Deferred tax assets	(15)	**6.2**	**6.0**
		3,672.0	**3,042.7**

Liabilities and equity

in € millions	Note	Balance at Dec. 31, 2001	Balance at Dec. 31, 2000
A. Shareholders' equity	(16)	**1,964.3**	**1,019.3**
I. Subscribed capital		900.9	640.0
II. Capital reserves		662.4	–
III. Revenue reserves		365.0	302.6
IV. Consolidated retained profits		36.0	76.7
B. Minority interests	(17)	**5.5**	**4.8**
C. Deferred investment grants on items in non-current assets	(18)	**22.4**	**23.1**
D. Provision and accruals	(19)	**284.6**	**286.4**
E. Liabilities		**1,189.2**	**1,452.4**
I. Financial liabilities	(20)	970.1	1,267.9
II. Trade accounts payable	(21)	99.0	113.8
III. Other liabilities	(22)	120.1	70.7
F. Deferred income	(23)	**71.0**	**74.8**
G. Deferred tax liabilities	(24)	**135.0**	**181.9**
		3,672.0	**3,042.7**

Consolidated Cash-Flow Statement

in € millions	Note	2001	2000
Consolidated profit for the year		**101.1**	**129.0**
Taxes on income	(36)	60.7	125.2
Minority interests' share of result		1.4	0.8
Adjustments for:			
Depreciation/write ups (non current assets)	(6, 7, 8, 9)	288.4	203.6
Interest results	(33)	72.9	66.2
Investment income	(35)	–15.1	–8.5
Gains/losses on disposals of non-current assets	(28, 32)	–9.3	–2.0
Unrealized foreign currency gains	(28, 32)	11.7	–11.6
Changes in valuation of associates at equity	(8)	8.1	6.4
Changes in inventories		–1.6	2.7
Changes in receivables		–32.3	–32.1
Changes in other current assets		1.7	1.5
Changes in provisions and accruals		9.3	12.2
Changes in other third-party liabilities		–16.1	–29.1
Interest paid		–90.1	–77.4
Interest received		17.2	7.3
Dividends received		15.1	8.5
Taxes on income paid		–58.3	–128.9
Net cash from operating activities	(40)	**364.8**	**273.8**
Purchases of intangible assets	(6)	–4.7	–41.0
Purchases of property, plant and equipment	(7)	–201.3	–204.4
Acquisitions of consolidated subsidiaries and joint ventures			
(net of cash acquired)	(40)	–	–3.8
Proceeds from disposals of consolidated subsidiaries and joint ventures		8.2	–
Acquisitions of associated companies valued at equity	(8)	–73.9	–22.0
Investment fund	(9)	–525.0	–
Other financial investments	(9,12)	–159.7	–72.7
Proceeds from disposals of non-current assets	(6, 7, 8, 9, 28, 32)	89.2	21.7
Net cash used in investing activities	(40)	**–867.2**	**–322.2**
Distributions		–78.0	–26.5
Capital increase		903.9	–
Expenses for initial public offering		–41.2	–
Shareholder contribution		44.4	–
Changes in financial liabilities		–313.7	111.5
Net cash from financing activities	(40)	**515.4**	**85.0**
Effects of exchange rate changes on cash and cash equivalents		–0.5	–1.4
Net increase in cash and cash equivalents		**12.5**	**35.2**
Cash and cash equivalents on January 1		54.8	19.6
Cash and cash equivalents on December 31	(40)	**67.3**	**54.8**

Development of the Consolidated Shareholder's Equity

in € millions	Subscribed Capital	Capital reserves	Legal reserve	Other revenue reserves	Consolidated retained profits	**Total**
Balance at January 1, 2000	**511.3**	**–**	**32.4**	**351.4**	**25.6**	**920.7**
Capital increase	128.7	–	–	–128.7	–	0.0
Consolidated profit of the year	–	–	4.1	48.2	76.7	129.0
Distribution	–	–	–	–	–25.6	–25.6
Foreign currency translation differences	–	–	–	–3.3	0.0	–3.3
Fair values of derivates	–	–	–	–4.2	–	–4.2
Changes due the changes in the consolidated group	–	–	–	2.7	–	2.7
Balance at December 31, 2000	**640.0**	**0.0**	**36.5**	**266.1**	**76.7**	**1,019.3**
Balance at January 1, 2001	**640.0**	**–**	**36.5**	**266.1**	**76.7**	**1,019.3**
Capital increase against deposit	261.1	618.1	–	–	–	879.2
Distribution/Shareholder contribution	–	44.4	–	–	–76.7	–32.3
Repurchases of own shares	–0.2	–0.1	–	–	–	–0.3
Consolidated profit of 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 due to changes in consolidated group	–	–	–	–0.1	–	–0.1
Balance at December 31, 2001	**900.9**	**662.4**	**36.5**	**328.5**	**36.0**	**1,964.3**

Consolidated Fixed-asset Movement Schedule

in € millions	Accumulated acquisition costs/ production costs at Jan 1, 2001	Changes in foreign currency differences	Changes in Conso-lidation	Additions	Disposals	Reclassifi-cations	Accumulated acquisition costs/ production costs at Dec. 31, 2001
Intangible Assets							
Concessions, patents and similar rights	87.9	0.0	0.1	4.7	–1.8	2.3	**93.2**
Goodwill	83.6	0.0	1.4	0.0	–0.7	0.0	**84.3**
Total	**171.5**	**0.0**	**1.5**	**4.7**	**–2.5**	**2.3**	**177.5**
Property, plant and equipment							
Land, land rights and buildings including buildings on leased land	3,085.8	0.0	0.0	70.4	–20.5	6.7	**3,142.4**
Technical equipment and machinery	1,486.6	0.0	1.7	40.5	–11.7	17.6	**1,534.7**
Other equipment, operating and office equipment	312.3	0.0	0.1	28.7	–14.0	–7.0	**320.1**
On-account payments and construction in process	50.9	0.0	0.0	61.7	–4.0	–19.6	**89.0**
Total	**4,935.6**	**0.0**	**1.8**	**201.3**	**–50.2**	**–2.3**	**5,086.2**
Investments at equity	**81.7**	**–1.0**	**0.0**	**76.8**	**–11.0**	**8.5**	**155.0**
Other financial assets							
Shares in affiliated companies	3.4	0.0	–2.3	0.0	–0.4	0.0	**0.7**
Other investments	7.9	0.0	0.0	20.8	–0.9	0.0	**27.8**
Loans to investments*	67.8	0.0	–0.5	54.8	–28.8	4.3	**97.6**
Securities in non-current assets	0.1	0.0	0.0	0.0	0.0	0.0	**0.1**
Investment fund	0.0	0.0	0.0	525.0	–35.1	0.0	**489.9**
Other loans	30.1	0.0	3.1	0.0	–2.1	–12.8	**18.3**
Total	**109.3**	**0.0**	**0.3**	**600.6**	**–67.3**	**–8.5**	**634.4**
Non-current assets	**5,298.1**	**–1.0**	**3.6**	**883.4**	**–131.0**	**0.0**	**6,053.1**

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

Accumulated depreciation at Jan. 1, 2001	Changes in Consolidation	Additions	Disposals	Reclassifi- cations	Write-up	**Accumulated depre- ciation at Dec. 31, 2001**	**Net book values at Dec. 31, 2001**	Net book values at Dec. 31, 2000
39.4	0.0	10.3	–1.7	0.0	0.0	**48.0**	**45.2**	48.5
21.4	0.2	8.5	–0.4	0.0	0.0	**29.7**	**54.6**	62.2
60.8	**0.2**	**18.8**	**–2.1**	**0.0**	**0.0**	**77.7**	**99.8**	**110.7**
1,119.7	0.0	103.9	–3.6	0.0	0.0	**1,220.0**	**1,922.4**	1,966.1
1,143.7	0.9	61.4	–10.2	2.2	–0.2	**1,197.8**	**336.9**	342.9
224.5	0.0	25.2	–14.2	–2.2	0.0	**233.3**	**86.8**	87.8
0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**89.0**	50.9
2,487.9	**0.9**	**190.5**	**–28.0**	**0.0**	**–0.2**	**2,651.1**	**2,435.1**	**2,447.7**
10.7	**0.0**	**18.2**	**0.0**	**0.0**	**0.0**	**28.9**	**126.1**	**71.0**
0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.7**	3.4
1.0	0.0	3.0	–0.9	0.0	0.0	**3.1**	**24.7**	6.9
8.3	0.0	60.0	0.0	1.0	–0.4	**68.9**	**28.7**	59.5
0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.1**	0.1
0.0	0.0	6.1	0.0	0.0	–7.2	**–1.1**	**491.0**	0.0
0.2	3.1	0.0	–0.2	–1.0	–0.4	**1.7**	**16.6**	29.9
9.5	**3.1**	**69.1**	**–1.1**	**0.0**	**–8.0**	**72.6**	**561.8**	**99.8**
2,568.9	**4.2**	**296.6**	**–31.2**	**0.0**	**–8.2**	**2,830.3**	**3.222.8**	**2,729.2**

Segment Reporting

Primary segment reporting

in € millions		Aviation	Non-Aviation	Ground Handling	Others	Adjustments	Group
Third-party revenues	**2001**	**655.7**	**469.4**	**538.5**	**50.2**	**–**	**1,713.8**
	2000	**617.7**	**391.5**	**565.0**	**46.6**	**–**	**1,620.8**
Inter-segment revenues	2001	32.3	388.7	46.1	130.5	–597.6	–
	2000	28.5	355.3	43.6	117.4	–544.8	–
Total revenues	2001	688.0	858.1	584.6	180.7	–597.6	1,713.8
	2000	646.2	746.8	608.6	164.0	–544.8	1,620.8
Segment profit	**2001**	**9.5**	**281.8**	**7.2**	**10.1**	**0.0**	**308.6**
	2000	**51.7**	**230.0**	**41.2**	**11.5**	**0.0**	**334.4**
Book value of segment assets	2001	465.0	2,911.2	144.8	144.4	6.6	3,672.0
	2000	333.7	2,447.6	123.8	132.2	5.4	3,042.7
Segment liabilities	2001	165.8	1,157.8	64.6	65.8	253.7	1,707.7
	2000	173.4	1,439.1	64.6	67.1	279.2	2,023.4
Acquisition cost of							
additions to property, plant and	2001	40.8	118.6	24.3	22.3	–	206.0
equipment and intangible assets	2000	51.7	150.6	29.6	19.8	–	251.7
Depreciation of	2001	47.7	125.6	20.2	15.8	–	209.3
segment assets	2000	43.4	118.5	18.8	14.2	–	194.9
Other significant	2001	33.3	31.8	23.2	3.2	–	91.5
non-cash expenses	2000	43.2	32.6	36.0	3.3	–	115.1
Share of results associates valued	2001	–10.1	–10.2	–3.1	–2.4	–	–25.8
at equity	2000	–2.1	–1.9	0.1	–0.4	–	–4.3
Investments in associates	2001	83.2	28.2	9.5	5.2	–	126.1
valued at equity	2000	25.7	25.0	12.3	8.0	–	71.0

Secondary segment reporting

in € millions		Germany	Rest of Europe	Asian	Rest of world	Adjustments	Group
Third-party revenues	**2001**	**1,593.2**	**33.6**	**81.2**	**5.8**	**–**	**1,713.8**
	2000	**1,553.0**	**19.7**	**47.8**	**0.3**	**–**	**1,620.8**
Book value of	2001	3,358.7	94.9	191.4	20.4	6.6	3,672.0
segment assets	2000	2,784.0	41.5	205.3	6.5	5.4	3,042.7
Acquisition cost of additions to							
property, plant and equipment	2001	204.0	1.6	0.4	0.0	–	206.0
and intangible assets	2000	202.5	10.2	37.6	1.4	–	251.7

Notes to the Consolidated Financial Statements

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, 2001, 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.

We have applied those standards issued by the IASB which are relevant for 2001. Those standards relating to recognition, measurement and disclosures in the 2001 consolidated financial statements are the International Accounting Standards (IAS) previously issued by the International Accounting Standards Committee (IASC), together with the Interpretations issued by the Standing Interpretations Committee (SIC). Standards to be issued by the IASB in future will be called International Financial Reporting Standards (IFRS). Future interpretations will be issued by the International Financial Reporting Interpretations Committee (IFRIC).

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

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

The consolidated financial statements have been prepared in euros. The group's functional currency was changed to the euro on April 17, 2001, and all information provided to our shareholders was given in euros as from the second quarter of 2001. All disclosures are in € millions unless otherwise stated. The previous year's figures have also been converted into euros.

(2) Major differences between IAS and Fraport AG 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 IAS:

- Different depreciation methods (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 IAS consolidated financial statements. This results in considerably amounts of non-current assets for IAS purposes, with correspondingly increased retained earnings and deferred tax liabilities.

- Derivative financial instruments stated at fair values (IAS 39)
  Changes in market values of fair value hedges are recorded in income and changes in market values of 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.

- Deferred 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 IAS 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)
- Consolidation of special purpose entities (SIC-12)
- Different valuation of inventories (IAS 2)

(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 subgroup, all the subsidiaries and joint ventures have their financial year-ends on December 31.

The financial year-end of companies in the TCR subgroup 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 in 2001 as a result of the acquisition and formation of subsidiaries and joint ventures.

In addition to the parent company's financial statements, the consolidated financial statements include 23 fully-consolidated subsidiaries and the investment fund and 15 proportionately-consolidated joint ventures.

Hence, 4 more subsidiaries and 3 more joint ventures have been included in 2001 than in the previous year's consolidated financial statements.

The following companies have been consolidated:

Consolidated

Subsidiaries	Location	**Share of equity in % Dec. 31, 2001**	Share of equity in % Dec. 31, 2000
Germany			
Airport Assekuranz Vermittlungs-GmbH (AAV)	Frankfurt/Main	**100.00**	100.00
Airport Cater Service GmbH (ACS)	Frankfurt/Main	**100.00**	100.00
Airport Retail Solutions GmbH (ARS) [1]	Frankfurt/Main	**51.00**	–
AirIT Airport IT Services Hahn GmbH	Lautzenhausen	**100.00**	100.00
CIVAS GmbH (CIVAS) [2]	Neu-Isenburg	**100.00**	100.00
Civas Deutschland GmbH (Civas Deutschland) [3]	Frankfurt/Main	**100.00**	100.00
Deutsche AeroConsult GmbH (DACO)	Frankfurt/Main	**100.00**	100.00
Energy Air GmbH	Frankfurt/Main	**100.00**	100.00
Flughafen Frankfurt-Hahn GmbH (Flughafen Hahn) [4]	Lautzenhausen	**73.07**	72.24
Flughafen Saarbrücken Betriebsgesellschaft mbH			
(Flughafen Saarbrücken)	Saarbrücken	**51.00**	51.00
Gesellschaft für Cleaning Service mbH & Co.			
Airport Frankfurt/Main KG (GCS) [9]	Frankfurt/Main	**40.00**	40.00
Hahn Campus Management GmbH	Lautzenhausen	**73.07**	73.37
HSG Hanseatic Security and Services GmbH (HSG) [5]	Hamburg	**51.00**	–
Media Frankfurt GmbH (Media) [6]	Frankfurt/Main	**51.00**	90.00
ProceedAir Aviation Services GmbH	Frankfurt/Main	**100.00**	100.00
Verwaltungsgesellschaft für Cleaning Service mbH	Frankfurt/Main	**100.00**	100.00
The "BLUE SKY-UNIVERSAL-FONDS" investment fund [7]	Frankfurt/Main	**100.00**	–
Rest of Europe			
VAS Flughafen Bodenverkehrsdienste GmbH, Vienna (VAS)	Austria	**100.00**	100.00
Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athens	Greece	**100.00**	100.00
Civas Scandinavia AB, Stockholm [5]	Sweden	**100.00**	–
CIVAS UK Ltd., Colnbrook [5]	Great Britain	**100.00**	–
America			
Airport Carts Limited Liability Company, New York (ACLLC)	USA	**66.67**	66.67
Fraport Peru S.A.C., Lima (Fraport Peru) [8]	Peru	**99.99**	–
Asia			
Fraport (Philippines) Services Inc., Manila (Fraport Philippines) [8]	Philippines	**99.99**	–

1 Airport Retail Solutions GmbH was founded in June 2001.
2 CIVAS – Civil Aviation Security Services GmbH was re-named CIVAS GmbH. This company was consolidated for the first time on December 31, 2000.
3 GSL Gesellschaft für Service-Leistungen mbH was re-named Civas Deutschland GmbH. This company was consolidated for the first time on December 31, 2000.
4 Flughafen Hahn GmbH and Holding Unternehmen Hahn Verwaltungs GmbH were merged into Holding Unternehmen Hahn GmbH. This subsidiary was re-named Flughafen Frankfurt-Hahn GmbH.
5 HSG Hanseatic Security and Services GmbH, Civas Scandinavia and CIVAS UK (formerly Security Independent Services Heathrow Ltd.) were consolidated for the first time.
6 39 percent of the stock of Media Frankfurt GmbH were sold.
7 The investment fund subscribed by Fraport AG is consolidated as a special purpose entity.
8 Fraport Peru S.A.C. and Fraport (Philippines) Services Inc. were founded in 2001.
9 Fraport AG is entitled to appoint a majority of the members of the supervisory board of the Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG.

Proportionate consolidation

Joint Ventures	Location	Share of equity in % Dec. 31, 2001	Share of equity in % Dec. 31, 2000
Germany			
AirIT International GmbH			
(formerly Debis FRA IT-Services GmbH)	Frankfurt/Main	**50.00**	50.00
AirITSystems Hannover GmbH	Hanover	**50.00**	–
FSG Flughafen-Service GmbH	Frankfurt/Main	**33.33**	–
Medical Airport Service GmbH	Frankfurt/Main	**50.00**	50.00
NICE Aircraft Services & Support GmbH	Frankfurt/Main	**52.00**	52.00
Tradeport Frankfurt GmbH	Frankfurt/Main	**50.00**	50.00
Rest of Europe			
S. A. TCR International N.V., Brussels	Belgium	**50.00**	50.00
The following wholly-owned subsidiaries have been included			
in the TCR sub-group, in which Fraport AG indirectly			
holds 50 %:			
Trailer Construction & Repairing N.V., Steenokkerzeel	*Belgium*	***50.00***	*50.00*
Trailer Construction Grobbendonk N.V., Grobbendonk	*Belgium*	***50.00***	*50.00*
Trailer Construction & Repairing Nederland (TCR) B.V.,			
Haarlemmermeer	*the Netherlands*	***50.00***	*50.00*
TCR-GmbH Trailer, Construction, Repairing & Equipment Rental,			
Oppenau	*Germany*	***50.00***	*50.00*
TCR France SAS, Paris	*France*	***50.00***	*50.00*
Investissements Conseils Etudes (ICE), Paris	*France*	***50.00***	*50.00*
Asia			
Bayindir Antalya Havalimani Uluslararasi Terminal			
Isletmeciligi Anomin Sirketi, Istanbul (Bayindir Antalya)	Turkey	**50.00**	50.00
Pantares Tradeport Asia Ltd., Hong Kong	China	**50.00**	–

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

in € millions	2001	2000
Property, plant		
and equipment	47.8	43.4
Current assets	49.9	31.8
Other assets	0.6	0.8
Shareholders' equity	39.9	23.1
Third-party liabilities	58.4	52.9
Income	114.7	88.6
Expenses	89.2	68.5

Companies valued at equity

The shares in 6 (2000: 5) companies in which Fraport AG had a significant influence over their operating and financial policies have been included using the equity method.

Associated companies	Location	**share of equity in % Dec. 31, 2001**	share of equity in % Dec. 31, 2000
Germany			
Airmail Center Frankfurt GmbH	Frankfurt/Main	**40.00**	40.00
ASG Airport Service Gesellschaft mbH (ASG)	Frankfurt/Main	**49.00**	49.00
Flughafen Hannover-Langenhagen GmbH (Flughafen Hannover-Langenhagen)	Hanover	**20.00**	20.00
Rest of Europe			
ICTS Europe Holdings B.V., Amstelveen (ICTS)	the Netherlands	**45.00**	–
Included in the TCR sub-group financial statements:			
Nordisk - T.C.R. N.V., Steenokkerzeel,	*Belgium*	–	*24.50*
in which TCR holds 49 %, valued at equity			
Asia			
Philippine International Air Terminals Co. Inc., Pasay City (PIATCO)	Philippines	**30.00**	30.00
America			
Lima Airport Partners S.R.L., Lima (LAP)	Peru	**42.75**	–

The consolidated financial statements of ICTS, which includes 16 subsidiaries, 2 joint ventures and 1 associated company, were the basis upon which the equity accounting for ICTS was made.

The shares in Nordisk – T.C.R. N.V. were sold during 2001.

Effects of changes in companies included in the consolidated financial statements

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

in € millions	**Dec. 31, 2001**	Dec. 31, 2000
Non-current assets	**497.9**	10.6
Current assets excl. cash and cash equivalents	**19.8**	5.9
Cash and cash equivalents	**31.4**	0.9
Prepaid expenses	**0**	0.4
Provisions and accruals	**1.3**	1.0
Liabilities	**13.4**	11.5

The effect of newly-consolidated companies on the profit for the year, before consolidation adjustments, was to increase profits by €4.6 million (2000: loss of €0.4 million).

Significant acquisitions and newly-formed companies

Investment fund
Most of the proceeds from the initial public offering was invested by Fraport AG as sole owner in the "BLUE SKY-UNIVERSAL-FONDS" investment fund with a investment capital of €525.0 million on August 7, 2001, and has been consolidated as set out in SIC-12.

CIVAS Group
Civas Scandinavia AB, Stockholm, was founded as a subsidiary of CIVAS GmbH by a formation agreement dated December 1, 2000. Entry in the Stockholm commercial register was made on January 24, 2001. This company operates in baggage trolley management and related services.

By means of a purchase contract dated May 15, 1998, CIVAS GmbH acquired 100 percent of the shares in CIVAS UK (formerly Security Independent Services Heathrow Ltd.), Colnbrook, United Kingdom. This company provides security and services to London Heathrow airport. The company was consolidated for the first time on January 1, 2001.

Effective January 3, 2001, 45 percent of the shares in ICTS Europe Holdings B.V., Amstelveen, Amsterdam, The Netherlands, were acquired by CIVAS GmbH. ICTS has been included as a sub-group in Fraport AG's consolidated financial statements using the equity method. ICTS provides services in European air traffic security, particularly in the high-value quality segment, together with other terminal services.

Lima
LAP, in which Fraport AG holds 42.75 percent, was founded on February 1, 2001. LAP, which has been included at equity in the consolidated financial statements for the first time, is responsible for the construction and operation of Lima airport.

Fraport AG founded Fraport Peru S.A.C., Lima, a service company, on March 8, 2001, and holds 99.99 percent of the shares.

Manila
Fraport (Philippines) Services, Inc., Manila was founded on September 19, 2001 for the purpose of transferring consulting services by Fraport staff relating to the design, construction and operation of terminal 3 of Manila airport in the Philippines.

Hong Kong
Pantares Tradeport Asia Ltd., Hong Kong, was acquired jointly with the Amsterdam Schiphol Group in February 2001. This joint venture is responsible for the construction and operation of a logistics center at Hong Kong airport.

(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 IAS. Any resulting difference is applied to uplift the assets of the companies concerned to the fair values of those assets at the time of acquisition. Any remaining differences are recognized as goodwill and amortized over their expected useful lives. In the event of impairment, write-downs are made to the recoverable amount.

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

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

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

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

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

Foreign currency translation

The financial statements of foreign companies stated in foreign currency are translated 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, 2001**	**Average rate** **2001**	Year-end rate Dec. 31, 2000	Average rate 2000
1,000,000 Turkish Lira (TLR)	**0.7937**	–	1.6487	–
1,000 Greek Drachme (GRD)	**2.9347**	**2.9347**	2.9347	2.9706
100 Philippine Pesos (PHP)	**2.1894**	**2.1807**	2.1321	2.4542
1 US-Dollar (USD)	**1.1334**	**1.1166**	1.0737	–
1 Swedish Crown (SEK)	**0.1072**	**0.1080**	–	–
1 Pound Sterling (GBP)	**1.6426**	**1.6081**	–	–
1 Hong Kong Dollar (HKD)	**0.1454**	**0.1432**	–	–
1 New Sol (PEN)	**0.3293**	**0.3141**	–	–

Financial reporting in hyperinflationary economies

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

(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).

Investment properties are stated at 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. 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).

The investment fund has been consolidated in the IAS financial statements, with its underlying available-for-sale assets included at fair value (SIC-12).

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 share capital and capital reserve (SIC-16).

Capital increase

Equity transactions costs incurred in connection with the initial public offering, are shown as a deduction from capital reserve, 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 IAS and tax purposes and which reverse at some time in the future (temporary differences). If assets in the IAS financial statements are stated at a higher amount than in the tax balance sheet (property, plant and equipment depreciated straight-line), and if these are temporary differences, deferred tax liabilities are set up for these differences. IAS 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 (revised 2000), corporation tax credits arising as a result of appropriations of profits are only recognized upon distribution and are not shown as deferred tax assets.

Provisions for pensions and similar obligations

Pension provisions have been calculated actuarially in accordance with IAS 19, using a discount rate of 6.0 (2000: 6.5) 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

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 fair value hedges are recognized in income, changes in fair values of 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 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.

(6) 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 Bayindir Antalya, Turkey, which are being amortized over the term of the rights. The disposal of goodwill relates to the sale of 39 percent of the shares in Media.

(7) 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.

Buildings include the airport terminal of Bayindir, the joint venture company. At the end of the term (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.

(8) Investments at equity

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

Additions relate to ICTS (€45.5 million) and LAP (€13.8 million). Additions also include a capital increase at PIATCO (€14.6 million) and the Group's share of profits of associated companies using the equity method.

Reclassifications relate to on-account payments on the acquisition of shares in ICTS made in 2000.

Deductions include the Group's share of losses of PIATCO (€10.4 million) and LAP (€0.1 million) recorded using the equity method, as well as the dividend distribution received from ASG.

Depreciation is being charged systematically on the goodwill arising from the equity valuation of ICTS (€3.5 million), Hannover-Langenhagen airport (€2.1 million), PIATCO (€0.3 million) and LAP (€0.3 million). An additional impairment write-down of €12.0 million was made for Hannover-Langenhagen airport as a result of a change to this airport's medium-term budget as a reaction to the decline in traffic and the resulting deterioration in forecast earnings.

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

(9) Other financial assets

Additions to other investments relate particularly to the acquisition of shares in Philippine Airport and Ground Services Inc. (PAGS) for €16.1 million and JC Decaux Airport Media GmbH for €1.7 million, as well as a capital increase of €2.2 million at Portway-Handling de Portugal S.A.

Depreciation of other investments relates to Goldair Athens (€1.2 million) and Portway (€1.8 million), which were written down due to a deterioration in business.

Additions to loans to investments are almost entirely for Fraport AG's involvement in Manila airport, Philippines. Of the additions, €10.1 million is to Philippine Airport and Ground Services Terminal, Inc., Manila, €32.5 million to PIATCO, €6.2 million to Philippine Airport and Ground Services Terminal Holdings Inc., Manila, and €3.5 million to PAGS. A further addition of €2.2 million relates to an investment in Pantares Tradeport Hong Kong.

Disposals are for repayment of a loan of €28.8 million to PIATCO.

Depreciation of loans to investments consist of €59.8 million write-down of loans and shareholders' advances to the Philippine investments relating to the construction work at Manila airport. The impairment write-downs were made as a result of negative forecasts of future traffic volumes in the region as well as a lower estimation of expected duty-free revenues.

The risks from the investments in Manila are set out in detail in the management report under the section entitled "Risks arising from shareholdings in other companies and from projects".

The book value of the special fund is made up of debt securities of €466.7 million, being fixed-interest (€424.2 million) and variable-yield (€42.5 million) securities, and €24.3 million of equities. The securities in the fund are classified as available-for-sale assets, which are stated at fair value. Changes in fair values are charged or credited to income.

Of the fixed-interest debt securities, €1.0 million are due to mature within one year, €216.9 million have remaining terms of 1–5 years, €164.5 million have remaining terms of 5–10 years and €41.8 million have remaining terms exceeding 10 years. Of the variable-yield debt securities, €37.0 million mature in more than one year.

The ratings of the interest-bearing securities are as follows:

Ratings	in € millions
AAA	67.1
AA	75.4
A	57.6
BBB	109.7
BB and lower	59.1
No rating	97.8
	466.7

Depending on their rating, the securities have yields of between 3 percent and 14.75 percent.

The investment fund consists of the following:

Market values at Dec. 31, 2001	in € millions
Financial assets	
– fixed-interest securities	424.2
– variable-yield securities	42.5
– Equities	24.3
	491.0
Bank balances	30.2
Other assets	12.1
Other liabilities	–4.2
	529.1

Reclassifications of other loans mainly relates to an on-account payment of €8.5 million for the acquisition of shares in ICTS made by CIVAS in 2000.

(10) Inventories

in € millions	Dec. 31, 2001	Dec. 31, 2000
Raw materials, consumables and supplies	**9.4**	9.0
Work-in-process	**1.4**	0.7
Purchase merchandise	**1.0**	0.5
On-account payments	**0.1**	0.1
	11.9	10.3

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

(11) Trade accounts receivable

in € millions	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2001	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2000
Due from third parties	140.9	0.4	**141.3**	135.5	–	**135.5**

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

(12) Other receivables and other assets

in € millions	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2001	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2000
Affiliated companies	0.3	–	**0.3**	–	–	**–**
Joint ventures	7.6	–	**7.6**	–	–	**–**
Associated companies at equity	88.5	–	**88.5**	0.6	–	**0.6**
Investees	1.6	1.5	**3.1**	2.2	–	**2.2**
Other assets	51.1	23.0	**74.1**	56.1	0.2	**56.3**
	149.1	24.5	**173.6**	58.9	0.2	**59.1**

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

The amounts due from associated companies are primarily receivables from PIATCO arising from the short-term assumption of payment obligations for the construction of Terminal 3 at Ninoy Aquino International Airport, Manila, Philippines.

The increase in other assets is mainly attributable to 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.

(13) Checks, cash and bank balances

in € millions	Dec. 31, 2001	Dec. 31, 2000
Checks, cash and bank balances	74.7	59.2

Checks, cash and bank balances include bank balances held in the special fund and amounting to €30.2 million.

(14) Prepaid expenses

Prepaid expenses mainly consist of construction grants of €34.1 million relating to expenses to be incurred in subsequent periods (mainly in more than one year).

(15) Deferred tax assets

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

(16) Shareholders' equity

The following resolutions were passed at an extraordinary shareholders' meeting held on March 14, 2001 and at the annual general meeting of Fraport AG held on April 23, 2001:

Capital increase

Based on the empowerment granted on April 23, 2001, the share capital was increased by €261.1 million to €901.1 million.

As set out in SIC-17, the costs of €41.2 million for the listing on the stock exchange in connection with the capital increase were deducted directly from capital reserve in shareholders' equity, net of related income tax benefits of €16.5 million.

Number of shares issued

The subscribed capital is made up of 90,105,000 bearer shares of no par value, each having an imputed share of €10 in the share capital.

Authorized capital

The authorized capital of €290.0 million established at an extraordinary shareholders' meeting on September 27, 2000 (valid until August 31, 2005) was changed to €276.1 million at an extraordinary shareholders' meeting on March 14, 2001.

At the annual general meeting held on April 23, 2001 the authorized capital was reduced from €276.1 million to €242.0 million (authorized capital I). In addition, a further authorized capital of up to €34.1 million, valid until June 15, 2002, was established (authorized capital II), to be used to meet the allocation options of the consortium banks in connection with Fraport AG's initial public offering.

All of the authorized capital except for €15.0 million was utilized in connection with the initial public offering.

The authorized capital can be utilized for the issue of new shares for cash for the purpose of issuing shares to employees of Fraport AG and companies which it controls. Existing shareholders have no preemptive rights.

Restricted authorized capital

In order to meet the preemptive rights arising from the 2001 share option plan, at the annual general meeting on March 14, 2001 it was resolved to approve restricted authorized capital of up to €13.9 million through the issue of 1,395,000 new shares. Rights of €2.1 million have been issued to date.

Treasury shares

During 2001, 11,970 treasury shares were purchased for a total of €0.3 million.

Capital reserve

At the annual general meeting on April 23, 2001, it was resolved to make a contribution to capital reserve of €44.4 million, being part of the distributed unappropriated retained earnings of €76.7 million.

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 €– 7.6 million (2000: €– 4.2 million), the reserve for fair value accounting for derivatives is €– 4,4 million (2000: €– 5.2 million). The significantly higher amount of other revenue reserves compared with Fraport AG's financial statements is mainly due to the higher valuation of property, plant and equipment.

Group retained profits

Group retained profits are the same as the retained profits of Fraport AG. The proposed dividend is €0.40 per share.

(17) Minority interests

Minority interests are the share of capital and earnings of minority holdings in Media, Flughafen Saarbrücken, GCS, Hahn airport, Hahn Campus Management GmbH, ACLLC, ARS, HSG, Fraport Peru and Fraport Philippines.

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

These represent investment grants given by the government of €16.8 million (2000: €16.8 million) and by other providers of grants of €5.6 million (2000: €6.3 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.

(19) Provisions and accruals

Provisions for pensions and similar obligations

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**

in € millions	Balance at Jan. 1, 2000	Use	Release	Expense	Interest	**Balance at Dec. 31, 2000**
Pension obligations	14.6	–0.8	–	0.6	0.9	**15.3**
Employee-financed pension benefits	0.2	–	–	–	–	**0.2**
	14.8	–0.8	–	0.6	0.9	**15.5**

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

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

Actuarial assumptions:

in %	**2001**	2000
Discount rate	**6.0**	6.5
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 tariff 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 €118.7 million (2000: €85.9 million). The higher tax liabilities are due to additions for provisions for risks arising from the tax audit.

The following table shows movements in other provisions and accruals.

in € millions	Balance at Jan. 1, 2001	Use	Release	Additions	Change in consolidation	Other changes	**Balance at Dec. 31, 2001**
Personnel	86.7	55.3	2.9	40.8	0.2	0.9	**70.4**
Environment	43.1	4.8	20.8	0.8	–	1.0	**19.3**
Other	55.2	31.8	10.2	45.0	0.4	0.2	**58.8**
	185.0	91.9	33.9	86.6	0.6	2.1	**148.5**
Of which long-term	66.0						**41.3**

Personnel provisions and accruals include obligation arising from the 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 decrease in personnel provisions and accruals is mainly due to the one-time inclusion in 2000 of obligations arising from December 2000 monthly salaries.

A provision for environmental obligations and a provision for a legal dispute relating to the environmental obligation totaling €22.2 million were released as the risk was resolved due a settlement with the State of Hesse.

The provision for environmental obligations for the air base used by the USA, which is to be handed back to Fraport by 2005, is currently considered adequate (€4.6 million). Whether there are in fact greater risks than presently estimated can only be determined once sample drilling are made in the future.

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

(20) Financial liabilities

in € millions	Remaining term up to 1 year	Remaining term 1–5 years	Remaining term > 5 years	**Total Dec. 31, 2001**	Remaining term up to 1 year	Remaining term 1–5 years	Remaining term > 5 years	**Total Dec. 31, 2000**
Liabilities to banks	294.8	196.2	475.6	**966.6**	250.1	476.0	538.3	**1,264.4**
Other	3.5	–	–	**3.5**	3.5	–	–	**3.5**
	298.3	196.2	475.6	**970.1**	253.6	476.0	538.3	**1,267.9**

Individual loans exceeding €25 millions are as follows:

	Term from–to	Currency	Interest rate %	**Balance at Dec. 31, 2001**	Balance at Dec. 31, 2000
1. Fixed-interest loans					
	1993–2003	€	6.83	–	25.6
	1999–2011	€	4.72	**25.6**	25.6
	1998–2010	€	4.83	**35.8**	35.8
	1993–2003	€	6.61	–	51.1
	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
	1994–2003	€	6.50	–	40.9
	1994–2004	€	6.43	**51.1**	51.1
	1998–2008	€	4.60	**38.3**	38.3
	1998–2008	€	4.60	**25.6**	25.6
	1996–2022	€	6.62	**24.4**	25.5
	1992–2002	€	7.89	–	30.7
	1992–2002	€	7.69	–	25.6
	1992–2002	€	7.70	–	25.6
	1993–2001	€	6.98	–	25.6
	1993–2001	€	6.96	–	25.6
	2000–2007	US-$	7.11	**51.0**	52.4
2. Variable-interest loans					
	2000–2007	US-$	2.52	**34.0**	34.9

(21) Trade accounts payable

in € millions	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2001	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2000
To third parties	99.0	–	–	**99.0**	113.8	–	–	**113.8**
	99.0	–	–	**99.0**	113.8	0.0	–	**113.8**

(22) Other liabilities

in € millions	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2001	Remaining term up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2000
On-account payments								
on orders	0.7	–	–	**0.7**	1.1	–	–	**1.1**
Bills liabilities	3.2	–	–	**3.2**	–	–	–	**–**
Affiliated companies	–	–	–	**0.0**	0.5	–	–	**0.5**
Joint ventures	0.9	–	–	**0.9**	1.2	–	–	**1.2**
Associated companies at equity	8.9	–	–	**8.9**	1.9	–	–	**1.9**
Investees	1.7	1.1		**2.8**	0.4	0.7	0.1	**1.2**
Other liabilities	101.1	1.2	1.3	**103.6**	40.7	18.7	5.4	**64.8**
	116.5	2.3	1.3	**120.1**	45.8	19.4	5.5	**70.7**

Other liabilities consist mainly of wage and church taxes and social security contributions withheld, accrued interest in connection with interest caps and liabilities to employees. The increase in other liabilities is partly due to obligations arising from December 2000 monthly salaries which were included in personnel provisions and accruals at the end of 2000.

(23) Deferred income

This consists of income attributable to future periods.

in € millions	Dec. 31, 2001	Dec 31, 2000
Rental income		
paid in advance	**18.6**	23.1
Long term lease income		
paid in advance	**28.2**	30.4
Infrastructure		
contributions	**11.1**	7.6
Other	**13.1**	13.7
	71.0	74.8

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

(24) Deferred tax liabilities

Deferred tax liabilities are recognized using the temporary method as set out in IAS 12. It is calculated using tax rates which are valid or approved and known at the end of the year. Further details of deferred tax liabilities are set out in note 36, “Taxes on income”.

Notes on the Consolidated Income Statement

(25) Revenues

We refer to note 39 for details of revenues.

(26) Change in work-in-process

in € millions	2001	2000
Increase in work-in-process (2000: reduction)	0.7	–2.9

The change in work-in-process relates to consulting contracts not yet invoiced.

(27) Other internal work capitalized

in € millions	2001	2000
Other internal work capitalized	18.4	15.4

Other internal costs capitalized relate primarily to engineering, planning and construction work, as well as other works output at Fraport AG. In 2001, this item includes €3.0 million for planning work relating to the extension to Frankfurt Airport.

(28) Other operating income

in € millions	2001	2000
Release of provisions and accruals	33.9	24.8
Income from recoveries of environmental costs incurred in previous years	23.0	–
Income from foreign currency gains	21.6	13.3
Income from disposals of financial assets	7.7	–
Other prior year income	6.9	9.2
Gains on disposals of items included in non-current assets	3.7	2.7
Write-ups of current assets	2.1	–
Release of deferred investment grants	1.7	1.7
Release of specific allowances for bad debts	1.2	–
Other	12.3	20.4
	114.1	72.1

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

Of the income from disposals of financial assets, €7.6 million relates to the sale of 39 percent of the shares in Media.

(29) Cost of materials

in € millions	2001	2000
Expenses for raw materials, consumables and supplies and purchased merchandise	56.5	60.3
Cost of services	225.2	204.1
	281.7	264.4

(30) Personnel expenses and number of employees

in € millions	2001	2000
Wages and salaries	**553.6**	511.6
Social security and welfare expense	**108.0**	100.4
Pension expense	**27.6**	21.4
	689.2	633.4

In addition to the higher number of persons employed and increased wage and salary rates, personnel expense includes the issue of free shares in connection with the newly-introduced employee share program as part of the initial public offering, together with the first-time recognition of provisions for the performance and profit program LEA. The new remuneration system has replaced the former company bonus plan.

The increase in pension expense is primarily due to higher contributions to the supplementary welfare fund following increased contribution rates.

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

Average number of employees	2001	2000
Salaried staff	**7,765**	6,671
Wage earners	**7,075**	6,943
Part-time (interns, students)	**686**	657
	15,526	14,271

The average number of persons employed by the fully consolidated companies during the year (excluding apprentices) amounted to 15,080 (2000: 13,782), with the share of persons employed in proportionately consolidated companies being 446 (2000: 489).

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

in € millions	2001	2000
Depreciation of intangible and tangible non-current assets	**209.3**	194.9

Further details of depreciation and amortization are pointed out in notes 6 and 7.

Systematic depreciation

The systematic depreciation was charged using the straight-line method based upon the following estimated useful lives, applied throughout the Group:

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 Bayindir Antalya, goodwill is being amortized over 8 years, the period of the concession.

(32) Other operating expenses

in € millions	2001	2000
Rental and leasing expense	**36.2**	38.9
Foreign currency losses	**35.7**	15.7
Advisory fees	**26.8**	26.8
Insurance premiums	**6.0**	5.1
Demolition costs	**3.3**	4.6
Losses on disposals of items included in non-current assets	**2.1**	0.7
Other	**114.9**	101.9
(of which prior period)	**(13.0)**	(6.7)
	225.0	193.7

(33) Interest results

in € millions	2001	2000
Other interest and similar income	**17.2**	13.3
Interest and similar expense	**–90.1**	–79.5
	–72.9	–66.2

The increase in interest and similar expense is due to an early repayment penalty charge of €12.1 million.

Interest expense includes a loss on the net monetary position in hyperinflationary economies of €1.0 million.

(34) Results of associated companies

in € millions	2001	2000
Flughafen Hannover-Langenhagen	–14.1	–1.8
PIATCO	–10.7	–3.7
ICTS	–1.3	–
LAP	–0.4	–
Airmail Center Frankfurt GmbH	–	0.1
ASG	0.7	0.6
ACLLC	–	0.2
Civas Deutschland	–	0.3
	–25.8	–4.3

(35) Other financial results

in € millions	2001	2000
Income from investments	**15.1**	8.5
Investment fund	**4.1**	–
Income from securities and loans	**3.8**	2.2
Write-downs of financial assets	**–62.7**	–8.7
	–39.7	2.0

Income from the investment fund is made up as follows:

in € millions	2001
Realized gains and losses	
Interest income	12.1
Realized disposal gains	0.9
Realized disposal losses	–5.3
	7.7
Unrealized gains and losses	
Unrealized losses on foreign currency forward contracts	–3.9
Unrealized gains on securities	7.2
Unrealized losses on securities	–6.1
	–2.8
Administrative costs	–0.8
	4.1

(36) 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 IAS balance sheet as well as on tax losses carried forward which will probably be used to offset against future taxable profits.

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

Income tax expense is made up of the following items:

in € millions	**2001**	2000
Current taxes on income	**–84.1**	–139.0
Deferred taxes on income	**23.4**	13.8
	–60.7	–125.2

The decrease in current taxes on income is due to the lower profit before taxes on income compared to 2000, as well as to a decrease in the German corporation tax rate, from 40 percent to 25 percent.

Matters arising as a result of the ongoing tax audit have led to a reduction in deferred tax liabilities.

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

	2001		2000	
in € millions	**Assets**	**Liabilities**	Assets	Liabilities
Property, plant and equipment	**1.0**	**–150.5**	–	–173.6
Financial assets	**1.5**	**–1.8**	1.7	–
Inventories	**–**	**–0.5**	–	–0.4
Receivables and other assets	**0.7**	**–1.1**	–	–0.6
Prepaid expenses	**0.7**	**–**	1.1	–
Pension provisions	**1.3**	**–**	1.1	–
Other provisions and accruals	**15.3**	**–0.2**	7.3	–
Liabilities	**3.5**	**–1.8**	3.9	–4.8
Other balance sheet items	**–**	**–0.2**	0.2	–16.4
Tax losses carried forward	**2.9**		2.4	–
Total in individual financial statements	**26.9**	**–156.1**	**17.7**	**–195.8**
Offsets	**–22.4**	**22.4**	–13.8	13.8
Consolidation adjustments	**1.7**	**–1.3**	2.1	0.1
Consolidated financial statements	**6.2**	**–135.0**	6.0	–181.9

As from 2001, reductions in corporation taxes arising as a result of distributions are reflected, both in the IAS consolidated financial statements and in the tax balance sheet, in the year the distribution is approved. Hence, there is no longer any need for deferred taxes on this item.

The deferred tax credit for 2001 includes €16.4 million corporation tax credit arising from the distribution for 2000. The recommended distribution for 2001, which will result from the resolution on appropriation of retained earnings, will give rise to a corporation tax credit of in €6.0 million, which has not been included in the 2001 financial statements.

Deferred taxes on tax losses carried forward have not been set up in the amount of €4.4 million (2000: €0.4 million) as these will probably not be available for offset against taxable profits.

Deferred taxes include €2.9 million deferred tax assets on negative market values of financial derivatives. The change compared with the previous year of €– 0.6 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	**2001**	2000
Profits before income taxes	**163.2**	255.0
Municipal trade tax on income in Germany	**–28.2**	–46.2
Profit after municipal trade tax on income	**135.0**	208.8
Expected income tax expense*	**–35.6**	–88.1
Tax effect of foreign tax rate differences	**–2.0**	3.8
Taxes on non-deductible expenses	**–0.8**	–0.9
Taxes on non-deductible tax audit provisions	**1.6**	–41.3
Tax effect of equity consolidation adjustments affecting income	**–8.6**	–3.3
Tax effect of tax-free income	**0.2**	1.6
Effect of tax-rate changes	**0.0**	47.4
Tax reduction due to distributions in Germany	**16.4**	0.0
Effect on municipal tax of measurement changes	**–5.6**	0.0
Other	**1.9**	1.8
Municipal trade tax on income in Germany	**–28.2**	–46.2
Taxes on income as shown in the income statement	**–60.7**	–125.2

* Expected corporation tax expense of 25 percent plus 5.5 percent surcharge (2000: corporation tax expense of 40 percent plus 5.5 percent surcharge).

(37) Other taxes

Other taxes consist primarily of property taxes.

(38) Earnings per share

	2001	2000
Consolidated profit for the year in € millions	**101.1**	129.0
Weighted number of shares	**78,835,712**	59,697,968
Basic earnings per €10 share in €	**1.28**	2.16

The earnings per share for 2001 are calculated using the weighted average number of issued shares having a share of capital of €10 each. As a result of the capital increase on June 7, 2001, exercise of the additional allocation option on June 11, 2001, and, as an offsetting item, the acquisition of treasury shares, the number of shares outstanding increased from 64,000,000 to 90,093,030. This results in a weighted average 78,835,712 shares and earnings per €10 share €1.28.

Notes on segment reporting

(39) Notes on segment reporting

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

At Fraport AG corporate data is divided into market-oriented business and service areas on the one hand, and into support areas on the other hand. With exception of one service area, the business and service areas are clearly allocated to the segments shown above. Due to an improved allocation basis in 2001, part of the primary revenues allocated to this service area in 2000 could be directly allocated to a business segment in 2001. If the same allocation had been applied in 2000 the Aviation segment profit would have decreased by €18.9 million and the Non-Aviation profit increased by the same amount. 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), plus a profit uplift in order to achieve a fair market charge. Income from rental costs re-charged are also shown as operating expenses at the units using the property. Inter-segment revenue also includes revenues for deliveries made between the segments of the companies included in the consolidate financial statements.

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

The amounts shown under "Rest of the world" mainly relate to the USA and Peru.

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.

Statement of cash flows

(40) Notes on statement of cash flows

Net cash from operating activities

Of the net cash from operating activities, €480.9 million (2000: €464.3 million) is from operations, whereas net cash of €57.8 million (2000: €61.6 million) was used for financial activities and €58.3 million (2000: €128.9 million) for taxes on income.

The considerable decline in payments for taxes on income is primarily attributable to the decrease in the German corporation tax rate.

Net cash from financing activities

In addition to substantial capital expenditures in property, plant and equipment, there were also considerable investments in financial assets. A substantial part of these investments relate to activities in Manila (notes 8, 9 and 12).

Part of the cash flow from the initial public offering was invested in a special securities fund. In addition, interest-bearing debt could be repaid early.

Proceeds from disposals of non-current assets includes changes to the make-up of the specialized securities funds and repayment of a loan granted to PIATCO.

Cash and cash equivalents

Cash and cash equivalents are made up of the following balance sheet captions: cash, bank balances and checks, less liabilities arising from bank overdrafts of €7.4 million (2000: €4.4 million).

Other disclosures

(41) Contingent liabilities

Guarantees issued in connection with the Manila project:

in € millions	Total obligation	Of which value dated
to a consortium of banks for short-term financing	118.3	118.3
to construction companies	26.3	–
	144.6	118.3

The amount shown under indemnity agreements relates to a guarantee declaration given by Bayindir to DHMI (concession authorities) for the transfer of the airport equipment upon expiry of the concession in 2007 (€15.5 million, 2000: €8.3 million).

The Group has granted guarantees totaling €75.9 million. In addition, there are other contingent liabilities of €38.8 million.

In the event the other conditions for paying out the long-term financing are met, Fraport AG has committed to pledge its shares in PIATCO, with a book value of €48.2 million, to the lending banks.

(42) Other financial commitments

in € millions	Dec. 31, 2001	Dec. 31, 2000
Orders placed for capital expenditures	299.1	206.1
Rental and leasing contracts > 1 year		
1. Due in the first subsequent year	61.2	36.8
2. Due in the second subsequent year	40.8	35.2
3. Due in the third subsequent year	40.4	35.2
4. Due in the fourth subsequent year	39.9	33.6
5. Due in the fifth subsequent year	37.6	33.4
6. Due in the sixth subsequent year and after (accumulated)	41.9	34.6
	261.8	208.8

In connection with the Manila project:

	Dec. 31, 2001 in US $ millions	Dec. 31, 2000 in € millions
Conditional capital contribution commitment in PIATCO	50.0	56.6[1]
Capital contribution commitment in PIATCO	40.0	45.3
Conditional remaining purchase price payment for PAGS	2.0	2.3
Payment obligation arising from framework credit agreement with PIATCO, not yet fully drawn down	6.4	7.3
	98.4	111.5

1 This is made up of conditional capital contribution obligations of €79.3 million (US $70.0 million), less a letter of credit of €22.7 million (US $20.0 million); this was issued as collateral for the obligation (see also the note on contingent liabilities).

There were no commitments at the end of 2000.

Fraport has a commitment to construction costs of up to a maximum of €129.8 million for the relocation of the Rhein-Main Air Base Frankfurt.

In connection with carrying out noise reduction measures at Frankfurt/Main, the company will be subject to expenditures of approximately €76.0 million over the next few years, which will be offset almost congruently by higher landing fees.

(43) Stock 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 empowerment to issue up to 1,395,000 share options was granted for the period through August 31, 2005, and is to be issued in annual installments of no more than 25 percent of the overall volume. Issues require approval by the Supervisory Board.

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

	No. of shares	Value per share in €	in € millions
Restricted authorized capital available for options issued per 2001 share option plan	1,395,000	10.0	13.9
Share options issued to:			
– Executive Board members	82,000	10.0	0.8
– Members of management of affiliated companies	11,250	10.0	0.1
– Management of Fraport AG	118,350	10.0	1.2
Options not yet issued	1,183,400	10.0	11.8

The share options are converted into ordinary shares either drawn from the 2001 restricted authorized capital, from treasury shares or from shares supplied by other shareholders. New shares issued from the restricted authorized capital participate in rights to profits from the beginning of the financial year for which, at the time they are issued, there has not yet been a resolution on distribution of retained earnings by the annual general meeting.

Exercise restrictions

The share options can only be exercised after a vesting period of two years. The above share options were issued in 2001, effective June 11, 2001, with a vesting period of two years.

The condition for exercise is that the closing price of the Fraport share following the vesting period must have exceeded the exercise price by at least 15 percent on any of at least five trading days. Hence, based on an exercise price for the first installment issued of €31.60 per share, the share price must have reached at least a price of €36.30 per share. The exercise price for future installments will be the average closing price of the Fraport share over the 20-day period immediately preceeding issuance of the options.

Accounting policies

There was no personnel expense in 2001 as a result of the share option program. The share options were valued using their inherent value. This value was negative at December 31, 2001, so they were not recognized in the financial statements.

(44) 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 six interest caps taken out to limit the risks arising from interest rate increases for variable-interest liabilities. Those interest caps which have already been allocated to an underlying transaction are treated as fair value hedges. Interest caps not yet allocated are classified as trading transactions. During 2001 two interest caps were entered into, with Fraport as obligor. These interest caps are hedges of the interest caps which have not been allocated to an underlying transaction. Foreign currency risks are not currently hedged by derivatives, as receivables and payables in foreign currencies substantially offset each other.

All derivatives are included 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 equity. Changes in market values of fair value hedges and the trading derivatives (interest caps) are recorded in the income statement.

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:

	Nominal volumes		Market values		Credit risk	
in € millions	**Dec. 31, 2001**	Dec. 31, 2000	**Dec. 31, 2001**	Dec. 31, 2000	**Dec. 31, 2001**	Dec. 31, 2000
Interest rate swaps	**93.6**	90.0	**–7.4**	–4.1	**–**	–
Interest caps (beneficiary)	**132.9**	132.9	**2.1**	3.6	**2.1**	3.6
Interest caps (obligor)	**102.2**	–	**–2.1**	–	**–**	–
Forex forward	**–**	41.1	**–**	–4.7	**–**	–

(settled on March 31, 2001)

(45) Related parties

Stadtwerke Frankfurt am Main Holding GmbH (Stadtwerke) holds over 20 percent of the shares in Fraport AG. A subsidiary of the Stadtwerke, Mainova AG, supplies companies within the Fraport Group with energy and 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.

Company in € millions	Nature of transaction	2001	2000
Mainova AG, Frankfurt am Main	Utility services		
	Electricity, heating,		
	water gas, waste water	**43.4**	39.5
Landesbank Hessen-Thüringen, Frankfurt am Main	Loans	**165.5**	208.8
	Interest expense	**11.8**	12.9

(46) Events after the balance sheet date

A 55 percent share in ICTS Europe Holdings B.V., Amstelveen, the Netherlands, was acquired by Fraport AG in January 2002.

According to plan, additional guarantees for PIATCO amounting to US $34.1 million were issued between January 1 through March 26, 2002. A further payment of US $16.4 million was made as interim financing. The overall involvement in the Manila project has increased by a total of US $31.1 million.

We refer to the group management report for details of the development of our involvement in Manila.

(47) Executive Board and Supervisory Board

The total remuneration of the members of the Executive Board was T€2,348 (2000: T€1,377). Pension obligations to these persons totaled T€4,583 (2000: T€4,604). They also received share options, as further described in note 43. The members of the Supervisory Board received meeting fees of T€215 (2000: T€35).

Fraport AG has taken out a “Directors’ and Officers’ Liability Insurance” (D&O insurance) policy 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 Exhibit 1 to the policy, who hold supervisory or advisory positions at the request or in the interests of Fraport AG at other investment companies (appointed members of management bodies). Insurance premiums of T€173 were paid for 2001.

Provisions for pension obligations in the amount of T€11.397 (2000: T€10.174) have been recorded for former members of the Executive Board and their dependent relatives, and current pension payments were T€876 (2000: T€793).

Frankfurt am Main, March 26, 2002

Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

Dr. Bender Prof. Schölch Endler Prof. Jakubeit Mai

Executive Bodies of the Company

Executive Board

Members of the Executive Board	Memberships of statutory supervisory bodies and similar controlling bodies
Chairman **Dr. Wilhelm Bender**	Deputy chairman of the supervisory board of – Flughafen Hannover-Langenhagen GmbH Member of the supervisory board of – ADtranz DaimlerChrysler Rail Systems GmbH – Lufthansa CityLine GmbH – NOVA Allgemeine Versicherung AG – Thyssen Krupp Serv AG
Deputy chairman Real estate **Prof. Manfred Schölch**	Chairman of the supervisory board of – Flughafen Frankfurt-Hahn GmbH – Flughafen Saarbrücken Betriebsgesellschaft mbH – Tradeport Frankfurt GmbH – ASG Airport Service Gesellschaft mbH Member of the supervisory board of – Deutsche VerkehrsBank AG
Finance **Johannes Endler**	Chairman of the shareholders' meeting of – CIVAS GmbH Member of the supervisory board of – Tradeport Frankfurt GmbH – DELVAG Luftfahrtversicherungs AG – DELVAG Rückversicherungs AG Member of the administrative council of – Landesbank Hessen-Thüringen Girozentrale – Frankfurter Sparkasse
Airport development **Prof. Barbara Jakubeit**	Chairman of the supervisory board of – Deutsche AeroConsult GmbH
Human resources **Hans Georg Michel** (to March 31, 2001)	
Human resources **Herbert Mai** (from April 1, 2001)	

Supervisory Board

Members of the supervisory board	Memberships of statutory supervisory bodies and similar controlling bodies
Chairman **Roland Koch** First minister of the state of Hesse	
Deputy chairman **Gerold Schaub** Deputy state regional head ver.di Hesse	Deputy chairman of the supervisory board of – Lufthansa Service Deutschland GmbH Deputy chairman of the supervisory board of – Lufthansa Service Holding AG
Herbert Becker External liaison officer	
Dr. Manfred Bischoff Member of the executive board of DaimlerChrysler AG (from 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 Member of controlling bodies at the following businesses: – Mitsubishi Motors Corp. – Lagardère-Sociétés S.A. – European Aeronautic Defence and Space Company EADS N.V. (Chairman of the Board)
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 (to January 2, 2002)	Chairman of the supervisory board of – DFS Deutsche Flugsicherung GmbH Deputy chairman of the supervisory board of – Duisburg-Ruhrorter Häfen AG Member of the supervisory board of – Germanische Lloyd AG
Albrecht Glaser City treasurer (to January 2, 2002)	Member of the supervisory board of – Mainova AG – ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH – Messe Frankfurt GmbH – Stadtwerke Frankfurt am Main Holding GmbH – Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH Member of controlling bodies at the following businesses: – Mainufer Projektentwicklungs GmbH – RMA Rhein-Main Abfall GmbH – Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH – WOHNHEIM Gemeinnützige Gesellschaft für Wohnheime und Arbeiterwohnungen mbH – BKRZ Brandschutz-, Katastrophenschutz- und Rettungsdienstzentrum – Grundstücksverwaltungsgesellschaft mbH & Co. KG – Blutspendedienst Hessen des DRK GmbH – Gas-Union GmbH – Lerchesberg Grundstücksgesellschaft mbH – Hospital-Service & Catering GmbH – Frankfurter Sparkasse – Sparkassen- und Giroverband Hessen-Thüringen

Supervisory Board

Jörg-Uwe Hahn
Lead of the FDP parliamentary party
in the Hesse state parliament
Member of the Hesse state parliament

Member of the supervisory board of
- Flughafen Frankfurt-Hahn GmbH
- TaunusFilm GmbH

Stefan Kempkens
Trade union representative of ver.di

Lothar Klemm
Former Hesse state minister
Member of the Hesse state parliament

Chairman of the supervisory board of
- MANIA Technologie AG
- WEIDER AG

Deputy chairman of the supervisory board of
- MÖBEL WALTHER AG

Member of the supervisory board of
- MÖBEL WALTHER NEW MEDIA AG

Member of controlling bodies at the following businesses:
- active photonics AG (Austria)

Prof. Karel van Miert
President of Neyenrode University,
Former vice president
of the European Commission
(from January 30, 2002)

Member of the supervisory board of
- RWE AG

Member of controlling bodies at the following businesses:
- Wolters Kluwer N.V. (The Netherlands)
- DHV (The Netherlands)
- De Persgroep (Belgium)
- Royal Philips Electronics N.V. (The Netherlands)
- Agfa-Gevaert N.V. (Belgium)

Member of the advisory council of
- Guidant Europe N.V. (Belgium)
- Eli Lilly Holdings Ltd. (USA)
- Rabobank Nederland (The Netherlands)
- Goldmann Sachs International (Great Britain)
- KPMG (The Netherlands)

Helmut Raith
Specialist foreman

Member of the supervisory board of
- GCS Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

Petra Roth
Lord mayor

Chairman of the supervisory board of
- Frankfurter Aufbau AG
- Mainova AG
- ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH
- Messe Frankfurt GmbH
- Stadtwerke Frankfurt am Main Holding GmbH
- Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH

Member of controlling bodies at the following businesses:
- Alte Oper Frankfurt Konzert- und Kongreßzentrum GmbH
- Gas-Union GmbH
- Rhein-Main-Verkehrsverbund GmbH
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH
- Frankfurter Sparkasse
- Landesbank Hessen-Thüringen
- Nassauische Sparkasse
- E.ON Energie AG
- Ruhrgas AG
- THÜGA AG
- Advisory Council of ING Group, The Netherlands

Walter Schäfer Former chairman of the executive board of Landesbank Hessen-Thüringen (to December 13, 2001)	Member of the supervisory board of – JENOPTIK AG
Werner Schmidt Project manager	Member of the supervisory board of – SMW Abwasser GmbH – Deutsche AeroConsult GmbH
Dr. Jürgen Siewert Assistant state secretary	Member of the supervisory board of – DB Reise & Touristik AG – DeTeSystem Deutsche Telekom Systemlösungen GmbH – T-Systems International GmbH Member of the administrative council 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 (from January 30, 2002)	Chairman of the supervisory board of – The Germany Funds Member of the supervisory board of – BASF Coatings AG – Metro AG – MLP Holding AG – Zürich Investmentgesellschaft mbH
Achim Vandreike Mayor (from February 7, 2002)	Member of the supervisory board of – Messe Frankfurt GmbH – Frankfurter Aufbau AG
Warren Walsh Representative of the GÖD union Training supervisory	
Dr. Martin Wentz Former city councilor (to January 14, 2002)	Member of the supervisory board of – ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH – Mainova AG – Messe Frankfurt GmbH – Stadtwerke Frankfurt am Main Holding GmbH – Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH – Frankfurter Aufbau AG – Deutsche Hausbau Holding AG Member of controlling bodies at the following businesses: – Garagen-, Bau- und Betriebs GmbH – Mainufer Projektentwicklungs GmbH – Rebstock Projektgesellschaft mbH – Westhafen Projektentwicklungs GmbH – Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH – Immobilienwirtschaft der DePfa Bank AG
Henner Wittling State secretary	Member of the supervisory board of – Saarstahl AG

Auditors' Report

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

In case of publication or transmission of the consolidated financial statements in a version different to the version confirmed by us (including translations into other languages), in so far as our audit opinion is quoted or our review referred to, a new statement is to be obtained from us. Please refer to § 328 HGB.

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 are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

Our audit, which also extends to the group management report prepared by the Company' Executive Board for the business year from January 1 to December 31 2001, 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, 2001 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, March 28, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harwart) German Public Auditor

(Scholz) German Public Auditor

Report of the Supervisory Board

During financial year 2001, the Supervisory Board reviewed the management of Fraport AG Frankfurt Airport Services Worldwide on the basis of regular and written reports from the Executive Board concerning the development and situation of the company and by discussing important transactions in meetings of the Supervisory Board, the Investment Committee, the Finance Committee, the Personnel Committee and the Executive Committee.

Neither the audit of the annual financial statements and of the management report as of December 31, 2001, nor the result of the audit by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft, resulted in any objections being raised. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft issued the statutory audit certificate without any objections. Upon completion of its examination, the Supervisory Board issued no objections and approved the annual statement of accounts as of December 31, 2001.

The Supervisory Board appointed Mr. Herbert Mai to the Executive Board as Executive Director Labor Relations effective April 1, 2001. He replaced Mr. Hans Georg Michel, who had reached mandatory retirement age and departed he Executive Board on March 31, 2001.

Receiving extensive public attention, Fraport AG's IPO took place on June 11, 2001. Following the resultant €901,050,000 capital increase, private investors now hold 28.9 percent of the authorized capital.

Within the framework of IPO preparationsthe Supervisory Board approved a new statute for Fraport AG and accordingly adapted the new rules of procedure for the Supervisory Board and Executive Board.

The Supervisory Board thoroughly examined preparations for Frankfurt Airport's planned expansion, focusing mainly on the regional planning procedure that was initiated on August 27, 2001.

Following the events of September 11, 2001, in the U.S., the Executive Board has reported regularly to the Supervisory Board concerning the latest developments and their potential impact on Fraport AG.

The former shareholder representatives on the Supervisory Board have responded to the fact that following the IPO nearly a third of the authorized capital is held by private investors. Consequently, each has given up one seat on the Supervisory Board in favor of representatives of the capital placed via the stock market. In view of this situation, at their own request Ministerial Director Dr. Hans-Jürgen Froböse in Bonn, the former Chairman of the Board of Directors of Landesbank Hessen-Thüringen Walter Schäfer, and the former City Treasurer (City of Frankfurt) Albrech Glaser resigned from the Board as of the end of 2001.

By order of the District Court (Frankfurt), the following new members were appointed to the Fraport AG Supervisory Board as of January 30, 2002: Dr. Manfred Bischoff, Member of the Executive Board of DaimlerChrysler AG and Chairman of the Executive Board of EADS European Aeronautic Defence and Space Company; Prof. Karel van Miert, President of the University of Nyenrode in Utrecht, the Netherlands; and Christian Strenger, Member of the Supervisory Board of DWS Investment GmbH; By order of the Frankfurt District Court as of February 7, 2002, the Mayor of Frankfurt am Main, Joachim Vandreike was appointed to succeed City Counselor Martin Wentz, who resigned on January 14, 2002.

The Supervisory Board wishes to express its appreciation to the Executive Board and all employees for their dedicated service and extensive and successful commitment on behalf of the Company.

Frankfurt am Main, April 2002

Fraport AG
Frankfurt Airport Services Worldwide

Roland Koch
(Chairman of the Supervisory Board)

Economic Advisory Group

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

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

Prof. Bernd Fahrholz
Speaker of the Executive Board of
Dresdner Bank AG

Dr. Erich Forster
Chairman of the Executive Board of
Thyssen Krupp Materials AG

Dr. Reiner Maria Gohlke

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

Prof. 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 of
Deutsche Bahn AG

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

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

Dr. Bernd Thiemann
Member of the Supervisory Board of
Rothschild GmbH

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

Dr. Gert Vogt

Klaus Wächter
Speaker of the Executive Board
Frankfurter Sparkasse AG

Jürger Weber
Chairman of the Executive Board of
Deutsche Lufthanasa AG

Ernst Welteke
President
Deutsche Bundesbank

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

Glossary

Air traffic terms

ACI
Airports Council International

ADV
German Airports Association
(Arbeitsgemeinschaft Deutscher Verkehrsflughäfen)

Air traffic hub
Synonym for hub

Aircraft movements
Take-offs and landings

Airline alliance
Cooperative association of airlines

Airport fees
Fees, which are subject to official approval, for providing infrastructure (other than for central handling service traffic infrastructure)

Airside
Apron

Airside operation
Operation on the apron of the airport

Apron
Area in which aircraft are loaded and unloaded

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

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

Coordinated aircraft movements
Maximum number of planned takeoffs and landings in a given time period

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

Fraport AG
Fraport AG Frankfurt Airport Services Worldwide

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

ICT
Information and communications technology

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

Intermodality
Connecting different methods of transportation

Landside operation
Operation on the non-apron portion of the airport

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

PAX
Number of passengers

Glossary

Retail business
Leasing of terminal space to operators of retail and duty-free shops

Retailing
Operationof a retail establishment

Slot
Allocated time for a takeoff or landing

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

Terminal
Arrival and departure buildings at an airport

Terminal service
A service provided in connection with the operation of a terminal

Traffic fees
Infrastructure and airport fees

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

Business management terms

BAT
Collective bargaining agreement (Bundes-Angestelltentarif)

EBIT
Earnings Before Interest and Taxes

EBIT margin
EBIT/revenues

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA margin
EBITDA/revenues

MDAX
The midcap share index of Deutsche Börse AG, comprising the 70 shares of corporations that are one category smaller than those listed on the DAX

Return on revenues
Net earnings for the year before taxes on income + minority interests' share of results/revenues

ROCE
Return On Capital Employed
EBIT/capital employed
(capital employed = shareholders' equity
+ minority interests
+ financial liabilities
– checks, cash and bank balances)

Shareholders' advances
Shareholders' contribution to subsequent capital increases

XETRA
Exchange Electronic Trading; fully computerized trading system for the cash market of Deutsche Börse AG

Financial Calendar

May 28, 2002:	1st Quarter Interim Report
June 26, 2002:	Annual General Meeting
June 27, 2002:	Dividend Payment
August 22, 2002:	1st Half Interim Report, Press Conference, Analysts Conference
November 28, 2002:	3rd Quarter Interim Report

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