

# *Annual Report 2007*

*Fraport Worldwide*



117.3

million passengers used the Group airports  
in 2007

2,329

million euros in revenue represent a new  
record for the Fraport Group

580.5

million euros were earned (EBITDA) in 2007

30,437

employees on four continents ensured  
smooth processes and optimal service in 2007

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# Key Group figures of the Fraport AG

## Revenue and earnings\*

€ million	2005	2006	2007
Revenue	2,089.8	2,143.9	2,329.0
Total revenue	2,141.7	2,250.3	2,425.8
EBITDA	542.5	578.4	580.5
EBIT	306.6	330.4	335.4
Result from ordinary operations	285.4	340.2	297.6
Group profit for the year	161.5	228.9	213.7
Profit attributable to equity holders of Fraport AG	161.2	229.3	208.7

## Key profitability ratios

%	2005	2006	2007
Return on revenue	13.7	15.9	12.8
EBITDA margin	26.0	27.0	24.9
EBIT margin	14.7	15.4	14.4
ROCE	13.5	13.5	11.4
ROFRA	10.8	11.8	10.9

## Key figures from the balance sheet and cash flow statement

€ million	2005	2006	2007
Shareholders' equity	2,157.9	2,346.1	2,493.3
Shareholders' equity less minority interests and the proposed dividend	2,060.4	2,218.8	2,355.0
Equity ratio (%)	52.1	51.7	41.3
Total assets	3,951.6	4,294.5	5,704.7
Gearing (%)	9.1	9.5	23.2
Capital employed	2,264.1	2,452.4	2,935.1
Fraport assets	2,848.3	2,802.8	3,073.8
Operating cash flow	493.7	484.9	478.6
Free cash flow	25.5	33.8	-248.6
Capital expenditures	682.4	591.4	1,577.3

## The Fraport share

€	2005	2006	2007
Number of floating shares on Dec. 31	91,078,430	91,368,619	91,456,593
Year-end price	44.90	54.02	53.87
Earnings per share (basic)	1.78	2.51	2.28
Dividend per share	0.90	1.15	1.15

## Frankfurt Airport traffic figures

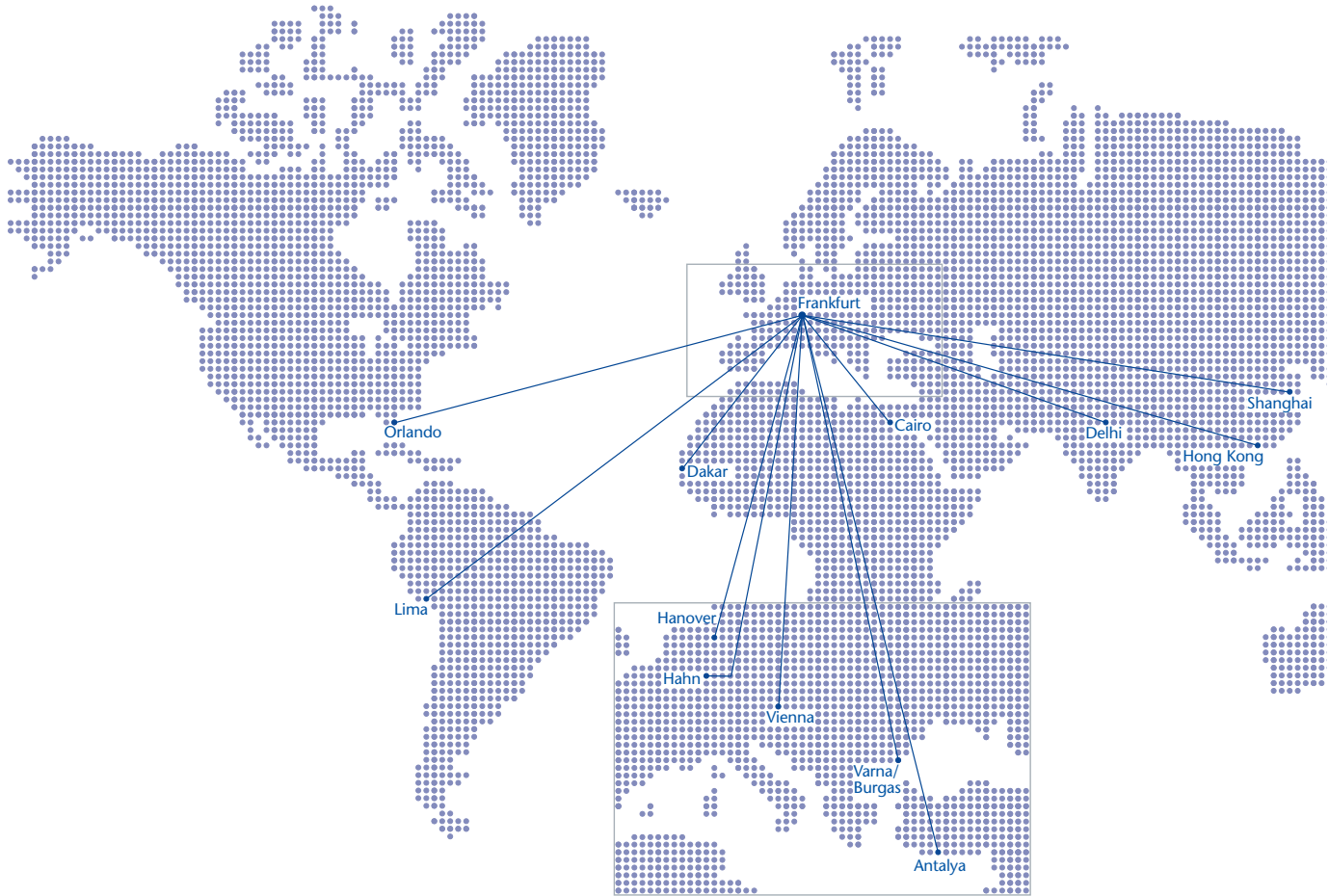
	2005	2006	2007
Passengers (million)	52.2	52.8	54.2
Cargo (thousand metric tons)	1,963.1	2,127.8	2,169.0
Aircraft movements (thousand)	490.1	489.4	492.6
MTOW (Maximum take-off weights in thousand metric tons)	28,160.3	27,973.5	28,240.4
Seat load factor (%)	71.7	73.2	75.8

## Employees

	2005	2006	2007
Average number of employees	25,781	28,246	30,437

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

# Fraport investments



## Expertise evolved over time

In the more than 80 years of the company's history we have consistently developed our business model. Starting as an airfield operator back in the 1920s, we have grown into the manager of a major international air transportation hub: Today, Frankfurt Airport is one of the most successful and efficient airport concepts worldwide. Over several decades, we have developed extensive expertise in the operation of airports and the marketing of airport space – expertise that is in great demand globally.

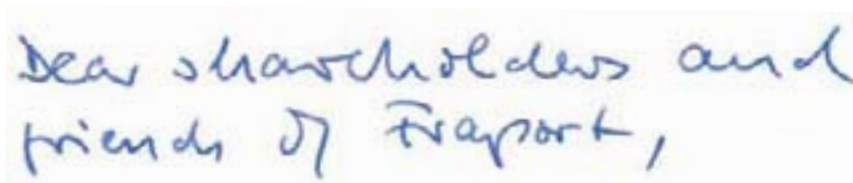
Since the late 1990s, our competence has benefited not only our customers at Frankfurt but beyond – because we export our expertise worldwide.

## Via Frankfurt to the world – professional services on four continents

Today you need a world map to illustrate the Fraport Group's global presence. Fraport is active in various aspects of airport business on four continents. In addition to a controlling interest in the airports of Frankfurt-Hahn (Germany), Antalya (Turkey), Lima (Peru), as well as Burgas and Varna airports on the Bulgarian Black Sea coast, Fraport holds minority financial interests in the airports of Hanover (Germany) and Delhi (India). Under management contracts, the company is also involved at Cairo (Egypt) and Dakar (Senegal) airports. Fraport also offers other services and solutions for the airport industry: The service spectrum ranges from airport IT optimization concepts provided by our AirIT Inc. subsidiary in Orlando, Florida, and analyses of the potential for airports in China to ground-handling services in Vienna (Austria).

## Securing successful development

Positive developments have been achieved at the Group's locations around the world: Fraport AG not only operates Frankfurt Airport efficiently and profitably but also creates and secures potential yields for the future by focusing on international growth markets. This guarantees a sustainable increase in shareholder value. Last year's achievements continued our success story: in April, the renewed concession for operating the passenger terminals at Antalya, in August, the acquisition of additional shares in Lima Airport, and the conclusion of negotiations resulting in Fraport taking a share in Xi'an Airport in China. The following pages show Fraport's major airport investments around the globe. This will start with majority shareholdings on pages 8 to 15 and end with minority interests and management services on pages 16 and 17.



Fraport AG can again look back on a very eventful and successful business year. I can sincerely say that our organization's international employees not only mastered their daily business in an exemplary way but again contributed to making our company increasingly competitive and better fit for the future. The headlines we made throughout the year confirm this.

The signing in December of the zoning decision on airport expansion was the highlight of the year. Furthermore, this milestone confirmed our endeavor to grow and fulfill our economic responsibility for the region. Conclusion of the basic agreement with Celanese AG/Ticona GmbH in June last year contributed significantly to gaining zoning approval for FRA's expansion.

2.6

percent passenger growth

We achieved a new historic record at Frankfurt Airport, with 54.2 million passengers in 2007. Although **passenger growth of 2.6 percent** is only slightly more than half the rate of other European airports, this is excellent performance considering FRA's capacity constraints and the even more moderate traffic increase of 1.1 percent in the previous year. Including minority owned airports and management contracts, the airports of the Fraport Group achieved a passenger increase of 8.9 percent, exceeding the level of European and worldwide passenger growth! Despite FRA's capacity bottlenecks, revenue reached a new record high, with €2.3 billion. Increasingly stringent cost control helped improve EBITDA over the previous year to €580.5 million, irrespective of strongly rising capital expenditures and a new airport charges structure.

The increase in capital spending in the year under review resulted primarily from remodeling measures in connection with the modernization of Frankfurt's terminal facilities under the FRA North project. This project encompasses fire safety improvements and preparations for the Airbus A380, as well as the creation of additional retail space and expansion of parking garages. These investments will result in a sustainable improvement in the value of Frankfurt Airport. In addition to the new landing runway, I wish to mention here – as buzzwords – only a few developments that are advancing our Frankfurt Airport City concept. These include: the Airrail Center and the Mönchhof and Gateway Gardens commercial parks.

25

percent revenue increase in  
external activities

In addition to the positive development at Frankfurt, we also experienced – with our new airport investments – an extremely good year for our external business. Responsible for investments outside Frankfurt, our **External Activities business segment had a nearly 25 percent jump** in revenue to just under €540 million, thus contributing significantly to the Group's revenue growth. This growth was also clearly reflected on the EBITDA and EBIT level. The above-average increase was primarily due to the positive development of our majority shareholdings in Bulgaria, the Lima hub in South America, as well as our tourist airport in Antalya, Turkey.

Secure and enhance market  
position

Let me assure you that our remarkable success is not a temporary phenomenon. Last year, we were able to **expand further our competitive position in the international market**. The renewed concession for terminal operations at Antalya Airport will allow us and our local partners to operate all three





Dr. Wilhelm Bender,  
Chairman  
of the Executive Board

of **Antalya's terminals for the next 17 years**. Other milestones included the successful conclusion of negotiations for acquiring the rest of the shares in Lima Airport, Peru, and signing a contract in China under which Fraport takes a 24.5 percent share in the airport of Xi'an, a city with several million inhabitants. Ratification of the Xi'an contract is expected in the coming weeks. This project gives Fraport a strong footing in the Chinese growth market.



years is the running period  
of the renewed concession at  
Antalya Airport

Dear shareholders, I am proud to say that although we did not begin before the late 1990s to export our expertise to all corners of the globe, we are today already active on four continents. Please bear in mind that all our concessions, shareholdings, and management contracts are still at the initial stage of their investment cycle – meaning that the contribution of each individual airport investment to the Group's result will considerably grow in the coming years.

This bright perspective was slightly dimmed by the International Centre for Settlement of Investment Disputes (ICSID) at the World Bank in Washington, D.C., dismissing our compensation claim for the Manila terminal project in the Philippines. Nonetheless, we are still firmly convinced that our transactions in the Philippines were in full compliance with the Philippine law. For this reason, we have applied for annulment of the arbitration body's decision.

This problem caused us **to focus more resolutely on investment security**. Fraport has learned its lesson and further tightened internal criteria for investment commitments in Germany and abroad. We closely study every invitation of tenders in terms of the individual return on investment and the risks involved. We set high standards regarding the expected minimum return on our investment, in addition to a country-specific risk premium. Only when the expected profit of a project exceeds that hurdle are we ready to invest Fraport expertise and capital.

Investment security has  
top priority

Sabiha Gökçen Airport in Istanbul, Turkey, is an example of a competitive bidding project that did not meet our strict criteria. Fraport was bidding for an operating concession for this airport at what we thought was a fair price. However, another consortium won the concession by bidding an amount that was much higher than we deemed reasonable. Despite the strategic opportunities promised by this project, we were not prepared to abandon our standards for rate of return. With our past investments and, especially, our expected future investments, we plan to maintain and continuously enhance our position as one of the world's leading airport managers: in the interest of our customers, the regions we serve, our employees, and, above all, in the interest of you, the shareholders of our company.

I look forward to our promising future.

Sincerely yours,

A handwritten signature in blue ink, reading "Wilhelm Bender".

# The Fraport Executive Board

## Dr. Wilhelm Bender

### Chairman of the Executive Board

Dr. Wilhelm Bender has been at the helm of Fraport AG since 1993 and is thus the longest-serving chairman of all MDAX companies in Germany.

With his long-standing experience, he provides leadership for the approximately 30,000 employees of the Fraport Group, thus securing the company's success. Organizational units reporting directly to Dr. Bender include: the "Ground Handling" segment; the "Special Projects", "Internal Auditing", and "Corporate Strategy" staff departments; as well as the "Corporate Communications" and "Marketing, Sales Support, Boards and Committees" central units. Dr. Bender's term will expire August 31, 2009.



## Herbert Mai

### Member of the Board and Executive Director Labor Relations

Herbert Mai has served as Fraport's Executive Board member responsible for labor relations since April 2001. Organizational units reporting directly to him include the "Retail & Properties" segment and the staff departments "Data Protection", "Management Systems", "Confidential Affairs", and "Environmental Management", as well as the "Human Resources" central unit. Herbert Mai's term on the board will expire March 31, 2011.







**Dr. Stefan Schulte**

**Vice Chairman of the Executive Board responsible for Traffic and Terminal Management and Airport Expansion**

Vice chairman Dr. Stefan Schulte is Fraport AG's Executive Board member responsible for the "Aviation" segment, the "Special Legal Assignments" staff department, the "Real Estate and Facility Management" service unit, and the "Legal Affairs" central unit. Schulte began serving on Fraport's executive board in April 2003 as Chief Financial Officer in charge of Finance and Controlling. Dr. Schulte's term will expire March 31, 2012.



**Dr. Matthias Zieschang**

**Member of the Executive Board responsible for Finance and Controlling**

Serving on Fraport's Executive Board since April 2007, Dr. Matthias Zieschang has been responsible for the Segment "External Activities", the "Investor Relations" staff department, the "Information and Telecommunications" service unit, as well as for the central units "Controlling, Finance, Accounting" and "Central Purchasing, Construction Contracts". Before joining Fraport, Dr. Zieschang was a member of the executive board of DB Netz AG for six years, serving also in the position of executive director Finance and Controlling. His term will expire on March 31, 2012.



1934

1935

1936 Inauguration of Frankfurt Airport

1937

1938

1939



54.2

million passengers – a new record year for  
Frankfurt Airport

Frankfurt Airport





# Frankfurt Airport

- Ranking among the world's top ten airports in terms of passengers and freight
- Unique site due to central location and excellent transportation links

## Location

Frankfurt Airport (FRA) serves as one of the most important hubs in the global aviation system. Because of its excellent location in the heart of Germany and Europe and its almost unique inter-modal transport links, the airport is quickly and easily accessible. Situated adjacent to Germany's busiest autobahn intersection and linked directly to the European high-speed rail network, FRA is Europe's best connected airport. FRA serves an expanded catchment area of 38 million inhabitants located within a 200-kilometer radius of the airport – far greater than for any other European airport.

With about 19 square kilometers, the airport site is bigger than Frankfurt's inner city. Over the years, a city in its own right has grown around the well-established airport, with more than 500 companies, 200 retail stores, three fire stations, and even a clinic. FRA has become by far Germany's biggest employment complex at a single location, providing jobs for about 70,000 people. The planned expansion of Frankfurt Airport is expected to create 100,000 additional jobs, including some 25,000 directly on airport.

## Development

Fraport AG and its forerunners have been operating Frankfurt Airport in the present-day location since 1936. Serving 58,010 passengers in the founding year, Frankfurt Airport grew rapidly into one of the world's busiest airports.

### Frankfurt Airport key figures

Inauguration		1936
Passengers/year		54,161,856
Aircraft movements/year		492,569
Revenue Fraport AG (acc. to HGB*)	€ million	1,754.7
EBITDA Fraport AG (acc. to HGB*)	€ million	429.5
Average number of employees at Frankfurt Airport	around	70,000
thereof average number of Fraport AG employees		17,796

\* German GAAP

Today, FRA is served by more than 100 scheduled airlines flying to over 300 destinations in 109 countries worldwide – more than at any other European airport. With a total of 54.2 million passengers and 2.1 million metric tons of cargo handled, FRA ranks eighth in terms of passengers and seventh in terms of freight. Within the EU, FRA is number three for passengers and number one for freight.

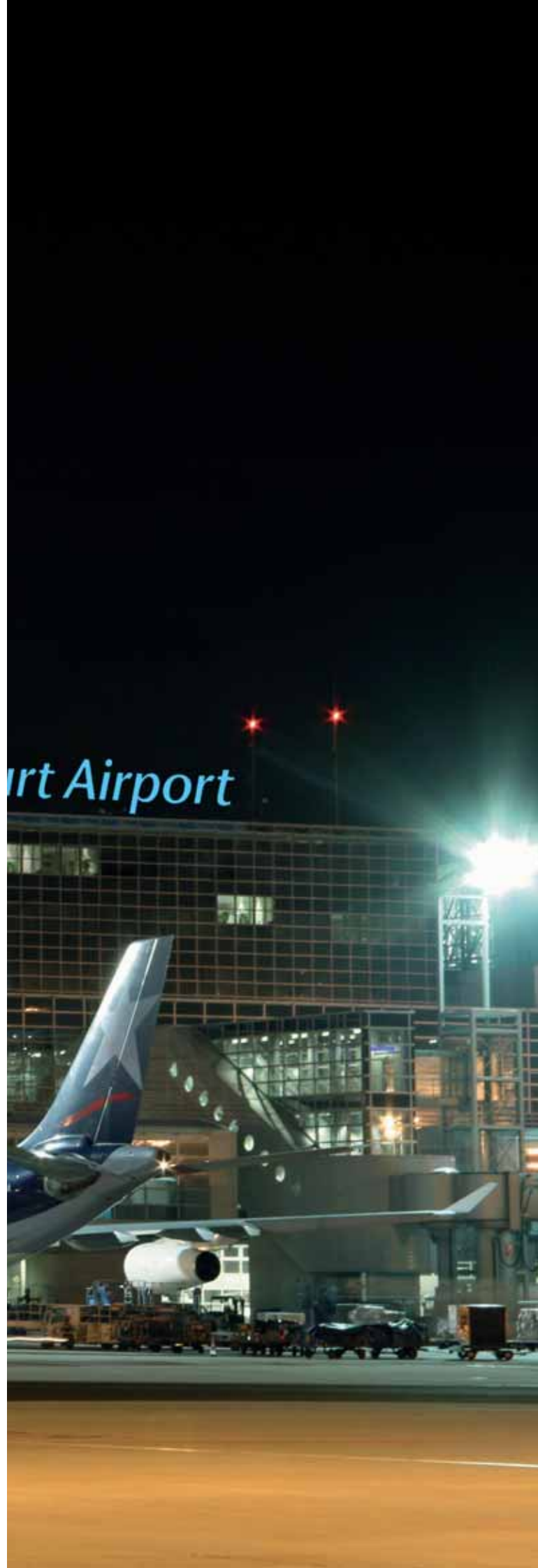
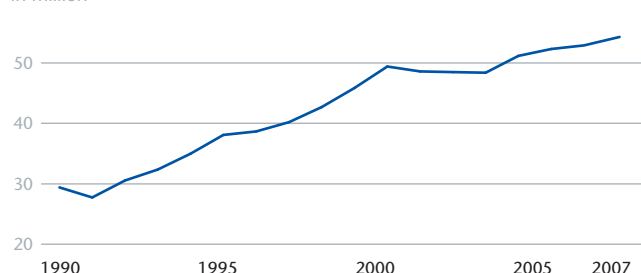
#### Outlook

This success story must be continued. The Frankfurt site as well as our core competencies in airport operations are a solid basis for this. However, Frankfurt Airport currently operates at capacity. Despite continuous optimization of infrastructure and procedures, bottlenecks of the runway system and the two passenger terminals cannot be eliminated. Under the FRA North project, terminal and infrastructure modernization measures are primarily designed to improve passenger security, convenience and general operations. However, the corner stone for future growth will be the planned Airport Expansion Program (AEP). Plans call for the construction of a new landing runway and an additional passenger terminal – Terminal 3 – in addition to upgrading existing facilities. With a total investment volume of just under seven billion euros until 2015, the FRA North project and the AEP form the biggest privately financed construction project in Europe.

Of course, Fraport AG intends not only to maintain and strengthen its market position at Frankfurt but also plans to grow beyond its Frankfurt home base. On the following pages, we will therefore present our most important airport investments around the globe.

#### Passenger development 1990–2007

in million





# 3,800

meters – Hahn's extended runway now allows for long-distance flights



1997  
1998  
1999 Ownership in Frankfurt-Hahn Airport  
2000  
2001  
2002







# Frankfurt-Hahn Airport

- Dynamically growing low-cost airport at a central location
- Runway extension to 3,800 meters was opened in September 2007

## Location

Centrally located in Europe, Frankfurt-Hahn Airport offers excellent growth opportunities. The relatively young airport serves a catchment area of about 13 million people living within a 120-kilometer radius that encompasses the Rhine-Main, Cologne/Bonn, Saar-Lor-Lux, and Ludwigshafen/Mannheim economic centers. The airport's most significant competitive advantages include a 24-hour operating permit and available capacity reserves. The runway extension to 3,800 meters, which opened in 2007, enables Frankfurt-Hahn to accommodate long-haul flights without any restrictions. A modern category IIIa instrument landing system allows for aircraft operations even in adverse weather conditions.

## Development

The airport has seen impressive traffic development: Between 1999 and 2007, the number of passengers rose from just under 30,000 to four million per year. This success can be attributed to the airport clearly positioning itself in the growing low-cost segment. When the Irish Ryanair began serving Frankfurt-Hahn in April 1999, the airport implemented the efficient business model of the low-cost carrier on the airport level. What began as two daily flights to London has developed into the Irish carrier's third biggest base in Europe – with more than 50 daily

### *Frankfurt-Hahn Airport key figures*

Fraport's share in capital	in %	65.0
In the Group since		1999
Passengers/year		4,014,246
Aircraft movements/year		40,980
Revenue	€ million	41.3
EBITDA	€ million	0.6
Average number of employees		335



flights to approximately 40 destinations today. Other airlines operating low-cost flights to and from Frankfurt-Hahn include Iceland Express and Wizzair.

In addition to developing strongly in terms of passenger traffic, Frankfurt-Hahn has also positioned itself in the cargo sector. The airport's cargo throughput rose from 14,000 metric tons in 1999 to approximately 110,000 metric tons in 2007. The airport in the Hunsrück region has become Germany's fourth-busiest cargo airport after Frankfurt (FRA), Cologne/Bonn and Munich.

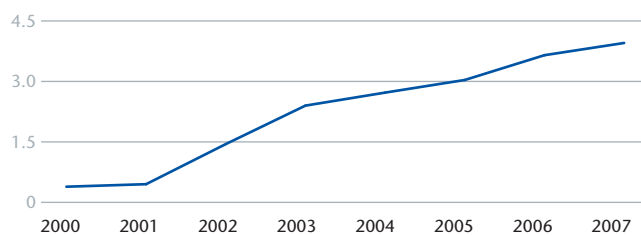
The non-aviation segment is also gaining increasing importance. Whereas this business segment was practically non-existent in 1999, the airport now generates nearly half of its revenue via business segments such as parking, rental of concession and advertising space, and lease of floor space. And the potential for further development is available.

### Outlook

By developing the infrastructure, Frankfurt-Hahn is poised for further growth. Terminal capacities as well as shopping facilities are continually being enlarged in keeping with demand. Important projects include expansion of the cargo handling areas. The opening of the extended runway in September last year will result in a further growth impetus. And financial success is also just around the corner. The airport is expected to achieve a net profit in 2010.

### Passenger development 2000–2007

in million



1997  
1998  
1999 First involvement in terminal operations  
2000  
2001  
2002  
2003  
2004  
2005  
2006  
2007 Renewal of the concession





# 187

airlines provided service at Antalya Airport  
in 2007





# Antalya Airport

- Turkey's biggest tourist airport with growing passenger volume
- New concession for operating the terminals runs until the end of 2024

## Location

Located about ten kilometers east of the port city of Antalya, Antalya Airport (AYT) is Turkey's biggest tourist airport. The eighth-biggest city in Turkey, Antalya is also the capital city of Antalya Province. Together with the vacation destinations Belek and Kemer, it is the mainstay of tourism in the Turkish Riviera. Last year, 187 airlines served Antalya Airport, mainly charter carriers.

## Development

Built as a joint-venture BOT Project (Build, Operate, Transfer) by Fraport AG and a local construction company, the international passenger terminal opened in 1999 – and AYT has enjoyed vibrant passenger development ever since. Passenger figures have soared by an average of twelve percent per year. In 2007, AYT overall welcomed around 17.7 million passengers. The drop in passenger traffic at the Fraport operated Terminal 1 in 2005 was due to the opening of a second competing international passenger terminal at AYT.

In addition to the German core market that has developed over the years, traffic to and from Russia, in particular, has grown to the same sizeable volume. German and Russian passengers

### *Antalya Airport key figures (Terminal 1 only and domestic terminal pro rata)*

Fraport's share in capital	%	34.0
Fraport's share in the voting rights	%	51.0
In the Group since		1999
Concession period until		2024
Passengers/year		6,488,036
Aircraft movements/year		40,892
Revenue	€ million	64.8
EBITDA	€ million	26.1
Average number of employees		314



together accounted for more than 50 percent of the airport's total passenger traffic last year.

Fraport will continue this successful commitment in the future and partake in AYT's successful development: In April 2007, a Fraport-led consortium won the concession for operating all three passenger terminals for a period of 17 years. Since mid-September, Fraport and Turkish IC Ictas have been jointly operating the international Terminal 1 (previously operated by Fraport) as well as the domestic and CIP (Commercially Important Persons) terminal. In September 2009, the consortium will take over operation of AYT's second international terminal previously operated by IC Ictas and Celebi. The concession for operating all three terminals runs until the end of 2024.

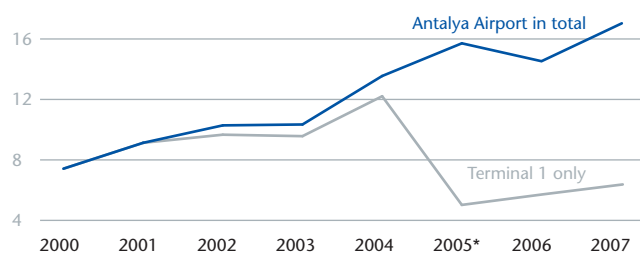
Fraport invests in airports in other countries together with local partners, mostly for strategic reasons or because of tendering requirements. Cooperation allows Fraport to benefit from the partner's knowledge of local conditions, cultural differences, as well as good contacts to the political and business world.

### Outlook

The tourism boom forecast for the Turkish Riviera promises great opportunities and success potential for Antalya Airport and also for Fraport. Continuation of our commitment indicates the sound and consistent development of Fraport AG's external business.

### Passenger development 2000 – 2007

in million



\* Drop at Terminal 1 due to the opening of the second terminal





1999  
2000  
2001 Start of concession  
2002  
2003  
2004  
2005  
2006  
2007 Fraport increases stake from 42.75 percent to 100 percent



de Fumadores  
king Lounge

Restaurante  
Restaurant



24.3

percent more passengers in 2007 – the increase  
positively affected our retail earnings in Lima



de Fumadores  
king Lounge

## Jorge Chavez International Airport Lima

- Continuing passenger and cargo growth
- Ideal geographic location for hub function in the South American growth market

### Location

The Peruvian capital of Lima is the economic and cultural center of the country. It is also Peru's gateway to the world and the South American growth market. The world famous ancient Inca sites attract thousands of tourists every year, most of whom are traveling to Peru via Jorge Chavez International Airport (LIM). Named after the Peruvian aviation pioneer Jorge Chavez, Lima Airport is the country's largest airport. LIM has offered non-stop, 24-hour operations since 1964.

Boasting a strategic geographic location, the airport is ideally positioned to serve as South America's aviation hub. Currently, LIM offers connections to around 45 service destinations in 20 countries and is one of the busiest cargo transshipment points in South America. In 2005, the Skytrax World Airport Awards survey named Lima Airport the best airport in South America.

### Development

In the autumn of 2000, a Fraport AG-led consortium won the international competitive tender for the concession to operate Lima Airport. The consortium took over operations in February 2001. In its capacity of airport manager, Fraport initially held 42.75 percent of the shares. Meanwhile, Fraport AG has become the majority shareholder. In August 2007, Fraport increased

### Jorge Chavez International Airport Lima key figures

Fraport's share in capital	%	100.0
In the Group since		2001
Concession period until		2031/2041
Passengers/year		7,507,811
Aircraft movements/year		92,878
Revenue	€ million	88.5
EBITDA	€ million	23.2
Average number of employees		414



its stake in the Lima Airport operating company to 100 percent. Fraport plans to resell a portion of its Lima shares to other partners but will retain at least 60.01 percent. The concession contract has a term of 30 years with an extension option of 10 years. As provided in the contract, the airport's key management positions are held by Fraport.

In 2007, Lima Airport welcomed approximately 7.5 million passengers, versus 4.1 million in 2001 and six million in 2006. This represents a respectable growth rate of 82.9 percent or, when compared on an annual basis, of 24.3 per year on 2006.

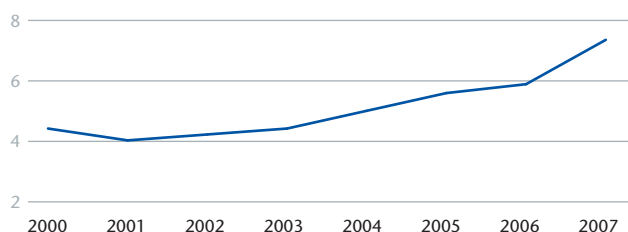
Much has improved at Jorge Chavez International Airport since it was taken over by Fraport in 2001. Peru's largest airport today boasts a tremendously enhanced modern look and offers better service. The existing passenger terminal was modernized and expanded, a new hotel opened, and attractive retail facilities were created. For example, the Peru Plaza Shopping Center was inaugurated in 2005. A total of more than US\$200 million have been invested in security, modernizing and expansion projects to make the South American hub more attractive and profitable.

#### Outlook

Fraport's commitment in Peru is considered a strategic investment in a promising growth market. The airport as such has significant potential for expansion and growth in South America. Forecasts anticipate passenger volume to climb to approximately ten million by 2010.

#### Passenger development 2000–2007

in million



919

thousand passengers used Varna and Burgas  
airports in July 2007



2004

2005

2006 Start of concession

2007

2008

2009







## Varna and Burgas Airports

- Growing tourist market with as many as one million passengers per month during the summer
- New passenger terminals planned

### Location

The Bulgarian Black Sea Coast on the southeastern tip of Europe has been a popular vacation destination even before the fall of the Iron Curtain. Since then, the attractive summer tourist region with its popular resorts has been experiencing a construction boom. Bulgaria became a member of the European Union (EU) on January 1, 2007. This finally initiated the region's development into a true alternative to the traditional warm weather destinations.

The port city of Varna is the country's third largest city after Sofia and Plovdiv. Located on the northern part of Bulgaria's Black Sea Coast, the airport is mostly used for charter services. Recently however, scheduled airline traffic has also experienced above average increases. Throughout the year, four airlines offer attractive connecting flights from Varna to destinations around the world – with a buoyant trend. During the peak season, up to 150 aircraft fly in and out of Varna daily. Currently, more than 80 national and international carriers serve the airport, flying to 135 destinations in 43 countries.

With more than 220,000 inhabitants, Burgas ranks as Bulgaria's fourth largest city. As an industrial and port city, Burgas is the region's economic, cultural and industrial center. The city not only features the biggest seaport but also the second largest airport in Bulgaria. In particular, charter carriers have made this international airport a gateway for serving Bulgaria's southern Black Sea Coast region. Burgas connects the region to around 158 destinations in 37 different countries.

### *Fraport Twin Star Airport Management AD key figures*

Fraport's share in capital	%	60.0
In the Group since		2006
Concession period until		2041
Passengers/year Burgas		1,949,198
Passengers/year Varna		1,493,267
Revenue	€ million	41.3
EBITDA	€ million	12.9
Average number of employees		1,604



### Development

Under a concession agreement with the Bulgarian government, Fraport's Twin Star Airport Management AD subsidiary has operated the two airports since November 2006. Over the next 35 years, the subsidiary is responsible for operating both airports, including ground handling services. In addition to the Bulgarian carriers, customers include all of Europe's well-known tourist carriers, such as Condor, Air Berlin, VIM Airlines and MyTravel.

During the first year of operation, 3.4 million passengers used Fraport Twinstar's two airports – more than half of these passengers were served in the months of July and August. The majority of these passengers were the traditional guests from Great Britain and Germany. However, the relatively young Russian tourist market has been growing at a particularly dynamic pace recently. For example, up to 15 aircraft are now flying daily from Moscow into Varna during the summer.

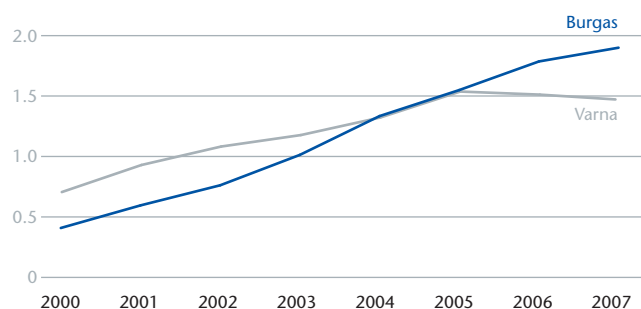
Just in time for the 2007 summer season, both airports added new check-in counters and baggage belts – boosting capacity by more than one third.

### Outlook

Capacity must continue to keep pace with the expected strong traffic growth in the future. Therefore, Fraport will construct new passenger terminals at Varna and Burgas by the year 2010 to meet the demand over the next decade.

### Passenger development 2000–2007

in million





## Hanover-Langenhagen Airport

- High-performance airport, with growth potential in the non-aviation segment and airfreight

### Location

Hanover-Langenhagen Airport is a frequently used meeting point for business and tourist travelers from around the world, especially during the time of major trade fairs such as CeBIT – the biggest trade show for the global information communications and telecommunications (ICT) industry – and the Hanover Fair – the world's biggest industrial fair. Operating 24 hours, the airport features two simultaneously usable parallel runways and accommodates all aviation segments from business and charter to low-cost flights.

### Development

Since opening in 1955, the airport has developed into a high-performance and profitable air transportation gateway. Fraport AG, which holds a 30-percent share in the airport, supports this development and, in particular, encourages expansion of the lucrative non-aviation segment.

### Outlook

Hanover-Langenhagen Airport does not yet operate at capacity limit but still offers airlines potential for growth. With infrastructure investments of €110 million until 2010 alone, the airport is building for the future. Expansion of the existing logistics and freight business is designed to increase competitiveness fundamentally. Hanover offers great potential for the future due to both its location and existing infrastructure as well as its development possibilities.

#### *Hanover-Langenhagen Airport key figures*

Fraport's share in capital	%	30.0
In the Group since		1998
Passengers/year		5,644,582
Aircraft movements/year		88,353
Revenue	€ million	140.2
EBITDA	€ million	38.3
Average number of employees		1,320

## Delhi Indira Gandhi International Airport

- Master plan to accommodate up to 100 million passengers by 2036

### Location

Currently the second largest airport in India, Indira Gandhi International Airport (IGIA) features two runways as well as one domestic and one international passenger terminal. IGIA serves as a hub for a large number of Indian carriers.

### Development

As partner of a consortium that won the concession to run Delhi Airport, Fraport has held a 10-percent stake in the airport and performed the role of airport operator since May 2006. The concession runs for three decades with an option to renew for another 30 years. Plans call for modernizing, developing and expanding the airport. In 2007, the airport welcomed more than 23.3 million passengers. This represents impressive growth of 20.5 percent versus 2006.

### Outlook

Delhi IGIA Airport will continue to grow in the future. In a first step, a new runway and a new terminal with a capacity of 35 million passengers per year will be constructed by 2010. In the final phase of the master plan, the airport will have an annual capacity of 100 million passengers by 2036.

#### *Delhi Indira Gandhi International Airport key figures*

Fraport's share in capital	in %	10.0
In the Group since		2006
Concession period until		2036/2006
Passengers/year		23,346,895
Aircraft movements/year		225,510
Revenue	€ million	111.3*
EBITDA	€ million	13.7*

\* April – December 2007 (financial year April – March)



2005 Start of management contract for Cairo Airport



2010 Start of management contract for Dakar Airport (model)

## Fraport Worldwide: Further Developments in External Business

On the previous pages we presented airport participations in which we hold either a financial interest or which we manage under concession agreements. For an airport operator there is a further possibility to pursue activities at other locations.

### Management contracts

There are different possibilities for an airport operator like Fraport AG to participate, within the framework of its business model, in airports beyond its corporate headquarter location. In addition to acquiring majority or minority financial interests in airport companies or holdings and operating airports under concession contracts, there is the possibility of managing and developing airports under management contracts. As a rule, the company acquiring the management contract fills executive positions of the respective airport operator with the goal of financial and operational optimization. This type of cooperation does not include a transfer of shares – in contrast to participations achieved by acquiring a financial interest or via concession contracts.

On the basis of such a management contract, Fraport AG has been cooperating with Cairo International Airport in Egypt and providing five Executive Board positions since February 2005. The goal of our hub experts' commitment at the Nile river is to expand Cairo Airport as well as modernize and upgrade it to international service and security standards. The management contract runs for eight years, with an option to extend.

Under a management contract effective 2010, Fraport experts will also be responsible for the entire air and landside operation of the new airport currently under construction in the Senegalese capital of Dakar. Currently, Fraport experts are already busy analyzing and optimizing the existing building plans. Once the new Dakar Airport is completed, Fraport will be responsible for terminal management, retailing, facility management, airside operations, real estate development, and passenger handling.

### Precondition for external growth

The trend toward airport privatizations and the awarding of airport management contracts continues unabated. Fraport will continue to participate in selective airport projects in the future on the premise of value creation, strategic fit and proper use of resources.

**Value creation** is one of the most important premises for participating in national and international competitive tenders. It stipulates that Fraport exclusively bids for participation projects that generate value. Our target value for the internal rate of return of a potential investment project is a project-specific minimum interest on the capital invested which is higher than our cost of capital.

In addition to a project's value creating capabilities, our experts study the **strategic fit** of the project, i.e., whether the investment strategically matches the Fraport Group's portfolio. In the external business area, Germany's biggest airport operator basically does not consider itself a financial investor. Instead Fraport tries to export profitably the operational and commercial know-how and expertise gained at the Frankfurt Airport reference model.

The third aspect we pay attention to in the external business area is the proper use of personnel and financial **resources**. The use of resources is identified as part of the negotiations on management, concession, or purchasing contracts.

In the external business area, Fraport exclusively pursues and realizes projects that promise above-average potential for traffic growth and profitability improvement. For example, we are expecting final approval shortly for our 24.5-percent participation in Xi'an Airport in central China. With expected average growth of eight percent annually over the next 20 years, the Chinese market is by far the most attractive market worldwide. In addition to China, we pursue projects particularly in the growth regions of eastern and southeastern Europe, India, the Middle East, as well as Central and South America.



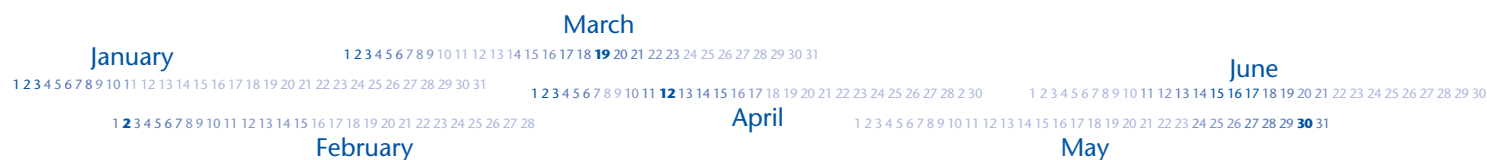
# Highlights of the Business Year 2007

- 2.6 percent increase in passenger figures in Frankfurt to 54.2 million
- Airfreight tonnage in Frankfurt grew by 1.9 percent
- Increase in revenue by 8.6 percent to €2,329.0 million, adjusted for special effect not affecting profit or loss the increase is 5.9 percent
- EBITDA up 0.4 percent in spite of positive effects in previous year
- Group profit 6.6 percent down from the previous year to €213.7 million due to positive effects in previous year and major tax effect in 2006
- Earnings per share at €2.28

Construction at the Mönchhof site near the airport started **in January** at the beginning of the fiscal year. With an area of 110 hectares the Mönchhof site is currently the biggest contiguous commercial area to be developed in the Rhine-Main region. During the first construction phase, which has now begun, the area will be developed by providing supply and waste disposal lines and by building roads.

On **March 19, 2007**, Frankfurt Airport was once again in the focus of public interest, when the Airbus A380 long-distance practical test took place demonstrating the A380-suitability of our mega hub by simulating real conditions. Along with test flights to New York, Hong Kong and Washington, ground handling and boarding tests were successfully performed.

The sixth Annual General Meeting of Fraport AG was held on **May 30, 2007**. A total of 1,605 shareholders and shareholders' representatives attended the Meeting. With a clear 99.99 percent of the votes cast in each case, the shareholders approved the acts of the Executive and Supervisory Boards. 85.74 percent of the capital stock was represented by the shareholders who attended the Annual General Meeting.



On **February 2** the Supervisory Board approved the appointment of Dr. Matthias Zieschang as the new Executive Board member of Fraport AG responsible for finance (CFO). Dr. Zieschang, who was member of the Executive Board of DB Netz AG up to then, and responsible for finance and controlling, took over as CFO from Dr. Stefan Schulte as of April 1, 2007. Dr. Schulte succeeded Professor Manfred Schölch who retired as Vice Chairman of the Executive Board and as an Executive Board member for Infrastructure and Legal Affairs as of March 31, 2007.

At the beginning of **March 2007** we were able to take an important step towards Airport City as part of our real estate strategy. With laying the foundation stone for the around 700-million Euro project "Airrail Center", the superstructure on the roof of the high-speed train station was approved. The project is designed to create 140,000 square meters of new rentable space and is to be completed by the end of 2009.

At the beginning of **April 2007** we signed the agreements on a 24.5 percent investment in the airport of the city of Xi'an in central China. As soon as the Chinese government will have given its approval still outstanding, we will take care of the operational optimization and the commercial development of the Airport in the future.

Together with our Turkish partner company IC Ictas we were awarded the new concession to operate the terminal building at Antalya Airport on **April 12, 2007**. Since mid-September 2007, Fraport and IC Ictas have been operating Terminal 1 so far managed by Fraport as well as the domestic terminal. Effective September 2009 the consortium will take over the operation of the second terminal so far operated by IC Ictas. The concession for operating all three terminals will run until the year end 2024.

We entered into a framework agreement with Celanese AG/Ticona GmbH in **mid-June 2007** in line with our letter of intent signed in November 2006. Under this agreement, Celanese AG/Ticona GmbH undertakes irrevocably to close the Ticona production plant in Kelsterbach by June 30, 2011 or by December 31, 2011 at the latest, and to withdraw any appeals and action against the existence and the expansion of Frankfurt Airport. The agreement stipulates in addition that the plots of land in Kelsterbach are to be transferred to Fraport after removal of all of the plant facilities, unless Fraport accepts to take these. Any soil decontamination required for the commercial use of the land will be made by Celanese AG/Ticona GmbH. Fraport AG will pay a consideration of €670.0 million to Celanese AG/Ticona GmbH. With the signing of this agreement a major risk that the start of operation of the northwest landing runway could be delayed, was eliminated.



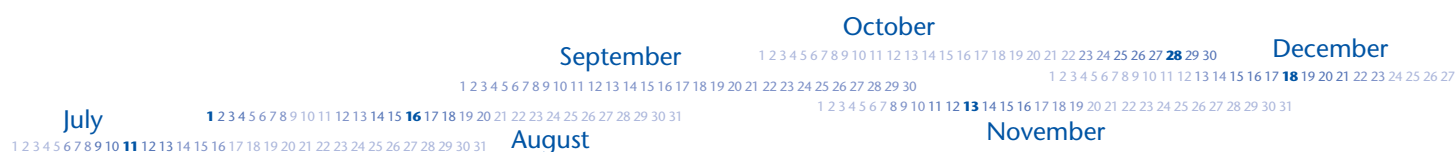


On **July 11, 2007**, Frankfurt Airport welcomed its one billionth passenger at Terminal 1. A connecting passenger on her way from Los Angeles via Frankfurt to Mumbai was the record passenger using the 35-year-old terminal. On this occasion, the Chairman of the Executive Board handed her a gift voucher for the gratuitous use of the VIP Lounge over one year.

In **September 2007**, Frankfurt Airport posted a historical record of passenger volumes. Never before in the Airport's history have passenger numbers hit the five-million mark in three successive months. The positive trend up to now allowed the Executive Board to raise again the number of passenger volumes forecasted for Frankfurt on the occasion of this month's Investor Day.



On the occasion of the annual press conference held on **November 13** in the Airport Conference Center at Frankfurt Airport, Fraport AG published its financial and air traffic figures for the previous nine or ten months of the fiscal year. The Executive Board confirmed the business prospects for the whole of 2007 and significantly increased its forecast for the Group's EBITDA. After the publication, the share price recovered noticeably.



As a shareholder of the airport in Peru's capital Lima since 2001, we increased our stake in the airport operating company from 42.75 percent to 100 percent on **August 1, 2007**. We intend to sell a portion of the shares to one or more other investors. After the sale, Fraport will own at least 60 percent of the company.

With an arbitral award made on **August 16**, the International Centre for Settlement of Investment Disputes (ICSID) by majority declined jurisdiction in the action for damages claimed by Fraport AG in connection with the Manila terminal project. On December 7, the Executive Board of Fraport AG pleaded within the required deadline for the annulment of the arbitral award rendered by the ICSID of the World Bank in Washington. Other proceedings are pending under which the project company, in which Fraport holds a share of 30 percent, seeks compensation.

The new winter flight schedule at Frankfurt Airport became effective on **October 28**. According to this schedule, 4,220 passenger flights and 255 cargo flights are scheduled per week in the winter season 2007/2008. In spite of a moderate decline in the number of passenger flights by 0.2 percent, the range of weekly intercontinental destinations, which strongly increased by 6.7 percent, is a structural improvement of the flights currently offered and promises a positive growth of passenger numbers. By contrast, flights within Germany dropped by 8.2 percent.

The Hessian Ministry of Economics, Transport and Regional Development signed the zoning decision on the adoption of the Frankfurt Airport expansion on **December 18**. This decision authorizes the construction of a new landing runway, additional flight operation equipments and gives the approval under the German Building Regulations Law for the construction of Terminal 3 and additional structural buildings. After delivery of the decision there is now the possibility to appeal against it before a court. Fraport will not yet make use of its legal right to immediate action and wait for a sign from the Hessian Administrative Court before the construction measures will begin, in particular before the trees will be felled.



# Financial report

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# Group management report

## Group strategy

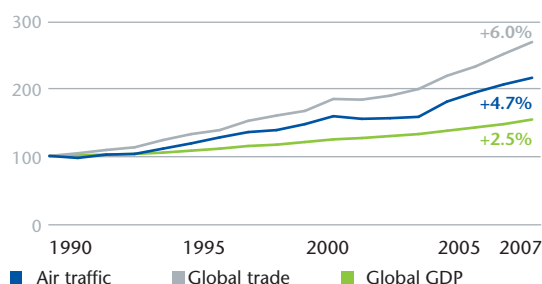
### General conditions for the strategic development of Fraport

Fraport moves in a very dynamic competitive environment. The Company's basic strategy may therefore be inferred from the market trends in global air traffic and the particular situation in Frankfurt which we will discuss in the following.

#### Air traffic is and will remain a booming industry worldwide

Global air traffic has achieved growth rates in the last years, which exceeded the worldwide gross domestic product's dynamics by a factor of two. Since 1990 the demand for air travel has more than doubled.

#### Air traffic grows dynamically since 15 years and serves the demand resulting from the globalization



The major growth accelerator is the fact that air fares dropped significantly. The ongoing existence of the airlines' excess capacities anticipate a continuation of this trend. All forecasts are therefore consistent in assuming a continuation of these dynamics in the years to come, making air traffic one of the most booming industries in the world.<sup>1</sup>

Intercontinental traffic, in particular the growth markets in Asia and the Middle East will become the growth driver in European air traffic. Growth rates of sometimes more than six percent per year are forecasted. The ongoing liberalization of the markets (for instance due to the Open Sky or Single European Sky

initiatives) is very likely to keep growth on this high level and even provide fresh growth impetus.

#### Hub airports will be the future beneficiaries of growth

Today, about 150 airports in Europe offer regular intercontinental flights. Only about 10 to 15 of these airports, however, have a closely-meshed net of intercontinental destinations and have therefore the function of a hub airport. These hub airports may benefit from the dynamic growth forecast for global air traffic more than others. New intercontinental flights from Europe to secondary destinations will almost exclusively be operated by hub airports in the future.

Due to their high primary demand, their infrastructure and their flight schedules offered, the large European hubs are a particularly attractive starting point for opening new destinations around the globe. In addition, there is vastly increasing demand for the existing flight routes among the large intercontinental hub airports.

Nonetheless, secondary destinations, too, will offer more and more intercontinental flights – albeit at a currently very low level. New aircraft models – such as the Boeing 787 Dreamliner and Airbus 350 family – making flights with fewer passenger numbers on long distances more cost-effective, will make it easier for the airlines to offer new, so far unprofitable, destinations.

#### Particular situation in Frankfurt: Excess demand over the medium term

Given the limited capacities in Frankfurt until the north-west landing runway will be inaugurated, the demand for additional flights cannot entirely be met. Therefore, the Frankfurt site benefited from the market trends described less than the others during the last three years.

Nonetheless, Frankfurt Airport remains by far the most important hub airport of the Star Alliance headed by Lufthansa in Europe. Frankfurt has a significant competitive edge compared with other hub airports in the Star Alliance network in all criteria which make for an international hub airport such as passenger volumes, connecting passengers, number of intercontinental destinations and number of widebody aircraft.

<sup>1</sup> IATA 2005–2020, base parameter, RPKs, CAGR, Boeing, Current Market Outlook 2007, Growth RPKs 2006–2026 worldwide, Airbus Global Market Forecast RPKs 2006–2015 worldwide



#### Competition at the Frankfurt site intensifies and manifests itself on three different levels

There is a "natural" competition among the hubs of the Star Alliance network for the position of a central hub location, which will handle most of the connecting flights of this airline alliance. The competitors of Frankfurt Airport on this level are in particular the Munich and Zurich airports.

Due to their large share in passenger volumes at the most important hub airports, the three big airline alliances Star Alliance, Sky Team and One World work very closely with the respective airport operators and can succeed on the market only as joint system partners. The competition among these system alliances, especially in the case of intercontinental flights, leaves the customers to choose among the airline alliances and, hence, to decide which big European hub will take them to their final intercontinental destinations. Here, Frankfurt is in competition with the central hubs of One World (London-Heathrow) and Sky Team (Paris and Amsterdam).

Globally, the European system alliances mentioned will have to compete in particular with "new market participants" from the Middle East in the next years to come. Enormous additional capacities will be created there in the next few years which will by far exceed the capacities of Frankfurt Airport. These are to be utilized at least in part by attracting rapidly growing flag carriers (Emirates, for instance). In considering this development we may conclude that the competitive pressure on the entire industry, especially the flight routes between Europe and Asia will continue to increase.

## Vision and goals of Fraport Group

The vision adopted by Fraport Group in 2004 and the goals derived from there are still valid.

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

Three goals can be derived from this vision for the Group: Value added, performance and sustainability. Sustainability is subdivided into four sub-goals to be achieved: Employee satisfaction, environmental protection, social responsibility and security.

### Value added

We aim to increase the long-term value of our Company in all business segments. We get above-average returns in our segments and thus belong to the best in the industry. We want to strengthen our financing position and be able to service our debt obligations in the long term.

### Performance

With our integrated business model we are performing excellently by providing secure, efficient and highly qualitative processes. Our high performance is reflected both in a significant market share and in the satisfaction of our customers. This is something we want to improve continuously.

### Sustainability

As an employer and an economic factor we are well aware of the responsibility we have for our employees, the society and the environment. We do business sustainably and follow economic, ecological and social criteria while fulfilling our corporate responsibility.

#### Sub-goal “employee satisfaction”

Our employees know how important their commitment is for us to achieve our common goals and they are actively contributing to achieve these goals.

Good working conditions help our employees being more satisfied, professional and personal offers for self-improvement open up opportunities for the individual employee and, at the same time, are a prerequisite for excellent performance, competitiveness and innovative capacities. We want to be an attractive employer and aim to continuously improve employee satisfaction.

#### Sub-goal “environmental protection”

To preserve our natural resources we are especially committed to environmental protection and sustainability in all locations. In doing so, our measures go beyond legal requirements. For us, environmental protection does not stop at the fences of the airport grounds.

#### Sub-goal “social responsibility”

Being conscious of our social responsibilities and in order to maintain partnership and dialogue, we support social commitment and sponsor education, sports, culture, health and the environment.

#### Sub-goal “security”

Our goal is a maximum degree of safety and security in all locations of the Group. Future German- and European-wide security audits will prove our exemplary status in all locations.

### Our strategic challenges

Our strategic challenges which are the result of our market analysis and the general setting described and which we will have to face on our way to our vision, may be summarized under the familiar “three-pillar strategy”:

- Securing the integrated business model
- Growth at the Frankfurt site
- External growth

#### Securing the integrated business model

The “integrated business model” used for production at the Frankfurt site with its high real net output ratio, requires permanent adjustment to a changing environment. This is no end in itself; instead, we must continuously prove its particular suitability for the location.

In the Aviation segment, Fraport is now close to realizing its expansion project, which will considerably increase the airport’s capacity, thus creating the requirements for an improvement of business relations with our main customers. The central strategic challenge within this segment is to properly tune the required capital expenditure to the scope and timing of the measures so that the resulting products will find a ready market in terms of quality and price. Against the background of increasing competition, the Ground Handling segment faces the particular challenge to create structures, which ensure persistent positive value added and flexibility.

Safeguarding the integrated business model is unimaginable without an optimization of productivity and efficiency in the entire company. This refers in particular also to the administrative functions and service units of Fraport AG.

#### Growth at the Frankfurt site

The essential basis for the future growth of Frankfurt Airport is the timely realization of the expansion projects. Fraport is still sure that the northwest runway will start its operation in 2011.

The task of the Retail & Properties segment to continue value creation in the entire Group did not change. A key element on this way is the expansion and modernization of retail space as well as the development of the areas and buildings according to plan as described in the Company’s real estate strategy. This includes the optimization of value added in non-current assets by applying professional asset management. Fraport AG plans to implement suitable organizational structures to develop the potential in the real estate business in the best way possible.

#### External growth

The third strategic pillar is external growth outside the Frankfurt location. Fraport has come to hold a large portfolio of various airport locations in the global growth markets. Against the background of a tightening competition in the privatization of airports, the segment faces the central strategic challenge of having to adjust structures in the external business so as to enable Fraport to remain competitive in the future.

We can’t emphasize enough in this context that Fraport strictly examines each bidding procedure for its profitability and its specific risk. We expect much from the minimum interest rates projected for our investments. Only if the forecasted profit of a project is able to meet our requirements will we invest our knowledge and Fraport capital.

## Value management

Our corporate strategy aims to achieve a sustained increase in our Company's value in the interests of our shareholders. To make the medium and long-term success of this strategy measurable, we have introduced a value-oriented control system to bring all segments and business units into line with our maxim.

### Fraport Value Added – a central control indicator

We use Fraport Value Added as a central target and control indicator which we want to increase continuously. The value added reflects the additional value earned beyond the capital costs incurred and is seen as the difference between the EBIT and the capital costs before tax:

#### Calculation of value added

$$\text{EBIT} \quad - \quad \underbrace{\text{Fraport assets} \quad \times \quad \text{WACC}}_{\text{Cost of capital}} \quad = \quad \text{Value added}$$

### Weighted Average Cost of Capital

The weighted average cost of capital (WACC), a key element of Fraport control, is the minimum interest rate required by the capital market for the capital employed and is calculated at Fraport as the weighted average cost of equity and cost of debt. The cost of equity corresponds to the return on investment expected by our shareholders and is determined using the internationally recognized "Capital Asset Pricing Model" (CAPM). The cost of debt is the result of a risk-free interest rate plus a company-specific risk premium defined by our investment-rate grading.

Given the continuously changing economic environment, interest rate level and/or our risk and financing structure, we regularly review the Fraport WACC and adjust it when required.

### Determination of Fraport assets

"Fraport assets" are defined as the Company's interest-bearing capital employed which consists of our operating assets and our working capital. Depreciable assets are generally recognized at half of their historical cost (cost/2) and not at residual carrying amounts. We have chosen to adopt this procedure because – in contrast to the calculation of other key figures, such as EVA™, it excludes "value creation", if only the asset basis decreases due to depreciation charges. We also

avoid a misallocation of scarce funds, which, because of our company's high property, plant and equipment intensity and the fact that the airport industry is heavily influenced by investment cycles, would occur if we applied value-oriented control on the basis of residual book values.

### Calculation of "Fraport assets"

Goodwill	
+ Other intangible assets at cost/2	
+ Investments in in airport operator projects at cost/2	
+ Property, plant and equipment at cost/2	
- Prepayments and construction in progress at cost/2	
+ Inventories	
+ Trade accounts receivable	
- Trade accounts payable	
<hr/>	
=	Fraport assets

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

In addition, goodwill is not recognized at half of its cost; instead, it is recognized at current carrying amounts. Pursuant to IFRS accounting standards we determine these amounts on the basis of impairment testing.

### Return on Fraport assets (ROFRA)

In addition to the Fraport Value Added as the central control indicator, we use the Return On Fraport Assets (ROFRA) to be able to compare divisions of different sizes with each other.

### Calculation of ROFRA

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

The ROFRA is determined by relating the EBIT to the Fraport assets and shows us whether the division creates value (ROFRA > WACC) or destroys value (ROFRA < WACC).



## Economic value added in 2007

	Fraport Group		Aviation		Retail & Properties		Ground Handling		External Activities*	
€ million	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
EBIT	330.4	335.4	76.0	44.8	219.6	244.6	34.6	12.6	11.3	40.6
Fraport assets	2,802.8	3,073.8	975.3	1,005.9	1,221.7	1,250.1	362.1	391.2	303.6	466.9
Cost of capital before taxes	280.3	307.4	97.5	100.6	122.2	125.0	36.2	39.1	30.4	46.7
Value added before taxes	50.1	28.0	-21.5	-55.8	97.4	119.6	-1.6	-26.5	-19.1	-6.1
ROFRA	11.8%	10.9%	7.8%	4.5%	18.0%	19.6%	9.6%	3.2%	3.8%	8.7%

\* EBIT and Fraport assets are adjusted for investments accounted for using the equity method and financial investments

With a **Group value** of €28.0 million **added**, Fraport again created value in the past fiscal year 2007. In spite of the slight €5.0 million increase in the EBIT, the value added dropped year on year by €22.1 million given the disproportionate increase in capital costs (€+27.1 million).<sup>2</sup> The segments Retail & Properties and External Activities contributed to this development of value added although capital costs had increased.

The value added in the **Aviation** Group segment dropped by €34.3 million to €-55.8 million in the period under review. This was mainly the result of the slump in the segment's EBIT. The segment capital costs increased due to the capital expenditure incurred for modernizing and expanding the existing terminals and aircraft movement areas.

The favorable development of the value added in our Group segment **Retail & Properties**, up from €97.4 million to €119.6 million, is mainly accounted for by the positive development of the segment EBIT. The increase in the EBIT due mainly to additional income from retail and parking by far exceeded the increase in capital costs from the renovation of and extensions to the parking facilities and to other buildings.

As regards the **Ground Handling** segment, the EBIT, which was down year on year from €34.6 million to €12.6 million, brought the value added to decline from €-1.6 million to €-26.5 million. The increase in capital costs from the modernization and extension of the existing terminals, from replacing equipment for Ground Services and from the one-off effects from the recognition of provisions for partial retirement and restructuring had also a cushioning effect on the segment's value added.

The value added in the Group segment **External Activities** was significantly raised in 2007 by €13.0 million to €-6.1 million. This is mainly attributable to the favorable development of the EBIT caused by our investments in Lima and Bulgaria. Since the concession paid for the terminal operation in Antalya was recognized in other intangible assets and since the Lima investment was for the first time fully consolidated, segment capital costs were significantly rising.

At 10.9 percent, the **ROFRA** in the Group was down slightly year on year by 0.9 percentage points. The cost of capital of 10.0 percent relevant for the Group was therefore exceeded again thus ensuring value added.

A detailed explanation of the individual segments' development can be found in the chapter on segment reporting beginning on page 31.

## Organization

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

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

The strategic business unit Flight and Terminal Operations, Airport Expansion is part of the **Aviation** segment and comprises the flight and terminal operations at the Frankfurt site and the Airport expansion operations. The Aviation segment also encompasses the strategic business unit Airport Security Management combining the airport and aviation security at Frankfurt.

<sup>2</sup> Please note that the trade payables resulting from the framework agreement with Ticono/Celanese were left out of account in computing Fraport assets. These payment obligations increase the cost of the new landing runway and, prior to its operation, will be recognized in construction in progress which is to be eliminated from the asset basis relevant for the Fraport assets.

The **Retail & Properties** segment consists of the strategic business unit Retail and Property Lease Management comprising our retailing activities, parking facility management as well as the rental and marketing of real estate at the Frankfurt site; it also consists of the internal Information and Communication services as well as real estate and facility management.

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

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

Each segment reports to one member of the Executive Board. The strategic business units, service areas, our

central divisions and executive staff positions each report to one member of the Executive Board.

As of April 1, 2007, the Supervisory Board of Fraport AG approved personnel changes in the Executive Board. The former Executive Board member for Finance and Construction, Dr. Stefan Schulte took the position of the Vice Chairman Professor Manfred Schölch who left the Company effective March 31, 2007 and assumed his tasks within the Group. Responsibility for Finance was assumed at the same time by Dr. Matthias Zieschang, a former member of the Executive Board for Finance and Controlling at DB Netz AG.

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

### Organization of Fraport AG



## Business development 2007

### General economic environment

#### World economy

2007 was again a very good year for the global economy. The growth rate of about 5.0 percent<sup>3</sup> was higher than expected (forecast before the end of the year: 4 to 4.5 percent) and was thus approximately one percentage point above the ten-year average. Global trade growth of 7 percent<sup>4</sup> was also higher than the long-term average. The dynamic development of the world economy boosted the air traffic industry.

The world economy was hampered, however, by high raw material prices. The increases in the price of crude oil were particularly large: The world market price per barrel (Brent oil) went up on an annual average from approximately US\$ 64 in 2006 to approximately US\$ 73 in 2007<sup>5</sup>. This price increase was mitigated in the Euro zone due to a strong Euro. The airlines responded to this development by adding a fuel surcharge to the ticket prices. This additional charge had no apparent negative impact on passenger growth in 2007.

The largest economic momentum provided again the emerging Asian markets (9.0 percent) as well as Central and Eastern Europe and Africa (6.6 percent). The Euro zone, too, reflected the favorable situation of the world economy. Growth in this region amounted to 2.7 percent in 2007, growth in the 27 countries that form the extended European Union reached 3.1 percent<sup>6</sup>. The US economy recorded a somewhat more subdued growth rate of 2.2 percent. As an international hub, Frankfurt Airport benefited also from this solid global economic growth (see table below), despite the notorious capacity bottlenecks.

#### The economy in Germany

After a solid growth of 2.9 percent in the previous year the forecasts for the Federal Republic of Germany were revised upward during the year, had to be adjusted downward, however, by the end. Growth rates of between 1 and 2.3 percent forecasted at the beginning of the year for the German Gross Domestic Product<sup>7</sup> were exceeded in 2007 reaching 2.5 percent. Growth driver was again the export sector, yet also capital spending on equipment and public expenditure were contributors to growth.

### Gross Domestic Product (GDP)/world trade

Real changes year over year in %	2006	2007
Germany	2.9	2.5
Euro zone	2.9	2.7
EU 27	3.3	3.1
Central and Eastern Europe, Africa	6.4	6.6
USA	2.9	2.2
Japan	2.2	1.9
China	11.0	11.4
India	9.7	9.0
World	5.4	4.6
<b>World trade</b>	<b>9.2</b>	<b>7.0</b>

Source: Deutsche Bank, November 30, 2007 for 2006 figures; Deutsche Bank, February 15, 2008, for 2007; DekaBank, October 29 and February 11, 2008 for EU 27; Federal Statistical Office, February 14, 2008 for German figures; OECD, December 2007 and IMF, October 2007 for world trade

### Development of air traffic

The trend in air traffic followed the growth of the world economy which remained one of the most dynamic branches of the economy. According to initial estimates of the Airport Council International (ACI)<sup>8</sup> global passenger volumes increased worldwide by an expected 5.6 percent between January and December 2007, the passenger volume in Europe was up by 6.1 percent. Airfreight tonnage increased by a moderate 3.0 percent worldwide, 4.1 percent in Europe.

Passenger traffic in Germany exceeded the forecasts with growth of 6.0 percent<sup>9</sup> in the year under review (January to December). Apart from the low-cost segment in European traffic, the growth drivers were the intercontinental flight connections offered at some other German airports in addition to those of the Frankfurt hub. At 5.0 percent<sup>9</sup> airfreight growth at German airports was significantly above the previous year's forecast and again above the global level in the year under review.

<sup>3</sup> Deutsche Bank, February 15, 2008 (+4.6 percent), DekaBank, Deutsche Girozentrale Frankfurt, February 11, 2008 (+5.1 percent)

<sup>4</sup> OECD, December 2007

<sup>5</sup> DekaBank, Deutsche Girozentrale Frankfurt, February 11, 2008

<sup>6</sup> Deutsche Bank, February 15, 2008, DekaBank, Deutsche Girozentrale Frankfurt, February 11, 2008

<sup>7</sup> Federal Statistical Office, February 14, 2008

<sup>8</sup> ACI, January 30, 2008

<sup>9</sup> German Airport Association (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen), December report, February 13, 2008



## Development of the Group airports

Majority owned airports	Share of the airport in %	Passengers <sup>1</sup>		Cargo (air freight and air mail in t)		Movements	
		2007	% change over 2006	2007	% change over 2006	2007	% change over 2006
Frankfurt	100.00	54,161,856	2.6	2,169,025	1.9	492,569	0.6
Lima <sup>2</sup>	100.00	7,507,811	24.3	225,370	14.4	92,878	20.1
Antalya <sup>3</sup>	51.00/34.00	6,488,036	12.7	–	–	40,892	7.6
Frankfurt-Hahn	65.00	4,014,246	8.4	111,689	–0.5	40,980	3.5
Burgas	60.00	1,949,198	7.3	2,052	>100	16,114	11.7
Varna	60.00	1,493,267	–2.6	–	–	14,969	1.7
<b>Group</b>		<b>75,614,414</b>	<b>5.5</b>	<b>2,508,136</b>	<b>2.9</b>	<b>698,402</b>	<b>3.7</b>

<sup>1</sup> Commercial traffic only in + out + Transit

<sup>2</sup> Internal data from Lima

<sup>3</sup> Until September 13, 2007 old concession with 100% share in equity (only Terminal 1); since September 14, 2007 new concession including Domestic terminal with 51% voting rights and 34% share in equity (basis 2006 adjusted)

Minority owned airports and management contracts	Share of the airport in %	Passengers <sup>1</sup>		Movements	
		2007	% change over 2006	2007	% change over 2006
Delhi	10.00	23,346,895	20.5	225,510	17.2
Cairo	0.00	12,577,456	16.7	121,845	14.9
Hanover	30.00	5,644,582	–1.0	88,353	0.6
Saarbrücken <sup>2</sup>	0.00	135,391	–26.4	6,850	–7.9
<b>Total</b>		<b>41,704,324</b>	<b>15.7</b>	<b>442,558</b>	<b>12.4</b>

<sup>1</sup> Commercial traffic only in + out + Transit

<sup>2</sup> Investment sold on June 30, 2007, traffic figures as at this date

### Passengers

In 2007, 75.6 million passengers used the six airports (majority-owned investments) of the Fraport Group, 5.5 percent more than in the same period last year. Our investments abroad were major contributors to this record number. The total number of passengers in the Fraport Group (majority and minority interests) rose by about 8.9 percent in the period under review reaching a record level with 117.3 million passengers.

With its central geographical location, a large catchment area and Lufthansa's use of Frankfurt as the base for its operations, our main location, **Frankfurt**, is very well positioned. It has more direct connections all over the world than any other European hub. However, due to capacity bottlenecks, in 2007 it was unable again to fully participate in the continuing growth dynamic of international passenger traffic. On total, in 2007 some 54.2 million passengers used Frankfurt Airport, which in spite of the capacity bottlenecks is a year-on-year increase of 2.6 percent.

An increasing number of direct flights from other German airports both in the low-cost segment and in the North American market and the ongoing expansion of the Lufthansa hub in Munich were reflected in annual passenger numbers. Capacity bottlenecks were an obstacle to providing demand-oriented flight offerings

which is why this result was significantly below general market growth. Significantly improved aircraft utilization and structural improvements in our flight offers gave a boost to the air traffic development in Frankfurt. Our forecast made at the beginning of the year to achieve passenger growth of "more than 1 percent" was by far exceeded. The very mild winter in the first months had also a positive impact. In May already, we were able to forecast an increase by "between 1 and 2 percent". During the year we made another adjustment forecasting "about 2 percent".

A contributor to growth was the intercontinental air traffic (+3.7 percent), especially the destinations in the Middle and Far East (+11.3 and +3.9 percent). Demand was stimulated by Qatar, the United Arab Emirates, China, Taiwan, Sri Lanka and Vietnam with two-digit growth rates, but also by India (+7.7 percent) and the United States (+4.3 percent).

At a rate of +2.9 percent, European traffic, too, contributed to growth in the result for the year. Besides Northern Europe (+7.4 percent), Eastern and South-eastern Europe in particular gathered momentum (+6 percent each). A booming city tourism supported by the "betterFly" fares of our major customer Lufthansa was the main reason for this trend. Tourist destinations in the Eastern Mediterranean and in Egypt recaptured lost shares in the previous year to the detriment of the Balearic and Canary Islands.

Domestic air traffic declined again (–1.0 percent). Reduced frequencies and the cancellation of the Cologne/Bonn flights as from the winter season in 2007/2008 will have an adverse impact; on the other hand, new slots will be provided for high-quality foreign services. The proportion of passengers taking connecting flights remained almost unchanged at 53 percent in 2007. In 2007 (January until November), Frankfurt was the third-busiest European airport by passenger figures, after London-Heathrow and Paris-Charles de Gaulle. Frankfurt Airport was in 8th position worldwide<sup>10</sup>.

Air traffic figures of our other majority interests were extremely positive in fiscal year 2007 being a major growth driver of our strong passenger growth in the Fraport Group. The number of passengers at our low-cost airport **Frankfurt-Hahn** increased by 8.4 percent in 2007. Thus, the airport hit the four million for the first time. The increase in Ryanair's flight offers could far more than offset the loss of connecting passengers (a minus of some 120,000 passengers). More than forty destinations each day are now flown from Frankfurt-Hahn Airport.

Air traffic development in **Antalya** in 2007 featured a redistribution of traffic to both terminals and the operation of the domestic terminal. Passenger numbers rose in the two terminals we operate by a total of 12.7 percent to approximately 6.5 million. Terminal 1 saw an increase in passengers by 15.8 percent in particular because of a rising demand in tourist travel from Eastern European countries. The domestic terminal, which has been operated by Fraport Group since September 14, 2007 reflected an increase in passenger traffic in the period up to December 31 by 3.1 percent up on the previous year.

A year-on-year increase by about 1.5 million passengers (+24.3 percent) was recorded in **Lima** in 2007. Responsible for this surge were in particular domestic connecting flights and transfer passengers from the South American market. The increase in the seat load factor by a good 2 percentage points to 74 percent in international traffic contributed to the overall positive result. Due to the increase in flights offered by the three dominant domestic carriers LAN Peru, Aerocondor and Star Up domestic air traffic surged by 27.4 percent in the year under review.

Passenger numbers in **Burgas** only just missed the 2-million mark. The increase by 7.3 percent is mainly attributable to the rising number of tourists from Ireland, the Czech Republic and Scandinavia. As regards **Varna**, we counted just under 1.5 million passengers in the previous year. The rise in the number of Eastern European passengers could not entirely offset the loss of tourists from Germany and the Western European countries. The passenger volume dropped by –2.6 percent.

## Cargo

The ongoing expansion of the world economy favored cargo throughput (airfreight and airmail) at the Group airports.

The growth of the cargo throughput at **Frankfurt Airport** (airfreight and airmail) by a total of 1.9 percent to 2,169 thousand metric tons was weaker than expected. Airfreight tonnage handled was up 2.1 percent to approximately 2,075 thousand metric tons, thus underperforming the growth rates in global air traffic<sup>11</sup> for the first time after the previous three years of above-average growth. Nonetheless, we remained the number one among the European airports in the cargo business. More airfreight was carried in particular from and to North America (+5 percent) – with a share of 22 percent being the second largest market in Frankfurt – and Latin America (+6 percent); the volume accounted for by Asia remained at 55 percent. Volumes accounted for by Europe stagnated, with the Eastern European destinations again reaching disproportionate growth rates (+24 percent) which are mainly accounted for, however, by a change in flight routes to final destinations in the Far East via Eastern Europe (stopovers).

Airmail tonnage flown dropped by 1.8 percent. Shifts in airmail traffic from and to the US and the Middle East brought foreign airmail to slip by –3 percent. The overnight mail volumes (a share of only 11 percent) which slightly increased for the first time since the abandonment of the overnight German airmail network, mitigated this decline.

In **Frankfurt-Hahn**, the start of cargo flights by Etihad and Emirates Sky Cargo and the increase in flights by EgyptAir Cargo from seven to 15 flights per week, just about offset the loss of flights chartered for humanitarian aid supplies as against the previous year. Hence, cargo volumes handled slightly dropped by –0.5 percent in the previous year.

A new annual record was reached in **Lima** with a cargo throughput of 225,370 metric tons. Thus, the growth rate of 14.4 percent outperformed the market growth in Latin America (about 6 percent).

## Aircraft movements

The number of aircraft movements in the Group rose in a healthy proportion to air traffic demand in 2007. While scheduled flights grew disproportionately in **Frankfurt** (with intercontinental destinations in particular rising by +3.3 percent), and at **Frankfurt-Hahn Airport** with non-commercial traffic being on the decline, **Lima** and **Burgas** registered strong increases for General Aviation and other flights. With an increase by about 20 percent Lima recorded outstanding growth of its aircraft movements. With an increase by 7.6 percent, **Antalya**, too, registered a considerable plus year on year. In **Varna**, air traffic movements largely remained on their previous year's level.

<sup>10</sup> ACI, cumulated between January and November 2007, February 15, 2008

<sup>11</sup> Global air traffic (provisional for 2007) +3.0 percent, Europe +4.1 percent, ACI, January 30, 2008

## Revenue and earnings development

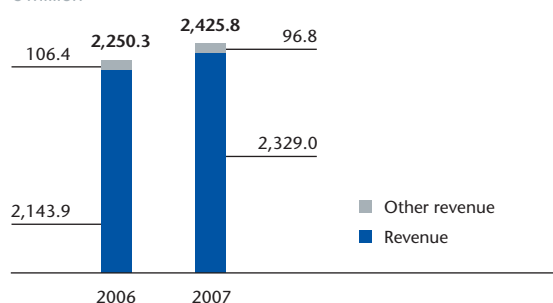
**Revenue** of the Fraport Group in fiscal year 2007 increased by 8.6 percent to €2,329.0 million. With a revenue growth by €78.6 million the Frankfurt site was a major contributor to this increase. This surge was largely the result of revenue generated in connection with the finance lease over €57.6 million signed with the Airrail Center, which was balanced by costs in the same amount. Adjusted for this special effect not affecting profit or loss, revenue noticeably increased nonetheless by 5.9 percent Group-wide. The location generated higher revenue in particular from additional income in the retail and parking business. In addition, the fact that we won back Lufthansa as an energy customer, had a positive impact on the revenue development. In spite of the reduction of airport fees effective July 1, 2007, revenue from airport fees was kept stable owing to the increase in air traffic at Frankfurt Airport. As regards our external business, our subsidiary Fraport Twin Star, which was fully consolidated for the first time over the entire fiscal year (€+40.7 million) and our investment in Lima, fully consolidated since August, (€+39.6 million) contributed to the increase in revenue. In addition, our security subsidiary ICTS developed favorably again in the fiscal year 2007 (revenue €+29.9 million).

Other income dropped by 9.0 percent to €96.8 million from the previous year. This decline is due to the provisions released (€10.0 million) in respect of the Lufthansa Ground Handling contract in 2006 and due to the missing proceeds from the sale of our 50-percent subsidiary TCR amounting to €9.5 million as well as the compensation of €6.1 million received for the terminal project in Manila. Generating €13.6 million, the release of a provision in relation to the expiry of our concession to operate Antalya, had the opposite effect.

**Total revenue** amounted to €2,425.8 million; this is an increase year on year by 7.8 percent. Adjusted for the revenue from the Airrail Center finance lease, total revenue amounts to €2,368.2 million, which is still an increase of 5.2 percent compared with 2006.

### Revenue and total revenue

€ million



Operating expenses were up 10.4 percent to €1,845.3 million in the period under review. The one-off effect of the Airrail Center finance lease (€57.6 million) was recognized in this item in the same amount as in revenue. Adjusted for this effect, operating expenses were up by 6.9 percent.

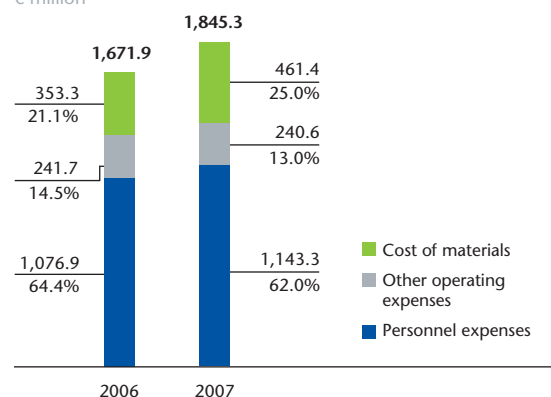
**Personnel expenses** rose by 6.2 percent to €1,143.3 million. The increase is mainly accounted for by our subsidiaries, by the ongoing business expansion of ICTS on the one hand and the fact that Fraport Twin Star was for the first time fully consolidated over the entire year on the other hand. Also, personnel expenses rose significantly because provisions were recognized for partial retirement obligations.

**Non-staff costs** rose year on year by 18.0 percent to €702.0 million. This considerable increase was primarily accounted for by significantly higher costs of material which rose from €353.3 million in 2006 to €461.4 million in 2007. After adjustment for the special Airrail-Center-related effect recognized in equity, non-staff costs still rose to €403.8 million. The major reason for this was in particular the concessions to be paid for the first time for the operation of our investments in Bulgaria and Lima as well as higher energy costs which were mainly attributable to the fact that we won back Lufthansa as an energy customer. At €240.6 million, other operating expenses remained largely on the previous year's level (€241.7 million). Although the costs for our investing activities at the Frankfurt site and the costs for our Indian branch increased significantly, less expenditure for advisory costs and fewer provisions for security-related and environmental risks, reduced expense.

At 50.3 percent, the personnel expenses as a percentage of revenue<sup>12</sup> were largely at the previous year's level (50.2 percent), non-staff costs amounted to 28.4 percent, 0.6 percentage points up on the previous year.

### Operating expenses

€ million



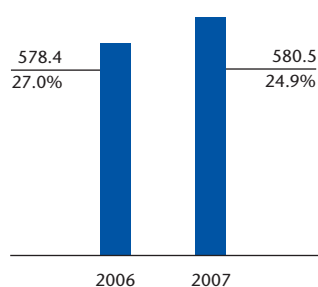
<sup>12</sup> Adjusted by the Airrail Center one-off effect of €57.6 million in revenue and non-staff costs without EBITDA or net profit effect



In spite of the previous year's special effects, **Group EBITDA** rose slightly by 0.4 percent to €580.5 million. At 24.9 percent, the EBITDA margin was down by 2.1 percentage points on the previous year; it stood at 25.6 percent after adjustment for the Airrail-Center effect.

#### EBITDA and EBITDA margin

€ million



Amounting to €245.1 million, **depreciation and amortization** were down 1.2 percent as against the previous year. The Group EBIT therefore amounted to €335.4 million, up 1.5 percent on the previous year.

The **financial result** deteriorated considerably from €9.8 million in the previous year to €-37.8 million in the period under review. This deterioration is mainly the result of the decline in the other financial result, mainly accounted for by the previous year's compensation of €18.0 million received for the terminal project in Manila. In addition, interest expenses increased in the period under review among other items due to more financing required for our airports in Antalya and Lima, as well as interest cost compounded on our non-current liabilities, in particular for our concession payable to operate Antalya and the liabilities in connection with the framework agreement signed with Celanese AG/Ticono GmbH.

The **tax rate** dropped from 32.7 percent in 2006 to 28.2 percent in 2007. The major reason for this reduction was the adjustment of our deferred taxes by €25.4 million due to the implementation of the corporate tax reform announced in August 2007. In this process, we adjusted the previous tax rate for computing deferred taxes from 40.0 percent to 31.0 percent.

**Group profit** dropped by 6.6 percent to €213.7 million because of the bad financial result, basic earnings per share amounted to €2.28 accordingly.

We will propose to the 2008 Annual General Meeting that a dividend of approximately €105.3 million be distributed. The dividend per share would therefore be on the previous year's level at €1.15.

#### Revenue and earnings

€ million	2006	2007	Change	Change in %
Revenue	2,143.9	2,329.0	185.1	8.6
EBITDA	578.4	580.5	2.1	0.4
EBIT	330.4	335.4	5.0	1.5
EBT	340.2	297.6	-42.6	-12.5
Group profit	228.9	213.7	-15.2	-6.6
Profit attributable to shareholders of Fraport AG	229.3	208.7	-20.6	-9.0

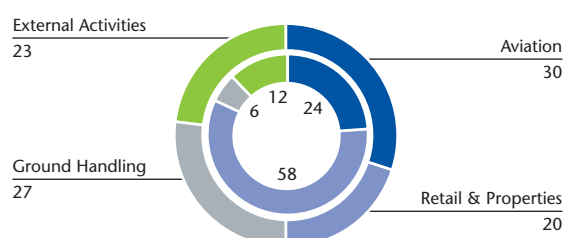
#### Segment reporting

Since in view of the worldwide political development the security tasks at Frankfurt Airport become more and more important, the focus is to be placed on the development of security concepts and of air and passenger safety. Therefore, the security segment of Fraport AG was restructured to become an independent strategic business unit, the Airport Security Management (ASM). The business of the ICTS subsidiary FIS GmbH at the locations in Frankfurt and Frankfurt Hahn was separated into a direct subsidiary of Fraport AG, Fraport Security Services GmbH (FraSec), and directly allocated to the newly created segment. Due to this reclassification, the security business in Frankfurt and Frankfurt Hahn so far allocated to the External Activities segment is now recognized under Aviation. The figures of the previous year were adjusted for comparison purposes.

With a revenue portion of 30.0 percent, the Aviation segment accounted for the largest share in Group revenue. With a share of 23.1 percent, the segment External Activities recorded a solid increase by 3.1 percentage points. Ground Handling and Retail & Properties accounted for the remaining 26.7 percent and 20.2 percent respectively. These values remained largely unchanged in comparison with those from the previous year.

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

in %



**Aviation**

€ million	2006	2007	Change	Change in %
Revenue	702.8	698.7	-4.1	-0.6
EBITDA	158.8	139.6	-19.2	-12.1
EBIT	76.0	44.8	-31.2	-41.1
Employees	6,238	6,331	93	1.5

**Aviation**

In the fiscal year 2007, revenue in the Aviation segment dropped year on year slightly by 0.6 percent from €702.8 million to €698.7 million. This decline is mainly attributable to a reduction in revenue from security services due to lower transfer prices. Revenue from airport fees was slightly up 0.8 percent although they had been reduced by 1.5 percent as of July 1, 2007. Air traffic growth in Frankfurt is the reason for this development. Other income dropped by €9.3 million mainly on the basis of the previous year's special effects brought about by the release of provisions. Total revenue thus fell by €9.7 million or 1.2 percent.

Operating expenses were up from €624.9 million to €634.4 million. The major reason for this increase was the recognition of provisions for partial retirement obligations and the increase in the expense portions for our investing activities. Non-staff costs remained virtually unchanged at €99.4 million.

The effects mentioned were the crucial factor reducing segment EBITDA year on year by €19.2 million to €139.6 million. Depreciation and amortization were up €12.0 million. The expiry of some of the assets' useful lives had a mitigating effect; yet, the impairment of goodwill at FraSec GmbH as well as non-current assets acquired as part of our investing activities raised depreciation and amortization in the period under review. EBIT dropped from €76.0 million to €44.8 million.

**Retail & Properties**

€ million	2006	2007	Change	Change in %
Revenue	385.1	471.4	86.3	22.4
EBITDA	314.6	333.0	18.4	5.8
EBIT	219.6	244.6	25.0	11.4
Employees	2,860	2,914	54	1.9

**Retail & Properties**

Segment revenue totaled €471.4 million, up 22.4 percent on the previous year. This surge was largely the result of the Airrail Center finance lease which was balanced by costs in the same amount. Adjusted for this special effect recognized in equity, segment revenue was up 7.5 percent to €413.8 million.

Retail revenue increased mainly due to new openings and new contracts signed as well as by well-targeted sales promotion campaigns. In the period under review, retail revenue per passenger rose in comparison with the previous year from €2.56 to €2.69. Real Estate revenue, along with the amounts from the Airrail Center finance lease, rose because we won back Lufthansa as an energy customer. Revenue from parking developed positively as well due to an increase in passenger numbers. The reduction in rental revenue due to the demolition of buildings adversely affected revenue.

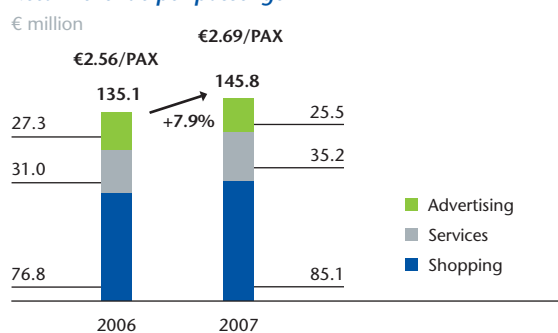
The increase in other income also contributed vastly to the increase in total operating revenue. The repayment of a loan acquired under par in connection with the Airrail Center investment as well as the release of provisions for refund claims which became statute-barred, were determining factors for this increase. Total revenue of the segment thus rose from €797.6 million to €897.2 million; adjusted for the income from the Airrail Center finance lease, the increase was still €42.0 million to €839.6 million.

The one-off effects from the recognition of the Airrail Center finance lease (€57.6 million) were reflected in operating expenses in the same amount as in revenue. Without this effect, operating expenses were up 4.9 percent rising from €483.0 million to €506.6 million. Cost of materials increased primarily due to higher energy costs incurred in connection with winning back Lufthansa as an energy customer. Personnel expenses rose significantly for the recognition of provisions for partial retirement obligations. This increase was offset by a slump in other operating expenses especially from recognizing fewer provisions than in the previous year. Because of the positive development, in particular in the Retail business and the extraordinary effects mentioned, segment EBITDA rose from €314.6 million to €333.0 million in the period under review. Compared with the previous year's

**Ground Handling**

€ million	2006	2007	Change	Change in %
Revenue	624.1	620.5	-3.6	-0.6
EBITDA	63.0	37.4	-25.6	-40.6
EBIT	34.6	12.6	-22.0	-63.6
Employees	7,865	8,062	197	2.5

level this corresponds to an increase of 5.8 percent. The expiry of some of the assets' useful lives reduced the depreciation and amortization expense, dropping from €95.0 million to €88.4 million. Hence, the EBIT was up by 11.4 percent to €244.6 million.

**Retail revenue per passenger****Ground Handling**

Revenue from the Ground Handling segment totaled €620.5 million, slightly down from the previous year's level. Here, there was an impact from contrary effects. On the one hand, increased traffic resulted in revenue growth. On the other hand, the unusually high demand for de-icing services in the first quarter of the previous year and the mild winter this year resulted in revenue declines. The loss of a key account in the cargo sector resulted in a year-on-year decline in revenue as well.

Other income fell in particular due to the previous year's release of the provisions set up for the Lufthansa Ground Handling contract in the amount of €10.0 million. Total revenue was by €16.6 million or 2.5 percent below the previous year's amount.

Operating expenses were up from €602.6 million to €611.6 million. Whereas non-staff costs remained largely unchanged, personnel expenses rose in particular due to the provisions for partial retirement obligations. The effects mentioned brought the EBITDA to drop significantly from €63.0 million to €37.4 million. The depreciation and amortization expense dropped by €3.6 million, reducing the EBIT to a lesser extent than the EBITDA from €34.6 million to €12.6 million.

**External Activities**

€ million	2006	2007	Change	Change in %
Revenue	431.9	538.4	106.5	24.7
EBITDA	42.0	70.5	28.5	67.9
EBIT	0.2	33.4	33.2	>100
Employees	11,283	13,130	1,847	16.4

**External Activities**

Revenue in the segment External Activities was up 24.7 percent to €538.4 million in the period under review. This surge is mainly accounted for by the fact that our Bulgarian subsidiary Fraport Twin Star was for the first time consolidated over the full year; it is further attributable to the full consolidation of the investment in Lima since August 2007 and the rising revenue of our security subsidiary ICTS Europe.

Other revenue rose year on year in spite of a loss of income from the sale of our subsidiary TCR. The major reason for this increase was income from consulting and management services rendered in India and Cairo. In spite of the previous year's large positive one-off effects from the sale of TCR and a compensation received for the terminal project in Manila, other income rose because a provision was released in connection with the expired concession in Antalya. Hence, total revenue was up 22.2 percent from €485.9 million to €593.7 million in the period under review.

The year-on-year increase in personnel expenses was mainly the result of the business expansion of ICTS and the all-year full consolidation of Fraport Twin Star. Non-staff costs also rose considerably due to the first-time full consolidation over the entire year of our investment in Bulgaria, the full consolidation of our investment in Lima and higher expenses in relation to our Indian branch. Operating expenses therefore grew from €443.9 million to €523.2 million.

In spite of the previous year's special effects, the EBITDA was up by €28.5 million to €70.5 million due to the favorable trend and the one-off effect from the expired concession in Antalya. Depreciation and amortization expense declined mainly because of the previous year's special effect – goodwill impairment of our previous concession in Antalya – by €4.7 million to €37.1 million. At €33.4 million the EBIT recorded an increase of €33.2 million.

The segment's results do not include the results from associated companies and the results of investments accounted for using the equity method.



## Investments

The business figures for the key associated companies outside the Frankfurt site before consolidation are shown below.

The wholly-owned security subsidiary **ICTS** raised its revenue in the period under review by expanding its business primarily in the UK, France and Greece by 9.6 percent from €292.2 million to €320.2 million. At €10.9 million, the EBITDA adjusted for the revenue from the sale of FraSec to Fraport AG was up 22.5 percent on the previous year's level due to expenses rising to a slightly less extent. The adjusted EBIT was at €8.3 million, significantly up on the previous year's amount of €4.0 million.

In **Antalya**, total revenue of the two companies presented as consolidated (since September 14, 34 percent consolidation of the new company) rose year on year from €54.6 million to €64.8 million. An increase in charges to the Turkish airport authority (DHMI) due to the larger passenger volume and a special payment made to DHMI was part of a warranty obligation led to disproportionately high expenses in the former operating company. The new operating company also recorded an increase in other operating expenses resulting from start-up costs for the new concession. Overall, these effects resulted in a decline in EBITDA from €26.9 million to €26.1 million. Combined EBIT dropped from €11.9 million to €1.7 million in particular due to the annual amortization of the recognized concession payments to DHMI in the new operating company.

In contrast to the favorable passenger trends in **Frankfurt-Hahn**, revenue was down in the fiscal year 2007 by €2.2 million to €41.3 million. The reasons for this development are found in reduced income from the de-icing business because of the mild winter and a slightly declining cargo business from the loss of military flights. The EBITDA is slightly above the previous

year's level at €0.6 million (previous year: €0.4 million) mostly because cost of materials declined in connection with fewer de-icing services rendered. Given the continuously high depreciation charges for land and buildings and operating equipment, EBIT remains negative at €–10.0 million although it is slightly higher than in the previous year (€–11.2 million).

The airport **Hanover-Langenhagen** which is accounted for using the equity method records positive revenue figures although passenger numbers dropped slightly. Revenue rose from €136.3 million to €140.2 million in the period under review which is mainly attributable to the implementation of a noise surcharge. As there were no income-raising special effects especially from the release of provisions in the previous year and higher personnel expenses due to changes in collective agreements, EBITDA fell by 9.9 percent from the previous year. The airport's EBIT reflects the above-stated reduction in revenue and expense.

In its first full year of operation, our investment in Bulgaria **Fraport Twin Star Airport Management AD** recognizes revenue of €41.3 million, an EBITDA of €12.9 million and an EBIT of €10.1 million. As the investment was for the first time consolidated over the entire year, a comparison with previous years' figures is not possible.

Due to the increase in air traffic, revenue of our investment in **Lima** fully consolidated since August 2007, jumped year on year from €79.6 million to €88.5 million. Expenses rising to a lesser degree brought the EBITDA to rise by €4.5 million to €23.2 million as against the previous year. Although the depreciation and amortization expense was slightly up due to increased investing activities, the EBIT stood at €16.3 million, which is an increase by €4.1 million.

The business figures for the key investments are shown below. The values disclosed have been computed in compliance with IFRSs and are based on the single-entity financial statements.

€ million	Revenue			EBITDA			EBIT		
	2006	2007	Change in %	2006	2007	Change in %	2006	2007	Change in %
ICTS*	292.2	320.2	9.6	8.9	10.9	22.5	4.0	8.3	>100
Antalya**	54.6	64.8	18.7	26.9	26.1	–3.0	11.9	1.7	–85.7
Frankfurt-Hahn	43.5	41.3	–5.1	0.4	0.6	50.0	–11.2	–10.0	–10.7
Twin Star	0.6	41.3	–	–4.6	12.9	–	–4.7	10.1	–
Hanover	136.3	140.2	2.9	42.5	38.3	–9.9	21.5	15.9	–26.1
Lima	79.6	88.5	11.2	18.7	23.2	24.1	12.2	16.3	33.6

\* 2006 figures adjusted for the respective shares of FraSec, 2007 figures net of income from FraSec sale

\*\* Up to and including September 13, 2007 old concession with equity share of 100 percent (Terminal 1 only); since September 14, 2007 new concession including domestic terminal with a voting right of 51 percent and an equity share of 34 percent

## Asset and financial situation

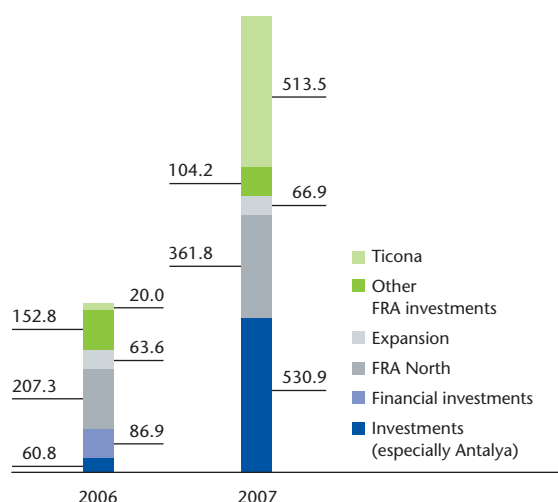
### Capital expenditure

In 2007, the Fraport Group invested a total of €1,577.3 million or €985.9 million more than in the previous year. € 513.5 million of this significant increase result from non-cash investments recognized on a discounted basis in the context of signing the framework agreement with Celanese AG/Ticona GmbH. We further spent more capital for the infrastructure north of the airport within the scope of the FRA North project. Most of this investment (€ 291.6 million) was accounted for by the modernization and gradual expansion of the existing terminals. The amount of capital expenditure includes also the upgrading of fire protection facilities in the terminals and the refurbishment made to prepare for the Airbus A380. In addition, capital expenditure was incurred for refurbishing the Southern runway.

The other capital expenditure rose year on year due to the continued implementation of EU security directives and the modernization of ground service equipment. € 66.9 million were invested in the planned expansion of Frankfurt Airport – less the amounts spent in connection with the framework agreement signed with Celanese AG/Ticona GmbH. The amount was used inter alia for the dismantling of the former US Airbase in the South of Frankfurt Airport and other demolition measures. There were no investments in financial assets in the period under review.

### Capital expenditure

€ million



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

The significant increase in capital expenditure incurred by our investments is mainly accounted for by the concession recognized on a discounted basis to operate the terminals at Antalya Airport in the amount of € 448.5 million<sup>13</sup>.

Capital expenditures for financial assets have not been realized in the period under review.

### Balance sheet structure

**Total assets and liabilities** rose by 32.8 percent to €5,704.7 million from the previous year.

**Non-current assets** were up 36.3 percent from €3,379.2 million to €4,604.8 million. This noticeable increase mainly resulted from recognizing the discounted fair value of the payment obligations of €513.5 million arising under the framework agreement with Celanese AG/Ticona GmbH in property, plant and equipment as well as from the investments made for the airport expansion and from modernizing the existing terminals as part of the FRA North project. The increase in investments in airport operators' projects is mainly accounted for by the proportionate recognition of the concession to operate the terminal in Antalya (€444.5 million) and the first-time full consolidation of Lima Airport in the amount of €119.7 million.

Investment property dropped significantly compared with the balance sheet date. The reason for this decline was the disposal of assets in connection with the Airrail Center finance lease. Given the full consolidation of Lima Airport effective August 1, 2007, it was no longer accounted for using the equity method. In addition, part of non-current financial assets were transferred to current financial assets.

**Current assets** therefore rose by 20.2 percent to €1,099.9 million. Moreover, the account "non-current assets held for sale" reflected the potential sale of our security subsidiary ICTS, which was also recognized on the liabilities' side.

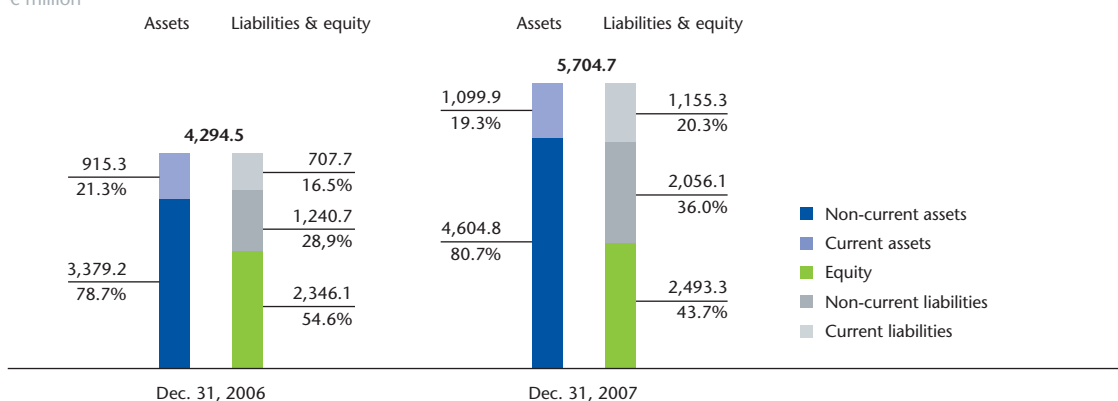
Due to the profit for the year, **equity** was up by €147.2 million to €2,493.3 million. The **equity-to-assets ratio** dropped from 51.7 percent to 41.3 percent.

The **non-current and current liabilities** increased by €1,263.0 million to €3,211.4 million. This increase is mainly attributable to the recognition of the discounted fair value of the payment obligations to Celanese AG/Ticona GmbH on the liabilities side, additional liabilities under the new concession agreement in Antalya and

<sup>13</sup> Under the new concession agreement Fraport holds 51 percent of the voting rights and 34 percent of the equity interest in the terminals operated in Antalya

### Balance sheet structure

€ million



the first-time full consolidation of the investment in Lima. In addition, the liabilities to banks to finance our investing activities at the Frankfurt site increased.

The difference between financial liabilities and cash and cash equivalents, **net financial liabilities**, totaled €547.1 million as of December 31, 2007. It had amounted to €211.5 million in the same period last year. As a result of the well-nigh constant amount of cash and cash equivalents, **gearing** was up 13.7 percentage points on the previous year rising to 23.2 percent.

Contingent liabilities do currently not reflect any major impact on future net assets.

### Cash flow statement

In fiscal year 2007, the **cash flow from operating activities** totaled €478.6 million, the amount in 2006 was slightly higher at €484.9 million. Net cash from operational activities was at €624.1 million thus being €17.5 million below the previous year's amount. This decline mainly resulted from the lower profit for 2007, fewer income tax payments and the adjustment of deferred taxes in connection with implementing the corporate tax reform announced in August. The significant change in receivables and financial assets is mainly accounted for by the first-time recognition of the corporation tax credit in 2006 and the transfer

of part of the non-current financial assets to current financial assets in 2007.

The **cash flow** of €640.5 million **used in investing activities** was clearly above the previous year's amount of €499.4 million. The major reasons for this increase were the large amounts of cash paid for property, plant and equipment to modernize and expand the existing terminals and to expand Frankfurt Airport, as well as cash paid to acquire intangible assets, in particular the advance paid for the new concession to operate the terminal at Antalya Airport. Contrary to the year before no other financial investments were carried out in 2007 within the scope of asset management. Our cash receipts from the sale of non-current assets increased by € 83.7 million on the previous year not least due to the rental income prepaid in the first quarter in relation to the Airrail Center finance lease.

The **free cash flow** available to the Company was at €-248.6 million given the surge in investing activities; it had been positive in the previous year at €33.8 million.

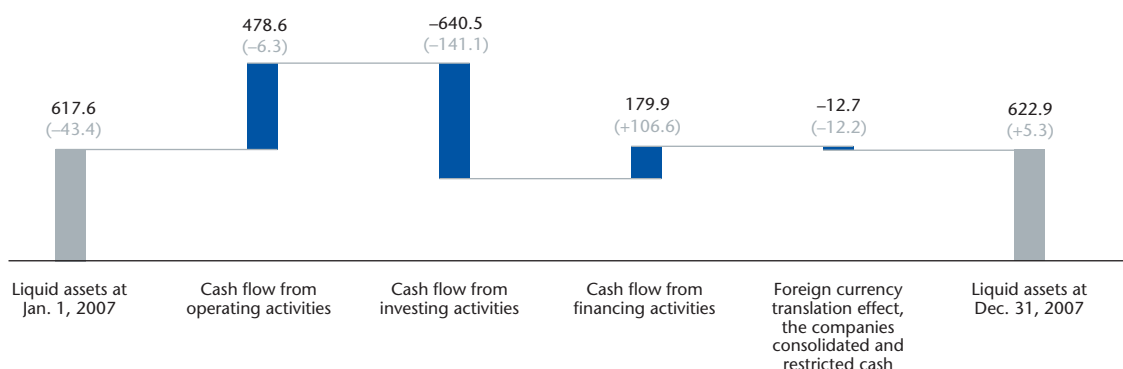
The **cash flow from financing activities** in the amount of €179.9 million mainly resulted from new borrowing from banks to finance our investing activities at the Frankfurt site.

**Cash and cash equivalents** therefore increased by €5.3 million to €622.9 million in the period from January 1 to December 31, 2007.



### Change in cash and cash equivalents

€ million (annual change)



### Finance management

The finance management of Fraport AG is centrally organized and comprises the Corporate Finance/Treasury functions, finance controlling and financial settlement.

The Fraport finance management operates in the competing target system of liquidity, risk minimization, profitability and flexibility. The **securing of liquidity** has top priority in finance management with the aim to match the terms and adjust them to the Company's planning and project horizon. Along with internal cash flows and the funds remaining from the IPO, liquidity is currently ensured by a variety of independent credit lines extended by several banks in sufficient amounts. Based on an asset management concept approved, the liquid funds mentioned have been prudently invested and will be successively used to finance the airport expansion. Liquidity is further secured by the control of the centralized liquidity management and optimized by a cash pooling arrangement.

A second priority is the limitation of finance risk exposure. Among other things, these risks arise from interest rate and currency fluctuations. As regards **profitability**, we aim to optimize performance and to minimize interest expense including transaction costs. The processes implemented to achieve these goals thereby reflect the principles of finance management such as dual control, segregation of functions between front and back office functions and transparency. Since we do not aim to make profits from speculative transactions, for instance, or hold open risk positions, finance management is to be considered as a service function for our core business service centers.

To ensure a **flexible** finance management we are currently using bilateral credit lines which are classified in the notes to the consolidated financial statements. The investments made so far were financed with these loans and by the Company's cash flows. Since the foreseeable airport capacity expansion will require additional borrowing, we will expand the range of funding sources to finance this project. Based on a strong equity basis and depending on the general climate in the capital markets, we will fund our planned investments by using additional debt instruments such as syndicated loans, bonds or US private placements. Within the scope of investment financing we will be guided by the debt targets communicated in the capital market. We will use interest rate derivatives to hedge the interest rate risk from future financing requirements.

Fraport is currently not assessed by a rating agency, as Fraport has not yet been engaged in borrowing activities that would have required an external rating. Given the capital expenditures planned, an external rating might be conducive to the financing process. We are therefore currently considering and assessing whether a rating could generate net benefits for Fraport.

## The Fraport Share and Investor Relations

With a closing price of €53.87 the Fraport share largely kept the level it had at the beginning of the year at €54.02. Therefore, the Fraport share did not close as strongly as the MDAX, which rose by 4.9 percent. The DAX increased by 22.3 percent in the period under review.

The share's performance was mainly determined by the response to the publication of the figures for the fiscal year 2006 at the beginning of March and the report about a slight reduction of airport fees as of July 1, 2007, which had a cushioning effect on the share's performance in the first six months. The cautious outlook for the fiscal year 2007 – caused by delays in the acquisition of additional shares in Lima and continuous capacity limitations at the main location in Frankfurt as the major driving forces of Group EBITDA – also contributed to the share's negative performance.

The share price recovered significantly especially after we had communicated the Fraport strategy to bridge the period until the operation of the new landing runway on the occasion of the Investor Day in September and after the nine-month financial figures had been

published. A brighter outlook for the Group EBITDA due to positive air traffic forecasts and the successful completion of the acquisitions in Lima and Antalya had the Fraport share close firmer in the last quarter than the two comparative indices. While the Fraport share was up 10.8 percent in the last quarter thus reaching a favorable year-end closing price, the DAX rose by a mere 2.6 percent, the MDAX even dropped by 4.5 percent during this period.

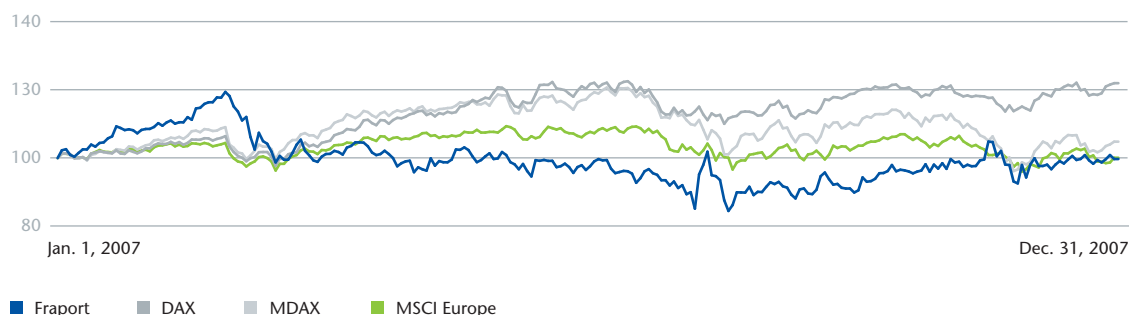
During the period under review, 262,132 shares were traded on average each trading day in the Xetra Trading System of the Frankfurt Stock Exchange – the major trading place of our share. This is a 25.3 percent increase on 2006.

In 2007, too, our share was listed on the two leading DJSI STOXX and FTSE4Good sustainability indices. With this renewed listing, the Fraport share has for the first time been included in the DJSI World index. These indices only list companies that show exemplary corporate sustainability performance in terms of economy, ecology as well as social and cultural commitment.

Market capitalization at the end of the year amounted to €4,932.4 million with a closing price of €53.87 per share.

### Fraport Share price development

Index = 100



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

### Key figures about the Fraport share

ISIN	DE 000 577 330 3		
Security identification number (WKN)	577330		
Reuters ticker code	FRAG.DE		
Bloomberg ticker code	FRA GR		
		2006	2007
Fraport capital stock (acc. to IFRS)	€ million	913.7	914.6
Total number of shares on Dec. 31	number	91,478,347	91,561,272
Number of floating shares <sup>1</sup> on Dec. 31	number	91,368,619	91,456,593
Number of floating shares (weighted average of period under review)	number	91,228,810	91,422,116
Absolute share of capital stock	per share, €	10.00	10.00
Year-end price	€	54.02	53.87
Highest price <sup>2</sup>	€	66.77	64.65
Lowest price <sup>3</sup>	€	44.90	45.53
Annual performance	%	22.3	1.9
Beta relative to the MDAX		0.85	0.65
Market capitalization	€ million	4,936	4,932
Average trading volume per day	number	209,183	262,132
Earnings per share (basic)	€	2.48	2.26
Earnings per share (diluted)	€	2.51	2.28
Price-earnings-ratio <sup>4</sup>		21.5	23.6
Dividend per share <sup>5</sup>	€	1.15	1.15
Total dividend payment	€ million	105.2	105.3
Dividend yield on December 31	%	2.1	2.1

<sup>1</sup> Total number of shares on the balance sheet date, minus treasury shares

<sup>2</sup> Closing price on February 27, 2006 and February 26, 2007

<sup>3</sup> Closing price on January 2, 2006 and August 17, 2007

<sup>4</sup> Relating to the year-end price

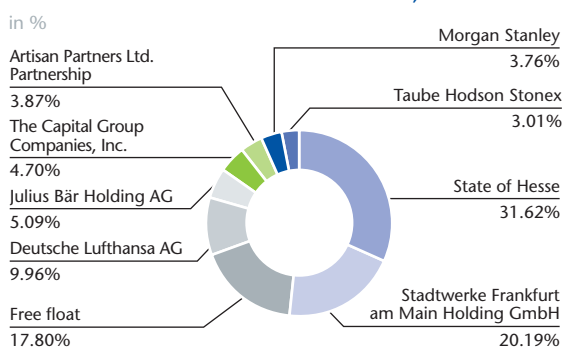
<sup>5</sup> Proposed dividend (2007)

### Shareholder structure

By letter of March 21, 2007 the Federal Republic of Germany informed us that it had sold its remaining interest of 6.6 percent in Fraport and thus ceased to be shareholder of Fraport AG. At the end of October 2005 the Federal Republic of Germany still held 18.2 percent of the shares. These were placed with financial investors in two tranches. 11.6 percent were sold directly. The second tranche was a combination of call options and an exchangeable bond with a term of 17 months.

The shareholder structure as of the balance sheet date is as follows:

### Shareholder structure as at December 31, 2007\*

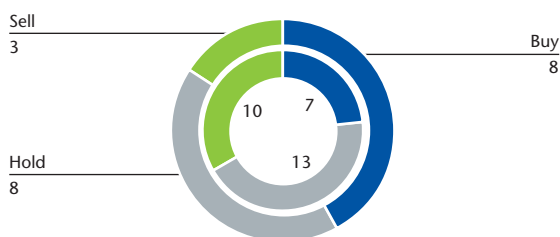


\* The relative ownership interest of the individual shareholders was adjusted to the current total number of shares as of December 31, 2007, and therefore may differ from the figures given at the time of reporting an excess/shortfall of the threshold or from the respective shareholders' own disclosures.



### Analyst's recommendations

as at Dec. 31, 2006 (inside) and as at Dec. 31, 2007 (outside)



Source: Bloomberg, January 2, 2007 (inside),  
Bloomberg, January 2, 2008 (outside)

### Dividend policy

The Supervisory Board and Executive Board of Fraport AG will be proposing the Annual General Meeting that a resolution be passed to pay a dividend of €1.15 per share which is the same amount as in the previous year. The dividend payout ratio would then be 73.2 percent of the Fraport AG profit for the year of €143.8 million (HGB) and 50.5 percent of the Group profit for the year of €208.7 million attributable to the shareholders of Fraport AG. The comparative figures for the previous year were 42.4 percent and 45.9 percent respectively.

### Investor Relations

The Fraport Investor Relations team supports our corporate strategy of sustainably increasing our value through comprehensive, frank and timely communication with all participants in the capital market.

We participated far more often in roadshows and conferences in 2007 than before. Within the course of 23 roadshows and eleven conferences we conducted 339 one-on-one talks informing investors about the current business situation and future prospects of our Company. 42 other one-on-one talks were held in the premises of Fraport AG. Private investors, account managers and asset managers had the additional opportunity to inform themselves on current trends at Fraport AG in the course of lectures, guided tours and conferences and to ask questions. Along with four other conference calls on the occasion of our publishing the business results, the Annual General Meeting and the Fraport Investor Day, our private investors, analysts and institutional investors were able to find comprehensive up-to-date information around their company and all contacts on the Internet.

We will continue and further intensify our open communication policy with our shareholders and all those interested in the company in 2008.

### Employee investment plan

Since the IPO in 2001, Fraport employees have been entitled to subscribe for Fraport shares each year as part of an employee investment plan. Fraport AG buys

back the shares for this program, making partial use of the authorized capital after a capital increase in return for cash contributions, and then passes them on to its employees.

In the period under review, 6,594 employees chose one of the offered share models and subscribed for 78,325 new shares. The issue price for the shares, which was calculated from the average Xetra closing price in the period from April 5 to April 20, 2007, minus an allowance of €1.00, amounted to €54.59 this year. At around 52 percent, the level of participation among employees was the highest since the introduction of the program. This means that Fraport employees have purchased a total of 999,050 shares since the employee program began.

Apart from Fraport AG, eleven subsidiaries participated in the employee investment plan and offered their employees Fraport shares at a preferential price.

### Notes pursuant to section 289 (4), section 315 (4) HGB

The Company's capital stock amounting to €915,612,720.00<sup>14</sup> consists of 91,561,272 no par value bearer shares. There are no different share classes.

The total voting rights held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with section 22 (2) of German Securities Trading Act (WpHG) amount to 51.81 percent. They are attributed as follows: State of Hesse 31.62 percent and the Stadtwerke Frankfurt am Main Holding GmbH 20.19 percent.

The voting rights in Fraport AG owned by the City of Frankfurt am Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary.

The voting rights adjusted to the current total number of shares by the reporting date are to be allocated to the shareholders as follows: Deutsche Lufthansa AG 9.96 percent, Julius Bär Holding AG 5.09 percent, The Capital Group Companies, Inc. 4.70 percent, Artisan Partners Ltd. Partnership 3.87 percent, Morgan Stanley 3.76 percent, and Taube Hodson Stonex Partners 3.01 percent.

The appointment and dismissal of the Executive Board members is made in compliance with the relevant provisions of the German Stock Corporation Act (sections 84, 85 AktG). Amendments to the Statutes are made in compliance with section 179 AktG.

Pursuant to section 179 (1) sentence 2 AktG in conjunction with section 11 (3) of our Company Statutes the Supervisory Board is entitled to amend the Stat-

<sup>14</sup> As of December 31, 2007

utes only insofar as the wording is concerned. Other amendments to the Statutes require the resolution of the Annual General Meeting passed according to section 18 (1) of the Statutes by a simple majority of votes cast and the share capital represented upon resolution. If, by way of exception, law requires a higher capital majority [e.g. when changing the statutory object of a company, (section 179 (2) sentence 2 AktG), or when issuing contingent capital, (section 193 (1) sentence 1 AktG)], the resolution of the Annual General Meeting will have to be passed by a three-quarter majority of the represented share capital.

By resolution at the Annual General Meeting held on June 1, 2005 the Executive Board, pursuant to sections 202 et seq. AktG, is authorized to increase the capital stock once or several times by up to €9.5 million by May 31, 2010 upon the approval of the Supervisory Board. The statutory subscription rights of the shareholders may be excluded. In 2007, €783,250 of the authorized capital were used for the issue of shares within the scope of the employee investment plan. As of December 31, 2007 authorized capital remains in the amount of €8.0 million which was used to issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the affiliated companies it has selected. For further details see the Notes to the financial statements, note 27.

At the Annual General Meeting held on March 14, 2001 a contingent capital increase in the amount of €13.9 million was approved under sections 192 et seq. AktG. The purpose of the contingent capital was expanded at the Annual General Meeting held on June 1, 2005. In addition to satisfying subscription rights issued but not yet exercised under the Fraport Management Stock Options Plan (MSOP 2001) adopted at the Annual General Meeting on March 14, 2001, the contingent capital increase also serves to satisfy subscription rights under the adopted Fraport Management Stock Options Plan 2005 (MSOP 2005). The Executive Board and the Supervisory Board are authorized to issue up to 1,515,000 stock options to beneficiaries entitled to subscribe by August 31, 2009 in accordance with the conditions regulating the allocation of stock options. The authorization to grant subscription rights in accordance with MSOP 2001 was cancelled at the Annual General Meeting held on June 1, 2005. Some of the shares which were issued as part of the performance-related remuneration to members of the Executive Board were subject to a vesting period of 12 and/or 24 months.

Restricted authorized capital totaled €6.2 million as of December 31, 2007 (originally €13.9 million). €106,260 (4,600 options) of the subscription rights already granted were exercised in 2007.

The Company is entitled upon resolution of the Annual General Meeting 2007 to purchase treasury shares of up to a total of 3 percent of capital stock available at the time the Annual General Meeting 2007 is held. The Executive Board may use the treasury shares only for servicing subscription rights under the MSOP 2005; the Supervisory Board may use them as a share-based portion for the remuneration of the Executive Board. Based on these authorizations granted, no treasury shares were purchased in 2007.

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

## Employees

The Fraport Group had an average of 30,437 employees (without apprentices and staff exempted from their normal duties) in the past fiscal year, 2,191 more than in 2006.

1,847 of these were attributable in particular to the segment External Activities. Besides the first-time full consolidation of our Bulgarian subsidiary Fraport Twin Star over the entire year, the reason for this increase was the expansion of the business of our security subsidiary ICTS Europe mainly in the UK, France and Greece.

As more security services were needed, the number of employees in the Aviation segment rose slightly by 1.5 percent. The restructuring of the real estate division required an additional 54 employees in the Retail & Properties segment. Meanwhile, the number of employees in Ground Handling rose by 197 (+2.5 percent) in particular because more personnel was needed for our Ground Handling subsidiary Airport Personal Services.

Segment	2006	2007	Change	Change in %
Aviation	6,238	6,331	93	1.5
Retail & Properties	2,860	2,914	54	1.9
Ground Handling	7,865	8,062	197	2.5
External Activities	11,283	13,130	1,847	16.4

The previous year's figures were adjusted for the reclassification of the security business for comparative purposes.

During this period, Fraport Group employed 17,796 people on average at the Frankfurt site, an increase by 1.5 percent as against the previous year.

	2006	2007	Change	Change in %
Fraport Group	28,246	30,437	2,191	7.8
thereof in Frankfurt	17,528	17,796	268	1.5
Investments	16,293	18,696	2,403	14.7
thereof ICTS	9,852	10,213	316	3.7

The figures quoted do not include the apprentices or employees of our Group exempted from their normal duties to carry out special assignments. The average number of apprentices at Fraport AG was 302 in the period under review, seven less than in the previous year.

### **Remuneration system and Company old-age pension scheme**

The TVöD civil service collective agreement has been in effect at Fraport AG since October 2005. The implementation of a performance-related payment is a key element of the amended Law on Collective Bargaining. A performance-oriented compensation component was introduced at Fraport in 2001 already with the "Performance, Success, Recognition" (LEA) company agreement. With the signature of the "Pact for the Future (Zukunftsvertrag)" we appropriately covered the collective rules on performance pay schemes and introduced a new system for computing performance-related remuneration. Another form of employee profit sharing is the "Cafeteria System".

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

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

### **Personnel management and development**

The development of personnel and executives has high priority for Fraport. A differentiated staff development system with tools and measures fitting for all employee groups supports the safeguarding and continuous development of competencies and resources.

With our interview and feedback instruments, the "Fraport barometer" and a 360° feedback we deter-

mine every year the degree of employee satisfaction and an assessment of the management competencies valid for Fraport.

Every year, we offer 110 young people the opportunity of an initial vocational training. Along with the traditional apprenticeable occupations we secure our need for junior staff by offering attractive integrated Bachelor courses in the fields of air traffic management, real estate, computer science, operating and building services engineering.

Fraport College is the educational and training platform offered to our employees. We train especially in the fields of management, airport operations, business management, IT and languages in a way directed towards target groups and tailored to our needs.

With our Q-Card program we give our employees the opportunity to participate in attractive training courses during their leisure time and thus contribute to securing employability.

We control the strategic development of executives via our Fraport Academy by offering management development programs and a targeted development of potential. We identify the candidates for various functions during our conference for management planning promoting them specifically for new or extended functions. We support our strategy of internationalization by promoting competent short-term experts.

Staff development pools, MBA and trainee programs, mentoring and exchange programs complete our staff qualification portfolio in which we invested more than €7 million in fiscal year 2007.

### **Equal opportunities and compatibility of family and job**

To support equal opportunities for men and women Fraport has been applying the Total-E-Quality (TEQ) method since 1998. The purpose of this system is to create equal opportunities in the entire organization allowing the staff to boost performance in the long run and to attain a better work-life balance. To realize this policy, a company-wide – and meanwhile group-wide – organization has been created to help sustain a positive corporate culture. Meanwhile, the TEQ organization comprises approximately 50 people in a total of ten division-related teams – of which eight are within Fraport AG, two others in the Group's subsidiaries. The goal of this all-embracing organization is to raise the awareness for equal opportunities and to determine the specific need for action in terms of divisions and gender. Compatibility of family and job, staff development topics, cooperation with executives, occupational development for women, telework and paternal leave are but a few key words occupying TEQ in our Company.



To prove our progress, Fraport AG regularly applies for the **Total E-Quality Award**, assigned every three years.

Since the introduction of the TEQ system in 1997 four awards have already been assigned in recognition of exemplary and forward-looking actions of a personnel policy oriented towards equal opportunities. On June 19, 2007, Fraport received the certification by *berufundfamilie gGmbH* of a family-friendly company. Developed by the Hertie Foundation in 1995, the **"audit berufundfamilie"** is a strategic management tool to improve the compatibility of job and family.

Recommended by the leading organizations of the German economy, this tool determines potential and offers individual solutions. The assignment of specifically qualified and licensed auditors only ensures the continuously high quality in the performance of the audits. This project is under the auspices of Dr. Ursula von der Leyen, Federal Minister of Family, Senior Citizens, Women and Youth, and of Michael Glos, Federal Minister of Economics and Technology. The board of trustees comprises big names of the industry, culture and politics. By participating in the audit, the company receives among other things a differentiated analysis of its development potential and has exclusive access to a lot of information around the job and family subject.

The certification received confirms that Fraport has taken a lot of measures to achieve compatibility already. Within the scope of the audit, the Executive Board undersigned an agreement on targets comprising subjects such as working hours, job organization, information and communication policy, management competence, staff development and services for families.

Due to this agreement and with a view to being certified again, Fraport initiated several projects within these topics. Workshops provided numerous impulses which helped to design the individual projects. Interdisciplinary project groups having specific technical experience are working on the topics and elaborate proposals for the further development of the compatibility of job and family. The works council and a steering committee, consisting of members of the Executive Board, qualified staff and senior executives as well as members of the works council are kept informed by a report on the progress of these projects.

### **Health promotion and job safety**

Healthy, qualified and motivated employees are a key for successful work and high job satisfaction. Therefore, the physical, psychical and social well-being of our employees is a goal pursued by our health promotion and job safety programs. Thus, our staff's needs are being harmonized with the economic interests of our Company.

The general environment for our employees' health care has undergone profound changes, for example due to the demographic development. This means also new requirements for our health promotion and job safety in the organization. Therefore, the traditional activities were gradually supplemented for example by offering psychological advice or occupational integration management. Corporate integration management serves to identify and implement as early as possible any preventative, health promotion, rehabilitation and integration measures required in individual cases to maintain, promote or restore the health and ability to work of employees and to safeguard working relationships for as long as possible.

Companies wishing to remain competitive at international level need a strong and able workforce. Fraport AG has therefore been committed for many years to maintaining the health and well-being of its staff. This commitment is recognized every year as part of the model project "Integrative Health Management" of the AOK Hessen health insurance fund in the form of reduced contributions.

### **Innovation and Ideas Management**

Fraport ensures the sustained improvement of existing products and development of new products in order to guarantee the highest possible level of customer satisfaction as well as greater efficiency. The goal of ongoing process optimization is an integral part of this, but on its own is not enough. Innovations at Fraport are therefore the responsibility of management and, as such, provide clear guidelines for the Company's core processes. Fraport has anchored the development and promotion of innovations in its corporate vision. The Company's management has also committed itself to promoting ideas and innovations as part of its management principles.

The goal of our ideas management is to continuously improve our services, our work processes, and our working environment by channeling the creativity of all our employees. The input of our employees is also given top priority in the innovation process. This is an essential prerequisite for maintaining and increasing our competitiveness in a constantly changing environment. By encouraging a continuous improvement process, the Company can be steered on a strategic growth course through ideas and innovations.

### **The Fraport Group's Integrated Management System – Expanded and Developed**

In October/November 2006, the Executive Board of Fraport placed its existing integrated management system on a new footing. The Fraport Group now has an integrated management system that covers quality, environment, health and safety as well as values management issues. Process orientation and a mutual

understanding of how to manage complex processes were also redefined.

These new stipulations were the foundation of the further activities executed in 2007. As part of the integrated management system, the framework of which is based on quality management in line with ISO EN 9001 : 2001, significant group companies and shareholdings were included in the group certificate and recertified by the Austrian Technical Supervisory Authority (TÜV-Österreich). This is commensurate with the goal defined by the Executive Board to use these integrated management system activities to give process owners and company executives tools that will support them in identifying improvement potential. The efficient management of complex processes and innovations is one of Fraport's key competencies. The integrated management system implemented in the Group is therefore an indispensable instrument for achieving our corporate objectives.

#### Finding, Sharing and Making Knowledge Available

Building blocks of knowledge management were implemented by Fraport in 2007. In light of demographic shifts and the ever-increasing importance attached to the transfer of experience, a knowledge transfer program – i.e. a moderated transition tool for documenting knowledge and expertise passed from departing staff or management personnel to their successors – was tested and introduced.

The "Research Knowledge" application has been available on our intranet since March 2007. Numerous dissertations written by students working for Fraport have since been added as pdf documents and are full-text searchable. The 10,000 or more pages of dissertations can not only be read on-screen but also downloaded for internal use. The "Golden Pages" application, an intranet database of experts from the Group, offers valuable information on the interests and skills of Fraport employees.

Fraport is one of the first companies in the German-speaking world to offer all its employees free access to an in-house wiki, the "Skywiki", which went live in mid-2007. With its various articles and numerous users signed up as authors, this Fraport knowledge portal represents a widely accepted and established tool for documenting issues concerning the Company and aviation in general.

## Remuneration of the Executive Board and the Supervisory Board

The remuneration report is included in the corporate governance report on pages 122 to 126 and is an integral part of the group management report.

## Sustainability report

Fraport models its entrepreneurial activities on the principles of sustained development. As one of the worldwide leading airport operators, we would like to contribute to the satisfaction of today's mobility needs without limiting the freedom of future generations.

Sustainability in this fast-moving world of aviation means looking way into the future and advancing technologies and processes today, so that future developments are not hindered in any way.

Fraport continued to rise to this challenge during the fiscal year by making further progress in the development of Frankfurt Airport as an "Airport City". For 2020 and beyond, we plan to expand the premises of Frankfurt Airport with the addition of the attractive Gateway Gardens, the Mönchhof industrial park, and the Ticona site. Airport City is our lasting contribution to the long-term development of Frankfurt Airport, with extensive structural scope for future generations, ensuring sustained, environment-friendly mobility for people – not only now but also in the future.

One of the most outstanding milestones on the way to creating the desperately needed capacity for future developments was the official zoning decision on December 18, 2007. This has provided us with a sound basis upon which we can continue to act successfully in the future.

Sustained action means meeting the interests of all our target groups – our customers, the region, our employees, and our stockholders – as best we can.

### Customers

For our customers, our aviation services must be of the highest quality, reliable, and secure. At Frankfurt Airport we regularly gauge this satisfaction using our customer census, which is broken down into four areas: airlines, cargo, passengers, and retail. The system we use is flexible and can be adapted to changes in service offerings at any time. The results show us where measures were implemented successfully and also where we need to take action. This census has been conducted for seven years and allows us to gauge how successful improvements to service offerings have been but also to make long-term development comparisons.

## Region

As a key economic and employment driver, Fraport assumes responsibility in the Rhine-Main region with its environmental protection measures and social commitment (corporate citizenship).

Fraport has integrated its environmental management program in its strategic business management. The Fraport environmental management system has been EMAS-approved and certified to ISO 14001. We give a public account of our past, present and future environmental projects in our "environment statement", which is verified by environmental experts. We demonstrate that environmental protection does not stop at the airport fence – it concerns the whole Rhine-Main area.

As part of its corporate citizenship and under the motto "Aktiv für die Region" (making an active contribution to the region), Fraport is also committed to preserving the area's attractiveness and economic potential as well as promoting good schools, cultural endeavors, and sports programs. A total of approximately €8.5 million was made available for this purpose in 2007.

A contribution of €2.0 million was made to the environmental fund for the promotion of environmental projects in the region.

## Employees

A strong commitment to its employees is an essential element of Fraport's corporate culture. By acknowledging the input of our staff, we try to optimize the Company's performance potential and continually improve our attractiveness as an employer. Our innovation and ideas management offers a well-structured incentive system for our employees to channel their own development suggestions into the Company and to boost the Group's sustained value in the long term.

You can find more information on our employees' subject areas in the chapters "Employees" on page 41 and "Innovation and Ideas Management" on page 43.

## Shareholders

We earn our investors' trust by profitable growth and the greatest possible level of transparency. Our Fraport Corporate Governance Codex and values management aims to ensure and guarantee awareness of our trustworthy business conduct. Extensive, open, and

prompt communication with our investors is achieved through the work of our investor relations department, whose function it is to guarantee the transparent development of our Company. Our risk management system serves to identify, evaluate and manage possible business risks. The primary objective of the risk management system is the controlled handling of business risks. Risks may only be taken if the relative opportunities are absolutely advantageous.

You can find more information on these topics in the chapters "Corporate Governance Report" on page 122 to 126 as well as in the chapters "The Fraport Share and Investor Relations" and "Risks and Opportunities" on pages 38 and 46, respectively.

More detailed information on sustainability can be found in our Fraport sustainability report. The report can be requested directly from Fraport or viewed on our website.

Environmental and socially relevant information can also be found on our websites ([www.Fraport.com](http://www.Fraport.com)).

## Dependency report

Due to the interest of 6.56 percent held by the Federal Republic of Germany until March 2007 (2006: 6.56 percent), the State of Hesse (31.62 percent; 2006: 31.65 percent) and Stadtwerke Frankfurt am Main Holding GmbH (20.19 percent; 2006: 20.21 percent) and the consortium agreement concluded between these shareholders on April 18/23, 2001, Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (Fraport AG) is a dependent public enterprise. No control or profit transfer agreements exist.

On October 26, 2005, the Federal Republic of Germany placed its then shareholding of 18.16 percent with financial investors in two tranches. The first tranche was sold directly. The second tranche was sold in March 2007. Therefore, there was a dependent relationship with the Federal Republic of Germany until March 19, 2007.

The Executive Board of Fraport AG therefore compiles a report on the relationships to affiliated companies in accordance with section 312 of the German Stock Corporation Act (AktG). At the end of the report, the Executive Board of Fraport AG made the following statement: "The Executive Board declares that under the circumstances known to us at the time, we received fair and adequate compensation for each and every legal and other transactions conducted."

## Risks and opportunities

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

### Risk policy principles

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

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

The risk strategy is co-ordinated with the corporate strategy and is required to be consistent with it, as the strategy specifies how strongly the company's operations are exposed to risks.

Risk management is integrated in the ongoing business process.

Risks are managed primarily by the organizational units which operate locally.

The aim of the risk management process is to make sure that significant risks are identified, constantly monitored and limited to an acceptable level.

Active and open communication of the risks is a major success factor in the risk management system.

All of the employees of Fraport AG are expected to participate actively in risk management in their area of responsibility.

### The risk management system

The Executive Board has approved the risk management system of Fraport AG, its risk policy principles and the risk strategy for the entire Company. The Executive Board appoints the members of the Risk Management Committee (RMC), approves the rules of procedure for the RMC and is the addressee for the quarterly reporting and ad hoc reports in the risk management system of relevance to the Company as a whole. The Risk Management Committee is the top body in the risk management system below the Executive Board and its members are senior executives from the Company divisions. It is responsible for implementing the central risk management system, develops it with reference to the business processes and reports to the Executive Board.

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

The risk management system is documented in writing in a separate guideline. It complies with the requirements of the Law on Control and Transparency in Enterprises (KonTraG).

The proper operation of the risk early recognition system is audited by the accountants appointed to audit the annual financial statements of Fraport AG. The proper operation of the risk management system is verified regularly by the internal auditing department, as well.

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

### Evaluation of risks

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

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

### Risk management at investments

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



## Business risks

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

### General economic risks

Economic fluctuations can have a considerable impact on the economic development of air traffic and the development of Fraport. According to calculations made by a variety of economic institutes, the world economy grew by some 5 percent<sup>15</sup> in 2007. The airports registered worldwide with Airport Council International (ACI)<sup>16</sup> report preliminary growth in passenger traffic of 5.6 percent and cargo traffic of 3.0 percent. The rates for Europe are of a similar size, German airports (less Frankfurt) even exceed these figures. The generally strong market demand can not be fully satisfied due to the capacity bottlenecks in Frankfurt.

The surge in prices for oil and kerosene has led to ticket price surcharges since 2004 which will not necessarily be reduced even if energy prices go down. In times of crisis and war, we face the direct threat of flight cancellations and route shutdowns. Limitation of the demand risk is only possible to a limited extent. As an international air traffic hub, Frankfurt Airport benefited in the past from the fact that the airlines concentrate their business on the hubs in times of crisis. This explains why we have been able up to now to compensate for the effects of crises within a relatively short period of time.

Exchange rate fluctuations which influence passengers' shopping behavior can impact our earnings development particularly in the retail business.

The buildings and space we currently let are used mainly by airlines or companies whose business depends to a large extent on the development of air traffic at Frankfurt Airport. This section of the real estate business is therefore not directly dependent on general property developments. If we develop and market commercial areas more intensively in the future, as is planned, the management of these areas will be based more closely on the general market conditions.

### Market risks

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

The low-cost segment continues to increase the competitive and cost pressure on the traditional carriers and their hub systems with its above-average growth

rates achieved in continental traffic. On the other hand, Lufthansa, with its inexpensive "betterFly tickets" successfully stimulated European traffic in Frankfurt; if these special fares would be limited or cancelled, however, passenger traffic could be reduced.

Domestic traffic in Frankfurt might continue to suffer from the increasing number of intercontinental direct flights with connecting flights therefore being lost. Moreover, the creation of new hub systems in the Middle East may lead to a shift in the global flows of transfer passengers. There is the risk that the airlines will use alternative locations and routes outside Frankfurt. This risk would even increase, if the airport expansion was further delayed. The capacity bottleneck in Frankfurt is a major reason why Frankfurt is unable to participate in air traffic growth to the maximum possible extent.

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

By introducing a cost-based usage fee on January 1, 2006 for companies rendering services at Frankfurt Airport in accordance with the German Regulation of Ground Handling Services at Airports (BADV), the risk of having to reimburse sales-related fees from previous years already earned was considerably reduced by December 31, 2007.

On December 14, 2006 the German Parliament adopted the amendments to the Aircraft Noise Act. The implementation of these amendments in Frankfurt may result in major financial expenses for Fraport.

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

In connection with the risk of losing contracts when rendering aviation security services in Frankfurt in accordance with section 5 of the Aviation Security Act, on which we had reported in our management report as of December 31, 2006, the Hessian government announced that it would take over passenger and bag-

<sup>15</sup> Deutsche Bank, February 15, 2008 (+4.6 percent), DekaBank, Deutsche Girozentrale Frankfurt, February 11, 2008 (+5.1 percent)

<sup>16</sup> ACI, January 30, 2008

gage controls. In this context, the respective security operation would be transferred to a state company still to be established, including the staff of the Fraport subsidiary FraSec and Fraport AG. The transfer of material activities of FraSec on such a state company could further impair FraSec beyond the impairment losses already recognized. In addition, the transfer of employees to such a state company could trigger payment obligations as a result of the transfer. If the passenger and baggage controls are not taken over by a state company, there will still be the risk that Fraport could lose the current contract if the German Ministry of the Interior put the services out to tender in accordance with section 5 of the Aviation Security Act. Significant adverse economic effects on Fraport AG would be likely.

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

We mentioned the possibility of adverse effects of new security regulations in international air traffic on Aviation and Retail revenue in our 2006 management report. As regards the measures developed in connection with these new security regulations, especially where liquids in carry-on baggage are concerned, we do not see ourselves exposed to any risk of losing Aviation or Retail revenue.

#### Risks in connection with the planned expansion of the airport

Frankfurt Airport has the opportunity to maintain and strengthen its status as an international hub airport in the future with the planned construction of another landing runway and a third passenger terminal. The expansion of the airport is the main prerequisite for Fraport's participation in the long-term growth of global air traffic. Failure to expand, or further delays mean that air traffic will bypass Frankfurt in future. It is possible that airlines will then transfer some of their flights to other airports, which would jeopardize our hub function. The relocation of Lufthansa flights or operations to different airports would have a particularly negative impact on Fraport.

The expansion plans are meeting with considerable resistance from various interest groups in the region. Municipalities, citizens' initiatives and other initiatives have brought an action before the Hessian Administrative Court within the statutory period permitted. Although the zoning resolution was delivered by the

Hessian Ministry of Economics, Transport and Regional Development at the beginning of January 2008 we cannot eliminate the risk that the expansion may be delayed or even stopped by way of a court ruling. The zoning resolution and the legal proceedings could put a not immaterial financial strain on Fraport. In order to reach the broadest consensus among the local population and other groups affected by the airport expansion project, we have decided not to start any measures prior to consulting with the court. The Hessian Administrative Court will be given sufficient opportunity to examine the urgent applications filed.

Given the framework agreement signed with Celanese AG/Ticona GmbH in June 2007, under which Celanese AG/Ticona GmbH undertook irrevocably to close the Ticona production plant in Kelsterbach by June 30, 2011 or by December 31, 2011 at the latest, Celanese AG/Ticona GmbH withdrew any complaints and action against the existence and expansion of Frankfurt Airport in summer 2007. This eliminated the major risk that the planned start of operation of the northwest landing runway could be delayed.

Due in particular to the framework agreement signed with Celanese AG/Ticona GmbH the total amount of capital expenditure already capitalized in connection with the airport expansion in 2007 rose to €918.8 million as of December 31, 2007. If for the remaining legal risks the airport expansion was not feasible, most of the capital expenditure already capitalized would be significantly impaired.

#### Financial risks

With regard to its balance sheet accounts and planned transactions Fraport is subject in particular to credit risks and interest rate and foreign exchange risks as well as other price risks. We cover interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. The scope, responsibilities and controls for the use of derivatives are specified in binding internal guidelines. The existence of a risk which needs to be hedged is the prerequisite for the use of derivatives. To review risk exposures, our risk control department regularly performs simulation computations applying various worst-case and market scenarios. The Executive Board is kept informed regularly on the results.

Treasury is responsible for the efficient market risk management. Only those risks are controlled which affect the Company's cash flows. There can only be open derivative positions in connection with hedging transactions in which the hedged items are cancelled or have not been carried out contrary to planning. Interest rate derivatives are used exclusively to optimize loan terms and to limit risks of changes in interest rates in the context of financing strategies. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements for the planned capacity expansion and from variable-interest rate financial liabilities. Within the scope of our interest rate risk management policy, we used and continue to use interest rate derivatives to hedge the interest rate risk in view of the medium-term capital requirements and to take advantage of the interest rates prevailing on the market by the closing dates. Following the commitment to these interest rate hedging positions, there is the risk that the market interest rate level will decrease with a negative fair value of the interest rate hedging instruments as a result.

Foreign currency risks arise in particular from sales planned in foreign currency which are not covered by expenses in matching currencies. We hedge such risk exposure by entering into currency forward transactions.

Credit risks arise mainly from primary financial assets and the positive fair values of derivative financial instruments. We respond to this risk exposure by contracting investments and derivative transactions only with credit institutions in the European Union or a country within the OECD with an irreproachable credit standing (at least BBB- of Standard & Poor's or Baa3 of Moody's/Investmentgrade). Investments without a bank guarantee had the best rating with an AAA given by S&P as of the balance sheet date. The issuers' and issues' credit ratings of banks and investments are regularly monitored.

Other price risks result from the fair value measurement of investments. Most of the investments are assumed to be subject to temporary market fluctuations reversing automatically by the end of the products' maturities, since a repayment in the full nominal amount invested is expected.

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

## Legal risks

### Manila project

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

In 2003, Fraport AG commenced arbitration proceedings against the Republic of the Philippines before the International Centre for the Settlement of Investment Disputes (ICSID) on the basis of the German – Philippine investment protection treaty. Within the framework of these arbitration proceedings, Fraport is pursuing a conviction of the Republic of the Philippines to pay damages or compensation. With an arbitral award expressed on August 16, 2007 the ICSID Arbitration Court by majority declined jurisdiction. This decision was based on the reasoning that Fraport's commitment in the Manila project was not protected by the German-Philippine investment protection treaty, since Fraport, when making its investments in 1999, had allegedly violated the "Anti-Dummy Law". Under this Philippine Act, foreigners are prohibited to exercise any influence on the management of a public utility enterprise. Fraport is certain not to have violated Philippine laws. The third member of the Arbitration Court declared in a dissenting opinion that the majority decision was wrong, among other reasons, because a violation of the Anti-Dummy Law was not ascertainable and the majority would give a too narrow interpretation of the investment protection treaty.

The Arbitration Court further stated, that there was no prevailing party with regard to the good cause of the request for arbitration, and that therefore each party would have to bear its own costs of the proceedings.

Fraport petitioned the ICSID to annul this arbitral award. The ICSID convention provides for such an option in a few very limited cases. If Fraport succeeded with this petition, it could again claim damages and compensation before a reconstituted ICSID Arbitration Court. The duration and outcome of these annulment proceedings are open.

The action initiated on the part of the Philippine government against PIATCO in 2004 with regard to the expropriation of the terminal did not make any major progress in 2007. In this context, several other appeals are pending, in which various intervening parties deny among other things the admissibility of the expropriation proceedings on the whole, and/or contest PIATCO's claims to compensation for other reasons.

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

As already reported, a Philippine law firm as well as a former minister have brought legal action for damages amounting in each case to PHP 100 million (about €1.6 million) against Fraport AG, two board members and two Philippine lawyers of Fraport AG because of alleged defamation. Motions to seize Fraport AG assets on the Philippines were initially granted. To avoid the seizure, Fraport AG deposited guarantees as collateral, upon which the responsible court avoided the seizure. For the same reason, the plaintiffs filed a complaint leading to public charges in three proceedings. The court had rejected the charge in one of these three proceedings. Again, the decision is not yet final and absolute. Fraport AG rejects these accusations.

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

In 2003, the Philippine authorities opened investigations among others against Fraport AG and various individuals from the Fraport AG organization for the suspected violation of the so-called "Anti-Dummy Law". As reported, these proceedings were initially discontinued at the end of 2006. This decision of discontinuance was annulled in March 2007; instead, a charge was brought against various natural persons around the Fraport organization. Any appeals brought forward have been without success so far. We have not yet decided on filing more appeals. In the event that the outcome of criminal proceedings which may possibly follow is negative, Fraport AG's assets on the Philippines could be seized, while fines and jail sentences could in addition be imposed on the people

involved. There is a risk that these proceedings could be influenced by the ICSID arbitral award made on August 16, 2007. Fraport AG is convinced that its capital expenditures on the Philippines were made legally.

#### Other civil law disputes

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

#### Further legal risks

In August 2004, DB Station&Service AG filed an action for payment of around €52 million plus interest based on claims to Fraport AG arising from advances in relation to the superstructure of the long-distance train station at Frankfurt Airport. The matter in dispute is currently under negotiation for settlement including input from experts; the outcome of the dispute could result in a payment to be made by Fraport.

#### Risks attributable to investments and projects

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

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

At the airports in Varna and Burgas operated by Fraport Twin Star Airport Management AD, Varna, Bulgaria, there is a risk of environmental pollution arising from kerosene tanks which are not up to industrial standards. The respective measures required to meet such industrial standards, which were initiated in 2007, are expected to be completed by the end of March 2008.

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



Due to the decision of the Higher Regional Court of Koblenz made on January 23, 2008, the appeal filed by Deutsche Lufthansa AG is expected to be dismissed.

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

#### Other risks

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

All of the IT systems of critical importance to the Company are always installed on a redundant basis and are optionally housed at separate locations. It goes without saying that residual risks resulting from the architecture and operation of the IT facilities cannot be completely eliminated.

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

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

### Overall risk evaluation

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

### Business opportunities

#### Opportunities from the development of the general economic situation

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

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

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

#### Opportunities in corporate strategy

In Frankfurt, we operate one of the most important air traffic hubs in Europe and the largest airport in Germany. To be able to maintain this position in future as well, we work constantly on improving our competitive edges: intermodality, efficiency, reliability, punctuality. We

want to expand our hub skills and intensify the business relationships particularly with our key customers. A strong competitive position in our product quality and prices has top priority for all business and service areas.

We are currently expanding the real estate business to become another core competency of Fraport AG. The objective is to more efficiently manage real estate in our portfolio, to develop additional real estate projects and to strengthen the overall attractiveness of the location of Frankfurt Airport. We will focus on creating a professional asset management system to improve operating, utilization and marketing concepts. Fraport believes that this will contribute additionally to earnings by optimizing costs and revenue. The establishment of a commercial project development system is planned to generate additional revenue through the realization of marketable real estate projects within and outside the airport grounds.

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

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

## Significant events after the balance sheet date

On March 28, 2008, Fraport AG sold its wholly-owned subsidiary ICTS Europe Holdings B.V. to Deutsche Beteiligungs AG and a parallel fund this company manages for a price of approximately €100 million, which after the performance of the contractual obligations becomes due. ICTS Europe Holdings B.V. will be completely transferred upon payment of the purchase price by the buyer.

There were no other significant events after the balance sheet date.

## Outlook

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

## Overall economic trends and air traffic volumes

The global growth dynamics will continue in 2008, albeit at a lower level as a result of the US real estate crises. Any consequences of the US crisis for the real economy and air traffic in relation to the Frankfurt site are currently not yet precisely foreseeable. Leading national and international economic institutes and banks<sup>17</sup> are forecasting that the world economy will record a slightly reduced growth of real gross domestic product compared with the previous year by between 3.9 and 4.5 percent. This growth will again be driven by the fast-developing Asian countries (a good 8 percent), Latin America (about 4.5 percent) and Central and Eastern Europe/Africa (about 6 percent). The prospects for the large industrial nations USA (some 1.5 to 2 percent), Japan (some 1.5 percent) and the Euro zone (some 1.6 percent) are more subdued. The same applies to the German economy which is expected to grow between 1.7 and 2.2 percent more slowly than in the previous year.

Experts see a continuation of the global economic upturn in 2009 with a growth rate of about 4 to 4.5 percent. Global trade<sup>18</sup>, which has stimulated the German export economy and the economy as a whole up to now, could maintain its dynamic growth of 6 percent and more in the next two years, slightly losing momentum. The German economy in 2009 is forecasted to remain largely solid with growth of between 1.8 and a good 2 percent<sup>19</sup> given the favorable global economic environment and the structural improvements on a national level, and given a moderate increase in private consumer spending.

In addition to raw material prices, exchange rate fluctuations and possible strikes (in particular in Germany) as well as the mortgage crisis in the USA, the latent risks for the economy and travel patterns, such as terrorism, epidemics or natural catastrophes will remain.

## General environment for German aviation

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

The new Air Traffic Noise Act adopted by the German Parliament took effect on June 7, 2007. We expect the regulations on the actual implementation of the Act to be enforced in 2008 and/or 2009. The direct effects of an enforcement on Fraport cannot yet be appropriately assessed at this moment.

<sup>17</sup> Deutsche Bank, February 15, 2008; OECD, December 2007; BMWI, November 2007; DIW, January 2, 2008; DekaBank, February 11, 2008, DiHK, February 14, 2008

<sup>18</sup> DIW, January 2, 2008; OECD, December 2007; IWF, October 2007; EU Commission, November 2007

<sup>19</sup> Deutsche Bank, February 15, 2008, DekaBank, February 11, 2008

Although the European Commission initially put aside a further liberalization of Ground Handling services at the end of 2006, this topic will continue to be discussed in the medium term. Since we do not see where the trend will go, the effects are not yet foreseeable.

The European Commission suggested at the end of 2006 that air traffic be included in the European emission trading system. This suggestion is being discussed with the member states as part of the legislative process with a EU-wide implementation currently to be expected as from 2012 for all flights taking off from or landing on EU airports. Meanwhile, the European Parliament has further tightened the EU Commission's already far-reaching suggestion. It will deteriorate the economic basis of the European airlines in international competition. A sustainable development of the aviation industry in Europe will thus be jeopardized. Therefore, a thorough revision of the proposal for a directive on the basis of a clearly more balanced design not affecting competition is indispensable.

The current debate and proposals to include air traffic in the trading of greenhouse gas emissions will primarily affect the airlines. Airports only play a minor role in the emission of greenhouse gases. The inclusion of air traffic in the emission trading system is more effective in terms of ecology and more sensible in terms of economy to reduce the effects of air traffic on the climate than taxes and duties. Such an inclusion must be part of a conclusive and sane overall strategy. The four-pillar strategy developed by the industry and welcomed on the ICAO general meeting in September 2007 would help to minimize the environmental impact of air traffic and nonetheless maintain growth and competitiveness of our industry. A major component in this connection is the "Single European Sky" project supporting a reduction of carbon dioxide emissions by up to 12 percent.

### Development of air traffic

The IATA<sup>20</sup> expects an increase in passenger volumes in international scheduled air traffic by 5.4 percent in 2008 and by 5.1 percent in 2009. For Europe, values of 5.1 percent and 5.0 percent are expected, for Germany an increase of 4.8 percent or 4.7 percent has been forecasted. Hence, the respective forecasts exceed those made before the end of the year. Contrary to previous forecasts, the IATA forecasts for airfreight are slightly below those made for passenger numbers (5.0 and 4.9 percent).

The ACI forecasts<sup>21</sup> worldwide growth of passenger volumes of 5.0 percent in 2008 and 4.8 percent in 2009; at 4.6 percent and 4.2 percent, the figures for Europe will be slightly below that level. Airfreight will even outperform those rates with a worldwide increase of 6.1 percent and 5.8 percent and an increase by 5.6 percent and 4.9 percent in Europe. In a first appraisal of all international airports in Germany, the German Airports Association<sup>22</sup> estimates passenger traffic to grow by some 5 percent in 2008.

We expect another merely moderate increase in passenger volumes of 1 to 2 percent for **Frankfurt Airport** in 2008; airfreight should also see a moderate increase only in view of the growth in additional cargo capacities on intercontinental destinations at other German airports and abroad. Intercontinental air traffic and Eastern Europe remain major contributors to growth in Frankfurt.

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

Due to the operation of the domestic terminal since mid-September 2007 in particular, we expect a jump in passenger numbers in **Antalya**. This effect will be widely reflected in the Group's traffic earnings.

With above-average growth rates (just under +25 percent in 2007), **Lima** has come to establish its position as a hub in South America. Traffic forecasts now predict a more subdued passenger growth world wide.

The business of the two airports in **Varna and Burgas** in Bulgaria is made up of tourist air flights. In total, we expect the two airports to develop favorably on a European growth level. A favorable development of the cargo tonnage is also expected.

### Revenue and earnings of the Fraport Group in 2008

**Group revenue** in 2008 is expected to remain below the previous year's level. Lower revenue is mainly resulting from the planned sale of our security subsidiary ICTS and high one-off income from the Airrail Center finance lease in 2007. Adjusted for these effects, Group revenue in 2008 will exceed the previous year's figures. Favorable effects for Frankfurt are seen in infrastructural fees, in the retail and parking business and in our equity investments in the locations Lima, Frankfurt-Hahn and Bulgaria.

<sup>20</sup> IATA, October 2006

<sup>21</sup> ACI, Global Traffic Forecast 2006–2025, Edition 2007

<sup>22</sup> ADV, February 20, 2008

In spite of losing the ICTS contribution, the limited capacity in Frankfurt and an increase in capital expenditure, we expect the **Group's EBITDA** to exceed that of the previous year.

**Group profit** in 2008 declines due to comprehensive one-off tax effects in 2007 and to an increase in interest costs.

In spite of the decline in Group profit, the **dividend** per share is expected to remain at least unchanged.

### *Business development in the Fraport segments*

We expect revenue from airport fees to remain unchanged in the **Aviation** segment. The reasons are to be found in capacity bottlenecks and a zero increase in airport fees. The capital costs and the unrecognizable capital expenditure will increase significantly by the expansion activities in the north. In addition, revenue from security services will drop as the implementation of automatic baggage controls will continue. We try to offset the possible decline in profit by consistently controlling costs and optimizing processes.

The **Retail & Properties** segment will benefit from a further increase in the retail space and hence retail revenue. Due to organizational restructuring, personnel expenses are likely to drop. Non-staff costs will rise because of our comprehensive unrecognizable investing activities and higher costs for energy and heating. Due to the positive special effects in 2007, the overall segment result (EBIT) will remain stable.

Revenue in the **Ground Handling** segment is expected to increase year on year. The major forces driving revenue from infrastructural fees are baggage screening as part of a 100 percent baggage control and services for passengers with restricted mobility. Revenue from ground handling will remain unchanged. Given the negative one-off effects in 2007, the segment result will improve. In spite of the improvement of productivity, operating expenses will rise because of the expected collective salary increases and the expense incurred in connection with taking care of passengers with restricted mobility.

The comparison of the **External Activities** segment with the previous year will be affected by the planned loss of our security subsidiary ICTS Europe B.V. Adjusted for this effect we expect an overall increase in revenue and earnings. Especially the first full-year consolidation of our investment in Lima and favorable trends in Frankfurt Hahn and Bulgaria are providing a major impetus in this development.

### *Asset and financial situation*

**Total assets** of the Fraport Group will continue to grow in 2008. Such increase will mainly be the result of accounting for the investing activities at the Frankfurt site which will mainly be funded by long-term borrowing. Net financial liabilities and the gearing will rise accordingly in 2008.

The decline in **cash and cash equivalents** mainly reflects the payments to be made under the framework agreement with Celanese AG/Ticona GmbH in the amount of €200 million. In addition, more cash will be used by an increase in capital expenditures for the expansion project and expansion measures to be taken at existing terminals.

### *Major capital expenditure projects*

The **capital expenditures** of the Fraport Group are expected to climb in 2008. This year, the investing activities are driven primarily by the increase in costs for the reconstruction and modernization of the infrastructure at the Frankfurt site as part of the FRA North projects and the preparatory measures taken for the planned airport expansion.

#### *Airport expansion*

The process of expanding Frankfurt Airport has taken a decisive step forward. On January 4, 2008, the Hessian Minister of Economics, Transport and Regional Development submitted to Fraport the zoning decision on the expansion of Frankfurt Airport which was adopted before on December 18, 2007. This decision authorizes the construction of a new landing runway, additional flight operation equipments and gives the approval under the German Building Regulations Law for the construction of Terminal 3 and additional structural buildings. The decision also defines the operating rules on night flights. In addition, comprehensive anti-noise requirements and ecological compensation measures were imposed, which will have to be implemented in the course of the expansion.

After delivery of the resolution there is now the possibility to appeal against it before a court. Fraport will not yet make use of its legal right to immediate action and wait for a sign from the Hessian Administrative Court before the construction measures will begin, in particular before the trees will be felled.

According to what we know today, we expect constructions to begin in 2009 and the landing runway to start operation in 2011. We also push ahead the plans for Terminal 3 with the aim to start the operation of the different sections by the end of 2013.



### FRA North

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

The remodeling and the extension of the new Hall C, the connecting alley and the CD link with three new positions for the Airbus A380 are making good progress. Their completion is planned for the end of March 2008; the second construction phase of the CD link is expected to start operation in the middle of 2008. We will also gradually implement the measures in Terminal 2 to extend the retail facilities, to adjust security controls to the new standards and to upgrade facilities to the A380 requirements.

The refurbishment of the parallel runways at Frankfurt Airport were completed in 2007 as scheduled. Other refurbishment and extensions to the existing aircraft movement areas will be initiated in the years to come in connection with the implementation of the official zoning resolution.

The work and planning to expand and reshape the existing Terminal 1 will be continued in 2008. The construction will focus on modifying Pier B to adjust it to the new security standards. For this purpose, parts of the pier will gradually be shut down and modified beginning of January. To compensate for this shut-down, temporary passenger check-in facilities were built and put into operation at the end of December 2007 already. The Pier A-West project, for which the approval planning will be made in 2008, will be an important supplement to the terminal with additional passenger check-in and retail facilities.

### Acquisition projects

The global trend towards the privatization of airports and the outsourcing of management services is continuing. Based on value creation Fraport will participate in selected tenders in 2008, too. Among other things, Fraport AG expects the acquisition of the 24.5 percent share in the Xi'an Airport to be finally approved; this investment is expected to have a volume of approximately €50 million.

### Preview 2009

We expect Group revenue and the Group's EBITDA to increase in 2009 as compared with the previous year. Group profit will be burdened by rising depreciation and amortization expense and a weaker financial result due to higher interest expenses and will therefore drop below the amount of 2008.

The capacity limitations at the Frankfurt site and declining income from security services will dampen revenue in the Group's **Aviation** segment in fiscal year 2009. We expect revenue from airport fees to rise only slightly. Higher personnel expenses in connection with the need for more security personnel in Frankfurt as well as increasing depreciation and amortization expense continue to burden the segment profit.

Favorable trends are expected for the Group's **Retail & Properties** segment. The ongoing development of new retail and advertising space as well as additional income from the parking business will result in significant revenue increases. Despite an increase in depreciation and amortization expense, the segment result (EBIT) will again exceed the previous year's amount.

The development in the **Ground Handling** segment will be characterized in 2009 again by a considerable market and cost pressure. While segment revenue is likely to remain almost unchanged due to additional income from infrastructural fees and additional services rendered for passengers with restricted mobility combined with declining income from Ground Services, the development of the segment EBITDA will largely depend of the outcome of the collective pay negotiations. We expect the segment result to remain below the amount achieved in 2008 due to the increase in depreciation and amortization expense.

From today's point of view, a favorable development is expected in the **External Activities** segment. New investments and the increase or decrease in existing investments could have a major impact on consolidation. Especially with regard to the development of our investments in Lima, Frankfurt Hahn, Varna and Burgas as well as in Antalya, where we will operate the second international terminal, we expect an overall growth in revenue and a profit.

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

## Consolidated income statement

€ million	Notes	2006	2007
<b>Revenue</b>	(5)	<b>2,143.9</b>	<b>2,329.0</b>
Change in work-in-process	(6)	0.0	0.5
Other internal work capitalized	(7)	23.1	24.6
Other operating income	(8)	83.3	71.7
<b>Total revenue</b>		<b>2,250.3</b>	<b>2,425.8</b>
Cost of materials	(9)	–353.3	–461.4
Personnel expenses	(10)	–1,076.9	–1,143.3
Depreciation and amortization	(11)	–248.0	–245.1
Other operating expenses	(12)	–241.7	–240.6
<b>Operating profit</b>		<b>330.4</b>	<b>335.4</b>
Interest income	(13)	19.0	30.2
Interest expenses	(13)	–44.9	–76.7
Share of profit or loss of investments accounted for using the equity method	(14)	5.6	2.5
Income from investments	(15)	6.8	5.3
Impairment of financial assets	(16)	–0.4	0.0
Other financial results	(17)	23.7	0.9
<b>Financial result</b>		<b>9.8</b>	<b>–37.8</b>
<b>Result from ordinary operations</b>		<b>340.2</b>	<b>297.6</b>
Taxes on income	(18)	–111.3	–83.9
<b>Group profit</b>		<b>228.9</b>	<b>213.7</b>
Profit attributable to minority interests		–0.4	5.0
<b>Profit attributable to equity holders of Fraport AG</b>		<b>229.3</b>	<b>208.7</b>
<b>Earnings per €10 share in €</b>	(19)		
basic		2.51	2.28
diluted		2.48	2.26
<b>EBITDA</b>		<b>578.4</b>	<b>580.5</b>
<b>EBIT</b>		<b>330.4</b>	<b>335.4</b>

# Consolidated balance sheet

as of December 31, 2007

## Assets

€ million	Notes	Dec. 31, 2006	Dec. 31, 2007
<b>Non-current assets</b>			
Goodwill	(20)	97.1	22.7
Other intangible assets	(21)	39.1	43.9
Investments in airport operator projects	(22)	3.2	570.3
Property, plant and equipment	(23)	2,729.2	3,569.3
Investment property	(24)	66.9	10.1
Investments accounted for using the equity method	(25)	56.2	37.1
Other financial assets	(26)	302.1	252.2
Other receivables and other assets	(27)	36.8	58.5
Income tax receivable	(28)	32.2	33.5
Deferred tax assets	(29)	16.4	7.2
		<b>3,379.2</b>	<b>4,604.8</b>
<b>Current assets</b>			
Inventories	(30)	32.9	38.6
Trade accounts receivable	(31)	185.5	154.6
Other receivables and other assets	(27)	62.3	76.6
Income tax receivable	(28)	2.0	13.2
Cash and cash equivalents	(32)	632.5	651.3
		<b>915.2</b>	<b>934.3</b>
Non-current assets held for sale	(33)	0.1	165.6
		<b>915.3</b>	<b>1,099.9</b>
		<b>4,294.5</b>	<b>5,704.7</b>

## Liabilities & equity

€ million	Notes	Dec. 31, 2006	Dec. 31, 2007
<b>Shareholders' equity</b>			
Issued capital	(34)	913.7	914.6
Capital reserves	(34)	558.8	565.2
Revenue reserves	(34)	746.3	875.2
Group retained earnings	(34)	105.2	105.3
Issued capital and reserve attributable to equity holders of Fraport AG	(34)	2,324.0	2,460.3
Minority interests, presented within equity	(35)	22.1	33.0
		<b>2,346.1</b>	<b>2,493.3</b>
<b>Non-current liabilities</b>			
Financial liabilities	(36)	718.8	830.6
Trade accounts payable	(37)	0.0	365.6
Other liabilities	(38)	106.1	451.7
Deferred tax liabilities	(39)	127.6	89.6
Provisions for pensions and similar obligations	(40)	20.6	19.4
Provisions for income taxes	(41)	166.2	163.0
Other provisions and accruals	(42)	101.4	136.2
		<b>1,240.7</b>	<b>2,056.1</b>
<b>Current liabilities</b>			
Financial liabilities	(36)	125.2	367.8
Trade accounts payable	(37)	229.0	441.5
Other liabilities	(38)	118.1	75.7
Provisions for income taxes	(41)	16.4	14.2
Other provisions and accruals	(42)	218.8	185.3
		<b>707.5</b>	<b>1,084.5</b>
Liabilities in connection with assets held for sale	(43)	0.2	70.8
		<b>707.7</b>	<b>1,155.3</b>
		<b>4,294.5</b>	<b>5,704.7</b>

# Consolidated cash flow statement

€ million	Notes	2006	2007
<b>Profit attributable to equity holders of Fraport AG</b>		<b>229.3</b>	<b>208.7</b>
Taxes on income		111.3	83.9
Profit attributable to minority interests		-0.4	5.0
Adjustments for:			
Depreciation (non-current assets)		248.4	245.1
Interest results		25.9	46.5
Income from investments		-6.8	-5.3
Gain/losses from disposals of non-current assets		-5.6	11.4
Unrealized foreign currency results		0.3	8.1
Changes in investments accounted for using the equity method		-5.6	-2.5
Changes in inventories		2.9	-5.7
Changes in receivables and other assets		-29.2	36.8
Changes in provisions		39.9	-12.2
Changes in liabilities (w/o financial liabilities and provisions)		31.2	38.1
Reclassification in assets/liabilities held for sale			-33.8
<b>Operational activities</b>		<b>641.6</b>	<b>624.1</b>
<b>Financial activities</b>			
Interest paid		-44.9	-63.5
Interest received		19.0	30.2
Dividends received		6.8	5.3
Taxes on income paid		-137.6	-117.5
<b>Cash flow from operating activities</b>	(46)	<b>484.9</b>	<b>478.6</b>
Capital expenditures for intangible assets		-4.0	-8.0
Investments in airport operator projects		-3.2	-134.3
Capital expenditures for property, plant and equipment		-443.9	-583.8
Capital expenditures for investments accounted for using the equity method		-0.6	-
Investment property		-	-1.1
Acquisition of consolidated companies		-	-16.6
Disposal of consolidated companies		13.2	-
Other financial investments (long-term)		-80.5	-
Proceeds from disposal of non-current assets		19.6	103.3
<b>Cash flow used in investing activities</b>	(46)	<b>-499.4</b>	<b>-640.5</b>
Dividends paid to shareholders of Fraport AG		-82.0	-105.1
Dividends paid to minority shareholders		-0.7	-1.3
Capital increase		15.7	11.8
Change in financial liabilities/other changes		140.3	274.5
<b>Cash flow from financing activities</b>	(46)	<b>73.3</b>	<b>179.9</b>
Foreign currency translation effect on cash and cash equivalents		-	7.8
Consolidation effects on cash and cash equivalents		-0.5	-7.0
Restricted cash		-14.9	-28.4
<b>Change in cash and cash equivalents</b>		<b>43.4</b>	<b>-9.6</b>
Cash and cash equivalents at January 1		574.2	617.6
Restricted cash previous year		-	14.9
<b>Cash and cash equivalents at December 31</b>	(46)	<b>617.6</b>	<b>622.9</b>



# Changes in consolidated shareholders' equity

€ million	Notes	Issued capital	Capital reserves	Revenue reserves				Group retained earnings	Equity attributable to shareholders of Fraport AG	Equity attributable to minority interests	Total
				Legal reserves	Revenue reserves	Foreign currency reserves	Revaluation reserves				
<b>Balance at Jan. 1, 2006</b>		<b>910.7</b>	<b>550.5</b>	<b>36.5</b>	<b>577.8</b>	<b>-7.8</b>	<b>-7.3</b>	<b>82.1</b>	<b>2,142.5</b>	<b>15.4</b>	<b>2,157.9</b>
Foreign currency translation differences		-	-	-	-	2.3	-	-	2.3	-	2.3
Fair value of financial assets held for sale		-	-	-	-	-	12.3	-	12.3	-	12.3
Fair value changes of derivatives		-	-	-	-	-	8.0	-	8.0	-	8.0
Net gain (+)/Net costs (-) directly included in equity		0.0	0.0	0.0	0.0	2.3	20.3	0.0	22.6	0.0	22.6
Capital increase Frankfurt-Hahn Airport		-	-	-	-	-	-	-	0.0	6.4	6.4
Issue of shares for employee investment plan		0.8	3.7	-	-	-	-	-	4.5	-	4.5
Transfer of treasury shares		0.1	0.1	-	-	-	-	-	0.2	-	0.2
Management stock option plan											
Capital increase for exercise of options		2.1	2.7	-	-	-	-	-	4.8	-	4.8
Value of performed services		-	1.8	-	-	-	-	-	1.8	-	1.8
Distribution		-	-	-	-	-	-	-82.0	-82.0	-0.7	-82.7
Group profit for the year		-	-	-	124.1	-	-	105.2	229.3	-0.4	228.9
Consolidation activity/ other changes		-	-	-	0.4	-	-	-0.1	0.3	1.4	1.7
<b>Balance at Dec. 31, 2006</b>	(34), (35)	<b>913.7</b>	<b>558.8</b>	<b>36.5</b>	<b>702.3</b>	<b>-5.5</b>	<b>13.0</b>	<b>105.2</b>	<b>2,324.0</b>	<b>22.1</b>	<b>2,346.1</b>
<b>Balance at Jan. 1, 2007</b>		<b>913.7</b>	<b>558.8</b>	<b>36.5</b>	<b>702.3</b>	<b>-5.5</b>	<b>13.0</b>	<b>105.2</b>	<b>2,324.0</b>	<b>22.1</b>	<b>2,346.1</b>
Foreign currency translation differences		-	-	-	-	-0.1	-	-	-0.1	-	-0.1
Fair value of financial assets held for sale		-	-	-	-	-	10.9	-	10.9	-	10.9
Fair value changes of derivatives		-	-	-	-	-	8.3	-	8.3	-	8.3
Purchase price allocation LAP		-	-	-	-	-	2.0	-	2.0	-	2.0
Net gain (+)/Net costs (-) directly included in equity		0.0	0.0	0.0	0.0	-0.1	21.2	0.0	21.1	0.0	21.1
Capital increase Frankfurt-Hahn Airport/Twin Star		-	-	-	-	-	-	-	0.0	7.4	7.4
Issue of shares for employee investment plan		0.7	3.5	-	-	-	-	-	4.2	-	4.2
Transfer of treasury shares		0.1	0.1	-	-	-	-	-	0.2	-	0.2
Management stock option plan				-	-	-	-	-	0.0	-	0.0
Capital increase for exercise of options		0.1	0.1	-	-	-	-	-	0.2	-	0.2
Value of performed services		-	2.7	-	-	-	-	-	2.7	-	2.7
Distribution		-	-	-	-	-	-	-105.1	-105.1	-1.3	-106.4
Group profit for the year		-	-	-	103.4	-	-	105.3	208.7	5.0	213.7
Consolidation activity/ other changes		-	-	-	4.4	-	-	-0.1	4.3	-0.2	4.1
<b>Balance at Dec. 31, 2007</b>	(34), (35)	<b>914.6</b>	<b>565.2</b>	<b>36.5</b>	<b>810.1</b>	<b>-5.6</b>	<b>34.2</b>	<b>105.3</b>	<b>2,460.3</b>	<b>33.0</b>	<b>2,493.3</b>

# Consolidated statement of changes in non-current assets

€ million	Goodwill	Other intangible assets	Investment in airport operator projects	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, operating and office equipment	On-account payments and construction in process
<b>Acquisition/production costs</b>							
Balance at Jan. 1, 2007	211.3	109.8	3.2	3,414.6	1,558.7	346.5	599.1
Changes due to foreign currency differences	0.0	-0.2	-10.0	2.9	0.0	-0.4	0.0
Changes in consolidation	0.0	0.0	129.5	0.0	0.0	5.9	0.0
Additions	0.3	8.0	466.7	133.9	62.1	48.9	852.4
Disposals	-3.6	-6.5	0.0	-115.2	-40.0	-33.8	-23.7
Regroupings IFRS 5	-79.8	-1.8	0.0	0.0	0.0	-13.0	0.0
Reclassifications	0.0	18.7	0.0	90.2	23.5	4.8	-137.8
<b>Balance at Dec. 31, 2007</b>	<b>128.2</b>	<b>128.0</b>	<b>589.4</b>	<b>3,526.4</b>	<b>1,604.3</b>	<b>358.9</b>	<b>1,290.0</b>
<b>Accumulated depreciation</b>							
Balance at Jan. 1, 2007	114.2	70.7	0.0	1,679.8	1,270.7	239.2	0.0
Changes due to foreign currency differences	0.0	-0.2	-1.1	2.2	0.0	-0.2	0.0
Changes in consolidation	0.0	0.0	14.0	0.0	0.0	0.0	0.0
Additions	20.3	13.8	6.2	124.0	50.0	28.7	1.1
Disposals	-3.6	-3.8	0.0	-106.2	-36.6	-29.9	0.0
Regroupings IFRS 5	-25.4	-0.9	0.0	0.0	0.0	-8.0	0.0
Reclassifications	0.0	4.5	0.0	1.0	-6.0	0.5	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at Dec. 31, 2007</b>	<b>105.5</b>	<b>84.1</b>	<b>19.1</b>	<b>1,700.8</b>	<b>1,278.1</b>	<b>230.3</b>	<b>1.1</b>
<b>Net book values</b>							
<b>Balance at Dec. 31, 2007</b>	<b>22.7</b>	<b>43.9</b>	<b>570.3</b>	<b>1,825.6</b>	<b>326.2</b>	<b>128.6</b>	<b>1,288.9</b>
<b>Acquisition/production costs</b>							
Balance at Jan. 1, 2006	213.4	111.4	0.0	3,356.0	1,568.7	381.7	466.2
Changes due to foreign currency differences	0.0	-0.5	0.0	-2.7	0.0	-0.2	-0.1
Changes in consolidation	-2.1	-0.5	0.0	-3.6	-2.1	-49.6	-0.4
Additions	0.0	4.0	3.2	105.2	52.7	42.6	243.4
Disposals	0.0	-6.2	0.0	-73.2	-107.2	-32.2	-25.1
Reclassifications	0.0	1.6	0.0	32.9	46.6	4.2	-84.9
<b>Balance at Dec. 31, 2006</b>	<b>211.3</b>	<b>109.8</b>	<b>3.2</b>	<b>3,414.6</b>	<b>1,558.7</b>	<b>346.5</b>	<b>599.1</b>
<b>Accumulated depreciation</b>							
Balance at Jan. 1, 2006	105.1	61.2	0.0	1,605.4	1,323.2	256.7	0.0
Changes in consolidation	-1.0	-0.4	0.0	-0.9	-1.4	-18.6	0.0
Additions	10.1	15.8	0.0	140.3	48.3	33.2	0.0
Disposals	0.0	-5.9	0.0	-65.0	-99.4	-32.1	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance at Dec. 31, 2006</b>	<b>114.2</b>	<b>70.7</b>	<b>0.0</b>	<b>1,679.8</b>	<b>1,270.7</b>	<b>239.2</b>	<b>0.0</b>
<b>Net book values</b>							
<b>Balance at Dec. 31, 2006</b>	<b>97.1</b>	<b>39.1</b>	<b>3.2</b>	<b>1,734.8</b>	<b>288.0</b>	<b>107.3</b>	<b>599.1</b>

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

Property, plant and equipment (total)	Investment property	Investments accounted for using the equity method	Other investments	Available-for- sale securities	At fair value securities	Loan to investments*	Other loans	Other financial assets (total)
5,918.9	125.4	111.2	18.3	61.9	200.9	70.6	19.7	371.4
2.5	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
5.9	0.0	-18.7	0.0	0.0	0.0	0.0	0.0	0.0
1,097.3	1.1	3.9	0.0	0.0	0.0	0.0	0.0	0.0
-212.7	-116.0	-4.0	0.0	0.0	-20.0	0.0	-6.7	-26.7
-13.0	0.0	-0.4	-0.8	0.0	0.0	0.0	0.0	-0.8
-19.3	0.6	0.0	0.0	0.0	-30.0	-3.0	0.0	-33.0
<b>6,779.6</b>	<b>11.1</b>	<b>91.2</b>	<b>17.5</b>	<b>61.9</b>	<b>150.9</b>	<b>67.6</b>	<b>13.0</b>	<b>310.9</b>
3,189.7	58.5	55.0	12.5	-19.2	4.8	67.5	3.7	69.3
2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
203.8	1.0	0.0	0.0	0.2	4.8	0.0	0.0	5.0
-172.7	-58.5	0.0	0.0	0.0	-0.3	0.0	-0.1	-0.4
-8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-4.5	0.0	0.0	0.0	0.0	-0.7	0.0	0.0	-0.7
0.0	0.0	0.0	0.0	-11.4	-3.1	0.0	0.0	-14.5
<b>3,210.3</b>	<b>1.0</b>	<b>54.1</b>	<b>12.5</b>	<b>-30.4</b>	<b>5.5</b>	<b>67.5</b>	<b>3.6</b>	<b>58.7</b>
<b>3,569.3</b>	<b>10.1</b>	<b>37.1</b>	<b>5.0</b>	<b>92.3</b>	<b>145.4</b>	<b>0.1</b>	<b>9.4</b>	<b>252.2</b>
5,772.6	95.6	108.6	15.2	15.1	180.0	77.5	13.0	300.8
-3.0	0.0	-2.2	0.0	0.0	0.0	-0.1	0.0	-0.1
-55.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
443.9	53.4	6.4	4.5	46.8	20.9	0.1	8.2	80.5
-237.7	0.0	-1.6	-1.4	0.0	0.0	-6.9	-1.5	-9.8
-1.2	-23.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>5,918.9</b>	<b>125.4</b>	<b>111.2</b>	<b>18.3</b>	<b>61.9</b>	<b>200.9</b>	<b>70.6</b>	<b>19.7</b>	<b>371.4</b>
3,185.3	58.2	55.0	13.9	-0.6	5.2	69.2	3.6	91.3
-20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
221.8	0.3	0.0	0.0	0.0	1.9	0.0	0.4	2.3
-196.5	0.0	0.0	-1.4	0.0	0.0	-1.7	-0.3	-3.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	-18.6	-2.3	0.0	0.0	-20.9
<b>3,189.7</b>	<b>58.5</b>	<b>55.0</b>	<b>12.5</b>	<b>-19.2</b>	<b>4.8</b>	<b>67.5</b>	<b>3.7</b>	<b>69.3</b>
<b>2,729.2</b>	<b>66.9</b>	<b>56.2</b>	<b>5.8</b>	<b>81.1</b>	<b>196.1</b>	<b>3.1</b>	<b>16.0</b>	<b>302.1</b>

# Segment reporting

(Note 45)

## Primary segment reporting

€ million		Aviation	Retail & Properties	Ground Handling	External Activities	Adjustments	Group
Revenue	2007	698.7	471.4	620.5	538.4	–	2,329.0
	2006	702.8	385.1	624.1	431.9	–	2,143.9
Other operating income	2007	23.0	31.5	11.5	30.8	–	96.8
	2006	32.3	22.3	23.4	28.4	–	106.4
Third-party revenue	2007	721.7	502.9	632.0	569.2	–	2,425.8
	2006	735.1	407.4	647.5	460.3	–	2,250.3
Inter-segment revenue	2007	52.3	394.3	17.0	24.5	–488.1	–
	2006	48.6	390.2	18.1	25.6	–482.5	–
Total revenue	2007	774.0	897.2	649.0	593.7	–488.1	2,425.8
	2006	783.7	797.6	665.6	485.9	–482.5	2,250.3
Segment result (EBIT)	2007	44.8	244.6	12.6	33.4	0.00	335.4
	2006	76.0	219.6	34.6	0.2	0.00	330.4
Depreciation and amortization of segment assets	2007	94.8	88.4	24.8	37.1	–	245.1
	2006	82.8	95.0	28.4	41.8	–	248.0
EBITDA	2007	139.6	333.0	37.4	70.5	–	580.5
	2006	158.8	314.6	63.0	42.0	–	578.4
Share of results of investments accounted for using the equity method	2007	0.0	–0.2	0.8	1.9	–	2.5
	2006	0.0	0.1	1.2	4.3	–	5.6
Income from investments	2007	0.0	0.0	0.0	5.3	–	5.3
	2006	0.0	0.0	0.0	6.8	–	6.8
Book values of segment assets	2007	2,504.3	1,564.6	477.8	1,104.1	53.9	5,704.7
	2006	1,798.3	1,580.1	413.7	451.8	50.6	4,294.5
Segment liabilities	2007	1,153.7	760.2	194.7	836.0	266.8	3,211.4
	2006	525.7	682.1	163.2	267.2	310.2	1,948.4
Acquisition cost of additions to property, plant and equipment, investments in airport operating projects, intangible assets and investment property	2007	818.5	152.1	86.6	516.2	–	1,573.4
	2006	224.4	168.8	61.3	50.0	–	504.5
Other significant non-cash expenses	2007	62.6	67.4	16.3	12.9	–	159.2
	2006	39.1	50.2	12.3	15.9	–	117.5
Acquisitions of investments accounted for using the equity method	2007	0.0	0.0	1.7	35.4	–	37.1
	2006	0.0	0.1	1.9	54.2	–	56.2



*Secondary segment reporting*

€ million		Germany	Rest of Europe	Asia	Rest of world	Adjustments	Group
Revenue	2007	1,905.0	318.0	53.8	52.2	–	2,329.0
	2006	1,821.5	254.2	56.7	11.5	–	2,143.9
Other operating income	2007	76.1	3.7	16.1	0.9	–	96.8
	2006	104.1	2.0	0.0	0.3	–	106.4
Third-party revenue	2007	1,981.1	321.7	69.9	53.1	–	2,425.8
	2006	1,925.6	256.2	56.7	11.8	–	2,250.3
Book values of segment assets	2007	4,789.8	190.2	511.0	159.8	53.9	5,704.7
	2006	3,970.4	187.9	59.2	26.4	50.6	4,294.5
Acquisition cost of additions to property, plant and equipment, investments in airport operating projects, intangible assets and investment property	2007	1,093.8	19.1	444.6	15.9	–	1,573.4
	2006	489.6	12.7	2.1	0.1	–	504.5

# Group notes

## Notes to the consolidation and accounting policies

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

Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (hereinafter referred to as Fraport AG) prepared its consolidated financial statements as of December 31, 2007 in accordance with the standards issued by the International Accounting Standards Board (IASB).

We have applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements and the interpretations about them issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted in the EU, in force on the balance sheet date completely and without any restrictions in recognition, measurement and disclosure in the 2007 consolidated financial statements. Pursuant to section 315 a (1) of the German Commercial Code (HGB) the supplementary disclosures in the notes to the financial statements were provided applying sections 313, 314 HGB.

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

The consolidated financial statements are prepared in euros. All figures are in € million unless stated otherwise.

### *(2) Major events, companies consolidated and balance sheet date*

#### **Framework agreement between Fraport AG and Celanese AG/Ticona GmbH**

We entered into a framework agreement with Celanese AG/Ticona GmbH (Celanese/Ticona) in June 2007 in line with our letter of intent signed on November 29, 2006. Under this agreement, Celanese/Ticona undertakes to close the Ticona production plant in Kelsterbach by June 30, 2011 or by December 31, 2011 at the latest, and to withdraw any appeals and action against the existence or the expansion of Frankfurt Airport after having signed the agreement. The agreement stipulates in addition

that the plots of land in Kelsterbach be transferred to Fraport AG after removal of all of the plant facilities, unless Fraport AG accepts to acquire these. Any soil decontamination required for the commercial use of the land will be made by Celanese/Ticona. With the signing of this agreement a major risk that the start of operation of the northwest landing runway could be delayed, was eliminated.

Fraport AG will pay a consideration of €670.0 million to Celanese/Ticona. An installment of €20.0 million was already paid in 2006 on the basis of a separate agreement for preparing the relocation of the chemical plant in Kelsterbach. The remainder will be paid in different tranches between 2008 and 2011.

Immediately after signing the framework agreement, Celanese/Ticona informed the responsible authorities on the agreed closure of production at Ticona in Kelsterbach and withdrew any appeal or action it had brought before the respective authorities and courts. One piece of land required for the new landing runway was transferred to Fraport AG immediately after signing the agreement.

Therefore, Fraport AG recognized the payment obligations in connection with the closure of production and the withdrawal of the appeals and complaints in its liabilities in the amount of the discounted fair value of €505.5 million and recognized them on the asset side as construction in progress under property, plant and equipment. These payment obligations increase the cost of the new landing runway and will be amortized after the runway is ready for operation. Interest cost will be added back on the liability until the time of payment, totaling €518.8 million as of December 31, 2007. Discounting is made on the basis of interest rates applicable to government bonds with matching maturities (4.26 percent to 4.36 percent).

In addition, a piece of land acquired in June 2007 was recognized at its market value of €8.0 million. A liability was recognized in an equal amount.

#### **Companies included in consolidation and balance sheet date**

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

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

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements changed as follows during the fiscal year 2007:

	Ger- many	Other countries	Total
<b>Fraport AG</b>	<b>1</b>		<b>1</b>
<b>Fully consolidated subsidiaries</b>			
Dec. 31, 2006	22	47	69
Additions	1	5	6
Disposals	-2	-2	-4
<b>Dec. 31, 2007</b>	<b>21</b>	<b>50</b>	<b>71</b>
<b>Joint ventures using proportionate consolidation</b>			
Dec. 31, 2006	6	3	9
Additions	0	2	2
<b>Dec. 31, 2007</b>	<b>6</b>	<b>5</b>	<b>11</b>
<b>Companies consolidated excluding associates at Dec. 31, 2006</b>	<b>29</b>	<b>50</b>	<b>79</b>
<b>Companies consolidated excluding associates at Dec. 31, 2007</b>	<b>28</b>	<b>55</b>	<b>83</b>
<b>Investments in associates using the equity method of accounting</b>			
Dec. 31, 2006	6	3	9
Disposals	0	-1	-1
<b>Dec. 31, 2007</b>	<b>6</b>	<b>2</b>	<b>8</b>
<b>Group companies including associates at Dec. 31, 2006</b>	<b>35</b>	<b>53</b>	<b>88</b>
<b>Group companies including associates at Dec. 31, 2007</b>	<b>34</b>	<b>57</b>	<b>91</b>

The addition of fully consolidated subsidiaries refers to the companies Fraport Asia Ltd., Hong Kong, ICTS Czech s. r. o., Prague, ICTS Ireland Ltd., Dublin, FRACareServices GmbH, Frankfurt am Main, Alterra Lima Holdings Ltd., Cayman Islands (Alterra) and LAP Lima Airport Partners S. R. L., Lima (LAP).

Airport Retail Solutions GmbH, Frankfurt am Main was sold as of March 6, 2007, Flughafen Saarbrücken Betriebsgesellschaft mbH, Saarbrücken, was sold on May 4, 2007. Gains on the disposal amounting to a total of €0.4 million were recognized when the companies were deconsolidated.

Maritime and Underwater Security Consultants USA LLC, Houston, was closed as of June 11, 2007. Effective June 18, 2007, ICTS sold its shares in New Age Aviation Security US Inc., Virginia, for US\$ 100. The deconsolidation of these two companies had only an immaterial impact on the consolidated financial statements.

Additions to joint ventures relate to the newly established companies Fraport IC Ictas Havalimani İşletme AS, Antalya (Antalya finance company), und Fraport IC Ictas Antalya Havalimani Terminal Yatırım ve İşletmeciliği AS, Antalya (Antalya operating company). Fraport AG owns 51 percent of the share capital in each of the companies. Due to the voting rights stipulated by contract and the distribution of dividends, the companies are included in the Fraport Group on a 34 percent proportionate basis.

The disposal of associated companies refers to LAP, which, after the remaining capital shares were acquired, is now fully consolidated in the Fraport Group.

Although Fraport AG owns 52 percent of the capital shares in NICE, this company is consolidated on a proportionate basis of merely 52 percent due to the joint management and control which were contractually agreed. GCS is fully consolidated although Fraport AG owns 40 percent only, since due to the contractual stipulations, the company can be and is controlled.

The complete list of the Group's shareholdings in accordance with section 313 (2) and (3) HGB and section 285 No. 11 and No. 11a will be published in the electronic Federal Gazette as an appendix to the notes to the annual financial statements of Fraport AG.

Flughafen Frankfurt-Hahn GmbH made use of the exemption provision contained in section 264 (3) HGB and did not apply sections 325 to 329 HGB – Publication and review by the operating authority of the electronic Federal Gazette.

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

€ million	Dec. 31, 2006	Dec. 31, 2007
Non-current assets	-36.1	115.0
Current assets	-7.2	4.7
Cash and cash equivalents	-1.8	17.8
Non-current liabilities	-34.9	99.6
Current liabilities	-4.7	7.8

The changes in the group of consolidated companies in the fiscal year mainly refer to the full consolidation of LAP and in the previous year to the sale of the

companies of TCR subgroup (TCR). The changes in the group of consolidated companies affected the result for the year before consolidation adjustments by generating a profit of €4.7 million (previous year: a loss of €4.4 million).

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

€ million	2006	2007
Non-current assets	8.6	471.0
Current assets	11.4	16.6
Shareholders' equity	11.5	14.6
Non-current liabilities	2.0	464.6
Current liabilities	6.5	8.4
Income <sup>1</sup>	51.8	50.7
Expenses <sup>1</sup>	48.9	62.4

<sup>1</sup> TCR was included in the previous year until May 16, 2006

#### Interests acquired and new companies established *Fraport Asia Ltd.*

On March 9, 2007 Fraport AG established Fraport Asia Ltd., Hong Kong. Fraport AG holds 100 percent of the equity shares in the nominal amount of HKD 10.0 thousand (some €1.0 thousand). The company's purpose is to render services relating to the airport operation. The company was included for the first time in the Fraport consolidated financial statements at the time of its establishment.

#### *ICTS Czech s. r. o.*

On March 21, 2007, ICTS Europe established a 100 percent subsidiary, ICTS Czech s. r. o., Prague with a capital contribution of about €18 thousand. The company is active in the field of security services. It was included in the consolidated financial statements at the time of its establishment.

#### *ICTS Ireland Ltd.*

On April 18, 2007, ICTS Europe established a 100 percent subsidiary, ICTS Ireland Ltd., Dublin with a capital contribution of €100. The company is active in the field of security services. It was included in the consolidated financial statements at the time of its establishment.

#### *FRACareServices GmbH*

FRACareServices GmbH, Frankfurt am Main was established on December 13, 2007. Fraport AG acquired 51 percent of the capital shares for €25.5 thousand. The company specifically provides assistance for persons with impaired mobility and related services at Frankfurt Airport. The company was included for the first time in the Fraport consolidated financial statements at the time of its establishment.

#### *Lima Airport Partners S. R. L., Alterra Lima Holdings Ltd.*

With the acquisition of Alterra Lima Holdings Ltd., Cayman Islands (Alterra), which owns 57.25 percent in the operating company Lima Airport Partners S. R. L. (LAP), Fraport AG increased its investment on August 1, 2007 to 100 percent. The investment in 42.75 percent of LAP which had been accounted for at equity up to July 31, 2007 was fully consolidated in the Fraport Group with the newly acquired shares. At the same time, the shares in Alterra were included in the Fraport Group.

The purchase price allocation resulted in the following adjustments to assets and liabilities:

#### *Measuring goodwill*

€ million	
Purchase price	26.9
Expenses of acquisition	0.0
<b>Total purchase price (completely paid in cash)</b>	<b>26.9</b>
Net fair value of A's identifiable assets and liabilities	-26.6
<b>Goodwill</b>	<b>0.3</b>

#### *Acquired net assets*

€ million	Book value	Adjustments	Net fair value
Investments in airport operating projects	69.4	3.7	73.1
Other non-current assets	3.6	–	3.6
Current assets and cash and cash equivalents	14.1	–	14.1
Non-current liabilities	-57.5	–	-57.5
Current liabilities	-5.7	–	-5.7
Deferred tax liabilities	0.0	-1.0	-1.0
<b>Acquired net assets</b>	<b>23.9</b>	<b>2.7</b>	<b>26.6</b>

Revenue and profit generated by LAP between the date of acquisition and December 31, 2007 amounted to €39.6 million and €4.7 million respectively. If the company had been fully included in the consolidated financial statements as of January 1, its contribution to Group revenue would have been €88.5 million, to Group profit €1.7 million. Between January 1 and July 31, 2007, €-1.3 million of the overall result of €-3.0 million are included in the result accounted for using the equity method.

#### *Investment in Antalya Airport*

A consortium led by Fraport AG won the bidding procedure on April 12, 2007 for continuing to operate the terminals at Antalya Airport in Turkey. For the purpose of financing and operating the terminals, the franchisees established the company Fraport IC Ictas Havalimani Isletme AS, Antalya (Antalya finance company) on May 18, 2007 and Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi AS, Antalya (Antalya operating company) on May 22,



2007. Fraport AG acquired 51 percent of the share capital of Fraport IC Ictas Havalimani Isletme AS in the amount of some €7.9 million and 51 percent in Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi AS in the amount of some €28.0 thousand. Given the voting power as it is and the distribution of dividends, the companies are joint ventures included in the consolidated financial statements on a proportionate basis of approximately 34 percent. The companies were included for the first time in the Fraport Group at the time of their establishment.

#### Further changes

Within the scope of reorganizing the security business in the Group the subsidiaries of ICTS, FIS GmbH and FIS Deutschland GmbH were restructured effective January 1, 2007. The business at the Frankfurt site and in Frankfurt Hahn was allocated to FIS GmbH, the other German-wide security business was allocated to FIS Deutschland. On March 13, 2007 FIS GmbH changed its name into Fraport Security Services GmbH (FraSec) and FIS Deutschland GmbH was renamed FIS GmbH. FraSec was sold to Fraport AG with substantial effect from April 1, 2007. FraSec was allocated to the Aviation segment. This organizational and corporate restructuring affected only the presentation of segment reporting in the consolidated financial statements (see Note 45).

### (3) Consolidation Principles

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

Goodwill is recognized for the excess of the cost of the investment over the identifiable assets and liabilities recognized at fair value. Any excess of fair value over cost is recognized in profit or loss. Goodwill is annually tested for impairment. If goodwill is impaired, write-downs are made to the recoverable amount.

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

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

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

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

#### Currency translation

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

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

The following exchange rates were used for currency translation purposes:

Unit/currency in €	Exchange rate on Dec. 31, 2006	Average ex- change rate 2006	Exchange rate on Dec. 31, 2007	Average ex- change rate 2007
1 US dollar (US\$)	0.7593	0.7964	0.6793	0.7297
1 Pound sterling (GBP)	1.4892	1.4669	1.3636	1.4613
1 Turkish New Lira (TRY)	0.5401	0.5562	0.5847	0.5628
100 Philippine pesos (PHP)	1.5493	1.5533	1.6468	1.6659
1 Swedish crown (SEK)	0.1106	0.1081	0.1059	0.1081
1 Hong Kong dollar (HKD)	0.0980	0.1025	0.0871	0.9353
1 New Sol (PEN)	0.2372	0.2433	0.2287	0.2334
1 Swiss franc (CHF)	0.6223	0.6358	0.6043	0.6087
1 Norwegian crown (NOK)	0.1214	0.1243	0.1256	0.1247
1 Yuan renminbi (CNY)	0.0969	0.0997	0.0928	0.0958
1 Czech crown (CZK)	0.0376	0.0360	0.0375	0.0380

#### (4) Accounting policies

##### Consistent accounting policies

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

##### Recognition of income and expense

Revenue and other income is recognized in accordance with IAS 18, when the goods have been delivered or the services rendered, when it is probable that an economic benefit will be received and when this benefit can be quantified reliably. In addition, the significant risks and rewards must have been transferred to the buyer.

Income and expenses from the same transactions and/or events are recognized in the same period.

##### Goodwill

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

##### Intangible assets

Acquired intangible assets (IAS 38) are recognized at cost. They are amortized over their useful lives using the straight line method. Impairment losses are recognized in accordance with IAS 36 where necessary. Borrowing costs are recognized directly as an expense (IAS 23).

##### Investments in airport operating projects

To provide for better transparency, the investments in airport operating projects are recognized separately for the first time. These are mainly concession charges and capital expenditure for airport-related infrastructural measures taken on the occasion of the airport operating projects in Turkey, Bulgaria and Peru. The previous year's figures in the balance sheet, the cash flow statement and the statement of changes in non-current assets were adjusted accordingly (see Note 22).

Capital expenditure for infrastructure is generally recognized at cost. In the case of finance leases under IAS 17, the concession charges are recognized at their present value reduced by straight-line amortization

over the duration of the concession agreements. Impairment losses are recognized in accordance with IAS 36 where necessary.

##### Property, plant and equipment

Property, plant and equipment (IAS 16) are recognized at cost less straight-line depreciation and any impairment losses under IAS 36 where applicable. Subsequent cost is capitalized. Costs of conversion essentially include all direct costs including appropriate overhead. Borrowing costs are recognized directly as an expense (IAS 23).

Within the scope of the acquisition of built-upon land, with the buildings used temporarily, the cost of the buildings is determined using the income capitalization approach and an annual interest rate of 5.0 percent.

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

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

##### Investment property

Investment property is property (IAS 40) held to earn rentals or held for long-term capital appreciation which is not owner-occupied; it also consists of land held for a currently undetermined future use.

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

Investment property is measured initially at cost. Borrowing costs are not recognized as part of cost; they are recognized in the period in which they are incurred. Investment property is measured at cost less depreciation and impairment losses under IAS 36, where applicable.

### Impairment of assets pursuant to IAS 36

An impairment loss is recognized for assets on the balance sheet date when the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash flows of funds from the use and subsequent disposal of the asset.

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

### Finance leases

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

### Investments accounted for using the equity method

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

### Other financial assets

Other financial assets include securities in non-current assets, loans and other investments. Other financial assets are recognized at cost at the settlement date, i.e. at the time the asset is created or transferred.

Long-term low-interest or interest-free borrowings are recognized at their present value.

Borrowings and other investments are measured at amortized cost at the balance sheet date. Available-for-sale financial assets and financial assets to which the fair value option is applied (i.e. financial instruments which upon their addition to the Fraport Group are designated as at fair value through profit or loss) are generally measured at fair value. However, if the latter cannot be determined reliably, these assets are also measured at cost. Changes in the fair value of available-for-sale financial assets are recognized in equity (IAS 39). Changes in the fair value of financial assets to which the fair value option is applied, are recognized in profit or loss.

Hybrid instruments with inseparable embedded derivatives are designated as at fair value through profit or loss.

### Inventories

In addition to finished goods and work in process, raw materials and supplies, the inventories include the land held for sale within the normal operating cycle of some 10 years.

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

Property held for sale within the ordinary course of business is also measured at the lower of cost or net realizable value.

The subsequent cost required for land development is estimated for the entire marketable net building land on the basis of specific cost unit rates for individual development measures. Depending on the land sales recognized in the respective reporting year, the development costs are offset pro rata temporis per square meter with the areas still to be sold. Net realizable value is the estimated selling price less the costs incurred until the sale and discounted over the planned selling period. Estimated sales proceeds are determined using current market prices less an allowance for sales risks.

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

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

#### Receivables and other assets

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

In subsequent measurement, the receivables and other assets are measured at amortized cost, provided they are not held for trading. Receivables in foreign currencies are translated at the exchange rate at the balance sheet date.

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

#### Impairment of financial assets

By every balance sheet date, the carrying amounts of the financial statements which are not measured at fair value through profit or loss, are assessed to see, whether there is any indication (such as considerable financial difficulties of the debtor, highly probable insolvency proceedings against the debtor, a permanent decline of the fair value below amortized cost) that the asset may be impaired.

In general, impairment losses are recognized by reducing the value of the receivable or the financial asset.

The impairment of trade accounts receivable is recognized in an item-by-item allowance account with effect on profit or loss. If there is an indication in subsequent periods that the reasons for an impairment loss no longer exist, a reversal is recognized with effect on profit or loss. If a receivable already impaired is designated as non-recoverable, the asset is derecognized.

#### Cash and cash equivalents

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

#### Non-current assets held for sale

Non-current assets held for sale are stated at the lower value of their carrying amount and fair value less costs to sell.

#### Equity instruments

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

#### Deferred taxes

Deferred taxes are accounted for under IAS 12 using the liability method based on temporary differences. Deferred taxes are recognized for temporary differences between the IFRS balances sheets of the single entities and their tax bases and differences arising from consolidation adjustments.

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

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

#### Provisions for pensions and similar obligations

The provisions for pensions have been calculated in accordance with IAS 19, applying actuarial methods and a discount rate of 5.5 percent p.a. (previous year: 4.4 percent p.a.). Actuarial gains or losses are recognized in profit or loss. The calculations did not include salary increases for the active members of the Executive Board. As far as former members of the Executive Board are concerned, pension increase assumptions are based on German legislation about the adjustment of salary and pension payments by the federal and state governments for 2003/2004 (BBVAnpG). The calculation of pension was based on the 2005 mortality tables of Professor Heubeck.

#### Tax provisions

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



### Other provisions

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

Provisions for expenses are not recognized.

Non-current provisions with terms of more than one year are discounted at a capital market interest rate with a matching maturity, taking future cost increases into account, provided that the effect of the time value of money is material.

### Liabilities

Liabilities are recognized in the amount of the consideration received. Subsequent measurement is made at amortized cost. Liabilities in foreign currencies are translated at the exchange rate at the balance sheet date. Non-current low-interest or non-interest bearing liabilities are carried at their present value at the time of addition.

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

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

### Derivative financial instruments, hedging transactions

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

If the criteria for a cash flow hedge are not met, the derivative financial instruments are designated as held for trading. In this case, the changes in the fair value and the related deferred taxes are recognized in profit or loss.

Derivative financial instruments are recognized at the trade date.

### Share options

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

### New standards

On August 18, 2005 the IASB published IFRS 7 "Financial Instruments; Disclosures". IFRS 7 replaces IAS 30 and parts of IAS 32 and redefines disclosure obligations for financial instruments. The standard should be applied by businesses from all sectors, with the extent of reporting required depending on the intensity of use of financial instruments and their contribution to risk. IFRS 7 will apply to fiscal years beginning on or after January 1, 2007. We applied IFRS 7 for the first time in the current fiscal year. Comparative figures for 2006 were disclosed.

The amendment to IAS 1 "Presentation of Financial Statements - Capital Disclosures" was published on August 18, 2005. The objective of the amendment is to require entities to provide disclosures in their IFRS financial statements that enable users to evaluate the entity's objectives, policies, and processes for managing capital. The notion of "capital" remains vague, however. It is up to the preparing entity to give this notion a definition specific to the entity and disclose it accordingly. This amendment to IAS 1 is obligatory for reporting periods beginning on or after January 1, 2007. We have applied the amendment to IAS 1 for the first time in the year under review. The necessary disclosure on capital is included in the section "Financial instruments and risk management".

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

IFRIC 9 "Re-assessment of Embedded Derivatives" was published on March 1, 2006. IAS 39 "Financial Instruments: Recognition and Measurement" requires an entity, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives. IFRIC 9 looks at the question of whether, according to IAS 39, such an assessment is to be made only when the company becomes a party in

the hybrid contract or throughout the life of the contract. IFRIC 9 applies to fiscal years beginning on or after June 1, 2006.

The first-time application of the interpretations IFRIC 8 and IFRIC 9 has no major impact on this fiscal year's asset, financial and earnings position of the Fraport Group.

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

The IFRIC issued the interpretation IFRIC 11 "Group and Treasury Share Transactions" on November 2, 2006 and IFRIC 12 "Service Concession Arrangements" on November 30, 2006.

IFRIC 11 provides guidance on applying IFRS 2 to share-based payments involving an entity's own equity instruments or involving the equity instruments of another group company. IFRIC 11 applies to fiscal years beginning on or after March 1, 2007. An earlier application is recommended. Fraport AG has not yet applied IFRIC 11. The future application of IFRIC 11 will have no major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC 12 provides guidance on the accounting for service arrangements by companies rendering public services for government bodies. IFRIC 12 applies to fiscal years beginning on or after January 1, 2008. An earlier application is recommended. Fraport AG has not yet applied IFRIC 12. The effects of IFRIC 12 are still under review. Currently, the interpretation could affect net assets and earnings in particular.

The IASB published IFRS 8 "Operating Segments" on November 30, 2006. IFRS 8 replaces IAS 14 and adjusts the provisions to those of SFAS 131. IFRS 8 takes the management approach as a basis for segment reporting. The disclosures in the notes were enlarged. IFRS 8 applies to fiscal years beginning on or after January 1, 2009. An earlier application is permitted.

We have not yet applied IFRS 8 in these financial statements. The future application of this standard will not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The revised IAS 23 "Borrowing Costs" was published on March 29, 2007. The previously permitted option to immediately recognize borrowing costs has been removed. Effective January 1, 2009, borrowing costs that relate to the acquisition, construction or production of a qualifying asset are required to be capitalized as part of the cost of such assets. The revised IAS 23 is obligatory with effect from January 1, 2009 for qualifying assets the production of which begins after January 1, 2009. Earlier application is permitted (IAS 23.29). Earlier production is possible (IAS 23.28). Fraport AG will begin to capitalize borrowing costs with effect from January 1, 2009. Qualifying assets whose production began after January 1, 2000 will be included in the capitalization. The application of this revised standard will have considerable effects on our assets, financial and earnings position.

IFRIC 13, "Customer Loyalty Programmes" was published on June 28, 2007. This interpretation provides guidance on accounting for customer loyalty programmes. IFRIC 13 applies to fiscal years beginning on or after July 1, 2008. An earlier application is recommended. The future application of IFRIC 13 will have no major impact on the asset, financial and earnings situation of the Fraport Group.

On July 4, 2007, IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published. The interpretation provides particular guidance on how to determine the limit placed under IAS 19 "Employee Benefits" for a surplus which can be recognized as a defined benefit asset. The interpretation is effective for fiscal years beginning after January 1, 2008. An earlier application is recommended. The future application of IFRIC 14 will have no major impact on the asset, financial and earnings situation of the Fraport Group.

On September 6, 2007, the IASB issued a revision to IAS 1 "Presentation of Financial Statements". The revised standard defines the changes in the titles of financial statements. One of the main changes is to require that an entity must present all income and expenses, including income and expense recognized in equity, in a statement of comprehensive income.

A presentation together with owner-related changes in equity in a statement of changes in equity, is no longer permitted. The revision also requires additional information on income and expenses recognized in equity (other comprehensive income). The statement of changes in equity will focus on the presentation of all owner changes in equity. The revised IAS 1 applies to fiscal years beginning on or after January 1, 2009. An earlier application is permitted. We have not yet applied the changes to these financial statements. The revision to IAS 1 is aimed at improving users' ability to analyze and compare the information given in financial statements.

## Notes to the consolidated income statement

### (5) Revenue

€ million	2006	2007
<b>Aviation</b>		
Airport fees	540.1	544.7
Security services	139.1	127.8
Other revenue	23.6	26.2
	<b>702.8</b>	<b>698.7</b>
<b>Retail &amp; Properties</b>		
Real Estate	146.9	211.2
Retail	135.1	145.8
Parking	55.6	58.4
Other revenue	47.5	56.0
	<b>385.1</b>	<b>471.4</b>
<b>Ground Handling</b>		
Ground handling services	419.9	414.0
Infrastructure fees	192.5	195.7
Other revenue	11.7	10.8
	<b>624.1</b>	<b>620.5</b>
<b>External Activities</b>	<b>431.9</b>	<b>538.4</b>
	<b>2,143.9</b>	<b>2,329.0</b>

Within the scope of reorganizing the security business, revenue of FraSec has been attributed to the Aviation segment since January 1, 2007. The figures of the previous year were adjusted for comparison purposes. The effects of the reallocation of revenue from security services are presented in segment reporting (see Note 45).

Real Estate revenue includes revenue in this fiscal year, which is attributable to the finance lease between Fraport AG and AIRRAIL Center Verwaltungsgesellschaft mbH & Co. Vermietungs KG (AIRRAIL).

Fraport AG has undertaken to constitute a partial hereditary building right to the benefit of AIRRAIL. This right entitles AIRRAIL to build offices and business premises on the rooftop of the long-distance train station and to let or lease the buildings. As it is a finance lease, the carrying amount of the rooftop plate used for the superstructure was derecognized from cost of materials; the present value of the agreed payment of €57.6 million was recognized as revenue.

The segment Retail & Properties includes proceeds from operating leases. The revenue-related surface rentals recognized in the fiscal year amount to €116.4 million (previous year €110.3 million).

The operating leases mainly relate to the leasing of buildings, land, terminal areas and offices. The contract periods end in 2027 or earlier. No purchase option has been agreed. The residual term of hereditary building rights contracts is 46 years on average. No purchase options exist for them, either.

The gross carrying amount of the leased buildings and land amounts to €453.5 million. Accumulated depreciation amounting to €310.5 million was carried out and the depreciation charges amounted to €13.2 million for the fiscal year.

Further details are found in our management report under "Revenue and earnings development" and in segment reporting (see Note 45).

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

€ million	Remaining term			Total 2006	Remaining term			Total 2007
	< 1 year	1–5 years	> 5 years		< 1 year	1–5 years	> 5 years	
Minimum lease payments	59.8	169.1	470.9	699.8	57.9	157.7	453.6	669.2

#### (6) Change in finished goods and work in process

€ million	2006	2007
Change in finished goods and work in process	0.0	0.5

#### (7) Other internal work capitalized

€ million	2006	2007
Other internal work capitalized	23.1	24.6

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

#### (8) Other operating income

€ million	2006	2007
Release of provisions	36.1	41.1
Gains from disposal of non-current assets	2.3	3.2
Income from compensation payments	2.2	2.8
Other income relating to previous years	7.9	1.8
Release of special items for investment grants	1.7	1.7
Release of write-downs	1.2	1.1
Receipts from the Manila project	6.1	0.7
Income from deconsolidation	9.5	0.4
Derecognition of liabilities	5.5	0.0
Other items	10.8	18.9
	<b>83.3</b>	<b>71.7</b>

The release of provisions mainly relates to a provision recognized for obligations from terminating the former concession agreement in Antalya and other current provisions for discounts and refunds.

#### (9) Cost of materials

€ million	2006	2007
Cost of raw materials, consumables, supplies	–79.4	–84.3
Cost of purchased services	–273.9	–319.5
Finance lease expenditure	–	–57.6
	<b>–353.3</b>	<b>–461.4</b>

Finance lease expenditure relates to the AIRRAIL finance lease (see Note 5).

#### (10) Personnel expensed number of employees

€ million	2006	2007
Wages and salaries	–874.5	–932.7
Social security and welfare expenses	–170.3	–176.8
Pension expenses	–32.1	–33.8
	<b>–1,076.9</b>	<b>–1,143.3</b>

€26.4 million of the increase in personnel expenses relate to ICTS, which expanded its business in the security services field. On a yearly average basis, the companies in the ICTS Group deployed 361 more employees.

Personnel expenses for Fraport AG rose in particular due to the increase in provisions for partial retirement.

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



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

Average number of employees	2006	2007
Permanent staff	27,411	28,831
Temporary staff (interns, students)	835	1,606
	28,246	30,437

The average number of staff employed during the fiscal year (excluding apprentices and employees exempted from normal duties) was 30,275 in the fully consolidated companies (previous year: 28,126) and 162 (previous year: 120) in the companies using the proportionate consolidation.

### (11) Depreciation and amortization

€ million	2006	2007
Depreciation and amortization	-248.0	-245.1

Depreciation and amortization relates to the amortization of intangible assets, the depreciation of property, plant and equipment and impairment of investment property and investments in airport operating projects.

#### Depreciation

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

	Years
Other intangible assets	3–25 years
Investments in airport operating projects	17–35 years
Buildings (structural parts)	30–80 years
Technical buildings	20–50 years
Building equipment	12–38 years
Ground equipment	5–50 years
Take-off/landing runways	20–50 years
Aprons	50 years
Taxiways	20 years
Other technical equipment and machinery	3–33 years
Vehicles	4–20 years
Other equipment, operating and office equipment	3–25 years

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

The useful life of investment property is identical to the useful life of real estate in property, plant and equipment.

Useful lives were re-estimated in the year under review resulting in reduced depreciation charges of €1.3 million.

#### Impairment of assets pursuant to IAS 36

Total depreciation and amortization includes impairment under IAS 36 of goodwill in the amount of €20.3 million (previous year €10.1 million), property, plant and equipment of €1.1 million (previous year €7.5 million) and investment property of €1.0 million. Impairment losses of €3.4 million were recognized in the previous year for other intangible assets.

The measurement of assets reflects future earnings expectations. The recoverable amount is the higher of the value in use or the net selling price. Only the value in use was applied in the reporting year. The value in use is determined by the entity applying the discounted cash flow method.

Determination of the future cash flows of the cash-generating units is based on the planning figures. The value in use is generally determined on the future cash flows estimated on the basis of the planning figures for the years between 2008 and 2013 approved by the Executive Board and valid at the time the impairment tests are made, and on the basis of the current long-term plans until 2020 or over the respective contractual periods in the case of investments in airport operating projects. These forecasts are based on past experience and the market performance expected. A growth rate (of between 0.0 percent and 1.7 percent) based on the planning assumptions is taken into account in the perpetual annuity. Discount factor was a country-specific, weighted average capital cost (WACC) of between 6.2 percent and 9.5 percent (previous year: 6.1 percent to 9.4 percent).

Of goodwill impairment, €20.0 million relate to FraSec attributable to the Aviation segment. The impairment loss had to be recognized since it seems to be likely that based on a EU decision, the Hessian state will render the services in the future using its own security company or a bidding procedure will result in significant contract losses. Another impairment at €0.3 million as of the balance sheet date relates to LAP. The goodwill impairment is attributed to the External Activities segment.

For changes in goodwill we refer to Note 20.

Impairment losses recognized for property, plant and equipment relates to planning services whose implementation from today's point of view seems unlikely.

For the impairment of investment property see Note 24. The impairment of property, plant and equipment and investment property relates to the Retail & Properties segment.

### (12) Other operating expenses

€ million	2006	2007
Rental and lease expenses	-30.8	-31.3
Insurance premiums	-24.6	-25.6
Consulting, legal and auditing expenses	-26.0	-24.2
Advertising costs	-18.0	-18.8
Losses from disposals of non-current assets	-19.8	-14.7
Other taxes	-6.8	-9.1
Write-downs of trade accounts receivable	-3.2	-1.7
Other items	-112.5	-115.2
(of which unrelated to the period)	(-2.6)	(-1.5)
	-241.7	-240.6

The consulting, legal and audit expenses include Group auditor fees amounting to €2.2 million (previous year: €2.4 million). They are comprised as follows:

2007 € million	Fraport AG	Consolidated companies
Audit	1.4	0.4
Other certification or valuation services	0.2	-
Other services	0.1	0.1
	1.7	0.5

### (13) Interest result

€ million	2006	2007
Other interest and similar income	19.0	30.2
Interest and similar expenses	-44.9	-76.7

Of which relate to financial assets and liabilities:

€ million	2006	2007
Interest income from financial instruments	17.6	28.2
Interest expense from financial instruments	-39.8	-69.5

Interest income and expenses include interest paid on long-term loans and term money as well as interest expenses from interest cost added back on non-current liabilities. The net interest payments of derivative financial instruments are also recognized in interest income and expense.

### (14) Results of investments accounted for using the equity method

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

€ million	2006	2007
Hanover airport	2.5	3.2
LAP (in 2007 until July 31)	2.0	-1.3
ASG	1.0	0.8
ACF	0.2	0.0
Gateway Gardens	0.1	-0.2
Asia Security Management (ICTS subgroup)	-0.2	0.0
	5.6	2.5

### (15) Income from investments

The income from investments can be broken down as follows:

€ million	2006	2007
Ineuropa Handling UTE	6.8	5.3
	6.8	5.3

**(16) Impairment of financial assets**

Impairment of financial assets relate to the company:

€ million	2006	2007
Hessische Flugplatz GmbH Egelsbach (loan)	-0.4	0.0
	<b>-0.4</b>	<b>0.0</b>

**(17) Other financial results**

The other financial results can be broken down as follows:

€ million	2006	2007
<b>Income</b>		
Income from Manila project	18.0	2.3
Income from securities and loans	5.5	6.5
Foreign currency gains, unrealized	2.4	4.4
Foreign currency gains, realized	2.2	1.3
Measurement of derivatives	2.8	4.2
Fair value measurement of securities in non-current assets	2.3	4.3
	<b>33.2</b>	<b>23.0</b>
<b>Expenses</b>		
Foreign currency losses, unrealized	-2.7	-12.5
Foreign currency losses, realized	-1.6	-1.7
Interest of minority shareholders in GCS	-0.9	-1.0
Measurement of derivatives	-2.4	-1.5
Fair value measurement of securities in non-current assets	-1.9	-5.4
	<b>-9.5</b>	<b>-22.1</b>
<b>Total other financial results</b>	<b>23.7</b>	<b>0.9</b>

**(18) Taxes on income**

Income tax expense can be broken down as follows:

€ million	2006	2007
Current taxes on income	-105.1	-121.9
Deferred taxes on income	-6.2	38.0
	<b>-111.3</b>	<b>-83.9</b>

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

Deferred taxes are generally measured on the basis of the tax rate applicable in the country concerned. The Corporate Tax Reform Act was adopted in Germany introducing a reduction of tax rates with effect from January 1, 2008. To compute deferred tax of German companies a corporation tax rate of 15 percent (previous year 25 percent) was therefore taken as a basis as of December 31, 2007 plus a solidarity surcharge of 5.5 percent (previous year 5.5 percent) on the corporation tax payable. As a result, a combined income tax rate of some 31 percent including trade tax has been applied to German companies for the computation of deferred tax.

Deferred taxes are recognized for all temporary differences between the IFRS financial statements and their tax bases and for the carryforward of unused tax losses. The Fraport Group had tax losses carried forward in the amount of some €20.1 million (previous year: €12.4 million) as of December 31, 2007, which from today's point of view could not be used. Taking into account minimum taxation under current law, losses may be carried forward in Germany for an unlimited period. The use of tax losses outside Germany is governed by national law. Losses outside Germany can generally be carried forward between 15 and 20 years. The recoverability of deferred tax assets depends essentially on the probability of the future use of the losses carried forward. This depends on whether future taxable profit will be available in the periods, in which the carryforward of unused tax losses can be utilized.

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

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

€ million	2006		2007	
	Assets	Liabilities & equity	Assets	Liabilities & equity
Property, plant and equipment	0.6	-134.4	1.6	-106.4
Financial assets	12.3	-	20.2	-
Receivables and other assets	6.0	-3.8	-	-6.7
Prepaid expenses	-	-3.7	-	-2.5
Pension provisions	0.5	-0.7	0.1	-1.1
Other provisions	4.9	-	11.6	-0.2
Liabilities	16.0	-13.2	12.1	-3.9
Other balance sheet items	-	-6.4	0.0	-9.9
Losses carried forward	1.0	-	0.3	-
<b>Total individual financial statements</b>	<b>41.3</b>	<b>-162.2</b>	<b>45.9</b>	<b>-130.7</b>
Offsetting	-34.9	34.9	-41.5	41.5
Consolidation adjustments	10.0	-0.3	2.8	-0.4
<b>Consolidated balance sheet</b>	<b>16.4</b>	<b>-127.6</b>	<b>7.2</b>	<b>-89.6</b>

In the fiscal year deferred taxes in the amount of €6.3 million (previous year €12.6 million) from the change in the fair values of financial derivatives and securities were recognized in equity. No other deferred tax was included in equity.

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

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

€ million	2006	2007
Earnings before taxes on income	340.2	297.6
<b>Expected tax income/expense<sup>1</sup></b>	<b>-136.1</b>	<b>-119.0</b>
Tax effects on differences in tax rates outside Germany	2.3	4.5
Taxes on non-deductible expenses	-2.8	-2.2
Permanent differences including non-deductible tax audit provisions	-16.7	-17.8
Tax effect on consolidation adjustments that affect earnings	-8.2	-34.9
Tax effect on tax-free and taxable income from other periods	35.4	68.5
Corporation tax credit and credit from tax reductions following the corporate tax reform	35.2	22.0
Losses carried forward not effective for tax purposes	-3.1	0.0
Trade tax and other effects from local taxes	-14.1	-3.2
Other	-3.2	-1.8
<b>Taxes on income according to the income statement</b>	<b>-111.3</b>	<b>-83.9</b>

<sup>1</sup> Expected tax income/expense 40% for corporation tax 25% plus solidarity surcharge 5.5% and trade tax of around 18%

The tax rate for the Group is 28.2 percent in the fiscal year (previous year 32.7 percent). Due to the tax rate reduction adopted in 2007 as part of the corporate tax reform 2008 a special effect of some €22 million is recognized. Adjusted for this special effect, the tax rate in 2007 is at 35.6 percent (42.2 percent in the previous year adjusted for the special effect of recognizing the corporation tax credit of Fraport AG at the present value).

### (19) Earnings per share

	2006		2007	
	basic	diluted	basic	diluted
Profit for the year attributable to shareholders of Fraport AG (€ million)	229.3	229.3	208.7	208.7
Weighted average number of shares	91,228,810	92,511,493	91,422,116	92,419,474
Earnings per €10 share in €	2.51	2.48	2.28	2.26



The basic earnings per share for the fiscal year 2007 are calculated using the weighted average number of issued shares with a share in capital stock of €10 each. Due to the capital increases as well as the acquisition and transfer of treasury shares, the number of shares outstanding during the period rose from 91,368,619 to 91,456,593 on December 31, 2007. With a weighted average number of 91,422,116 outstanding shares, the basic earnings per €10 share amounted to €2.28.

As a result of the rights granted to employees to buy shares (authorized capital) within the scope of the employee investment plan and of the issue of subscription rights in connection with the 2007 share option plan (contingent capital), the diluted number of shares amounts to 92,419,474 (weighted average) and the diluted earnings per €10 share are therefore €2.26.

## Notes to the consolidated balance sheet

A breakdown and the development of the individual non-current asset items can be found in the consolidated statement of movements in non-current assets as Appendix 1 to the notes.

### (20) Goodwill

Goodwill arising on consolidation developed as follows in the fiscal year:

€ million	Carrying amount Jan. 1, 2007	Additions	Reclassi- fications	Regrouping in acc. with IFRS 5	Impairment losses in acc. with IAS 36	Carrying amount Dec. 31, 2007
FraSec	0.0	–	42.4	–	–20.0	22.4
Media	0.3	–	–	–	–	0.3
ICTS	92.6	–	–38.9	–53.7	–	0.0
ICTS subgroup	4.2	–	–3.5	–0.7	–	0.0
LAP	0.0	0.3	–	–	–0.3	0.0
	97.1	0.3	0.0	–54.4	–20.3	22.7

For an impairment of assets pursuant to IAS 36 see Note 11.

Given the sale of FraSec to Fraport AG (see Note 2) goodwill of ICTS was allocated between the “remaining ICTS” and FraSec on the basis of the operations’ current values at the time of the transaction. Goodwill attributable to ICTS was accounted for pursuant to IFRS 5 together with other assets as it was held for sale (see Note 33).

### (21) Other intangible assets

€ million	Dec. 31, 2006	Dec. 31, 2007
Other intangible assets	39.1	43.9

Other intangible assets essentially relate to IT programs.

### (22) Investments in airport operating projects

€ million	Dec. 31, 2006	Dec. 31, 2007
Investments in airport operating projects	3.2	570.3

The investments in airport operating projects relate to recognized concessions paid for the airport and/or the terminal operation at Antalya Airport (€444.5 million) and capital expenditure incurred for the concession airports in Lima (€119.7 million) and Varna and Burgas (€6.1 million). In the previous year, the investments in airport operating projects were recognized in other intangible assets.

**(23) Property, plant and equipment**

€ million	Dec. 31, 2006	Dec. 31, 2007
Land, land rights and buildings, including buildings on leased property	1,734.8	1,825.6
Technical equipment and machinery	288.0	326.2
Other equipment, operating and office equipment	107.3	128.6
Construction in progress	599.1	1,288.9
	<b>2,729.2</b>	<b>3,569.3</b>

The increase in construction in progress mainly results from additions to the payment obligation under the framework agreement with Celanese/Ticona in the amount of €505.5 million (Note 2).

Finance lease assets amounting to €14.9 million (previous year: €6.8 million) are recognized in property, plant and equipment in the year under review.

€ million	Dec. 31, 2006	Dec. 31, 2007
Land, land rights and buildings, including buildings on leased property	0.0	9.1
Technical equipment and machinery	1.7	1.1
Other equipment, operating and office equipment	5.1	4.7
	<b>6.8</b>	<b>14.9</b>

The additions to land, land rights and buildings including buildings on leasehold land relate to a power supply plant on the premises of Fraport AG. Given the exclusive use by Fraport AG and the existence of a special lease, Fraport AG is considered to be the beneficial owner of the plant. The underlying agreement ends in 2020 (including any renewal option).

Most of the other leases have been signed for special vehicles. The lease terms end in 2012 at the latest. At the end of the lease term there is the option to buy the asset at its residual value and/or an agreed fixed price.

**(24) Investment property**

€ million	Dec. 31, 2006	Dec. 31, 2007
Investment property	66.9	10.1

Investment property relates to land and buildings held to earn rentals or for any other as yet unspecified purpose. These are mainly parts of the Mönchhof site which are either held for sale or owner-occupied. The item also includes buildings which for future low crossing heights were acquired as part of the buying program to realize the new landing runway, which are still let.

The decline in investment property is the result of derecognizing the rooftop plate and the service road to the long-distance train station (€57.6 million) which were measured as a finance lease due to contractual arrangements (see Note 5).

Buildings in the communal district of Kelsterbach were acquired in the fiscal year in the amount of €1.1 million. The amount of the cost was determined on the basis of an expert opinion provided by the Hessische Landgesellschaft mbH. As the fair value was lower as of the balance sheet date, an impairment loss of €1.0 million was recognized. The fair values of these buildings were determined using the income capitalization approach on the basis of revenue estimated or computed from existing rental agreements until the north-west landing runway is taken into operation, taking account of an annual interest rate of 5 percent.

In addition, transfers were made from owner-occupied property in the amount of €0.6 million. This property mainly relates to parts of the Mönchhof site which was originally held for the company's own use.

The fair value of investment property corresponds to the carrying amount at the balance sheet date. A market value opinion for December 31, 2007 was not required, since the level of land prices (according to the property market report of the expert committee of Frankfurt am Main 2006) or the facts in the zoning resolution did not materially change.

We expect there will be restrictions on the salability of the designated land of the Mönchhof site. The land will be exposed to a variety of risks after the construction of the landing runway due to airport operations. There is no major risk exposure with regard to the buildings let until the landing runway starts operation.

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

## (25) Investments accounted for using the equity method

€ million	Dec. 31, 2006	Dec. 31, 2007
Hanover airport	33.7	35.4
LAP	20.0	0.0
ASG	1.0	0.8
ACF	0.8	0.9
Gateway Gardens	0.2	0.0
Asia Security Management	0.5	0.0
	56.2	37.1

The additions in the statement of changes in non-current assets include not only shareholdings acquired but also earnings; the disposals include dividends (this year: Hanover Airport with €1.5 million and ASG with €1.0 million) and negative results (Lima with €-1.3 million). The changes in the group of consolidated companies relate to the investment in LAP fully consolidated since August 1, 2007, which had been accounted for using the equity method before. The shares in Asia Security Management which is part of the ICTS subgroup were reclassified as held for sale in accordance with IFRS 5.

Since Tradeport Hongkong Ltd. has been written off, proportionate losses of €0.2 million were no longer recognized in 2007; the unrecognized losses therefore amount to an aggregate of €0.8 million.

A summary of more financial information about associates is found in the following table.

€ million	Dec. 31, 2006	Dec. 31, 2007
Assets	596.7	453.8
Shareholders' equity	202.4	142.5
Liabilities	394.3	311.2
Total income <sup>1</sup>	299.0	257.1
Result of the accounting period <sup>1</sup>	15.7	7.5

<sup>1</sup> Including LAP until July 31, 2007

## (26) Other financial assets

€ million	Dec. 31, 2006	Dec. 31, 2007
Financial assets available-for-sale		
Securities in non-current assets	81.1	92.3
Other investments	5.8	5.0
Fair value option		
Securities	196.1	145.4
Loans		
Loans to investments	3.1	0.1
Other loans	16.0	9.4
	302.1	252.2

The disposal of €20.0 million of financial assets subject to the fair value option relates to a bond due on October 19, 2007. A loan note of €29.2 million with a remaining maturity of up to one year was reclassified into current assets.

Impairment losses and reversals recognized for the securities portfolio are the result of fair value measurement as of the balance sheet date. No effects arose from changes in credit ratings as the issuers' and issues' credit ratings did not change.

The securities held under the fair value option include two ABS investments of a total of some €100 million. These are products each consisting of 76 percent of asset backed securities (ABSs) and 24 percent of synthetic collateralized debt obligations (CDOs).

Each of the values in the ABS portfolio has an AAA rating.

The CDO investments are four AAA rated mezzanine tranches referencing to a diversified portfolio of some 90 individual securities from industrial entities mostly from Western Europe and North America. Credit risks in this portfolio are initially assumed by subordinated investors under the subordination principle. It is not until this risk buffer has been used up that Fraport AG could incur a loss in an amount not exceeding its investment. Depending on the tranche and the loss amount between 8 and 10 losses are borne by subordinated investors. Only one loss is known to have incurred in the portfolio so far; its volume is within the credit risk agreed. The risk buffer is almost fully preserved.

The S&P rating for the entire structure and for individual CDO tranches is still AAA and therefore investment grade.

The other three loan notes include a contractually guaranteed capital repayment.

The maximum credit risk for all financial instruments to which the fair value option is applied amounts to €175.2 million on the balance sheet date (previous year: €199.7 million). This amount includes the reclassified loan note.

A loan to an investment amounting to €3.0 million with a remaining maturity of up to one year was reclassified to current assets.

The disposals of other loans mainly relate to the repayment of the loan from AIRRAIL.

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

€ million	Remaining term		Total Dec. 31, 2006	Remaining term		Total Dec. 31, 2007
	< 1 year	> 1 year		< 1 year	> 1 year	
From associated companies	1.4	–	1.4	1.9	–	1.9
From other investments	1.2	–	1.2	5.8	–	5.8
Financial assets “fair value option”	–	–	–	29.2	–	29.2
Positive fair values of derivative financial instruments	–	3.8	3.8	–	13.9	13.9
Other assets	47.3	4.0	51.3	32.5	6.2	38.7
Prepaid expenses	12.4	29.0	41.4	7.2	38.4	45.6
	<b>62.3</b>	<b>36.8</b>	<b>99.1</b>	<b>76.6</b>	<b>58.5</b>	<b>135.1</b>

Prepaid expenses essentially relate to grants given for building costs.

Where applicable, the appropriate allowance was recognized for other receivables and financial assets as of the reporting date. There are no other items past due.

**(28) Income tax receivable**

€ million	Remaining term		Total Dec. 31, 2006	Remaining term		Total Dec. 31, 2007
	< 1 year	> 1 year		< 1 year	> 1 year	
Income tax receivable	2.0	32.2	34.2	13.2	33.5	46.7

The major item in income tax receivable relates to the corporation tax credit recognized in the fiscal year 2006 (see Note 18).

On December 12, 2006, the revised section 37 of the German Corporation Tax Act (KStG) became legally effective in connection with the amendments based upon the departmental draft of SE-Introductory Legislation (SEStEG).

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

The corporation tax credit totals some €40.2 million on December 31, 2007, discounted at an interest rate of 3.75 percent due to its long-term nature. The present value of the claim to tax refund amounts to about €33.5 million as of the balance sheet date (previous year €32.2 million). This refund claim is substantially an overpayment in the meaning of IAS 12.12.

**(29) Deferred tax assets**

€ million	Dec. 31, 2006	Dec. 31, 2007
Deferred tax assets	16.4	7.2

Deferred tax assets are recognized in accordance with IAS 12. Further explanations are given in the “Taxes on income” section (Note 18). Most of the deferred tax assets are long-term in nature.

**(30) Inventories**

€ million	Dec. 31, 2006	Dec. 31, 2007
Land and buildings for sale	21.4	24.9
Raw materials, consumables and supplies	10.5	12.3
Work in process	0.9	1.3
Finished goods	0.0	0.1
On-account payments	0.1	0.0
	<b>32.9</b>	<b>38.6</b>

The first three plots of land at the Mönchhof site were sold in the year under review. These sales led to a disposal of carrying amounts in an aggregate of €1.6 million. No major expenditures arose in this context. Some 10 percent of the carrying amount are planned for further sale within the next 12 months.

Given the fact that subsequent cost arose with the ongoing development of the site, the carrying amount of the as yet unsold pieces of land increased. Only little expenditure was incurred for maintenance.

The net selling price was calculated on the basis of an external market value opinion using the DCF method over a planned selling period of 10 years and taking a discount factor of 5 percent. The risks included in the computation were environmental risks and selling risks. The net selling price exceeds the carrying amount which is why no impairment loss was to be recognized.

Raw materials, consumables and supplies mainly relate to consumables for the airport operation.

**(31) Trade accounts receivable**

€ million	Dec. 31, 2006	Dec. 31, 2007
Third parties	185.5	154.6

The maximum default risk equaled the carrying amount of €154.6 million as of the reporting date. The following table provides information on the extent of the credit risk.

€ million	Dec. 31, 2006	Dec. 31, 2007
Carrying amount	185.5	154.6
thereof not overdue or impaired	107.5	82.6
thereof in stated term overdue and not impaired		
< 30 days	56.6	49.3
30–180 days	18.1	12.1
> 180 days	0.4	2.8

As regards the trade accounts receivable which are neither impaired nor in default there is no indication as of the reporting date that the debtors will not meet their payment obligations. There is no risk concentration of open trade accounts receivable.

Cash security amounting to €4.5 million (previous year: €3.7 million) and non-cash security (mainly suretyships) amounting to €11.1 million (previous year: €9.3 million) were accepted as collateral for unsettled trade accounts receivable. The collateral received by the reporting date were neither sold nor passed on as security and will be returned to the respective debtor after termination of the business relationship. The collateral received will be used only in the event of the debtor's default.

Allowances for trade accounts receivable are composed as follows:

€ million	Dec. 31, 2006	Dec. 31, 2007
Balance at January 1	20.3	19.0
Net allocations	–0.1	4.7
Availments	1.2	0.5
Regrouping following IFRS 5	0.0	–1.8
Balance at December 31	19.0	21.4

Net additions include expenses from allowances amounting to €1.7 million (previous year €3.2 million) recognized in other operating expenses as well as revenue-reducing individual allowances and reversals.



**(32) Cash and cash equivalents**

€ million	Dec. 31, 2006	Dec. 31, 2007
Cash and cash equivalents	632.5	651.3

The bank balances mainly include short-term deposits. The other credit balances are essentially overnight deposits.

Bank balances at Antalya are subject to a drawing restriction amounting to €28.4 million.

**(33) Non-current assets held for sale**

€ million	Dec. 31, 2006	Dec. 31, 2007
Non-current assets held for sale	0.1	165.6

Non-current assets held for sale are the assets of ICTS (€165.3 million) and AirIT International (€0.3 million) which are each attributable to the segment External Activities.

The non-current assets held for sale comprise goodwill amounting to €54.4 million, non-current assets of €8.2 million, trade receivables of €58.8 million, cash and cash equivalents of €37.0 million and other current assets of €6.9 million.

The sales will probably be made in the first quarter 2008.

The reason for the sale of the companies is the focus Fraport AG wants to place on its core business. The previous year reflects the shares of Airport Retail Solutions GmbH.

**(34) Equity attributable to shareholders of Fraport AG**

€ million	Dec. 31, 2006	Dec. 31, 2007
Subscribed capital	913.7	914.6
Capital reserves	558.8	565.2
Revenue reserves	746.3	875.2
Group retained earnings	105.2	105.3
	<b>2,324.0</b>	<b>2,460.3</b>

**Subscribed capital**

The subscribed capital increased by some €1.0 million in 2007.

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

Furthermore, shares of €46 thousand were contingently issued to service the share options under the Fraport Management Stock Options Plan 2001 (MSOP 2001).

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

**Number of floating shares and treasury shares**

The subscribed capital consists of 91,561,272 (previous year: 91,478,347) bearer shares with no par value, each of which accounts for €10.00 of the capital stock.

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

	Subscribed capital	Floating shares	Treasury shares number	Amount of capital stock in €	Share in capital stock in %
<b>Balance at January 1, 2007</b>	<b>91,478,347</b>	<b>91,368,619</b>	<b>109,728</b>	<b>1,097,280</b>	<b>0.120</b>
Employee investment plan Capital increase (May 29, 2007)	78,325	78,325	–	–	–
Management Stock Options Plan (MSOP): Capital increases in 2007	4,600	4,600	–	–	–
Executive Board remuneration: Transfer of shares to Board members		5,049	–5,049	–50,490	–0.006
<b>Balance at December 31, 2007</b>	<b>91,561,272</b>	<b>91,456,593</b>	<b>104,679</b>	<b>1,046,790</b>	<b>0.114</b>

The new shares issued on the basis of the employee investment plan were transferred to the employees at a price of €54.59 on May 29, 2007.

The shares that form part of the contractual compensation paid to the Executive Board members were then calculated on the basis of a value of €54.48.

#### Authorized capital

By resolution at the Annual General Meeting held on June 1, 2005 the Executive Board, upon the approval of the Supervisory Board, is authorized to increase the capital stock by up to €9.5 million until May 31, 2010.

Of this authorized capital €783,250 were used for the issue of shares within the scope of the employee investment plan.

	Number of shares	Value per share in €
Authorized capital as at December 31, 2006	875,033	10.0
Use of authorized capital Employee investment plan	–78,325	10.0
<b>Remaining authorized capital as at December 31, 2007</b>	<b>796,708</b>	<b>10.0</b>

As of December 31, 2007 authorized capital remains in the amount of €8.0 million which was used to issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the affiliated companies it has selected. The subscription rights of the shareholders may be excluded.

#### Restricted authorized capital

At the Annual General Meeting held on March 14, 2001 a restricted authorized capital increase in the amount of €13.9 million was approved. The purpose of the restricted authorized capital was expanded at the Annual General Meeting held on June 1, 2005. In addition to satisfying subscription rights issued but not yet exercised under the MSOP 2001 adopted at the Annual General Meeting on March 14, 2001, the

restricted authorized capital increase also serves to satisfy subscription rights under the adopted Fraport Management Stock Options Plan 2005 (MSOP 2005). The Executive Board and the Supervisory Board are authorized to issue up to 1,515,000 stock options to beneficiaries entitled to subscribe by August 31, 2009 in accordance with the conditions regulating the allocation of stock options. The authorization to grant subscription rights in accordance with MSOP 2001 was cancelled at the Annual General Meeting held on June 1, 2005.

Restricted authorized capital totaled €6.2 million as of December 31, 2007 (originally €13.9 million). €0.1 million (4,600 options) of the subscription rights under the MSOP 2001 already granted were exercised in 2007.

The capital increase to satisfy subscription rights within the framework of the 2001 stock option plan is only being made to the extent that the holders of subscription rights (members of the Executive Board and managers of Fraport AG deployed in Germany as well as the directors and managers of Fraport AG's affiliated companies) exercise their subscription rights and the company does not satisfy the share options with treasury shares or by transfer of shares by third parties.

The capital increase to satisfy subscription rights within the framework of the Management Stock Options Plan 2005 is only being carried to the extent that the holders of subscription rights exercised their subscription rights granted in the Management Stock Options Plan 2005 on the basis of the authorization referred to above, the company satisfied the stock options without using treasury shares, the transfer of shares by a third party or a cash payment, and the restricted authorized capital for the Management Stock Options Plan 2001 has not already been used up or is necessary to satisfy the Management Stock Options Plan 2001.

A total of 1,507,700 stock options were issued from the MSOP 2001 and 2005 by the balance sheet date.

**Capital reserve**

The change in the capital reserve is the result of an increase by €3.5 million consisting of the excess issue amount (€44.59 per share) of the total of 78,325 new shares issued in the context of the employee investment plan and the excess issue amount of €0.1 million (MSOP 2001 4th tranche: €13.1 per share) of the shares issued (a total of 4,600) as part of the restricted authorized capital available to serve the stock options.

The capital reserve increased by a further €0.1 million (€12.35 per share) as a result of the transfer of treasury shares.

Personnel expenses amounting to €2.8 million (previous year: €1.8 million) were incurred in the year under review under the stock option program. This amount was recognized in the capital reserve.

**Revenue reserves**

The revenue reserves consist not only of the reserves of Fraport AG (including the statutory reserves of €36.5 million) but also the revenue reserves and retained earnings of the subsidiaries incorporated in the consolidated financial statements as well as effects of consolidation adjustments.

The currency translation differences total €–5.6 million (previous year: €–5.5 million). This figure includes currency translation differences of €–9.2 million from accounting for the Philippine companies at equity, which are not charged to Group earnings until the companies are disposed of in accordance with IAS 21. The reserve for the measurement of derivatives amounts to €12.7

million (previous year: €4.4 million), the reserve for the fair value measurement of available-for-sale financial assets totals €19.5 million (previous year: €8.6 million). Due to the revaluation (purchase price allocation) of the capital shares in LAP €2.0 million were transferred to the revaluation reserve. The substantially higher value recognized for the other revenue reserves compared to the financial statements of Fraport AG is due mainly to the higher measurement of property, plant and equipment.

**Group retained earnings**

The Group retained earnings correspond to the retained earnings of Fraport AG. The proposed dividend amounts to €1.15 per share (previous year: €1.15 per share).

**(35) Minority interests in shareholders' equity**

€ million	Dec. 31, 2006	Dec. 31, 2007
Equity attributable to minority interests (excluding the attributable profit for the year)	22.5	28.0
Profit for the year attributable to minority interests	–0.4	5.0
	22.1	33.0

The minority interests relate to the interests in the shareholders' equity and earnings of Frankfurt-Hahn, Fraport Twin Star, Media Frankfurt, Hahn Campus and Fraport Peru as well as in the companies of the ICTS subgroup.

### (36) Non-current and current financial liabilities

€ million	Remaining term			Total	Remaining term			Total
	< 1 year	1–5 years	> 5 years	Dec. 31, 2006	< 1 year	1–5 years	> 5 years	Dec. 31, 2007
Liabilities to banks	125.2	303.4	415.4	844.0	367.8	289.4	541.2	1,198.4
	125.2	303.4	415.4	844.0	367.8	289.4	541.2	1,198.4

There are the following **major individual loans**:

Term from-to	Currency	Interest rate in %	Balance at Dec. 31, 2006 € million	Balance at Dec. 31, 2007 € million
Fixed-interest loans				
2004–2014	€	4.21	50.0	50.0
1998–2008	€	4.60	38.3	38.3
1998–2010	€	4.83	35.8	35.8
1999–2028	€	5.10	29.0	27.7
1999–2028	€	4.15	29.0	27.7
1999–2011	€	4.72	26.5	26.5
1999–2009	€	4.61	25.6	25.6
1998–2008	€	4.60	25.6	25.6
1998–2008	€	4.57	25.6	25.6
1999–2009	€	4.56	25.6	25.6
1998–2008	€	4.60	25.6	25.6
2006–2016	€	4.54	25.0	25.0
2006–2016	€	4.59	25.0	25.0
Variable-interest loans				
2006–2016	CHF	3.26	45.4	44.0
2006–2016	€	5.17	30.0	30.0
2007–2019	€	7.37	0.0	110.2

There is a general interest rate risk for fixed-interest loans that are extended on expiry.

The fixed-rate loans include also those variable-interest rate loans whose interest rate was fixed by contracting an interest rate hedge.

A fixed-interest rate loan which had been part of a hedging transaction in the previous year was allocated to variable interest rate loans because the hedging relationship was terminated early.

### (37) Trade accounts payable

€ million	Remaining term		Total	Remaining term		Total
	< 1 year	> 1 year	Dec. 31, 2006	< 1 year	> 1 year	Dec. 31, 2007
To third parties	229.0	0.0	229.0	245.6	34.7	280.3
To Celanese/Ticona	0.0	0.0	0.0	195.9	330.9	526.8
	229.0	0.0	229.0	441.5	365.6	807.1

The third-party liabilities include a liability under a finance lease in the amount of €9.1 million.

**(38) Non-current and current liabilities**

€ million	Remaining term		Total Dec. 31, 2006	Remaining term		Total Dec. 31, 2007
	< 1 year	> 1 year		< 1 year	> 1 year	
Prepayments for orders	0.4	–	0.4	0.7	–	0.7
To joint ventures	2.6	0.1	2.7	2.0	0.1	2.1
To associated companies	0.6	–	0.6	0.8	–	0.8
To investments	3.8	–	3.8	5.1	–	5.1
Grants for assets	–	32.7	32.7	–	32.0	32.0
Other deferred income	7.7	50.7	58.4	7.7	68.4	76.1
Lease liabilities in connection with concession obligations in Antalya	–	–	–	–	332.0	332.0
Other liabilities	103.0	22.6	125.6	59.4	19.2	78.6
	<b>118.1</b>	<b>106.1</b>	<b>224.2</b>	<b>75.7</b>	<b>451.7</b>	<b>527.4</b>

The other liabilities consist essentially of lease liabilities, wage and church tax, unpaid social security contributions, liabilities from deferred interest, negative fair values of derivatives and liabilities to company employees.

Grants for non-current assets include government grants in the amount of €24.6 million (previous year: €23.8 million) and from other grantors in the amount of €7.3 million (previous year: €8.9 million). The government grants relate in particular to capital expenditures incurred for baggage controls at Frankfurt Airport and the expansion at Frankfurt-Hahn Airport.

The investment grants are released in accordance with the straight-line method on the basis of the useful lives of the assets for which the grants were given.

Deferred income is income received and relating to future accounting periods.

The other liabilities include lease liabilities of €346.7 million (previous year: €6.2 million) (Note 22). They include the lease liability in connection with the terminal operation in Antalya.

The following lease payments are due from the leases:

€ million	Remaining term			Total Dec. 31, 2006	Remaining term			Total Dec. 31, 2007
	< 1 year	1–5 years	> 5 years		< 1 year	1–5 years	> 5 years	
Lease payments	1.9	5.0	0.1	7.0	50.6	110.9	415.9	577.4
Discount amounts	0.2	0.6	0.0	0.8	2.7	20.5	207.5	230.7
Present value	<b>1.7</b>	<b>4.4</b>	<b>0.1</b>	<b>6.2</b>	<b>47.9</b>	<b>90.4</b>	<b>208.4</b>	<b>346.7</b>

The discounting rates are some 7.2 percent. The longest leases end in 2024. The lease payments disclosed are minimum lease payments.

**(39) Deferred tax liabilities**

€ million	Dec. 31, 2006	Dec. 31, 2007
Deferred tax liabilities	127.6	89.6

Deferred tax liabilities are recognized in compliance with IAS 12 using the temporary concept. Further explanations of deferred tax liabilities can be found in Note 18 "Taxes on income". Most of the deferred tax liabilities have a remaining term of more than one year.



**(40) Pension obligations**

Reconciliation of the assets and liabilities recognized in the balance sheet:

€ million	2005	2006	2007
Present value of the obligation as of January 1	25.5	29.9	29.1
Interest cost	1.2	1.1	1.4
Current service cost	2.1	1.8	2.1
Past service cost	–	–	–
Benefits paid	–1.2	–1.3	–1.8
Actuarial loss/(gain)	2.3	–2.4	–3.2
<b>Present value of the obligation as of December 31</b>	<b>29.9</b>	<b>29.1</b>	<b>27.6</b>
<b>Fair value of plan assets (qualifying insurance policy) as of December 31</b>	<b>10.0</b>	<b>10.6</b>	<b>11.6</b>
<b>Offsetting</b>			
<b>Reconciliation to assets and liabilities recognized in the balance sheet</b>			
The following amounts were recognized in the balance sheet:			
Present value of funded financial obligations	8.5	8.5	8.2
Fair value of plan assets	–10.0	–10.6	–11.6
<b>Excess cover</b>	<b>–1.5</b>	<b>–2.1</b>	<b>–3.4</b>
Present value of unfunded financial obligations	21.4	20.6	19.4
Unrecognized actuarial gains/losses	–	–	–
Unrecognized past service cost	–	–	–
<b>(Net) liabilities recognized in the balance sheet</b>	<b>21.4</b>	<b>20.6</b>	<b>19.4</b>
<b>Amounts recognized in the income statement</b>			
Current service cost	2.1	1.8	2.1
Interest cost	1.2	1.1	1.4
Income expected from plan assets	0.0	–0.3	–0.3
Net actuarial loss/(gain) from pension provision recognized in the current year	2.3	–2.4	–3.2
(Gain)/loss on plan assets	–	–	0.1
Past service cost	–	–	–
<b>Expense recognized in the income statement</b>	<b>5.6</b>	<b>0.2</b>	<b>0.1</b>
<b>Reconciliation of recognized net liabilities in the period</b>			
<b>Net liabilities at the beginning of the year</b>	<b>25.5</b>	<b>21.4</b>	<b>20.6</b>
Change in excess cover	1.5	0.7	1.3
Expenses recognized in the income statement	5.6	0.2	0.1
Benefits paid	–1.2	–1.3	–1.8
Asset value of insurance policy paid	–10.0	–0.4	–0.8
Changes in the Group – Transfer Antalya	0.0	–1.9	0.0
Changes in the Group – Addition Twin Star	0.0	1.9	0.0
<b>Net liabilities at the end of the year</b>	<b>21.4</b>	<b>20.6</b>	<b>19.4</b>
<b>Reconciliation development of plan assets</b>			
Fair value of plan assets (qualifying insurance policy) at the beginning of the year	0.0	9.9	10.6
Income expected from plan assets	0.0	0.3	0.3
(Gain)/loss on plan assets	–0.1	0.0	–0.1
Asset value of insurance policy paid	10.0	0.4	0.8
<b>Fair value of plan assets (qualifying insurance policy) as of December 31</b>	<b>9.9</b>	<b>10.6</b>	<b>11.6</b>

The pension obligations essentially include 17 vested rights to pension benefits promised in individual agreements to the members of the Fraport AG Executive Board and their dependants. 180 further benefits (89 of them non-vested) become payable to senior executives and employees not covered by collective agreements in connection with the Fraport AG company benefit plan. The present value of non-vested benefits totals €0.4 million.

Measurement is based on the provisions under IAS 19. The pension obligations on December 31, 2007 have been calculated on the basis of actuarial opinions of November 3 and November 29, 2007. The calculations are based on Professor Dr. Klaus Heubeck's fundamental biometric data (RT 2005 G).

There are commitments to employee-financed pension benefits of €1.3 million for senior executives (13 vested rights) of Fraport AG. The calculation is based on an actuarial opinion dated November 29, 2007.

In 2005 already, a reinsurance policy was concluded to reduce actuarial risks and to protect pension obligations for the active members of the Executive Board against insolvency. The reinsurance claims are recognized at the asset value the insurance company reported (€11.6 million, previous year €10.6 million). Of this amount the present value of the defined benefit obligation attributable to the active members of the Executive Board has been offset against the asset of the reinsurance policy. The anticipated return on the reinsurance claims for the next fiscal year amounts to approximately 2.54 percent. This amount corresponds to the current interest rate in the year under review.

A sensitivity analysis with variations in the discount rates of +/- 0.5 percent on the pension obligation of Fraport AG shows an increase in the obligation by €1.1 million (5.0 percent) and/or a lower obligation of €1.1 million (6.0 percent).

Fraport AG has insured its employees for purposes of granting a company pension under the statutory insurance scheme based on a collective agreement (Altersvorsorge-TV-Kommunal – [ATV-K]) with the Zusatzversorgungskasse (top-up provision insurance scheme) for local authority and municipal employers in Wiesbaden (ZVK). The contributions will be collected based on a pay-as-you-go model. The contribution rate of the ZVK Wiesbaden is 6.2 percent; of which the employer pays 5.7 percent, with the contribution paid by the employee amounting to 0.5 percent. In addition, a tax-free reorganization charge of 1.4 percent is levied by the employer in accordance with section 63 of the ZVK Bylaws (ZVKS). An additional contribution of 9 percent is also paid for some employees included in the statutory social security insurance scheme (generally employees in partial retirement and senior managers) for the consideration subject to ZVK that exceeds the BAT-I upper limit defined in the collective agreement. There is currently no indication that the reorganization charge will increase in 2008. However, it should be anticipated that there will be increases in contributions in the future. Consideration subject to pay-as-you-go contributions totals €419.6 million.

This plan is a multi-employer plan (IAS 19.7), since the companies involved share the risk of the investment and also the biometric risk.

The ZVK insurance policy is classified as a defined benefit plan (IAS 19.27). Since the plan is a defined benefit plan, the company has to account for its proportionate share of its benefit obligations in the total obligations and for the exact share in the total assets of ZVK under IAS 19.29.

If there is no sufficient information on the plan and a company also covers the risks of other insured companies (IAS 19.32b), the plan is accounted for as if it were a defined contribution plan.

For this reason, Fraport AG has treated this plan as a defined contribution plan.

#### (41) Non-current and current income tax provisions

€ million	Remaining term		Total	Remaining term		Total
	< 1 year	> 1 year	Dec. 31, 2006	< 1 year	> 1 year	Dec. 31, 2007
Income tax provisions	16.4	166.2	182.6	14.2	163.0	177.2

### (42) Non-current and current other provisions

The movements in the non-current and current provisions are shown in the following tables.

€ million	Jan. 1, 2007	Use	Release	Addition	Fair value of plan assets IAS 19.102–104	Dec. 31, 2007
Personnel	106.0	–49.2	–4.5	94.0	0.4	146.7
of which non-current	48.6	–	–	–	–	74.6
of which current	57.4	–	–	–	–	72.1

A large part of the personnel-related provisions were recognized for partial retirement obligations, collectively agreed performance pay schemes (former LEA), other incentive systems for the employees of Fraport AG, overtime credits, vacation not yet taken and for expected severance payments.

€ million	Jan. 1, 2007	Use	Release	Addition	Changes from currency translation differences	Dec. 31, 2007
Environment	34.8	–10.5	–1.0	11.5	–	34.8
Others	179.4	–56.8	–34.7	51.7	0.4	140.0
<b>Total</b>	<b>214.2</b>	<b>–67.3</b>	<b>–35.7</b>	<b>63.2</b>	<b>0.4</b>	<b>174.8</b>
of which non-current	52.8	–	–	–	–	61.6
of which current	116.4	–	–	–	–	113.2

The environmental provisions have been formed essentially for probable restoration costs for the elimination of groundwater contamination on the Frankfurt Airport site as well as for environmental pollution in the southern section of the airport.

The other provisions include the provision of €42.2 million recognized in 2003 for the refinancing of the passive noise abatement program at Fraport AG. The provision recognized as of the balance sheet date covers the cost volume of the measures expected.

### (43) Liabilities in the context of assets held for sale

€ million	Dec. 31, 2006	Dec. 31, 2007
Liabilities in the context of assets held for sale	0.2	70.8

The liabilities in the context of non-current assets held for sale relate to ICTS (€70.6 million) and Airt International (€0.2 million).

The liabilities in connection with non-current assets held for sale include financial liabilities amounting to €2.4 million, trade accounts payable of €6.2 million, provisions of €13.7 million and other liabilities of €48.3 million.

**(44) Financial instruments****Disclosures on carrying amounts and fair values**

The following tables present the carrying amounts and fair values of the financial instruments as of December 31, 2007 and 2006:

	Measurement at historical costs		Fair value measurement				Dec. 31, 2007	
Measurement category according to IAS 39	Loans and Receivables		Measurement affecting net profit		Available for sale	Hedging derivative	Total fair value	
			Fair value option	Held for trading				
€ million	Carrying amount	Fair value	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>		
Assets								
Cash and cash equivalents	651.3	651.3	–	–	–	–	651.3	
Trade accounts receivable	154.6	154.6	–	–	–	–	154.6	
Other receivables and financial assets	22.6	22.6	29.2	–	–	–	51.8	
Other financial investments								
Securities	–	–	145.4	–	92.3	–	237.7	
Other investments	–	–	–	–	5.0	–	5.0	
Loans to investments	0.1	0.1	–	–	–	–	0.1	
Other loans	9.4	9.4	–	–	–	–	9.4	
Derivative financial assets								
Hedging derivatives	–	–	–	–	–	12.7	12.7	
Other derivatives	–	–	–	1.2	–	–	1.2	
Total assets	838.0	838.0	174.6	1.2	97.3	12.7	1,123.8	
	Other financial liabilities		Fair value option	Held for trading	IAS 17 liability		Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Fair value	Carrying amount <sup>1</sup>	
Liabilities & equity								
Trade accounts payable	798.0	798.0	–	–	–	–	–	798.0
Other financial liabilities	21.4	21.4	–	–	–	–	–	21.4
Financial liabilities	1,198.4	1,200.2	–	–	–	–	–	1,200.2
Liabilities from finance leases	–	–	–	–	346.7	352.0	–	352.0
Derivative financial liabilities								
Hedging derivatives	–	–	–	–	–	–	0.4	0.4
Other derivates	–	–	–	0.2	–	–	–	0.2
Total Liabilities & equity	2,017.8	2,019.6	–	0.2	346.7	352.0	0.4	2,372.2

<sup>1</sup> the carrying amount equals the fair value of the financial instruments

	Measurement at historical costs		Fair value measurement				Dec. 31, 2006	
Measurement category according to IAS 39			Measurement affecting net profit		Available for Sale	Hedging derivative	Total fair value	
			Fair value option	Held for trading				
	Carrying amount	Fair value	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>		
€ million								
Assets								
Cash and cash equivalents	632.5	632.5	–	–	–	–	632.5	
Trade accounts receivable	185.5	185.5	–	–	–	–	185.5	
Other receivables and financial assets	21.0	21.0	–	–	–	–	21.0	
Other financial investments								
Securities	–	–	196.1	–	81.1	–	277.2	
Other investments	–	–	–	–	5.8	–	5.8	
Loans to investments	3.1	3.1	–	–	–	–	3.1	
Other loans	16.0	16.0	–	–	–	–	16.0	
Derivative financial assets								
Hedging derivatives	–	–	–	–	–	1.0	1.0	
Other derivatives	–	–	–	2.8	–	–	2.8	
Total assets	858.1	858.1	196.1	2.8	86.9	1.0	1,144.9	
	Other financial liabilities		Fair value option	Held for trading	IAS 17 liability		Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Carrying amount <sup>1</sup>	Fair value	Carrying amount <sup>1</sup>	
Liabilities & equity								
Trade accounts payable	229.0	229.0	–	–	–	–	–	229.0
Other financial liabilities	53.6	53.6	–	–	–	–	–	53.6
Financial liabilities	844.0	841.5	–	–	–	–	–	841.5
Liabilities from finance leases	–	–	–	–	6.2	6.6	–	6.6
Derivative financial liabilities								
Hedging derivatives	–	–	–	–	–	–	2.1	2.1
Other derivates	–	–	–	3.4	–	–	–	3.4
Total Liabilities & equity	1,126.6	1,124.1	–	3.4	6.2	6.6	2.1	1,136.2

<sup>1</sup> the carrying amount equals the fair value of the financial instruments



Given the short maturities for cash, trade receivables and other financial receivables and assets, the carrying amounts as of the reporting date are a reasonable approximation of fair value.

The measurement of the unlisted securities, financial liabilities and derivative financial instruments is based on the market value including interest accrued in relation to the reporting date. It is based on market data applicable at the measurement date using reliable and specialized sources and data providers. The values are determined using established valuation techniques (e.g. Black-Scholes and Monte-Carlo simulation).

The fair values of listed securities are identical to the stock market prices on the reporting date.

There is no price quotation or market price for shares in partnerships and other unlisted investments as there is no active market for them. The carrying amount is assumed to equal the fair value, since the fair value cannot be determined reliably. These assets are not intended for sale as of the balance sheet date.

Most of the trade accounts payable and other financial liabilities have short-term maturities. The fair values correspond to the respective carrying amounts. Non-current trade accounts payable are recognized at their present value. This value corresponds to the fair value.

#### Net gains and losses of the measurement categories

€ million	2006	2007
<b>Financial assets</b>		
Loans and receivables	16.7	-6.0
Fair value option	4.7	3.8
Held for trading	-1.6	0.4
Available for sale	17.2	11.2
<b>Financial liabilities</b>		
At amortised cost	2.9	1.9
Held for trading	2.0	1.4

Net gains and losses consist of changes in fair value, impairment losses and reversals recognized in profit or loss, foreign currency changes and gains and losses on disposals.

Interest and dividend income to which the fair value option applies or which are available for sale are also included in the computation of net gains and losses. Interest and dividend income of the other categories are not included in the net gains and losses disclosed. These are included in interest income and expenses.

As the market prices of available-for-sale financial instruments developed favorably, €13.2 million (previous year: €18.6 million) were recognized in equity. In addition, foreign exchange losses amounting to €2.0 million (previous year: €1.5 million) were recognized in profit or loss.

#### Derivative financial instruments

With regard to its balance sheet accounts and planned transactions Fraport AG is subject in particular to interest rate and currency exchange risks. We cover interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions.

Interest rate derivatives are used exclusively to optimize loan terms and to limit risks of changes in interest rates in the context of financing strategies. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements for the planned capacity expansion and from variable-interest rate financial liabilities. Within the scope of our interest rate risk management policy, we used and continue to use interest rate derivatives to hedge the interest rate risk in view of the medium-term capital requirements and to take advantage of the interest rates prevailing on the market by the closing dates.

Foreign currency risks arise in the Group in particular from sales planned in foreign currency which are not covered by expenses in matching currencies. This gives rise to a cash flow risk between planned foreign currency revenue and the functional currency. We hedge such risk exposure by entering into currency forward transactions.

There are 28 interest rate swaps which had been entered into in previous years and in the current year. An interest rate swap was entered into by inclusion of a sales option to extend the contract. Two interest rate swaps can be terminated early by the bank. There are also two forward currency contracts.

€ million	Nominal value		Market value		Credit risk	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Interest rate swaps	393.2	584.6	-4.0	13.3	0.0	13.9
CMS floors	50.0	0.0	2.6	0.0	2.6	0.0
Currency forwards	0.0	3.6	0.0	0.04	0.0	0.04

A credit risk (counterparty risk) arises from positive fair values of derivative transactions that have been concluded. The total of all the positive fair values of the derivatives corresponds to the maximum default risk of these business transactions. In accordance with the interest rate and foreign currency risk management rules,

derivative contracts are only concluded with banks that have an excellent credit rating so as to minimize the default and counterparty risks.

The fair values of the derivative financial instruments are recognized as follows in the balance sheet:

€ million	Other assets		Other liabilities	
	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Interest rate swaps – cash flow hedges	1.0	12.7	2.1	0.4
Interest rate swaps – trading	0.2	1.2	3.4	0.2
CMS floor – trading	2.6	0.0	0.0	0.0
Currency forwards – cash flow hedges	0.0	0.04	0.0	0.0

15 of the existing interest rate swaps were concluded for existing variable interest liabilities. 13 of the interest swaps were concluded to hedge the interest rate level for part of the future cash requirements and thus to reduce the risk of changes in interest rates arising from these positions.

24 interest rate swaps and forward interest rate swaps altogether as well as the currency forwards are accounted for as cash flow hedges under IAS 39. Changes in the fair value of these instruments are recognized in equity. Four forward interest rate swaps also relate to future capital requirements and are classified as held for trading. All the changes in value relating to contracts classified in this way are included in profit or loss.

Regular reviews are made to check whether the derivative contracts concluded are effective, which is the case. There were no ineffective portions in the fiscal year.

The payments under the cash flow hedges become due in the following years. This is also the time when the respective hedged item affects profit or loss.

#### Interest rate swaps

Begin of term	End of term	Nominal volume € million	Fair value incl. accrued interest € million
2004	2012	18	0.2
2005	2014	100	3.6
2006	2016	70	2.1
2007	2017	60	1.0
2007	2019	86.6	-0.4
2008	2018	65	2.9
2009	2019	100	2.9

#### Currency forwards

Maturing date	Nominal volume € million	Fair value € million
August 2008	1.3	0.03
August 2009	1.1	0.01

In the fiscal year €12.9 million, net, of unrealized gains were recognized in equity from the change in fair value (previous year: €13.1 million).

Net gains of €0.1 million were transferred from equity to the financial result (previous year: losses of €2.0 million).

## Notes to segment reporting

### (45) Notes to segment reporting

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

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

The strategic business unit Flight and Terminal Operations, Airport Expansion is part of the Aviation segment and comprises the flight and terminal operations at the Frankfurt site and the Airport expansion operations. The Aviation segment also encompasses the strategic business unit Airport Security Management combining the airport and aviation security at Frankfurt. The Retail & Properties segment consists of the strategic business unit Retail and Property Lease Management comprising our retailing activities, parking facility management as well as the rental and marketing of real estate at the Frankfurt site; it also consists of the internal Information and Communication services as well as real estate and facility management.

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

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

Segment reporting in accordance with IAS 14 is based on the internal financial reporting system to the Executive Board of the parent company.

Corporate data at Fraport AG are divided up on the one hand into market-oriented business and service divisions and on the other hand into central divisions. All the business and service divisions are allocated clearly to one segment each. An appropriate key is used for the central divisions.

The data about the investments that are not integrated in the processes at the Frankfurt site and investments that carry out their business operations outside Frankfurt are allocated to the External Activities segment in the primary reporting format. The investments that are integrated in the processes at the Frankfurt site are allocated to the relevant segment according to their business operations.

Inter-segment income is generated essentially by Fraport AG's intercompany charge of rent for land, buildings and space as well as of maintenance services, information technology and energy/associated services. The corresponding segment assets are allocated to the Retail & Properties segment. The relevant units are charged on the basis of the costs incurred, including imputed interest.

Intersegment income also reflects income that has been generated between the companies included from different segments.

Goodwill from acquisition accounting and the appropriate impairment losses, where applicable, have been allocated clearly to the segments on the basis of the new structure.

The reconciliation of the segment assets/segment liabilities column includes the income tax assets/liabilities (including the deferred tax assets/liabilities) of the Group.

Allocation in the secondary reporting format by regions is according to the current main areas of operation: Germany, the rest of Europe, Asia and the rest of the world. The figures shown under Asia relate mainly to Turkey and the People's Republic of China.

The figures shown under the rest of the world relate essentially to the USA and Peru.

Depreciation, amortization and impairment relating to the segment assets include impairment losses in accordance with IAS 36 recognized for goodwill, property, plant and equipment and investment property in the total amount of €22.4 million. Of the impairment losses recognized for goodwill amounting to €20.3 million, €20.0 million relate to FraSec (Aviation segment) and €0.3 million relate to LAP (External Activities segment). Of the impairment losses recognized for other intangible assets and property, plant and equipment of €1.1 million, €0.8 million are charged to the Aviation segment, €0.2 million to Retail & Properties and €0.1 million to Ground Handling. The Aviation segment is charged with €1.0 million of impairment losses recognized for investment property.

The segment assets of Retail & Properties include real estate inventories of €24.9 million.

Within the scope of the reorganization of the security business in the Fraport Group, the subsidiaries of ICTS, FIS GmbH and FraSec GmbH, were restructured as of January 1, 2007 (see Note 2). The business at the Frankfurt site and in Frankfurt Hahn was allocated to FraSec, the other German-wide security business was allocated to FIS GmbH. FraSec was sold to Fraport AG with substantial effect from April 1, 2007. FraSec was allocated to the Aviation segment. To improve com-

parability the previous year's figures were adjusted to the new segment allocation. The effect of these changes on revenue, EBITDA and EBIT is summarized in the following tables:

#### Aviation

€ million	2006	2006 adjusted	2007
Revenue	701.1	702.8	698.7
EBITDA	140.0	158.8	139.6
EBIT	57.5	76.0	44.8

#### External Activities

€ million	2006	2006 adjusted	2007
Revenue	433.6	431.9	538.4
EBITDA	60.8	42.0	70.5
EBIT	18.7	0.2	33.4

Apart from the above-stated changes, the current assets of Fraport AG were also reallocated in the fiscal year. The comparative figures for 2006 were adjusted accordingly.

Further explanations about segment reporting can be found in the management report.

## Notes to the consolidated cash flow statement

### (46) Notes to the consolidated cash flow statement

#### Cash flow from operating activities

Cash flow from operating activities (€478.6 million) is the balance of cash inflows of €624.1 million (previous year €641.6 million) from operating activities. They are compared with cash outflows of €28.0 million (previous year €19.1 million) from financing activities and €117.5 million (previous year €137.6 million) relating to income tax. Cash flow from operating activities declined by a total of €6.3 million from the previous year.

#### Cash flow used in investing activities/cash flow from financing activities

Capital expenditure for investments in airport operating projects, other intangible assets and property, plant and equipment rose significantly year on year by €275.0 million.

The investments in airport operating projects relate to capital expenditure incurred for the new concession to operate the terminal and the airports in Antalya, Lima, Varna and Burgas.

As in the previous year, cash paid to acquire property, plant and equipment mainly related to the airport expansion program and the extension of the terminals at Frankfurt Airport.

The acquisition of consolidated subsidiaries relates to the acquisition of the remaining capital shares in LAP.

The gains on the disposal of assets exceeded those of the previous year by €83.7 million especially due to the prepaid rental income under the AIRRAIL finance lease and the sale of financial assets of the Asset Management.

Cash flow from financing activities totals € 179.9 million, which is mainly attributable to new borrowing.

Long-term loans totaling some €19.6 million were repaid in fiscal year 2007. The inflow from taking out new loans and term money totals some €292.5 million in the same period.

#### Notes about the acquisition of consolidated subsidiaries

€ million	2007
Cash and cash equivalents	10.3
Current assets	3.8
Non-current assets	76.7
Current liabilities	-5.7
Non-current liabilities	-58.5
Goodwill	0.3
<b>Total purchase price (paid completely in cash)</b>	<b>26.9</b>
Less acquired cash and cash equivalents	-10.3
<b>Cash outflow from the acquisition of consolidated subsidiaries</b>	<b>16.6</b>

**Cash and cash equivalents**

The cash and cash equivalents consist of cash, bank balances and checks. These are current balance sheet items maturing in one year or less. Bank balances are subject to a drawing restriction amounting to €28.4 million in the context of financing the concession in Antalya.

**Other disclosures****(47) Contingent liabilities**

€ million	Dec. 31, 2006	Dec. 31, 2007
Guarantees	3.3	5.2
Warranty contracts	125.8	203.4
thereof performance guarantees	109.2	151.4
Others	13.5	13.5
	<b>142.6</b>	<b>222.1</b>

The performance guarantees include a joint and several liability to the Hong Kong airport authority in connection with the Tradeport Hong Kong Ltd. investment project amounting to €27.2 million (US\$ 40.0 million), for which there is a recourse claim on the other guarantors in the amount of €12.9 million (US\$ 19.0 million).

A performance guarantee was signed between GMR Holdings Private Ltd., Fraport AG and ICICI Bank Ltd. in the amount of €51.5 million (INR 3,000 million) to modernize, expand and operate the Delhi Airport excluding a recourse to Fraport AG. If, however, the party to the contract GMR Holdings Private Ltd. fails to perform under the contract, liability of Fraport AG may not be excluded – given the fact that Fraport AG is party to the contract.

In the context of operating the airports in Varna and Burgas Fraport AG guaranteed contractual performance of its newly established subsidiary Fraport Twin Star Airport Management AD over the amount of €9.0 million.

With the acquisition of the remaining shares in Lima Airport Partners the guaranteed contractual performance rose to €14.2 million (US\$ 20.9 million).

In connection with the terminal operation at Antalya Airport Fraport AG assumed a guaranteed contractual performance of €35.6 million for the newly established Antalya operating company investment.

The other warranties mainly include contractual financing arrangements signed by the Antalya operating company. Thus, contingent liabilities arose for the Fraport Group in the amount of €44.9 million.

Fraport AG is held liable in the amount of €13.5 million for rentals payable by Lufthansa Cargo Aktiengesellschaft to Tectum 26. Vermögensverwaltungs GmbH, if Lufthansa Cargo Aktiengesellschaft exercises an extraordinary right to terminate the contract.

**(48) Other financial commitments****Order commitments**

€ million	Dec. 31, 2006	Dec. 31, 2007
Orders for capital expenditure on property, plant and equipment, intangible assets and investment property	536.9	566.4
Orders for energy supply	434.8	306.9
	<b>971.7</b>	<b>873.3</b>

**Operating Leases**

€ million	Dec. 31, 2006	Dec. 31, 2007
Rental and leasing contracts		
up to one year	14.1	29.9
one to five years	15.0	82.6
more than five years	31.1	394.2
	<b>60.2</b>	<b>506.7</b>

In view of their substance, the leases qualify as operating leases, i.e. the leased asset is attributable to the lessor.

The increase in lease payments results from minimum concession payments to be made under the concession agreements in connection with the operation of the airports in Varna and Burgas, Bulgaria (lease term until 2041) as well as Lima and Peru (minimum lease term until 2031).

In addition, the rental agreements and leases relate to building rental agreements and the lease of equipment. The equipment leases generally end in 2009. The building rental agreements can be terminated at short notice.



### Other commitments

Apart from the minimum payments to be made under the concession agreements, revenue-related concession charges and other investment obligations as yet undefined in terms of amount in relation to the airport infrastructure have been agreed. There is a minimum investment obligation for the airports in Varna and Burgas of €38 million. Significant, unrecognized concession payments or investment obligations are no longer due in connection with the concession to operate the terminal at Antalya Airport.

There are additional obligations as of the balance sheet date in the amount of €20.1 million. The major portion relates to a loan commitment to AIRRAIL amounting to €12.9 million.

## (49) Stock Options

### Management Stock Options Plan 2001

The Fraport AG Annual General Meeting passed a resolution about the main points of a stock option plan on March 14, 2001. We grant stock options to members of the Executive Board of Fraport AG, directors of affiliated companies and other Fraport AG managers employed in Germany on the basis of this plan.

The authorization to issue a total volume of 1,395,000 subscription rights covers the period until August 31, 2005 and the rights were issued in annual tranches of no more than 25 percent of the total volume. The approval of the Supervisory Board and the Executive Board was required before rights were issued. Every subscription right entitles the holder to subscribe to one share representing €10.00 of the capital stock.

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either by issuing restricted authorized shares or with treasury shares or with shares bought from third parties.

New shares issued on the basis of restricted authorized capital participate in the profits generated by the company from the beginning of the fiscal year for which the Annual General Meeting has not yet passed a resolution about the appropriation of retained earnings at the time when the subscription right is exercised.

The requirements to exercise the last remaining tranche were met in the previous year already. In the current fiscal year 4,600 stock options were exercised with currently still 8,350 stock options existing in the 2004 tranche, which is approximately 4 percent of all options.

### Fraport Management Stock Options Plan 2005

In order to meet the meanwhile stricter requirements for variable remuneration paid to managers, the Supervisory Board and the Executive Board resolved during fiscal year 2005, to submit a proposal to the Annual General Meeting of Fraport AG for a new Fraport Management Stock Options Plan 2005 (MSOP 2005) with modified option conditions.

On June 1, 2005, the Annual General Meeting of Fraport AG passed a resolution to adopt the main points of the MSOP 2005 proposal and the necessary capital measures to implement the plan. On the whole, a total volume not exceeding 1,515,000 stock options will be issued to all entitled employees up until August 31, 2009 within the scope of Fraport MSOP 2005.

The rules on the issue and entitlement to a share in the profits essentially follow those defined in MSOP 2001.

The stock options can be granted to entitled employees once a year in up to five annual tranches.

In contrast to the previous plan, the new plan not only includes an absolute exercise limit, but also a limit linked to the relative exercise that is linked to the performance of a specific stock basket. The resulting profit attributable to the beneficiary arising from the exercise of stock options is also limited. Thus, 150 percent of the original exercise price for each stock option must not be exceeded.

The option rights for the MSOP 2005 can only be exercised after a vesting period of three years within a further period of two years.

The stock options under the MSOP 2005 can only be exercised if the closing price of the Fraport share on the trading day that immediately precedes the day of exercise ("measurement day") exceeds the original exercise price by at least 20 percent.

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either with shares issued on the basis of restricted authorized capital or with treasury shares or by cash settlement.

Fraport AG issued 219,950 option rights for the entire fiscal year 2007 in accordance with the regulations of the new stock option plan.

Further explanations relating to contingent capital are included in Note 34.

## Development of the subscription rights issued

	Total	Weighted average of exercise price	Executive Board	Directors of affiliated companies	Senior managers of Fraport AG
Rights issued on Jan.1, 2007	407,650	46.92	100,000	60,650	247,000
Issued in 2007	219,950	60.48	67,000	30,600	122,350
Exercised in 2007	-4,600	23.10	0	-500	-4,100
Expired in 2007	-12,000	65.57	0	-12,000	0
<b>Total rights issued on Dec. 31, 2007</b>	<b>611,000</b>	<b>63.34</b>	<b>167,000</b>	<b>78,750</b>	<b>365,250</b>

Of the outstanding options 8,350 can be exercised (previous year: 12,950). The weighted average share price of the fiscal year is €53.70 (previous year: €56.52). The key data for the tranches issued in the years 2001 to 2007 are shown in the table below:

	Grant date	End of vesting period	End of exercise period	Exercise threshold in €	Exercise price in €	Fair value <sup>2</sup> in €
<b>MSOP 2001:</b>						
Tranche 2001	June 11, 2001	June 11, 2003	June 11, 2006	36.28	31.55	5.95
Tranche 2002	May 15, 2002	May 15, 2004	May 15, 2007	29.49	25.64	4.22
Tranche 2003	May 16, 2003	May 16, 2005	May 16, 2008	21.49	18.69	5.82
Tranche 2004	April 16, 2004	April 16, 2006	April 16, 2009	26.57	23.10	6.20
<b>MSOP 2005:</b>						
Tranche 2005	June 6, 2005	June 6, 2008	March 25, 2010	39.49	32.91 <sup>1</sup>	10.96
Tranche 2006	April 18, 2006	April 18, 2009	March 26, 2011	75.60	63.00 <sup>1</sup>	19.27
Tranche 2007	April 17, 2007	April 17, 2010	March 24, 2012	66.12	55.10 <sup>1</sup>	18.42

<sup>1</sup> Original exercise price at the grant date, subject to an adjustment by the relative performance goal

<sup>2</sup> At the grant date

Personnel expenses amounting to €2.8 million (previous year: €1.8 million) were incurred in the year under review. This amount was recognized in the capital reserve.

The recognition of the stock options in profit or loss is based on the fair value of each option of a tranche. To determine fair value a Monte-Carlo simulation is used. In the process, the log-normal distributed processes of the Fraport share price and the MSOP basket price are simulated to mirror the respective performance goals of the Fraport share and the comparative index and the increase in the closing price of the Fraport share by at least 20 percent vs. the original exercise price.

The computation of whether the Fraport share outperforms or underperforms the index is made on the basis of a total shareholder return, i.e. on the basis of the respective share performance taking into account cash dividends, rights issues, capital adjustments and other exceptional rights. In addition, the Monte-Carlo simulation allows for an early exercise taking into account blocked periods and the early exercise procedure for those entitled.

The fair value of all options to be measured in fiscal year 2007 was computed on the following basis.

#### Interest rate

Basis of the computations at the measurement date was a continuous zero interest rate. The interest rates were computed from the interest rate structures of government bonds maturing between one and ten years.

### Dividends

Discreet dividends are used in the Monte-Carlo simulation. Computation basis for future dividend payments are public estimates made by ten banks. The arithmetic mean of these estimates is taken to determine the dividends. An annual increase of €0.01 is expected for the next years to come.

### Volatilities and correlation

To ensure an objective procedure, historic data is used to measure volatilities and correlations. They are determined on the basis of daily XETRA closing rates of the Fraport share and the daily rates of the MSOP basket index. The price history of the index was computed using the current weighting of the index per grant date and taking the historical closing rates of the index components.

The time frame for determining volatilities and correlations is the remaining maturity of the options.

The fair values at the time of issue are as follows:

	Grant date	Fair value in €	Closing price in €
<b>MSOP 2001:</b>			
Tranche 2004	April 16, 2004	6.20	23.50
<b>MSOP 2005:</b>			
Tranche 2005	June 6, 2005	10.96	33.00
Tranche 2006	April 18, 2006	19.27	58.15
Tranche 2007	April 17, 2007	18.42	55.92

The following volatilities and correlations were used for the computation as of the respective issue date:

	Grant date	Volatility Fraport	Volatility MSOP Basket	Correlation Fraport/MSOP Basket
<b>MSOP 2001:</b>				
Tranche 2004	April 16, 2004	43.06%	n. a.	n. a.
<b>MSOP 2005:</b>				
Tranche 2005	June 6, 2005	34.04%	22.55%	0.2880
Tranche 2006	April 18, 2006	32.34%	20.78%	0.2925
Tranche 2007	April 17, 2007	29.69%	21.18%	0.3095

The following computations were made to measure the 4th tranche MOSP 2001. The computation was made at the issue date using a continuous zero interest rate of 3.31 percent.

The following computation was made to measure the 1st tranche MOSP 2005. The computation was made at the issue date using a continuous zero interest rate of 2.57 percent. Dividends were estimated to be €0.86 in 2006 and €0.94 in 2007.

The computation for measuring the 2nd tranche MOSP 2005 was made using a continuous zero interest rate of 3.65 percent as of the issue date. Dividend estimates were €1.00 for 2007 and €1.10 for 2008.

The computation for measuring the 3rd tranche MOSP 2005 was made using a continuous zero interest rate of 4.06 percent as of the issue date. Dividend estimates were €1.16 for 2008 and €1.17 for 2009.

### (50) Notes to the evidence of investments in accordance with the German Securities Trading Act

The total voting rights held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with section 22 (2) of German Securities Trading Act (WpHG) amount to 51.81 percent. They are attributed as follows: State of Hesse 31.62 percent and the Stadtwerke Frankfurt am Main Holding GmbH 20.19 percent.

The voting rights in Fraport AG owned by the Stadt Frankfurt am Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary.

The relative ownership interest of the individual shareholders was adjusted to the current total number of shares as of December 31, 2007, and therefore may differ from the figures given at the time of reporting an excess/shortfall of the threshold or from the respective shareholders' own disclosures. The voting rights adjusted to the current total number of shares by the reporting date are to be allocated to the shareholders as follows: Deutsche Lufthansa AG 9.96 percent, Julius Bär Holding AG 5.09 percent, The Capital Group Companies, Inc. 4.70 percent, Artisan Partners Ltd. Partnership 3.87 percent, Morgan Stanley 3.76 percent, and Taube Hodson Stonex Partners 3.01 percent.

### (51) Risk management

Fraport AG is exposed to market price risks due to changes in foreign exchange rates, interest rates and stock prices. The Group is additionally exposed to credit risks. There are also liquidity risks arising in connection with credit and market price risks or result from a worsening of the operating business or disturbances on the financial markets. It is the objective of a financial risk management to limit these risks by current operating and finance-related activities. Depending on a risk assessment selected hedging instruments are used. In general, we hedge only those risks which affect the Group's cash flows. All derivative financial instruments are used as hedging instruments, i.e. they are not used for trading or other purposes. Without their use the Group would be exposed to higher financial risks.

Reporting to the Executive Board of updated risk positions is made once per quarter as part of the early risk recognition system. In addition, a quarterly updated reporting of all risk positions is made in the monthly finance report to the Group Executive Board and in the monthly Treasury Committee Meeting (TCM) held between Treasury and the CFO.

Fraport AG has prepared internal guidelines which deal with the processes of risk control and regulate the use of financial instruments; they include the unambiguous segregation of functions in respect of operating financial activities, their settlement and accounting and the control of the financial instruments. The guidelines which are the basis of the risk management processes aim to limit and control the risks appropriately and monitor them. Both the guidelines and the systems are regularly reviewed and adjusted to current market and product developments.

#### Credit risk

Fraport AG is subject to default risks from its operating business and certain financing operations. The risk positions resulting therefrom are countered by diversifying the counterparties and by regularly reviewing their financial strength. It is the Company's risk policy to hold investments most of which are externally rated A or better.

The maximum credit risk as of the balance sheet date is reflected by the carrying amounts of the assets recognized in the balance sheet, unless the disclosures in the notes on the individual balance sheet accounts do not give any separate information.

#### Liquidity risk

Fraport AG generates financial funds mainly through its operating business and external financing. The funds are primarily used to finance capital expenditure for items of property, plant and equipment.

The operating cash flows, the cash available as well as short and long-term credit lines give us sufficient flexibility to ensure the liquidity of the Fraport Group. Liquid funds are cash, cash accounts and cash investments with banks maturing in three months or less.

Given the diversity both of the financing sources and the liquid funds and financial assets there is no risk of concentration in liquidity.

The operating liquidity management comprises a cash concentration process, which combines daily the liquid funds of most of the German companies. This allows us to control liquidity surpluses and requirements in line with the needs of individual companies. Short and medium-term liquidity management includes the maturities of financial assets and financial liabilities and estimates of the operating cash flow.

The following list of maturities shows how the liabilities' cash flows as of December 31, 2007 influence the Group's liquidity.

	Total	2008		2009		2010–2014		2015–2019		2020 ff.	
€ million		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
<b>Original financial instruments</b>											
Financial liabilities	1,554.8	52.3	357.0	37.5	74.7	177.0	315.2	74.0	394.6	9.0	63.5
Finance leases	578.3	2.7	48.0	0.4	2.4	42.2	135.8	79.5	96.5	106.0	64.8
Trade accounts payable	832.6	18.6	426.3	10.8	215.4	5.2	156.3	–	–	–	–
<b>Derivative financial instruments</b>											
Interest hedging	0.3	0.03	–	0.03	–	0.17	–	0.09	–	–	–
Currency futures											
Incoming payments	2.4	–	1.3	–	1.1	–	–	–	–	–	–
Outgoing payments	2.4	–	1.3	–	1.1	–	–	–	–	–	–

The liquidity profile as of December 31, 2006 is as follows:

	Total	2007		2008		2009–2013		2014–2018		2019 ff.	
€ million		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
<b>Original financial instruments</b>											
Financial liabilities	1,031.0	36.3	134.6	33.0	170.0	91.6	208.3	31.1	286.3	7.1	32.7
Finance leases	7.1	0.1	1.8	0.1	1.4	0.2	3.5	–	–	–	–
Trade accounts payable	229.0	–	229.0	–	–	–	–	–	–	–	–
<b>Derivative financial instruments</b>											
Interest hedging	10.0	0.8	–	1.0	–	5.5	–	2.7	–	–	–

All financial instruments which were subject to agreements as of the reporting date were included to determine the undiscounted payments. If a contractual partner can release a payment at different points of time, the earliest deadline was taken into account. To determine the interest payments for primary variable-rate financial liabilities and the net payments of derivative financial instruments, the current rate fixing was implied for the remaining time to maturity. For net payments in connection with derivative financial instruments beginning in the future, the agreed variable interest rate fixed on the balance sheet date was used.

Amounts payable in foreign currency were translated at the closing rates.

#### Foreign currency risk

The international focus of the Fraport Group makes its operating business, the financial results reported and the cash flows subject to foreign currency risks. Only the transaction risks affecting cash flows are actively controlled. These are mainly between US\$ and € and between US\$ and PEN. Transaction risks originate in the operating business, if cash receipts from revenue do not compare with expenditures in matching currencies. To reduce the foreign currency effects in the operating business the transaction risk is regularly assessed and hedged in part by using derivative financial instruments. The financial instruments transactions are the responsibility of the Group companies and are entered into in close co-ordination with the Treasury at Fraport AG. Most of the hedging transactions are currency forwards.



The transaction risks are assessed by means of sensitivity analyses. The calculation rates on which the analyses are based are the result of the mean rate in the period under review less or in addition to a standard deviation of the rates in the period under review. If we take these assumptions as a basis the profit for the period would have been affected in the year under review as follows:

€/US\$: €0.19 million profit /€0.18 million loss  
(previous year: €0.17 million profit/€0.16 million loss)

US\$/PEN: €0.2 million (previous year: €0.0 million)

€/TRY: € 0.3 million profit/€0.31 million loss  
(previous year: €0.0 million)

US\$/TRY: €0.6 million profit/€0.6 million loss  
(previous year: €1.8 million profit/loss).

In addition there are effects in the Group from the translation of foreign currency assets or liabilities in euros and/or from the consolidation of Group companies not accounting for in euros. These risks are met as best as possible by applying natural hedging.

#### Interest rate risk

The Fraport Group holds a variety of primary and derivative financial assets and liabilities exposed to interest rate risks. We generally refinance the transactions at matching maturities. The interest rate risk arising in the next twelve months is relevant for control. It is assessed every quarter and reported to the interest rate and currency committee. To determine the risk sensitivity analyses are prepared. These show the effects of changes in market interest rates on interest payments, interest income and expenses, other profit or loss portions and equity. Interest rate changes are defined to be the maximum fluctuation of the key interest rate in the past for the respective currency and the respective period of time and/or the maximum fluctuation of the 10-year swap rate in the past. The deviation in absolute terms is taken into consideration.

Interest rate risks also arise from future capital requirements.

To limit the interest rate risks derivative financial instruments such as interest rate swaps and swaptions are used.

The sensitivity analyses are based on the following assumptions:

Changes in market rates of primary financial instruments with fixed interest rates affect profit or loss only if the instruments are measured at fair value. As a result, the financial instruments measured at amortized cost with fixed interest rates do not affect profit or loss for the period or the equity of the Fraport Group.

Changes in market rates of financial instruments which were designated as hedging instruments in an interest-rate related cash flow hedge, affect equity and are therefore included in the equity-related sensitivity computations. The maximum variability is taken to be a parallel shift of the yield curve by 169 basis points over a period of twelve months.

Market rate changes in primary variable-rate financial instruments which are not designated hedged items in a cash flow hedge of interest rate exposures, affect net interest income and expense and are therefore included in profit or loss-related sensitivities. The respective net financial position for each currency is taken into account in the process. Interest rate sensitivities are based on the following assumptions: € –2.25 percentage points, US\$ –4.75 percentage points, CHF –2.5 percentage points, PEN –2.50 percentage points. The individual sensitivities are then aggregated to become one profit-or-loss related sensitivity in euros.

Changes in market rates of interest rate derivatives which are not part of a hedging relationship under IAS 39 affect the other financial result and are therefore included in the profit-or-loss related sensitivities.

Taking the portfolios and the structure of the consolidated balance sheet as of December 31, 2007 and the assumptions made, the profit-or-loss related sensitivity is at €16.6 million (previous year: €20.0 million) with an increase (or decline) in market rates. The financial result would have therefore increased (dropped) hypothetically by €16.6 million. This hypothetical effect on profit or loss would result from the potential effects of interest rate derivatives of €5.1 million (previous year: €7.3 million) and an increase (decrease) in the interest result from primary variable-rate net financial positions of €11.5 million (previous year: €12.7 million).

The equity related sensitivity amounts to €58.5 million (previous year: €31.9 million). By applying the assumptions made an increase (decrease) in interest rates would result in an increase (decrease) in equity by €58.5 million.

#### Other price risks

The Fraport Group has a variety of structured financial assets in its portfolio. Risk variables are share prices, commodity prices and various indices. Changes in these risk variables initially result merely in a change in the market value of the financial instruments and do not affect cash flows. To quantify other price risks,

sensitivity analyses are prepared. The calculation rates on which the analyses are based are the result of the mean rate of the assessments in the period under review less or in addition to a standard deviation in the period under review.

Taking the portfolio in the consolidated balance sheet as of December 31, 2007 and the assumptions made, the profit-or-loss related sensitivity amounts to €3.6 million. This means, a change in the fair value measurement of the financial instruments would have increased the financial result hypothetically by this amount (previous year: €2.7 million).

The equity-related sensitivity is €7.1 million. When applying the assumptions made, a change in fair value measurement of the financial assets would have resulted in an increase or decrease in equity by €7.1 million accordingly. (previous year: €10.2 million).

#### Capital management

The Group's objectives with a view to capital management are ensuring the Group's continued existence as a going concern and a sustained increase in the Company's value. As a capital market oriented company with large capital requirements the Company monitors the development of its debt using financial ratios which relate liquidity and the EBITDA to its net debt and/or interest expense. As long as we do not fall below these financial ratios, there is sufficient access to debt capital sources at reasonable cost from today's point of view.

The components of the control indicators are defined as follows:

#### Total Debt =

Current financial liabilities  
+ Non-current financial liabilities

#### FFO (Free funds from Operations) =

Group profit  
+ Depreciation and amortization  
+ Changes in working capital  
+ Changes in provisions

#### Interest Expense =

Interest Expense

The financial ratios developed as follows in the period under review:

Key figures	Corridor	Dec. 31, 2006	Dec. 31, 2007
Total Debt/EBITDA	max. 4–6 x	1.5	2.1
FFO/Interest expense	min. 3–4 x	12.6	7.2
FFO/Total debt	min. 12–15%	61.7%	33.1%

## (52) Related party disclosures

Under IAS 24 (Related Party Disclosures) Fraport must disclose relationships to related parties which have control over the Fraport Group or which Fraport Group controls, unless they are already included in the consolidated financial statements of Fraport AG. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is assumed if one shareholder owns more than half of the voting rights in Fraport AG or has this option by statute or contractual agreement.

The shareholdings of the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH and the consortium agreement signed between these shareholders mean that Fraport AG is a company controlled by these shareholders.

The Federal Republic of Germany sold all of its shares in Fraport AG on March 19, 2007. Since this date, the Federal Republic of Germany and its majority-owned investments have ceased to be related parties of the Fraport Group. The transactions with the Federal Republic of Germany and its majority-owned investments are reflected in the related-party relationships until the time of sale.

Fraport AG has numerous business relationships with the State of Hesse and the city of Frankfurt, and their majority-owned investments. Related companies and authorities with which major business relations are maintained are Mainova AG and Messe Frankfurt Venue GmbH & Co. KG.

The disclosure requirements under IAS 24 also extend to include business transactions with associates as well as business transactions with persons who exercise a significant influence on the financial and business policy decisions of Fraport AG, including close relatives or intermediate companies.

All transactions between the related parties have been concluded at conditions customary in the market as between unrelated third parties. The services rendered to authorities are generally based on cost prices. This is why a pricing review is currently carried out by Federal government authorities.

The following table shows the scope of the business relationships:

	Majority shareholders					
	Federal Republic of Germany	State of Hesse	Stadtwerke Frankfurt am Main Holding GmbH	Joint ventures	Associated companies	Companies controlled by majority shareholders
€ million						
Revenue						
2006	159.5	0.1	0.1	2.8	3.1	16.3
2007	38.2	0.1	0.1	2.1	3.6	8.0
Purchased goods and services						
2006	–	0.8	2.8	5.4	28.9	104.5
2007	–	1.0	3.8	6.7	28.6	74.1
Interest						
2006	–	0.4	–	0.1	–	–3.7
2007	–	0.3	–	0.1	–	–3.6
Accounts receivable						
2006	6.0	6.9	–	–	1.4	1.1
2007	5.6	–	–	–	1.9	1.0
Accounts payable						
2006	–	–	0.3	2.7	0.6	54.6
2007	–	–	–	2.1	0.8	54.6
Financial liabilities						
2006	–	–	–	–	–	83.0
2007	–	–	–	–	–	80.4

The second-tier managers (senior vice presidents and executive vice presidents) were granted total payments of €1,109 thousand (previous year: €1,514 thousand).

For information about relationships to members of the Executive Board and the Supervisory Board see Note 55.

### (53) Service concessions

The following companies in the Fraport Group have been granted service concessions or similar permits which give the public access to important economic and social facilities:

#### Fraport AG

In agreement with the German Federal Minister of Transport, the Hessian Minister of Labor, Economics and Transport approved passenger transport operations at Frankfurt Airport in accordance with section 7 as amended on August 21, 1936 of the German Air Transport Law on December 20, 1957 and charged a non-recurring fee for this. The permit does not expire at any specific time.

The right to operate the airport is linked to various obligations that are specified in the permit. Fraport AG is required, among other things, to keep the airport in good operating condition at all times, to provide and maintain the equipment and signs needed to monitor and control air traffic at the airport and to guarantee the availability of fire protection systems that take account of the special operating conditions. In a supplement added on July 16, 1999, the restrictions on night flights that were initially made in 1971 and have been updated since as a supplement to the airport permit were tightened and restrictions on the operation of "chapter 2 aircraft" at Frankfurt Airport for civil aviation purposes during the daytime were introduced. The operating permit was restricted and specified in communications of April 26, 2001, September 24, 2001, November 25, 2002, August 5, 2005 and April 5, 2006 to the effect that Fraport AG is required to take active and passive noise abatement measures.

The expansion of Frankfurt Main Airport with the construction of the northwest landing runway as its central measure was adopted in the zoning decision issued on December 18, 2007. Further restrictions on night flights and operations will become valid with the winter flight schedule 2009/10 and the time the capacity-effective operation of the northwest landing runway will start.

The Company charges the airlines that fly to Frankfurt Main Airport what are known as “traffic fees” for provision of the transport infrastructure. These traffic fees are divided up into airport fees that require approval and other fees that do not require approval.

- The airport fees that require approval under section 43a (1) of the German Air Transport Authorization Regulations (LuftVZO) are divided into landing and takeoff charges - including noise components and emission fees (since January 1, 2008) – slot fees, passenger and security fees. The amount of the fees is specified in a related fee table.
- The fee table applicable in 2007 and approved by the Hessian Ministry of Economics, Transport and Regional Development (HMWWL) was published in the Air Transport Bulletin (NFL) on January 4, 2007 and came into force retroactively as of January 1, 2007. There was also an adjustment of fees during the year as of July 1, 2007 which was approved by the Hessian Ministry of Economics, Transport and Regional Development and published in the Air Transport Bulletin on July 5, 2007. Airport fees accounted for 31.0 percent of Fraport AG’s revenue in the year under review.
- As regards the other fees not requiring approval a distinction is made between fees for central ground handling service infrastructure facilities and fees for ground handling services. In accordance with EU regulations, ground services on the apron were opened up to competition on November 1, 1999 (opened up in practice on April 15, 2000) by issuing a permit to another external ground handling company along with Fraport AG. The services in the area of central ground handling infrastructure facilities continue to be excluded from competition (monopoly sector) and are completely segregated from the ground handling services when they are offset with the airlines. 20.3 percent of the revenue generated by Fraport AG in 2007 was accounted for by ground handling service, 11.2 percent was attributable to infrastructure fees.

Above and beyond the traffic fees, Fraport AG generates revenue essentially from revenue-based payments, renting, parking and security services. The proceeds from these operations – which do not require approval – accounted for 37.5 percent of Fraport AG’s revenue in the year under review.

#### Flughafen Frankfurt-Hahn GmbH

Flughafen Frankfurt-Hahn GmbH received approval to share use of the Hahn military airfield for civil aviation purposes in accordance with the relevant German aviation legislation on July 14, 1993 (with subsequent amendments). The permit was issued by the Ministry of Economics and Transport of the State of Rhineland-Palatinate. The permit does not expire at any specific time. The company was in particular required to take passive noise abatement measures.

The operations at Frankfurt Hahn Airport are based on a fee table dated June 1, 2006. Approval to charge landing, takeoff, passenger and slot fees (airport fees) was issued by the Rhineland-Palatinate State Road and Transport Authorities/Air Transport Department in accordance with section 43 (1) of the German air transport authorization regulations (LuftVZO).

The airport fees accounted for 21.2 percent of the revenue generated in the fiscal year.

Revenue from ground handling services and provision for the infrastructure (11.1 percent) represented another portion of the traffic fees for which no approval is required.

Apart from the traffic fees, other revenue is generated – mainly from rentals and for security services – making up some 67.7 percent of the revenue.

#### Fraport IC İctas Antalya Havalimani Terminal Yatırım ve İşletmeciliği AS

In April 2007 the consortium in which Fraport AG holds an interest, won the bidding procedure to operate the terminals at Antalya Airport for seventeen years. The consortium and the Turkish airport authority DHMI signed the concession agreement on May 22, 2007. Since September 14, 2007 Fraport AG and IC İctas have been jointly managing Terminal 1 so far operated by Fraport as well as the domestic and CIP terminals. In September 2009 the Fraport consortium will acquire the concession to operate the second international terminal so far operated by IC İctas and Celebi Holding. The concession to operate all three terminals and use all assets listed in the concession agreement runs until the end of 2024. The new operating company pays a concession fee of €2.010 billion, net over the period of the concession.

The operating company is obliged in this context to provide the terminal services in compliance with the international standards as well as the procedures and principles specified in the concession contract. With respect to the assets left for use, the company, as the tenant of the terminals, will continue to carry out maintenance work and capacity expansions (when required).

When the term of the concession ends, the operating company is required to return all the assets specified in the concession contract to DHMI in a proper, fully operative condition.

In accordance with the concession agreement the company deposited a performance bond amounting to €142.3 million at the beginning of the concession period to the benefit of DHMI. This performance bond was issued by a Turkish bank, secured in part by corporate guarantees given by the shareholders. The part of the corporate guarantee collateralized by Fraport AG with the bank amounts to €35.6 million. Due to the recourse in the form of a corporate guarantee given by IC Ictas in the amount of €11.4 million, the liability coverage of Fraport AG is reduced to €24.2 million.

#### **Fraport Twin Star Airport Management AD**

Fraport Twin Star Airport Management AD and the Republic of Bulgaria, represented by its minister of transport, signed a concession agreement on September 10, 2006 on the operation and management of the Bulgarian airports in Varna and Burgas on the Black Sea.

According to the concession agreement the franchisees are granted the right to use the existing infrastructure and are obligated to render various airport services, to improve services in line with international standards, national laws and the provisions stipulated in the concession agreement. In addition they are obliged to invest in the expansion and a capacity increase of the airports in Varna and Burgas.

The concession agreement starts on November 10, 2006 and has a duration of 35 years.

The company undertakes to procure a performance bond to the franchisor, issued by a bank rated BB- or higher, in the annual amount of €15.0 million in the first ten years and in the annual amount of €7.5 million during the remaining term of the agreement.

Aside from regulated passenger, landing and parking fees, Fraport Twin Star generates revenue from unregulated ground handling services and commercial activities. In return, the company pays an annual concession charge of 19.2 percent of total revenue, at least 19.2 percent of BGN 57 million (€29.1 million) adjusted by increases or decreases in inflation rates since 2003 to the Bulgarian government.

Fraport Twin Star paid an additional non-recurring concession charge in the amount of €3.0 million to the franchisor after conclusion of the agreement.

#### **Lima Airport Partners S. R. L.**

On February 14, 2001 LAP and the Peruvian government represented by its Minister of Transportation (MTC) signed the Concession Contract for Jorge Chavez International Airport on the operation, expansion, maintenance and use of the international airport Jorge Chavez in Lima (Peru).

The company was granted the BOT concession over a period of 30 years. The contract may be renewed for another 10 years. Further renewals are possible under certain circumstances; the overall concession term must not exceed 60 years, however.

The company undertakes vis-à-vis the franchisor to invest at least US\$ 110 million for the remodeling of the airport and in particular the terminal, and to build a second landing runway. The contractual amount of US\$ 110 million has been invested already.

In addition to the regulated passenger and landing fees the company generates revenue from non-regulated services and commercial activities.

The concession fee is the higher of two amounts: Either the contractually fixed minimum payment (basic payment of US\$ 15 million per year, inflation-fed by US CPI) or 46.511 percent of total revenue after deduction and transfer to Corpac (aviation regulatory authority) of 50 percent of landing fees and 20 percent of the international passenger fees (TUUA). In addition, a regulatory fee of 1 percent of the same assessment basis becomes due.



**(54) Statement issued by the Executive Board and the Supervisory Board of Fraport AG in accordance with section 161 of the AktG**

On December 10, 2007, the Executive Board and the Supervisory Board of Fraport AG issued the Statement of Compliance with the Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG) and made it available to the public on a permanent basis on the company's web site.

The Corporate Governance Code is complied with except for the following deviation:

"The remuneration for members of the Supervisory Board does not include a performance-oriented, variable element."

**(55) Notes to the Executive Board and the Supervisory Board**

The active members of the Executive Board were compensated as follows:

Remuneration of the Executive Board	Remuneration		Change		
2007 in € '000	Fixed payments	in kind and others	Bonus 2007	in bonus provision	Total
Total	1,183.8	222.1	1,592.5	3.5	3,001.9

The following Executive Board members receive the following additional long-term incentive elements:

	MSOP 2005 1st tranche (2005) Number	MSOP 2005 2nd tranche (2006) Number	MSOP 2005 3rd tranche (2007) Number	Total portfolio Number	Expense in 2007 in € '000
Total	50,000	50,000	67,000	167,000	779.1

All active members of the Supervisory Board received an aggregate remuneration of €520.25 thousand in 2007.

For particulars and other details about the remuneration of the Executive and Supervisory Board members see the comments in the audited remuneration report in the corporate governance chapter of the annual report on pp. 122.

**(56) Executive Board**

Membership in mandatory supervisory boards and comparable control bodies:

**Chairman**

**Dr. Wilhelm Bender**

**Member of the Supervisory Board:**

- Flughafen Hannover-Langenhagen GmbH
- Lufthansa CityLine GmbH
- SIGNAL IDUNA Allgemeine Versicherung AG
- ThyssenKrupp Services AG
- FrankfurtRheinMain GmbH International Marketing of the Region

**Vice Chairman**

**Dr. Stefan Schulte**

Flight and terminal operations, Airport expansion  
(since April 1, 2007)

Finance and construction (until March 31, 2007)

**Chairman of the Supervisory Board:**

- FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH (until June 15, 2007)
- ICTS Europe Holding B. V. (until May 14, 2007)
- Flughafen Frankfurt-Hahn GmbH (since April 1, 2007)

**Member of the Supervisory Board:**

- DELVAG Luftversicherungs AG
- DELVAG Rückversicherungs AG
- Flughafen Frankfurt-Hahn GmbH (until March 31, 2007)
- Frankfurter Sparkasse AG (until June 30, 2007)

**Member of the Administrative Board:**

- Frankfurter Sparkasse (since July 1, 2007)

**Member of corporate control bodies:**

- Shanghai Frankfurt Airport Consulting Services Co. Ltd. (Vice-Chairman of the Board of Directors) (until June 25, 2007)

**Herbert Mai**

Labor relations

**Chairman of the Supervisory Board:**

- Fraport Cargo Services GmbH (FCS)

**Member of the Supervisory Board:**

- FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH
- Gateway Gardens Projektentwicklungs GmbH

**Member of the Shareholders' Committee:**

- MIRUS Grundstücks-Verwaltungsgesellschaft KG

**Dr. Matthias Zieschang**

Finance and Controlling

(since April 1, 2007)

**Chairman of the Supervisory Board:**

- ICTS Europe Holding B. V. (since May 14, 2007)

**Vice Chairman of the Supervisory Board:**

- Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve İşletmeciliği AS
- Shanghai Frankfurt Airport Consulting Services Co. Ltd. (since June 25, 2007)

**Member of the Supervisory Board:**

- Flughafen Frankfurt-Hahn GmbH

**Prof. Manfred Schölch**

Vice Chairman

Infrastructure and legal affairs

(until March 31, 2007)

**Chairman of the Supervisory Board:**

- Flughafen Frankfurt-Hahn GmbH (until March 30, 2007)

**Vice Chairman of the Supervisory Board:**

- Deutsche Verkehrsbank AG

**(57) Supervisory Board**

Membership in mandatory Supervisory and comparable control bodies:

**Chairman**

**Karlheinz Weimar**

Secretary of Finance of the State of Hesse,

Member of the State of Hesse Parliament

(Remuneration in 2007: €38,150)

**Chairman of the Supervisory Board:**

- Flughafen GmbH Kassel, Calden

**Vice Chairman of the Administrative Board:**

- Landesbank Hessen-Thüringen Girozentrale

**Member of the Administrative Board:**

- Investitionsbank Hessen

**Member of the Supervisory Board:**

- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- Future Capital AG, Hessen Life Sciences Chemie
- HA Hessen Agentur GmbH
- Messe Frankfurt GmbH

**Advisory Board member with the assignments of a Supervisory Board:**

- Höchster Porzellan-Manufaktur GmbH

Vice Chairman

**Gerold Schaub**

Deputy regional director traffic ver.di trade union Hesse

(Remuneration in 2007: €35,450)

**Vice Chairman of the Supervisory Board:**

- LSG Lufthansa Service Holding GmbH (since August 29, 2007)

**Member of the Supervisory Board:**

- Lufthansa Systems Group GmbH (until August 28, 2007)

**Dr. Manfred Bischoff**

Chairman of the Supervisory Board of Daimler AG

(Remuneration in 2007: €21,550)

**Chairman of the Supervisory Board:**

- Daimler AG

**Member in the Board or Supervisory Board:**

- Royal KPN N. V.
- Nortel Networks Corporation und Nortel Networks Limited
- SMS GmbH
- UniCredit S. p. a.
- Voith AG

**Jörg-Uwe Hahn**

FDP floor leader

in the Hessian State Parliament

Member of the State Parliament

(Remuneration in 2007: 32.650 €)

**Member of the Supervisory Board:**

- Flughafen Frankfurt-Hahn GmbH
- TaunusFilm GmbH

**Member of the Broadcasting Corporation Board:**

- Hessischer Rundfunk

**Dr. Joachim v. Harbou**

(Remuneration in 2007: €33,050)

**Member of the Supervisory Board:**

- Nestlé Deutschland AG
- DaimlerChrysler Bank AG
- Agrarius AG
- Städtische Bühnen Frankfurt am Main GmbH

**Chairman of the Advisory Board:**

- A\_NET Digital Media GmbH

**Member of the Advisory Board:**

- IVG Immobilien AG
- Eintracht Frankfurt Fußball AG

**Jörg Hennerkes**

Former Undersecretary

(Remuneration in 2007: €20,750)

**Chairman of the Supervisory Board:**

- DFS Deutsche Flugsicherung GmbH

**Member of the Supervisory Board:**

- Deutsche Bahn AG

**Helmut Hofmann**

Member of the Works Council

(Remuneration in 2007: €24,750)

**Lothar Klemm**

Former Hessian Government Minister

Attorney

(Remuneration in 2007: €26,750)

**Chairman of the Supervisory Board:**

- MANIA Technologie AG
- ZIV – Zentrum für integrierte Verkehrssysteme GmbH
- REA Mobile AG

**Member of the Supervisory Board:**

- IQB Career Services AG

**Wolfgang Mayrhuber**

Chairman of the Executive Board

Deutsche Lufthansa AG

(Remuneration in 2007: €16,600)

**Chairman of the Supervisory Board:**

- Lufthansa Cargo AG (until February 27, 2007)

**Member of the Supervisory Board:**

- BMW AG
- Münchener Rückversicherungs Gesellschaft
- Eurowings Luftverkehrs AG
- Lufthansa Service Holding AG
- Lufthansa Technik AG
- Lufthansa Cargo AG (since February 28, 2007)
- Thomas Cook AG (until April 2, 2007)

**Member of the Administrative Board:**

- Swiss International Air Lines AG

**Member of the Supervisory Board:**

- Heico Corporation, Miami, Florida

**Zafer Memisoglu**

Member of the Works Council

(Remuneration in 2007: €24,750)

**Member of the Supervisory Board:**

- Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

**Adelheid Riedel-Ciesla**

Trade union representative of ver.di  
(Remuneration in 2007: €22,750)

**Member of the Supervisory Board:**

- Lufthansa Systems Group GmbH

**Gabriele Rieken**

Member of the Works Council  
(Remuneration in 2007: €23,150)

**Harald Rose**

Trade union representative of ver.di  
(Remuneration in 2007: €23,150)

**Vice Chairman of the Supervisory Board:**

- FraSec Fraport Security Services GmbH

**Petra Rossbrey**

Responsible for special projects for the department  
Traffic and Terminal Management, Airport Expansion  
Frankfurt am Main  
(Remuneration in 2007: €23,950)

**Dr. h. c. Petra Roth**

Lord Mayor  
(Remuneration in 2007: €23,550)

**Chairman of the Supervisory Board:**

- Frankfurter Aufbau AG (Group mandate)
- Mainova AG
- ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH
- Messe Frankfurt GmbH
- Stadtwerke Frankfurt am Main Holding GmbH
- Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH (Group mandate)

**Member of voluntary corporate control bodies:**

- Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH
- Gas-Union GmbH
- Rhein-Main-Verkehrsverbund GmbH
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH
- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- Städtische Bühnen Frankfurt am Main GmbH
- The Forsythe Company gGmbH

**Member of the Administrative Board:**

- Landesbank Hessen-Thüringen Girozentrale
- Nassauische Sparkasse

**Member of the Advisory Board:**

- E.ON Ruhrgas AG
- THÜGA AG

**Werner Schmidt**

Member of the Works Council  
(Remuneration in 2007: €23,150)

**Vice Chairman of the Executive Board:**

- Arbeitsgemeinschaft unabhängiger Flughafen-beschäftigter (AUF e. V.)
- Komba-Gewerkschaft, Kreisverband Flughafen Frankfurt/M.

**Member of the Supervisory Board:**

- SMW Abwasser GmbH

**Member of the Association Council:**

- Riedwerke Kreis Groß-Gerau

**Edgar Stejskal**

Chairman of the Group works council  
(Remuneration in 2007: €23,950)

**Member of the Supervisory Board:**

- Airmail Center Frankfurt GmbH

**Christian Strenger**

Member of supervisory boards  
(Remuneration in 2007: €23,950)

**Chairman of the Supervisory Board:**

- The Germany Funds (USA)

**Member of the Supervisory Board:**

- DWS Investment GmbH
- Evonik Industries AG

**Achim Vandreike**

Former Mayor  
(Remuneration in 2007: €25,950)

**Member of the Supervisory Board:**

- Eintracht Frankfurt Fußball AG

**Peter Wichtel**

Chairman of the Works Council  
(Remuneration in 2007: €32,250)

**Member of the Executive Board:**

- Unfallkasse Hessen

**Member of the Supervisory Board:**

- gedas operational services GmbH & Co. KG

**Significant subsidiary companies, joint ventures and associated companies**

				Share of capital %	Share- holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Place of incorporation								
Subsidiary companies								
Germany								
Airport Assekuranz Vermittlungs-GmbH	AAV	Frankfurt a. M.	2007	100.00	612	467	2,016	11
			2006	100.00	613	561	2,085	11
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2007	100.00	26	0	18,165	136
			2006	100.00	26	0	18,039	148
AirIT Services AG	AirIT Hahn	Lautzenhausen	2007 <sup>1</sup>	100.00	862	82	2,291	10
			2006	100.00	779	13	2,098	10
APS Airport Personal Services GmbH	APS	Frankfurt a. M.	2007	100.00	1,462	912	44,107	1,568
			2006	100.00	1,620	1,070	36,550	1,234
Energy Air GmbH	Energy Air	Frankfurt a. M.	2007	100.00	3,229	3,166	82,041	0
			2006	100.00	1,259	1,184	73,154	0
Flughafen Frankfurt-Hahn GmbH	Flughafen Frankfurt-Hahn	Lautzenhausen	2007 <sup>2</sup>	65.00	75,499	-15,762	41,296	335
			2006 <sup>2</sup>	65.00	74,716	-15,751	43,480	307
FRACareServices GmbH	FRACareS	Frankfurt a. M.	2007 <sup>4</sup>	51.00	26	0	0	0
Fraport Cargo Services GmbH	FCS	Frankfurt a. M.	2007	100.00	16,553	3,466	57,987	217
			2006	100.00	15,587	5,130	61,149	200
Fraport Immobilienservice und -entwicklungs GmbH & Co. KG	Fraport Immo	Flörsheim a. M.	2007 <sup>2, 3</sup>	100.00	13,828	2,303	1,648	7
			2006 <sup>2, 3</sup>	100.00	11,525	1,234	2,226	7
Fraport Objekt Mönchhof GmbH	Fraport OGM	Flörsheim a. M.	2007	100.00	20	-1	2	0
			2006	100.00	21	-3	1	0
Fraport Objekte 162 163 GmbH	Fraport OG 162	Flörsheim a. M.	2007	100.00	20	-1	2	0
			2006	100.00	21	-3	1	0
Fraport Real Estate Mönchhof GmbH & Co. KG	Fraport Mönchhof	Flörsheim a. M.	2007 <sup>3</sup>	100.00	3,013	-585	7,337	0
			2006 <sup>3</sup>	100.00	3,576	-949	168	0
Fraport Real Estate 162 163 GmbH & Co. KG	Fraport 162 163	Flörsheim a. M.	2007 <sup>3</sup>	100.00	8,663	1,838	7,357	0
			2006 <sup>3</sup>	100.00	6,825	1,708	7,357	0
Fraport Real Estate Verwaltungs GmbH	Fraport RE	Flörsheim a. M.	2007	100.00	15	0	3	0
			2006	100.00	15	-3	1	0
Fraport Sicherheit Projekt GmbH	Fraport Sicherheit	Frankfurt a. M.	2007	100.00	25	0	0	0
			2006	100.00	25	0	0	0
Fraport Security Services GmbH	FraSec	Frankfurt a. M.	2007 <sup>10</sup>	100.00	12,878	7,759	95,870	3,176
			2006	100.00	15,505	10,380	161,850	5,100
Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG	GCS	Frankfurt a. M.	2007 <sup>3</sup>	40.00	2,427	1,389	24,474	621
			2006 <sup>3</sup>	40.00	2,587	1,562	23,705	609
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2007	65.00	22	-2	392	7
			2006	65.00	23	-1	304	8
Media Frankfurt GmbH	Media	Frankfurt a. M.	2007	51.00	2,692	2,181	26,276	30
			2006	51.00	3,083	2,571	28,545	26
Verwaltungsgesellschaft für Cleaning Service mbH	VCS	Frankfurt a. M.	2007	100.00	33	2	307	1
			2006	100.00	31	0	346	2
Rest of Europe, Sub-group ICTS								
ICTS Europe Holdings B. V., Amstelveen	ICTS The Netherlands		2007 <sup>5</sup>	100.00	45,420	72,624	320,160	10,213
			2006 <sup>5</sup>	100.00	47,022	13,141	391,421	12,836
ACR Gulf Ltd., London	ACR Gulf	Great Britain	2007 <sup>6</sup>	100.00	57	44	466	0
			2006 <sup>6</sup>	100.00	-108	-106	39	0
CIVAS UK Ltd., London	CIVAS UK	Great Britain	2007 <sup>6</sup>	100.00	-18	0	0	0
			2006 <sup>6</sup>	100.00	-19	0	0	0
CIVAS USA Inc., Delaware	CIVAS USA	USA	2007 <sup>6</sup>	100.00	-36	0	0	0
			2006 <sup>6</sup>	100.00	-40	0	0	0



*Significant subsidiary companies, joint ventures and associated companies*

			Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees	
Place of incorporation								
Rest of Europe, Sub-group ICTS (continued)								
Consultants on Targeted Security Netherlands B. V., Amsterdam	CTS	The Netherlands	2007 <sup>6</sup>	100.00	-226	-204	0	1
			2006 <sup>6</sup>	100.00	-22	-33	4	1
Diag-Nose SAS, Paris	Diag-Nose France	France	2007 <sup>6</sup>	100.00	1,680	1,082	4,759	31
			2006 <sup>6</sup>	100.00	598	551	2,770	17
Diag-Nose Israel Ltd., Lod	Diag-Nose Israel	Israel	2007 <sup>6</sup>	100.00	-54	-69	403	20
			2006 <sup>6</sup>	100.00	12	-14	501	10
Emerald Airport Services Europe S. A., Brussels	Emerald	Belgium	2007 <sup>6</sup>	100.00	42	-4	0	0
			2006 <sup>6</sup>	100.00	45	-4	0	0
FIS Deutschland Flug- und Industriesicherheit Service GmbH, Kelsterbach	FIS GmbH	Germany	2007 <sup>6</sup>	100.00	3,590	-835	60,556	2,077
			2006 <sup>6</sup>	100.00	24	-1	0	0
ICTS (UK) Ltd., London	ICTS UK	Great Britain	2007 <sup>6</sup>	100.00	3,158	-1,393	80,130	2,934
			2006 <sup>6</sup>	100.00	4,869	708	70,948	2,511
ICTS Albania SH. P. K., Tirana	ICTS Albania	Albania	2007 <sup>6</sup>	100.00	470	249	1,464	96
			2006 <sup>6</sup>	100.00	212	141	1,198	68
ICTS Belgium SPRL, Brussels	ICTS Belgium	Belgium	2007 <sup>6</sup>	100.00	631	166	3,905	107
			2006 <sup>6</sup>	100.00	465	98	3,588	108
ICTS Czech s. r. o., Prague	ICTS Czech	Czech Republic	2007 <sup>4, 6</sup>	99.00	18	0	158	11
ICTS Denmark ApS, Copenhagen	ICTS Denmark	Denmark	2007 <sup>6</sup>	100.00	92	48	735	22
			2006 <sup>6</sup>	100.00	44	27	466	16
ICTS Europe Holdings B. V., Amsterdam	ICTS Holding	The Netherlands	2007 <sup>6</sup>	100.00	45,441	71,376	867	17
			2006 <sup>6</sup>	100.00	47,581	1,438	11,515	17
ICTS France S. A., Paris	ICTS France	France	2007 <sup>6</sup>	100.00	1,620	1,059	92,202	2,508
			2006 <sup>6</sup>	100.00	-739	-1,256	85,776	2,494
ICTS Greece Ltd., Athens	ICTS Greece	Greece	2007 <sup>6</sup>	100.00	1,301	1,186	7,740	289
			2006 <sup>6</sup>	100.00	-128	678	4,003	187
ICTS Hellas S. A., Athens	ICTS Hellas	Greece	2007 <sup>6</sup>	100.00	110	124	1,830	87
			2006 <sup>6</sup>	100.00	-14	-141	2,431	163
ICTS Hispania S. A., Madrid	ICTS Spain	Spain	2007 <sup>6</sup>	100.00	1,467	282	9,916	364
			2006 <sup>6</sup>	100.00	1,185	-329	9,269	362
ICTS Italia Srl, Rome	ICTS Italia	Italy	2007 <sup>6</sup>	100.00	3,272	562	14,162	467
			2006 <sup>6</sup>	100.00	2,709	499	12,312	437
ICTS Norway A/S, Gardermoen	ICTS Norway	Norway	2007 <sup>6</sup>	100.00	22	-7	784	26
			2006 <sup>6</sup>	100.00	29	25	768	20
ICTS Security Consultants Ltd., Zurich	ICTS Schweiz	Switzerland	2007 <sup>6</sup>	100.00	1,265	675	7,973	246
			2006 <sup>6</sup>	100.00	1,111	587	7,134	217
ICTS Sweden AB, Stockholm	ICTS Sweden	Sweden	2007 <sup>6</sup>	100.00	220	-30	1,268	43
			2006 <sup>6</sup>	100.00	261	8	1,191	40
ICTSP-Portugal Consultadoria de Aviacao Comercial, S. A., Lisbon	ICTS Portugal	Portugal	2007 <sup>6</sup>	100.00	34	-568	2,445	151
			2006 <sup>6</sup>	100.00	601	300	2,380	148
International Aviation Security (UK) Ltd., London	IAS UK	Great Britain	2007 <sup>6</sup>	100.00	-109	0	0	0
			2006 <sup>6</sup>	100.00	-118	0	0	0
International Aviation Security Lda., Lisbon	IAS Portugal	Portugal	2007 <sup>6</sup>	95.00	0	0	0	0
			2006 <sup>6</sup>	95.00	1	0	0	0
LIS GmbH, Sicherheitsberatung für Luftfahrt und Industrieanlagen, Ebenfurth	LIS	Austria	2007 <sup>6</sup>	100.00	-30	-62	281	12
			2006 <sup>6</sup>	100.00	-168	-242	718	26
Security Partners Ltd., Moscow	SP Russia	Russia	2007 <sup>6</sup>	100.00	101	49	285	7
			2006 <sup>6</sup>	100.00	21	44	251	7

**Significant subsidiary companies, joint ventures and associated companies**

				Share of capital %	Share- holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Place of incorporation								
Rest of Europe, Sub-group ICTS (continued)								
Security Partners Ozel Guvenlik, Koruma, Egitim ve Danismanlik Hizmetleri A. Ş., Antalya	SP Turkey	Turkey	2007 <sup>6</sup>	100.00	684	525	2,521	119
			2006 <sup>6</sup>	100.00	692	668	2,981	137
Underwater Security Consultants UK Ltd., London	MUSC	Great Britain	2007 <sup>6</sup>	50.10	–521	374	1,230	5
			2006 <sup>6</sup>	50.10	–950	–1,360	1,451	1
ICTS Netherlands Airport Services VOF, Amsterdam (joint venture)	ICTS NAS	The Netherlands	2007 <sup>6</sup>	50.00	176	–1,513	22,885	570
			2006 <sup>6</sup>	50.00	1,688	1,038	23,024	732
Asia Security Management Ltd., Bangkok (associated company)	Asia Security	Thailand	2007	30.50	479	9	n. a.	n. a.
			2006 <sup>6</sup>	30.50	465	–176	n. a.	n. a.
Rest of Europe								
Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athen	Hellas	Greece	2007	100.00	114	–8	0	0
			2006	100.00	122	–10	0	0
Fraport Ground Services Austria GmbH	FGS Austria	Austria	2007	100.00	950	369	14,590	225
			2006	100.00	581	98	11,826	202
Fraport Malta Ltd.	Fraport Malta	Malta	2007	100.00	31,767	1,365	0	0
			2006	100.00	26,153	–37	0	0
Fraport Malta Business Services Ltd.	Malta Business	Malta	2007	100.00	25,581	0	0	0
			2006	100.00	25,581	370	0	0
Fraport Twin Star Management AD, Varna	Fraport Twin Star	Bulgaria	2007	60.00	10,895	8,649	41,317	1,604
			2006	60.00	–230	–4,251	599	154
America								
Air-Transport IT Services, Inc., Delaware	Air-Transport IT	USA	2007 <sup>7</sup>	100.00	1,521	218	9,863	49
			2006 <sup>7</sup>	100.00	–1,599	–351	7,602	44
Alterra Lima Holdings, Ltd., Cayman Island	Alterra	CYM	2007 <sup>8</sup>	100.00	24,701	0	0	0
Decision Support Technologies, Inc., Florida	DST	USA	2007 <sup>11, 7</sup>	100.00	0	0	0	0
			2006 <sup>11, 7</sup>	100.00	0	0	0	0
Fraport Peru S. A. C., Lima	Fraport Peru	Peru	2007	99.99	294	283	1,322	5
			2006	99.99	222	217	1,326	5
Lima Airport Partners S. R. L., Lima	LAP	Peru	2007 <sup>9</sup>	100.00	47,567	1,696	88,504	414
			2006 <sup>9</sup>	42.75	46,694	4,582	79,650	317
Asia								
Antalya Havalimani Uluslararası Terminal İşletmeciliği Anomin Sirketi, Istanbul	Antalya	Turkey	2007	100.00	48,082	2,507	45,764	135
			2006	100.00	42,096	8,446	54,640	223
Fraport Asia Ltd.	Fraport Asia	China	2007 <sup>4</sup>	100.00	1	0	0	0
Fraport (Philippines) Services Inc., Manila	Fraport Philippines	The Philippines	2007 <sup>11</sup>	99.99	–3,113	0	0	0
			2006 <sup>11</sup>	99.99	–2,929	0	0	0
Joint ventures								
Germany								
AirIT International GmbH	AirIT International	Frankfurt a. M.	2007	50.00	227	0	0	0
			2006	50.00	227	–329	116	1
AirITSystems Hannover GmbH	AirIT Hannover	Hanover	2007	50.00	3,073	947	15,989	87
			2006	50.00	3,051	1,003	12,773	66
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2007	33.33	169	94	4,051	0
			2006	33.33	168	93	4,225	0
Medical Airport Service GmbH	MAS	Kelsterbach	2007	50.00	2,144	668	7,800	91
			2006	50.00	1,812	680	7,272	79

*Significant subsidiary companies, joint ventures and associated companies*

				Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Place of incorporation								
Joint ventures								
Germany (continued)								
N*ICE Aircraft Services & Support GmbH	N*ICE	Frankfurt a. M.	2007	52.00	12,031	1,551	11,015	12
			2006	52.00	11,326	2,213	16,258	12
Terminal for Kids gGmbH	Terminal for Kids	Frankfurt a. M.	2007	50.00	300	261	1,007	12
			2006	50.00	38	13	347	4
Asia								
Fraport IC Ictas Havalimani Isletme A. S.	Antalya Finanzierungsges.	Turkey	2007 <sup>4</sup>	34.00	24,118	2	29	0
Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve İşletmeciliği AS	Antalya Betriebsges.	Turkey	2007 <sup>4</sup>	34.00	−12,103	−34,616	19,013	180
Pantares Tradeport Asia Ltd., Hong Kong	Pantares Tradeport	China	2007	50.00	2,037	−490	0	0
			2006	50.00	2,370	−716	0	0
Shanghai Frankfurt Airport Consulting Service Co. Ltd., Shanghai	Shanghai	China	2007	50.00	202	3	121	0
			2006	50.00	209	6	261	0
Associated companies								
Germany								
Airmail Center Frankfurt GmbH	ACF	Frankfurt a. M.	2007	40.00	2,084	27	16,348	26
			2006	40.00	2,057	443	16,565	26
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2007	49.00	1,736	1,650	37,148	832
			2006	49.00	2,152	2,151	32,405	767
European Center for Aviation Development – ECAD GmbH	ECAD	Darmstadt	2007	25.00	48	3	441	13
			2006	25.00	44	−8	152	5
Flughafen Hannover-Langenhagen GmbH	Flughafen Hannover	Hanover	2007	30.00	149,652	10,597	140,171	1,320
			2006	30.00	144,309	8,328	136,309	1,285
Grundstücksgesellschaft Gateway Gardens GmbH	Gateway Gardens	Frankfurt a. M.	2007	25.00	−27	−647	9,448	0
			2006	25.00	620	1,558	25,487	0
ZIV – Zentrum für integrierte Verkehrssysteme GmbH	ZIV	Darmstadt	2007	32.50	n. a.	n. a.	n. a.	n. a.
			2006	32.50	62	34	1,561	19
Asia								
Tradeport Hong Kong Ltd., Hong Kong	Tradeport Hong Kong	China	2007	18.75	−11,959	−1,207	5,073	55
			2006	18.75	−12,074	−1,525	6,647	68

n. a. = not available

<sup>1</sup> Name change, previously: AirIT Airport IT-Services Hahn AG<sup>2</sup> IFRS-results before consolidation<sup>3</sup> In the equity capital of shares in consolidated partnerships capital shares as well as shares in profit and loss of the limited partner are recognized (according to IAS 32 theses are debt)<sup>4</sup> established in 2007<sup>5</sup> Consolidated financial statement of ICTS<sup>6</sup> Financial statement of ICTS companies<sup>7</sup> Consolidated financial statements Air-Transport and DST<sup>8</sup> Newly acquired on January 1, 2007<sup>9</sup> Since August 1, 2007 affiliated company, until July 31, 2007 associated company<sup>10</sup> Previously FIS GmbH. Sold by ICTS to Fraport AG on April 1, 2007<sup>11</sup> Inactive

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group

includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, February 29, 2008

Fraport AG  
Frankfurt Airport Services Worldwide

The Executive Board



Dr. Bender



Dr. Schulte



Mai



Dr. Zieschang

# Auditor's Report

We have audited the consolidated financial statements prepared by the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities

and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 29, 2008

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Bernd Wagner  
German Public Auditor

ppa. Andrea Hauptmann  
German Public Auditor



# Report of the Supervisory Board

In the fiscal year 2007, the Supervisory Board performed all tasks incumbent on it under the law and the Company's Statutes and regularly monitored the Company's management. It was kept informed by the Executive Board regularly, promptly and comprehensively in the form of written and oral reports about the intended business policy, fundamental issues relating to the future business management and corporate planning, the situation and development of the Company and the Group as well as important business transactions and discussed these subjects with the Executive Board. The Executive Board harmonized the strategic orientation of the Company with the Supervisory Board. The Chairman of the Executive Board also maintained regular contact with the Chairman of the Supervisory Board and informed him about current developments in the business as well as about major business transactions. The Supervisory Board was directly involved in all decisions which were of vital importance to the Company. Where required by law, statutes or rules of internal procedure, the Supervisory Board, after thorough examination and discussion, decided on the respective proposals of the Executive Board.

The Supervisory Board held four regular and three extraordinary meetings in the period under review. All members of the Supervisory Board attended at least half the number of the regular meetings. Due to urgent appointments he had to meet, former Secretary of State Mr. Hennerkes was not able to participate in the extraordinary meetings.

## Focus of attention of the Supervisory Board

The development of the business of the Fraport Group and its investments, with particular emphasis on traffic and revenue development at Rhine/Main Airport, was the subject of regular Supervisory Board discussions.

Along with this regular reporting, the following subjects were the focus of particularly intensive discussion:

- The progress of the zoning procedure with regard to the planned expansion of the take-off and landing runway system and the construction of a third terminal in Frankfurt was in the focus of the Supervisory Board again, just as the plans to adjust and expand the existing terminals.
- In this connection, the signing of the land acquisition agreement and the agreement to relocate the production plant of Ticona/Celanese and the delivery of the zoning resolution issued by the Hessian Ministry of Economics, Transport and Regional Development on December 18, 2007 were of particular importance.
- To continue the Group's strategy of internationalization, the Supervisory Board approved the participation in another bidding procedure for the concession to operate an airport and to hold the investment in the Chinese airport X'ian. It was a pleasure for the Supervisory Board to see that the concession was awarded for the operation of the terminal in Antalya together with our Turkish partners. In addition, the Supervisory Board accompanied the organizational adjustments to be made in the field of security and approved the sale of the European security subsidiary ICTS Europe B. V.
- As regards the investment in Manila, the Supervisory Board took note of the decision of the ICSID Arbitration Court at the World Bank in Washington on August 16, 2007, not to be the proper venue. The reasons for the Arbitration Court's decision were the subject of a thorough analysis accompanied by external legal counsel. The Supervisory Board supports the efforts made in court and out of court to appropriately settle the compensation arrangements with the Philippine government in connection with the construction of Terminal 3 at Manila Airport and took note of the Executive Board's respective decision to motion for proceedings to annul the ICSID decision.

## Work of the committees

The Supervisory Board continued its successful work in the committees formed to increase the efficiency of its activities and to prepare the Supervisory Board meetings. In isolated instances, the Supervisory Board's decision-making authority was transferred to the committees. The committee chairmen kept the Supervisory Board's full session regularly informed on the committees' work.

The Executive Committee held four meetings in the period under review. Among other items, the Committee discussed Executive Board matters occurred in fiscal year 2007, in particular the succession to the position of Chief Financial Officer and the determination of the performance-related remuneration portions.

The finance and audit committee convened six times in the period under review discussing major business transactions, the annual financial statements and consolidated financial statements, the proposal on the appropriation of profits and the dividend amount to be paid, risk management and the independence of the external auditors required by the German Corporate Governance Code. It further discussed the business cycles to be audited. It also commented on the 2008 business plan of Fraport AG (preparation in compliance with HGB) and the 2008 Group plan (preparation in compliance with IFRSs). Further points of focus in the committee meetings were the topics risk and asset management.

Focus of the meetings held by the investment and capital expenditure committee in the fiscal year 2007 were the economic development of our investment business and capital expenditure. During its six meetings the committee discussed the expansion of our investments in China, Bulgaria and Lima, where – as in Turkey – encouraging growth rates were recorded. The committee also discussed investments at the Frankfurt site and commented on the investment plan included in the scope of the business plan for 2008.

To prepare resolutions in relation to personnel matters, the human resources committee, during its four meetings, discussed the personnel situation in the Group, the realignment of the security business and the development of human resources and senior executives in the Group.

It was not necessary in the fiscal year 2007 to summon the mediation committee to be formed in compliance with the rules of the German Co-Determination Act.

To prepare the election of new shareholder representatives, the Supervisory Board established a nomination committee, filled only with shareholder representatives who will propose the appropriate candidates to the Supervisory Board members who will present the nominations to the Annual General Meeting for election.

#### Corporate Governance and Statement of Compliance

On June 14, 2007 the German Government Commission published an amendment to the German Corpo-

rate Governance Code. In its meeting held on September 13, 2007, the Supervisory Board decided that it would adopt the recommendations and suggestions made and that the Fraport Code would be adjusted accordingly.

The statement of compliance with the German Corporate Governance Code required under section 161 of the German Stock Corporation Act (AktG) for 2007 was submitted by the Executive Board and the Supervisory Board on December 10, 2007.

The Supervisory Board examined the efficiency of its activities in the period under review within the scope of its meeting held on December 10, 2007. It discussed the major topics of debate in the committees, the deepening of technical knowledge, the reporting structure and the frequency of Supervisory Board meetings.

For further details on Corporate Governance at Fraport and the wording of the current statement of compliance please see pp. 122. The Fraport Code, the current and previous years' statements of compliance are also available on the Internet under [www.Fraport.com](http://www.Fraport.com).

#### Annual and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as of December 31, 2007 as well as the management report of Fraport AG and the Group management report and expressed an unqualified opinion on them. The Supervisory Board had assigned the audit engagement in compliance with the resolution passed at the Annual General Meeting held on May 30, 2007.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) and were audited. The auditor of the financial statements confirmed that the consolidated financial statements and the Group management report met the requirements for exempting the Company from preparing financial statements under German law. The auditor further confirmed that a risk early recognition system in compliance with legal provisions is in operation, allowing the early recognition of developments which could jeopardize the Company as a going concern.

The documents mentioned and the Executive Board's proposal for the appropriation of the retained earnings was submitted without delay by the Executive Board to the Supervisory Board. The Supervisory Board's finance and audit committee intensively dealt with these documents and the Supervisory Board itself

reviewed them as well. The audit reports of PricewaterhouseCoopers were available to all members of the Supervisory Board and were discussed thoroughly at the balance sheet meeting held by the Supervisory Board in the presence of the auditor, who reported on the major findings of his audit. The Supervisory Board approved the audit results. No objections are to be raised after the final review made by the finance and the audit committee and the Supervisory Board's own assessment. The Supervisory Board approved the annual financial statements, which are hereby adopted.

The Supervisory Board approved the proposal of the Executive Board to pay out of the retained earnings a dividend of €1.15 for each no-par value share entitled to dividend.

In the management report and in the notes of the Company and the Group the Executive Board made disclosures in compliance with section 289 (4) and section 315 (4) of the German Commercial Code especially with regard to the rules for appointing and dismissing members of the Executive Board and the amendments to the provisions in the Company's Statutes required in this process as well as on the authority of the Executive Board in particular with regard to the issue and repurchase of shares. The existing authorized capital should enable the Company to issue new shares to the employees of the Company and its affiliated companies in return for cash; there is no other way to issue shares with the subscription rights being excluded. The authorization to buy and use own shares enables the Company to service subscription rights within the scope of the Fraport Management Stock Option Plan; here again, there is no other way to exclude the subscription right. As the authorization to buy treasury shares, the contingently issuable shares are used only for servicing the subscription rights within the scope of the Fraport Management Stock Option Plan. The facts set out in the management report and the notes relate to rules which are customarily applied by similar listed companies and are not intended to hamper any takeover attempts.

The report on the relationship with affiliated companies pursuant to section 312 of the German Stock Corporation Act (AktG) prepared by the Executive Board was available to the Supervisory Board. The conclusion of the report contains the following statement of the Executive Board, which is also included in the management report:

"The Executive Board declares that under the circumstances known to us at the time, we received fair and adequate compensation for each and every legal transaction conducted. No action was taken or not taken at

the behest or in the interests of the Federal Republic of Germany, the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH and companies affiliated with them in the year under review."

The auditor audited the report on the relationship with affiliated companies with due care and issued the following opinion:

"Based on our audit duly performed and our assessment we confirm that

1. the factual statements of the report are correct,
2. the consideration given by the Company for legal transactions specified herein was not unreasonably high."

The auditor took part in the discussions of the Supervisory Board concerning the report on the relationship with affiliated companies and reported on the major findings of his audit. After its own examination, the Supervisory Board agrees with the opinion of the auditor and does not raise any objections against the statement of the Executive Board made at the end of the report on the relationship with affiliated companies and its inclusion in the management report.

#### Personal particulars

The personnel changes in the Executive Board on which the Supervisory Board of Fraport AG had already decided at the end of 2006 were put into practice. The Vice Chairman of the Executive Board, Professor Manfred Schölch, left the Executive Board as of March 31, 2007. As of April 1, 2007 the former member of the Executive Board for Finance and Construction, Dr. Stefan Schulte, became Vice Chairman and responsible for "Flight and Terminal Operations and Airport Expansion". The Supervisory Board approved the appointment of Dr. Matthias Zieschang in February 2007 to become the new Chief Financial Officer.

With a view to the successful fiscal year 2007 the Supervisory Board would like to thank the Executive Board and the employees for their great commitment to the benefit of the Company.

Frankfurt am Main, February 29, 2008

Karlheinz Weimar  
(Chairman of the Supervisory Board)

# Corporate governance report

The term "corporate governance" stands for responsible company management and control, the aim of which is the sustained creation of value. In this context, efficient co-operation between the Executive Board and the Supervisory Board is just as important as the respect for shareholders' interests and open and transparent corporate communication.

Corporate governance has high priority for Fraport. We therefore accompany the ongoing national and international action in this field taking further measures in 2007 to supplement our own Fraport code of conduct in accordance with the German Corporate Governance Code (DCGC).

## Statement of Compliance

In their meeting held on December 10, 2007 the Executive Board and the Supervisory Board of Fraport AG have declared pursuant to section 161 of the German Stock Corporation Act (AktG) that the **recommendations** of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) as amended on June 14, 2007 have been and will be complied with, except for the following recommendation:

"Remuneration for members of the Supervisory Board does not include a performance-oriented, variable element (No. 5.4.7 (2) DCGC)."

In accordance with section 12 of our Company Statutes the members of the Supervisory Board continue to receive a fixed remuneration and a meeting attendance fee only. They are also remunerated for committee activities. The Supervisory Board considers this appropriate until further notice.

This statement of compliance was immediately made available permanently to the shareholders on the Company's web site.

## Remuneration of the Executive Board and the Supervisory Board

The following remuneration report is part of the Group management report.

### Supervisory Board Remuneration

Total remuneration of the Supervisory Board was as follows in 2007:

Supervisory Board member	Remuneration in 2007 in €
State Government Minister Karlheinz Weimar	38,150
Gerold Schaub	35,450
Dr. Manfred Bischoff	21,550
Jörg-Uwe Hahn	32,650
Dr. Joachim v. Harbou	33,050
Former State Secretary Jörg Hennerkes	20,750
Helmut Hofmann	24,750
Lothar Klemm	26,750
Wolfgang Mayrhuber	16,600
Zafer Memisoglu	24,750
Adelheid Riedel-Ciesla	22,750
Gabriele Rieken	23,150
Harald Rose	23,150
Petra Rossbrey	23,950
Lord Mayor Dr. h.c. Petra Roth	23,550
Werner Schmidt	23,150
Edgar Stejskal	23,950
Christian Strenger	23,950
Former Mayor Achim Vandreike	25,950
Peter Wichtel	32,250

### Executive Board Remuneration Report

The Compensation Committee of the Supervisory Board is responsible for determining the remuneration for Executive Board members.

The remuneration of Executive Board members consists of the following fixed elements and performance-based elements:

- Fixed annual gross salary and compensation in kind
- A bonus related to growth, earnings and performance and long-term incentive elements.

In addition, the Executive Board members are entitled to pension benefits.

#### Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a fixed annual salary during the above-stated period.

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

#### Performance-related elements

Each year the budgeted revenue is achieved, each Executive Board member will be paid a bonus of 50 percent of his or her fixed salary. An additional bonus in the same amount will be paid to each Executive Board member, if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10 percent for each 1 percent of the excess. If the company fails to achieve its target the Supervisory Board may decide on a corresponding reduction of the respective bonuses. As regards Dr. Zieschang, the increase of the respective bonuses by 10 percent for each 1 percent of an excess is limited to 25 percent for each of the bonuses, if revenue and/or net profit for the year are exceeded.

50 percent of the bonus agreed for reaching the target are paid out to the Executive Board members in monthly installments. The other bonuses become due within one month after the Supervisory Board has approved the respective annual results. Part of the bonuses is paid out in the form of shares. As regards Dr. Bender and Mr. Mai, the portion paid out in shares is computed as 10 percent of the respective basic salary and the bonus. The amounts are computed by taking the share's closing price on the day the Supervisory Board approves the respective annual financial statements; the payments are made on the day following the approval. Dr. Schulte and Dr. Zieschang receive 30 percent of their bonuses due within one month after the Supervisory Board's approval of the respective annual result in the form of shares; half of these shares are subject to a vesting period contractually stipulated to be 12 months; the other half is subject to a vesting period of 24 months after payment. The vesting periods end upon the expiry of the employment contracts, unless these are renewed. The amounts are computed by taking the share's closing price on the day the respective annual financial statements are approved.

Stock options which act as a long-term incentive are granted in addition to the bonus within the scope of the stock option plan (MSOP, cf. the information provided in note 37).

#### Pension commitments

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration of or upon expiry of his or her employment agreement. If an Executive Board member dies, benefits are paid for his or her surviving dependants. These amount to 60 percent of the pension for the widower or widow; children receive 12 percent each. If no widow's pension is paid, the children each receive 20 percent of the pension.

Income from active employment and pension payments from earlier or later employments, where applicable, will be deducted from the pensions due on retirement until completion of the age of 60, if, without such deduction,



the total of these emoluments and the pension would exceed 75 percent of the fixed salary (100 percent of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended). Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the Company's performance. The adjustment obligation is deemed to be met, if the adjustment does not fall below the increase in the cost-of-living index of all private households in Germany.

The pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 1.5 percent or 2.0 percent up to a limit of 75 percent dependent on the duration of time a member is appointed.

The contractually agreed basis of assessment for Dr. Bender is 90 percent of his fixed salary, that for Professor Schölch is 93.33 percent. As of December 31, 2007, the claim to retirement benefits for Dr. Bender and Professor Schölch is 75 percent of the above stated basis of assessment.

As of December 31, 2007, Dr. Schulte has a claim to pension of 45.0 percent of his contractually agreed basis of assessment of 95.45 percent of his fixed salary.

Mr. Mai is entitled to 47 percent of his contractually agreed basis of assessment as of December 31, 2007, i.e. 80.43 percent of his fixed salary. As of December 31, 2007, Dr. Zieschang is entitled to 30 percent of his fixed salary. In case they become incapable of working, the pension as a proportion of their former salary for Dr. Schulte, Dr. Zieschang and Mr. Mai is at least 55 percent of their respective fixed salaries or the contractually agreed basis of assessment.

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

No other benefits have been promised to Executive Board members, in case they terminate their employment. The fixed annual remuneration also covers any activity performed by an Executive Board member for companies, in which Fraport holds an indirect or a direct interest of more than 25 percent of the shares (other Board functions at Group companies). If an Executive Board member has such other Board functions at group companies, the remuneration he or she receives from such investee is credited against the bonus. The emoluments paid to Dr. Bender for his activities as a member of the Supervisory Board of Flughafen Hannover Langenhagen GmbH were credited to his bonus payments in 2007.

#### *Remuneration of the Executive Board 2007*

The following remuneration was paid to the members of the Executive Board:

##### *Fixed salaries, bonuses, compensation in kind and other benefits*

in '000 €	Basic salary	Compensation in kind and other compensation	Bonus 2007	Bonus Change in provision	Total
Dr. Wilhelm Bender, Chairman	350.0	21.6	474.0	0.9	846.5
Dr. Stefan Schulte, Vice Chairman (since April 1, 2007)	322.5	15.5	447.5	1.2	786.7
Herbert Mai	230.0	24.4	311.0	0.2	565.6
Dr. Matthias Zieschang (since April 1, 2007)	206.3	22.6	258.0	–	486.9
	<b>1,108.8</b>	<b>84.1</b>	<b>1,490.5</b>	<b>2.3</b>	<b>2,685.7</b>
Prof. Manfred Schölch, Vice Chairman (until March 31, 2007)	75.0	138.0 <sup>1</sup>	102.0	1.2	316.2
<b>Total</b>	<b>1,183.8</b>	<b>222.1</b>	<b>1,592.5</b>	<b>3.5</b>	<b>3,001.9</b>

<sup>1</sup> In 2007, compensation in kind and other compensation includes additional payments to Professor Schölch to compensate for the early termination of the employment contract by common consent and for various activities for Fraport in the period between April 1, 2007 and June 30, 2007.

The bonus includes the payments on account for fiscal year 2007 and the addition to the bonus provision in 2007. The Supervisory Board will decide in fiscal year 2007 on the final amount of the bonus to be paid for 2008.

The following Executive Board members receive long-term incentive elements:

### MSOP

	MSOP 2005 First tranche (2005) Number	MSOP 2005 Second tranche (2006) Number	MSOP 2005 Third tranche (2007) Number	Total Number	Expense in 2007 in '000 € <sup>1</sup>
Dr. Wilhelm Bender, Chairman	20,000	20,000	20,000	60,000	282.1
Dr. Stefan Schulte, Deputy Chairman	15,000	15,000	17,000	47,000	220.3
Herbert Mai	15,000	15,000	15,000	45,000	211.6
Dr. Matthias Zieschang	–	–	15,000	15,000	65.1
<b>Total</b>	<b>50,000</b>	<b>50,000</b>	<b>67,000</b>	<b>167,000</b>	<b>779.1</b>

<sup>1</sup> The expense has been incurred for share options charged to the income statement under IFRS 2. This relates to the 1st, 2nd and 3rd tranche from the MSOP 2005.

### Pension obligations

There are also future pension obligations of €20,906.5 thousand. A total provision of €12,752.4 thousand has been recognized to cover pension obligations to former members of the Executive Board and their dependants. Pension payments totaled €1,258.9 thousand in 2007.

Additions to and releases of pension provisions for the Executive Board were recognized because of the strong increase in the interest rate from 4.4 percent in the previous year to currently 5.5 percent, depending on the term and the previous additions to the provisions. The following additions to pension provisions were made with regard to Executive Board members in fiscal year 2007:

Dr. Stefan Schulte (€155.6 thousand), Herbert Mai (€7.9 thousand), Dr. Matthias Zieschang (€107.3 thousand). Releases were made for Dr. Wilhelm Bender (€140.6 thousand) and Professor Manfred Schölch (€524.8 thousand). The release for Professor Manfred Schölch is mainly due to the beginning of his retirement.

### Share ownership of corporate bodies

Pursuant to Code no. 6.6 and the provisions set out in the Securities Trading Act we publish without undue delay any notification on transactions carried out by senior executives and persons closely related to them with Fraport shares and options.

The Executive Board members received 5,049 shares as remuneration component in 2007 in the following amounts: Dr. Bender, €82,373.76; Professor Schölch, €70,606.08; Mr. Mai €51,483.60 and Dr. Schulte €70,606.08. The amounts stated are already included in the remuneration chart on page 124. No share options were exercised in 2007, since all reportable persons had already exercised all of their options in 2006. By selling shares in 2007 Professor Schölch realized €69,336.00 (1,296 shares at an average share price of €53.50).

The shares owned by all members of the Executive Board and the Supervisory Board account for less than 1 percent of all shares issued by Fraport.

### *Suggestions of the German Corporate Governance Code*

Of the **suggestions** made by the German Corporate Governance Code Fraport did not put into practice four:

- The company should make it possible for shareholders to follow the Annual General Meeting using modern communication media (such as the Internet) (No. 2.3.4 DCGC).

Especially for reasons of security, Fraport published only the welcoming speech of the Chairman of the Supervisory Board and the full version of the speech held by the Chairman of the Executive Board on the Internet in 2007.

- A proxy exercising shareholders' voting rights should be available during an Annual General Meeting (No. 2.3.3 sentence 2 DCGC).

The shareholders were able to appoint a proxy until the eve of the Annual General Meeting 2007. Since the transmission of the Meeting ended following the speeches of the Chairmen to the Supervisory and Executive Boards, it was no longer necessary for the proxies to be available for the shareholders who did not take part in the Annual General Meeting.

- For first-time appointments of Executive Board members the maximum possible appointment period of 5 years should not be the rule (No. 5.1.2 (2) DCGC).

All Executive Board members were appointed for five years when they were appointed for the first time. By doing so the company shows its willingness to long-term cooperation. A first-time appointment for five years is also still very common for people experienced in their jobs and is the period many potential Executive Board members expect.

- Performance-related remuneration of members of the Supervisory Board should contain components based on the long-term performance of the company (No. 5.4.7 (2) sentence 2 DCGC).

As already stated, section 12 of the Statutes stipulates a fixed salary and an attendance fee only.

Since during the period after the amendment to the German Corporate Governance Code no Management contract was planned to be signed, we chose not to include in the Fraport Code the severance payment cap clause to limit payments to Executive Board members on the early termination of their contract or a change in control (No. 4.2.3. (4) and (5) German Corporate Governance Code).

# Economic Advisory Board

The purpose of the Economic Advisory Board is to provide the Executive Board of Fraport AG with advice and support relating to important issues concerning not only the development of the economy and the aviation industry but also business policy. The members are appointed by the Executive Board for three-year periods. The Executive Board attends the meetings of the Economic Advisory Board and the Chairman of the Supervisory Board is invited to take part in the sessions as a permanent guest.

**Hilmar Kopper**  
Chairman

**Dr. Clemens Börsig**  
Chairman of the Supervisory Board  
Deutsche Bank AG

**Dr. Werner Brandt**  
Member of the Executive Board  
SAP AG

**Dr. Reiner Maria Gohlke**  
Member of the Shareholders' Committee  
Bitburger Getränke-Verwaltungs GmbH

**Klaus Herms**  
Chief Executive Officer  
Kühne + Nagel International AG

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

**Hemjö Klein**  
Live Holding AG

**Dr. Peter E. Kruse**  
Special Representative  
Deutsche Post AG

**Stefan Lauer**  
Member of the Executive Board  
Deutsche Lufthansa AG

**Dr. Bernd Malmström**  
Consultant  
Deutsche Bahn AG

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

**Friedrich von Metzler**  
Bankhaus B. Metzler seel. Sohn & Co. KGaA

**Professor Dr. h. c. Klaus-Peter Müller**  
Spokesman of the Executive Board  
Commerzbank AG

**Ralf Nagel**  
Minister for Economic Affairs and Ports  
Minister for Justice and Constitution  
Parliament of the Federal State of Bremen

**Dr. Lutz Raettig**  
Chairman of the Supervisory Board  
Morgan Stanley Bank AG

**Dr. Karl-Friedrich Rausch**  
Member of the Executive Board  
Deutsche Bahn AG

**Hans W. Reich**

**Professor Dr. h. c. mult. Nikolaus Schweickart**  
Chairman  
ALTANA Kulturstiftung gGmbH

**Holger Steltzner**  
Publisher  
Frankfurter Allgemeine Zeitung

**Dr. Bernd Thiemann**  
Partner  
Drueker & Co. GmbH

**Ernst Welteke**  
Former President of Deutsche Bundesbank,  
former Chairman of the Supervisory Board of  
Flughafen Frankfurt/Main AG

## Permanent Guest:

**Karlheinz Weimar**  
Finance Minister, State of Hesse  
Chairman of the Supervisory Board of Fraport AG

## Seven-year overview

€ million	2001	2002	2003	2004	2005	2006	2007
<b>Revenue</b>	<b>1,580.6</b>	<b>1,803.6</b>	<b>1,834.3</b>	<b>1,998.1</b>	<b>2,089.8</b>	<b>2,143.9</b>	<b>2,329.0</b>
Change in work-in-process	0.7	-0.8	-0.1	0.0	0.1	0.0	0.5
Other internal cost capitalized	18.4	19.2	18.0	21.8	20.6	23.1	24.6
Other operating income	92.5	29.8	35.5	23.8	31.2	83.3	71.7
<b>Total revenue</b>	<b>1,692.2</b>	<b>1,851.8</b>	<b>1,887.7</b>	<b>2,043.7</b>	<b>2,141.7</b>	<b>2,250.3</b>	<b>2,425.8</b>
Cost of materials	-281.7	-275.3	-284.4	-316.2	-333.6	-353.3	-461.4
Personnel expenses	-689.2	-860.1	-933.9	-974.5	-1,032.5	-1,076.9	-1,143.3
Other operating expenses	-196.3	-219.4	-213.2	-243.4	-233.1	-241.7	-240.6
Impairment write-downs relating to the Manila project	-	-241.7	-	-	-	-	-
<b>EBITDA</b>	<b>525.0</b>	<b>255.3</b>	<b>456.2</b>	<b>509.6</b>	<b>542.5</b>	<b>578.4</b>	<b>580.5</b>
Depreciation and amortization of tangible and intangible non-current assets and investment property	-209.3	-214.1	-258.1	-235.1	-235.9	-248.0	-245.1
<b>EBIT/Operating profit</b>	<b>315.7</b>	<b>41.2</b>	<b>198.1</b>	<b>274.5</b>	<b>306.6</b>	<b>330.4</b>	<b>335.4</b>
Interest result	-72.9	-34.0	-31.4	-23.1	-23.1	-25.9	-46.5
Share of profit or loss of investments accounted for using the equity method	-25.8	-17.0	0.6	1.8	8.2	5.6	2.5
Income from investments	15.1	4.3	30.9	13.7	6.3	6.8	5.3
Impairment of financial assets	-3.6	-3.8	0.0	-5.9	-1.3	-0.4	0.0
Impairment write-downs relating to the Manila project	-59.1	-47.8	0.0	-	-	-	-
Other financial results	-7.1	16.2	10.5	-2.5	-11.3	23.7	0.9
<b>Financial result</b>	<b>-153.4</b>	<b>-82.1</b>	<b>10.6</b>	<b>-16.0</b>	<b>-21.2</b>	<b>9.8</b>	<b>-37.8</b>
<b>EBT/Results from ordinary operations</b>	<b>162.3</b>	<b>-40.9</b>	<b>208.7</b>	<b>258.5</b>	<b>285.4</b>	<b>340.2</b>	<b>297.6</b>
Taxes on income	-60.7	-79.4	-93.3	-120.9	-123.9	-111.3	-83.9
<b>Group profit</b>	<b>101.6</b>	<b>-120.3</b>	<b>115.4</b>	<b>137.6</b>	<b>161.5</b>	<b>228.9</b>	<b>213.7</b>
Profit attributable to minority interests	0.5	0.5	0.2	1.2	0.3	-0.4	5.0
<b>Profit attributable to equity holders of Fraport AG</b>	<b>101.1</b>	<b>-120.8</b>	<b>115.2</b>	<b>136.4</b>	<b>161.2</b>	<b>229.3</b>	<b>208.7</b>
<b>Earnings per € 10 share in € (basic)</b>	<b>1.28</b>	<b>-1.34</b>	<b>1.28</b>	<b>1.51</b>	<b>1.78</b>	<b>2.51</b>	<b>2.28</b>
<b>Earnings per € 10 share in € (diluted)</b>	<b>-</b>	<b>-1.33</b>	<b>1.26</b>	<b>1.48</b>	<b>1.75</b>	<b>2.48</b>	<b>2.26</b>
<b>Key ratios</b>							
EBITDA margin	%	33.2	14.2	24.9	25.5	26.0	24.9
EBIT margin	%	20.0	2.3	10.8	13.7	14.7	14.4
Return on revenue	%	10.3	-2.3	11.4	12.9	13.7	12.8
ROCE	%	11.2	1.9	9.4	13.9	13.5	11.4
Fraport assets	€ million	2,612.1	2,800.4	2,841.5	2,842.8	2,848.3	3,073.8
ROFRA	%	12.1	1.5	7.0	9.7	10.8	10.9
Average number of employees		15,526	21,395	23,353	24,182	25,781	30,437

		Balance at Dec. 31, 2001	Balance at Dec. 31, 2002	Balance at Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005	Balance at Dec. 31, 2006	Balance at Dec. 31, 2007
<b>Key figures</b>								
Net financial debt	€ million	895.4	324.6	227.2	-5.7	188.3	211.5	547.1
Capital employed	€ million	2,827.7	2,139.5	2,117.8	1,967.9	2,264.1	2,452.4	2,935.1
Gearing	%	46.4	18.0	12.1	-0.3	9.1	9.5	23.2
Debt ratio	%	24.4	9.0	6.2	-0.2	4.8	4.9	9.6
Dynamic debt ratio	%	245.5	82.1	50.8	-1.1	38.1	43.6	114.3
Working capital	€ million	160.6	631.7	697.7	699.2	574.4	568.2	217.1



€ million	Balance at * Dec. 31, 2001	Balance at * Dec. 31, 2002	Balance at * Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005	Balance at Dec. 31, 2006	Balance at Dec. 31, 2007
Goodwill	45.2	161.0	139.0	116.8	108.3	97.1	22.7
Other intangible assets	54.6	64.1	59.3	52.5	50.2	39.1	43.9
Investments in airport operating projects	–	–	–	–	–	3.2	570.3
Property, plant and equipment	2,435.1	2,403.9	2,376.8	2,381.5	2,587.3	2,729.2	3,569.3
Investment property	0.0	0.0	0.0	0.0	37.4	66.9	10.1
Investments accounted for using the equity method	126.1	37.3	45.9	46.9	53.6	56.2	37.1
Other financial assets	561.8	32.3	23.6	52.6	209.5	302.1	252.2
Other receivables and other assets	66.0	71.0	114.7	75.2	33.2	36.8	58.5
Income tax receivables	–	–	–	–	–	32.2	33.5
Deferred tax assets	6.2	8.5	14.5	13.4	19.3	16.4	7.2
<b>Non-current assets</b>	<b>3,295.0</b>	<b>2,778.1</b>	<b>2,773.8</b>	<b>2,738.9</b>	<b>3,098.8</b>	<b>3,379.2</b>	<b>4,604.8</b>
Inventories	11.9	13.1	17.1	12.1	14.4	32.9	38.6
Trade accounts receivable	141.3	195.9	181.3	168.6	190.0	185.5	154.6
Other receivables and other assets	149.1	48.5	53.4	64.2	71.5	62.3	76.6
Income tax receivables	–	–	–	–	–	2.0	13.2
Cash and cash equivalents	74.7	585.1	610.8	666.4	574.2	632.5	651.3
Non-current assets held for sale	–	–	–	–	2.7	0.1	165.6
<b>Current assets</b>	<b>377.0</b>	<b>842.6</b>	<b>862.6</b>	<b>911.3</b>	<b>852.8</b>	<b>915.3</b>	<b>1,099.9</b>
Issued capital	900.9	900.6	902.2	905.1	910.7	913.7	914.6
Capital reserves	662.4	532.0	533.2	537.6	550.5	558.8	565.2
Revenue reserves	365.0	370.8	445.0	520.1	599.2	746.3	875.2
Group retained earnings	36.0	0.0	39.7	68.0	82.1	105.2	105.3
Issued capital and reserve attributable to equity holders of Fraport AG	1,964.3	1,803.4	1,920.1	2,030.8	2,142.5	2,324.0	2,460.3
Minority interests, presented within equity (net)	4.0	11.5	10.2	10.8	15.4	22.1	33.0
<b>Shareholders' equity</b>	<b>1,968.3</b>	<b>1,814.9</b>	<b>1,930.3</b>	<b>2,041.6</b>	<b>2,157.9</b>	<b>2,346.1</b>	<b>2,493.3</b>
Financial liabilities	671.8	665.4	591.4	574.1	622.4	718.8	830.6
Trade accounts payable	–	–	–	–	–	–	365.6
Other liabilities	97.6	101.5	101.4	104.3	115.4	106.1	451.7
Deferred tax liabilities	135.0	158.5	147.5	129.8	112.2	127.6	89.6
Provisions for pensions and similar obligations	17.4	20.3	22.0	25.5	21.4	20.6	19.4
Provisions for income taxes	118.7	72.6	136.7	151.7	167.0	166.2	163.0
Other provisions and accruals	41.3	46.0	136.2	95.3	112.1	101.4	136.2
<b>Non-current liabilities</b>	<b>1,081.8</b>	<b>1,064.3</b>	<b>1,135.2</b>	<b>1,080.7</b>	<b>1,150.5</b>	<b>1,240.7</b>	<b>2,056.1</b>
Financial liabilities	298.3	244.3	246.6	86.6	140.1	125.2	367.8
Trade accounts payable	99.0	94.8	79.0	100.4	173.3	229.0	441.5
Other liabilities	117.4	116.1	85.9	111.7	105.1	118.1	75.7
Provisions for income taxes	0.0	14.1	36.8	43.5	18.5	16.4	14.2
Other provisions and accruals	107.2	272.2	122.6	185.7	206.2	218.8	185.3
Liabilities in connection with assets held for sale	–	–	–	–	–	0.2	70.8
<b>Current liabilities</b>	<b>621.9</b>	<b>741.5</b>	<b>570.9</b>	<b>527.9</b>	<b>643.2</b>	<b>707.7</b>	<b>1,155.3</b>
<b>Total assets</b>	<b>3,672.0</b>	<b>3,620.7</b>	<b>3,636.4</b>	<b>3,650.2</b>	<b>3,951.6</b>	<b>4,294.5</b>	<b>5,704.7</b>
<b>Change over the previous year</b>							
Non-current assets	–28.4	–15.7	–0.2	–1.3	13.1	9.0	36.3
Shareholders' equity without dividend proposed and minority interests' share of equity	–18.1	–6.5	4.3	4.4	5.0	7.7	6.1
<b>Share of total assets</b>							
Non-current assets	89.7	76.7	76.3	75.0	78.4	78.7	80.7
Equity ratio	52.5	49.8	51.7	53.8	52.1	51.7	41.3

\* Prepaid expenses and deferred income have been allocated to the respective non-current items. Allocation of provisions for taxes on income, other provisions and the deferred investment grants on items in non-current assets has been made in consideration of the respective documents.

# Glossary

## Glossary of Aviation Terms

### ACI

Acronym for Airports Council International, the international association representing the world's airports

### ADV

Acronym for Arbeitsgemeinschaft deutscher Verkehrsflughäfen, the German Airports Association

### Aircraft movements

The takeoff or landing of aircraft is a movement (e.g., traffic statistics)

### Airport charges

Charges (e.g., passenger, parking, takeoff and landing charges) that airlines pay to airport operators subject to regulatory approval

### Aviation

One of the Fraport Group's business segments. The Aviation segment is responsible for air traffic and terminal management as well as airport and aviation security.

### Cargo

Collective term for both airfreight and airmail (e.g., traffic statistics)

### Domestic Terminal

Terminal for domestic flights

### External Activities

One of the Fraport Group's business segments. The External Activities segment encompasses all holdings and activities not located at Frankfurt

### Ground Handling

One of the Fraport Group's business segments. The Ground Handling segment encompasses the services required for servicing an aircraft on the ground

### Hub

An airport that coordinates direct long-haul services with a system network of feeder services

### IATA

Acronym for International Air Transport Association, the international umbrella organization of the airlines; headquartered in Montreal

### Intermodality

The integration of several modes of transport; e.g., air and rail transport

### MTOW

Acronym for maximum takeoff weight, the maximum weight for which an aircraft is certified. The MTOW is the decisive parameter for determining takeoff and landing charges

### PAX, or pax

Abbreviation for passenger(s)

### Retail & Properties

One of the Fraport Group's business segments. The Retail & Properties segment encompasses mainly the letting of shops and offices, as well as the management of parking facilities and real estate marketing

### Star Alliance

The world's largest strategic alliance of airlines, which also includes Lufthansa German Airlines

## Glossary of Business Terms

### Dow Jones Sustainability

Sustainability index created by Dow Jones Index, STOXX Limited and SAM (Sustainable Asset Management), compare also FTSE4Good-Index

### FTSE4Good-Index

Sustainability index created by FTSE4Good, a company owned by the Financial Times and the London Stock Exchange, compare also Dow Jones Sustainability Index

### GDP

Abbreviation for gross domestic product

### IFRS

Abbreviation for International Financial Reporting Standards – accounting standards for Europe

## Glossary of Financial Terms

### At equity

Valuation method for shares in companies in which the investor can exercise significant influence (associated companies), whereby the associated company's net profit/loss for the year increases/reduces the carrying amount of the investment

### Capital employed

Net financial debt plus equity capital, without dividends earmarked for payout and minority shares

**Cash flow**

Cash inflow from operating activities, serves as an indicator of a company's refinancing capability from its own funds

**Debt-to-equity ratio**

Net financial debt divided by total assets amount of the balance sheet

**Dynamic leverage**

Net financial debt divided by cash flow

**Dividend yield**

Dividend per share divided by the year-end closing price of the share

**EBIT**

Abbreviation for Earnings Before Interest and Taxes – also called operating profit before the deduction of interest expenses and taxes

**EBIT margin**

EBIT divided by revenue

**EBITDA**

Abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortization – also called operating profit before the deduction of interest expenses, taxes, depreciation and amortization

**EBITDA margin**

EBITDA divided by revenue

**EBT**

Abbreviation for Earnings Before Taxes – also called operating profit before tax deduction

**Fraport assets**

Capital required for the Fraport Group's operations

**Free cash flow**

Cash flow from operating activities minus capital spending for intangible assets minus capital spending for property, plant, and equipment purchases minus capital spending for airport management projects minus capital spending for investment property

**Gearing**

Net financial debt divided by shareholders equity; equity capital without dividends earmarked for payout and minority shares; a measure to determine a company's financial leverage

**Investment intensity**

Long-term assets divided by total assets amount of the balance sheet

**Investment ratio**

Capital expenditures divided by revenue

**Market capitalization**

Year-end closing price of the share times the number of shares outstanding

**Net financial debt**

Long-term debt plus short-term debt minus cash reserve

**P/E ratio (Price-to-earnings ratio of stock)**

Year-end closing price of the share divided by earnings per share

**Return on sales**

Also known as a company's operating profit margin = EBT divided by revenue

**Return on shareholders equity**

Consolidated net income divided by shareholder equity; equity capital without dividends earmarked for payout and minority interests

**ROCE**

Abbreviation for Return of Capital Employed = EBIT divided by capital employed

**ROFRA**

Abbreviation for Return on Fraport Assets = EBIT divided by Fraport assets

**Shareholders equity ratio**

Shareholders equity divided by total assets; equity capital without dividends earmarked for payout and minority interests

**WACC**

Abbreviation for Weighted Average Cost of Capital

**Working capital**

Current assets minus trade accounts payable minus other current liabilities

**Yearly performance of the share**

(Year-end closing price of the share plus dividend) divided by previous year's closing price

## Financial calendar

Press conference about the 2007 preliminary financial statements  
 2007 financial statements  
 Report on the 1st quarter of 2008  
 Annual General Meeting  
 Report on the 1st half of 2008  
 Report on the 1st nine months of 2008

**Monday, March 3, 2008**  
**Thursday, March 20, 2008**  
**Thursday, May 8, 2008**  
**Wednesday, May 28, 2008**  
**Thursday, August 7, 2008**  
**Thursday, November 6, 2008**

### Traffic calendar

Month	
January 2008	Wednesday, February 13, 2008
February 2008	Thursday, March 13, 2008
March 2008/Q1 2008	Friday, April 11, 2008
April 2008	Thursday, May 15, 2008
May 2008	Thursday, June 12, 2008
June 2008/H1 2008	Friday, July 11, 2008
July 2008	Wednesday, August 13, 2008
August 2008	Thursday, September 11, 2008
September 2008/9M 2008	Tuesday, October 14, 2008
October 2008	Thursday, November 13, 2008
November 2008	Thursday, December 11, 2008
December 2008	Thursday, January 15, 2009

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