NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

I. Company

This report comprises the consolidated financial statements of Flughafen München GmbH, Munich (FMG). The companies included in the consolidated group of Flughafen München GmbH are referred to below as Munich Airport.

Flughafen München GmbH and its subsidiaries operate the airport in Munich and the associated ancillary lines of business.

The registered office of the company is located at Nordallee 25, 85326 Munich, Federal Republic of Germany. It is recorded in the trade register of the District Court of Munich under number HRB 5448. The shares of FMG are held by the Free State of Bavaria, the Federal Republic of Germany, and the City of Munich.

FMG is the ultimate parent of all companies included in the consolidated financial statements.

As of December 31, 2017, the company has not issued any securities in accordance with Article 2 (1)(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), which are traded on organized markets in accordance with Article 2 (5) WpHG.

On April 24, 2018, the Executive Board of FMG authorized the accompanying consolidated financial statements to be submitted to the Supervisory Board. The Supervisory Board is responsible for examination and approval of the consolidated financial statements.

II. Accounting policies

The principal accounting policies applied in these consolidated financial statements are set out below. The policies have been consistently applied to all periods presented.

The presentation currency is the euro. Unless otherwise stated, all amounts are in thousands of euro (T€). Rounding errors may occur for computational reasons.

The presentation currency corresponds to the functional currency. All companies included share the same functional currency.

1. Basis of preparation of the financial statements

Pursuant to Article 315a (3) of the German Commercial Code (Handelsgesetzbuch – HGB), Flughafen München GmbH voluntarily prepares the consolidated financial statements in accordance with international accounting standards. The company applies the International Financial Reporting Standards (IAS/IFRS) and interpretations (SIC/IFRIC) published by the International Accounting Standards Board (IASB) and by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union. It also observes the regulations of Article 315a (3) sentence 2 in conjunction with (1) HGB.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets available for sale and by the revaluation of financial assets and financial liabilities measured at fair value through profit or loss.

The consolidated income statement is prepared using the nature of expense method.

The fiscal year is the calendar year.

The preparation of IFRS financial statements involves the use of judgments and estimates by management. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant, are disclosed separately in Section V.

2. New or revised accounting regulations

a) New regulations applied for the first time

In fiscal year 2017, Munich Airport applied the following new accounting regulation for the first time:

Amendments to IAS 7 – Disclosure initiative

This amendment improves the information regarding changes in the indebtedness of the company. The company discloses any changes in any financial debts where the incoming and outgoing payments are shown in the consolidated cash flow statement under the cash flow from financing activities. Any related financial assets are also included in the information (for example, assets from hedging transactions).

Cash changes, changes due to the acquisition or sale of companies, changes based on exchange-rates, changes in the fair value, and other changes are all disclosed.

These disclosures are shown in the consolidated balance sheet in the form of a reconciliation from the opening balance through the closing balance (Chapter IX).

b) New regulations not yet applied

A number of new IFRS and IFRIC and changes and amendments to existing IAS/IFRS standards and SIC/IFRIC interpretations were published up to the date of the preparation of these financial statements whose first time application is not required or permitted until after the reporting date. None of these is expected to have a significant impact on the consolidated financial statements of subsequent periods, except the following:

IFRS 15 Revenue from Contracts with Customers

IASB published the standard IFRS 15 Revenue from Contracts with Customers in May 2014, and then the clarifications to IFRS 15 with some additional transition relief in April 2016. The standard was adopted into European law in September 2016 and the clarifications in October 2017. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs and the related interpretations.

According to the new standard, the recognition of revenue should reflect the transfer of the pledged goods or services to the customer with the respective amount that corresponds to the consideration that the company will presumably receive in return for such goods or services. Revenue is realized when the customer receives the authority to dispose of such goods or services. The standard must be applied for the first time to fiscal years that begin on or after January 1, 2018, whereby an early application is permissible. Munich Airport shall apply the standard as from January 1, 2018 according to the cumulative effect method. As a result, the values of the previous years will not be corrected.

Munich Airport set up a Group-wide project in 2016 to implement the new regulations. It was divided into two phases: the impact assessment and the implementation. The first phase involved a detailed analysis of the impact of the new standard at Group level. On the basis of these results, a contract analysis was carried out to verify the relevant contract types and to determine the need for adjustments with regard to IT processes and systems. In the following implementation phase, the accounting guideline was adjusted, and technical accounting templates were developed for the relevant business transactions of the corporate divisions. This process included both the IT and technical accounting adjustments and also the implementation of comprehensive, Group-wide training courses in the technical departments and the subsidiaries.

As a result of this project for the implementation of IFRS 15, it is evident that there will essentially be differences in the recognition of balance sheet items. In the future, in the context of this new standard, there will also be new items, i.e. contract assets, contract liabilities, and refund liabilities. In future, contract assets will include items relating to already performed services which have not yet been invoiced. In future, contract liabilities will involve items where the customer made a payment already but the Group has not yet performed the agreed service. The item refund liabilities recognizes amounts where repayments must be made to customers after the service is performed. The impact of the disclosure topics will lead in particular to transfers between the (i) receivables and the contractual assets (range from EUR 2.0 to 4.0 million), (ii) payables and contractual liabilities (range from EUR 1.0 to 3.0 million) and (iii) provisions and refund liabilities (range from EUR 12.0 to 15.0 million).

Moreover, Munich Airport does not anticipate any material impact on the equity.

In addition to the changes in the balance sheet, the new standard will also lead to changes in the Notes to the consolidated financial statements. The previous disclosures in the Notes to the consolidated financial statements for revenue will be expanded in both qualitative and quantitative terms.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which was published in July 2014, supersedes the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is to be applied to the first reporting period beginning on or after January 1, 2018. Munich Airport shall apply IFRS 9 for the first time to the fiscal year starting on January 1, 2018.

For the transition phase, Munich Airport intends to carry out reconciliation using reconciliation tables in accordance with IFRS 9.7.2.15; this means that the standard will be applied to the most recent reporting period shown in the annual financial statements without any adjustment of comparative periods. The cumulative effect arising from the initial application of IFRS 9 will be recognized upon the initial application in the revenue reserves and other reserves as at January 1, 2018.

Based on the implemented project, the Group anticipates the following impact due to the first application of IFRS 9:

Classification and Measurement – Financial Assets: IFRS 9 contains a new approach to the classification and measurement of financial assets that reflects the business model under which the assets are held and the properties of their cash flows (the so-called SPPI criterion, «Solely Payments of Principal and Interest»). The three classification categories for financial assets are (i) measured at amortized cost, (ii) measured at fair value through profit or loss (FVTPL), and (iii) measured at fair value through other comprehensive income (FVOCI) and not recognized in profit or loss.

In the context of a Group-wide survey on an individual-contract basis, the current findings indicate that all financial assets (debt instruments) should be classified under the «Held» business model. This is justified in part by the exclusion of factoring and corresponding specifications for cash investment. The analysis also indicated that all financial assets meet the conditions of the SPPI criterion. The option to designate a financial asset through profit and loss at fair value is not being applied. The debt instruments at the Group are therefore recognized at amortized cost.

In contrast to the accounting under IAS 39, derivatives are recognized under IFRS 9 unchanged at fair value through profit or loss or in the context of hedge relationships designated in the hedge accounting.

In the assessment of Munich Airport, there are no equity instruments within the scope of IFRS 9. As the holdings that are not consolidated or are not recognized in the at-equity method are only immaterial shares, they must be recognized according to the corresponding standards, but not under the requirements of IFRS 9 (valuation at fair value).

On the basis of its comprehensive and detailed analysis, Munich Airport came to the conclusion that the new classification requirements will not have any material impact on the measurement of its financial assets.

Impairment – Financial assets and contract assets: IFRS 9 replaces the «incurred loss» model of IAS 39 with a forward-looking «expected credit loss» model. This requires considerable judgment regarding the extent to which expected credit losses are influenced by changes in economic factors.

According to IFRS 9, impairment is determined on one of the following bases: (i) 12-month expected credit losses: these are credit losses expected as a result of potential loss events within twelve months of the reporting date. And (ii) lifetime expected credit losses: these are credit losses expected as a result of any potential loss events during the expected remaining lifetime of a financial instrument. The impairment at the amount of the total loss expected over the remaining term must be recognized for instruments where the default risk has increased significantly since initial recognition. For trade receivables and contract assets that do not contain a financing component in accordance with IFRS 15, a simplified approach is applied whereby the value adjustments are always determined over the entire remaining term.

An accounting option to determine impairments over the entire remaining term exists for contract assets and trade receivables that include a financing component in accordance with IFRS 15, and for receivables from leases. Such instruments do not exist at the Group at the time of first application.

For all other financial instruments, the impairment is determined at the amount of the expected 12-month credit loss.

In the Group, the impairment model is applied to trade receivables, contract assets (in accordance with IFRS 15), cash and cash equivalents, and other financial assets. Anticipated credit defaults relating to credit commitments to non-consolidated subsidiaries, including from cash pooling, are also determined.

Financial information about the credit default risk purchased from a market data provider serves as the basis for the expected credit defaults. Expected credit defaults are determined here for material counterparties; other counterparties are segmented into homogeneous groups according to their default risk characteristics. Any received cash deposits and commercial credit insurance (less any excess) are taken into account for the measurement.

Munich Airport estimates that the application of the impairment regulations in IFRS 9 as at January 1, 2018 will lead to an increase overall in the recognized impairments in the range from EUR 0.2 to 0.4 million when compared to the recognized impairments under IAS 39.

Classification and measurement – Financial liabilities: IFRS 9 largely retains the classification under IAS 39 for financial liabilities.

However, there are relevant, amended requirements for the Group with regard to the disclosure of financial liabilities with non substancial contractual modifications. Under IFRS 9, such refinancings are recognized by continuing the initial effective interest rate, which ultimately does not lead to a derecognition of the existing liability. In the case of a modification that is not substancial, the initial effective interest rate must be retained with IFRS 9, so the discounting of changed cash flows leads to a leap in the amortized costs that is recognized through profit or loss similarly to the adjustments of cash flows that were previously regulated under IAS 39 AG 8. With regard to fixed-rate financial liabilities, Munich Airport chose the procedure that was also permissible under IAS 39 and which is already compliant with the requirements of IFRS 9, and therefore there will not be any adjustment effect due to the transition. In the case of variable-rate financial liabilities with a fixed margin, the effective interest rate was not retained during the contractual modifications under IAS 39, so there is a transition effect for the corresponding loans in the context of the conversion to IFRS 9. This affects two loans at the Group, for which a transition effect to the carrying amount of the loans of EUR 2.3 million is recognized in the revenue reserves but not in profit or loss as at January 1, 2018.

Hedge accounting: According to IFRS 9, it is necessary to ensure that hedge accounting is consistent with the objectives and strategy of the risk management philosophy and that a more qualitative and forward-looking approach is adopted when assessing the effectiveness of hedging.

IFRS 9 also introduces new requirements with regard to the reweighting of hedge relationships and prohibits the voluntary termination of the accounting of hedging transactions. According to this new model, it is possible that more risk management strategies will fulfill the conditions for accounting for hedge transactions. This applies in particular to any that involve a risk hedging component (with the exception of foreign currency risk) of a non-financial item. At present, Munich Airport is not conducting any hedging of such risk components.

Munich Airport uses interest rate swaps to hedge fluctuations in the cash flows in relation to the interest payments for variable rate loans and designates them in balance-sheet hedge relationships in the context of cash-flow hedge accounting. Hedging instruments for currency hedging are recognized at the Group exclusively at fair value through profit or loss.

The types of hedge accounting that are currently maintained by Munich Airport satisfy the requirements of IFRS 9 and comply with the strategies and objectives of risk management at the Group. Apart from amended documentation requirements and expanded disclosures to the consolidated financial statements, no other effects, especially quantitative ones, are anticipated from the conversion.

IFRS 16 Leases

IFRS 16 replaces the existing regulations on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard must be applied for the first time for fiscal years beginning on or after January 1, 2019. The Group intends to apply IFRS 16 for the first time as at January 1, 2019, presumably using the modified retrospective method. For this reason, the cumulative effect arising from the application of IFRS 16 will be registered as an adjustment of the opening balance-sheet values as at January 1, 2019. As a result, the values of the prior year will not be adjusted.

IFRS 16 introduces a uniform accounting model whereby leases must be recognized in the lessee's consolidated balance sheet. The lessee must carry any debt as a liability that arises from the lease and that represents its obligation to make lease payments. In addition, a right of use, representing the right to use the underlying asset, must be capitalized.

There are exceptional provisions for short-term leases and for leases relating to low-value assets.

The accounting at the lessor is comparable to the currently valid accounting. Leases must still be classified as financing or operating leases.

Munich Airport is currently assessing the impact that applying IFRS 16 will have on the consolidated financial statements. The quantitative impact on the consolidated financial statements cannot yet be quantified reliably.

III. Consolidation

1. Subsidiaries

Subsidiaries are all companies that are controlled by FMG.

An entity that draws variable returns from an investment has control if it has decision-making powers over the material business activities of this particular company that enable it to affect the variable returns from its investment in the investee.

The financial statements of FMG and its subsidiaries are prepared for the same reporting date.

The accounting and valuation principles presented in Section IV are used by all companies included in the consolidated financial statements.

In the preparation of the consolidated financial statements, the financial statements of the parent company and of the subsidiaries are combined through addition of like items.

Within the scope of capital consolidation, carrying values of the interests of the parent company are offset against the pro-rata shareholders' equity attributable to the parent company.

Non-controlling interests in the net assets of consolidated subsidiaries as well as the share of such shareholders in comprehensive income are measured separately and disclosed.

Intra-Group transactions, balances, expenses, and revenues as well as profits and losses resulting from transactions between the consolidated companies are eliminated.

Transactions with non-controlling interests are reported as transactions among shareholders to the extent they do not result in a change of control.

a) Changes in the Group's stake in subsidiaries

Changes in the Group's stake in subsidiaries that do no result in a loss of control over the subsidiary in question are recognized as an equity transaction. The carrying amounts of the interests held by the Group and the non-controlling interests are adjusted to reflect changes in existing stakes in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent company.

If the Group loses control of a subsidiary, the profit or loss associated with deconsolidation is recognized through profit or loss.

All other amounts shown in relation to this subsidiary are recognized in other comprehensive income in the same way as if the assets were to be sold.

If the Group retains interests in the previous subsidiary, these are recognized at the fair value at the time of the loss of control. This value represents the acquisition costs of the interests, which are valued according to the subsequent degree of control as per IAS 39 Financial Instruments: Recognition and Measurement or in accordance with the provisions for associated companies or joint ventures.

b) Acquisition of subsidiaries

The acquisition of subsidiaries is recognized on the basis of the acquisition method. The consideration transferred in the event of a merger is valued at fair value. This is determined from the balance of the fair values of the assets transferred at the time of acquisition, the liabilities taken on, and the equity instruments issued by the Group in exchange for control of the company acquired. The transaction costs associated with the merger are recognized through profit or loss when they occur.

The assets and liabilities acquired are valued at fair value. The following exceptions apply:

- Deferred tax assets or deferred tax liabilities and assets or liabilities associated with agreements for employee benefits are recognized and valued as per IAS 12 Income Taxes or IAS 19 Employee Benefits; and
- Assets (or disposal groups) which are classed as being held for disposal as per IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are valued as per this IFRS.

Goodwill constitutes the amount by which the total for the consideration transferred, the amount for all non-controlling interests in the company acquired, and the fair value of the equity, previously held by the acquirer, in the company acquired (assuming there is any) exceeds the balance of the fair values, as determined at the time of acquisition, of the identifiable assets acquired and the liabilities taken on. If the difference is found to be negative – even following another assessment – this will be recognized as revenue directly through profit or loss.

If the consideration transferred contains an element of contingent consideration, this will be valued at the fair value at the time of acquisition. Changes in the fair value of contingent consideration within the valuation period of twelve months are corrected retrospectively and recorded against goodwill accordingly. Accounting for changes in the fair value of contingent consideration that do not constitute corrections during the valuation period will depend on how the contingent consideration needs to be classed. If contingent consideration relates to equity, there will be no subsequent valuation on subsequent reporting dates; its fulfillment will be accounted for as part of equity. Contingent consideration which constitutes an asset or liability will be valued on subsequent reporting dates as per IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and a resulting profit or loss will be recognized through profit or loss.

2. Associates

Associates are companies where FMG has the power to participate in the financial and operating decision processes but does not control or jointly control these decisions.

The basis of inclusion is the most recent financial statements of the associate. When reporting dates differ, the associate or jointly managed company must prepare interim financial statements. Should this not be possible, financial statements with different reporting days may be used in applying the equity method, unless the time lag exceeds three months. In such cases, the associate's financial statements are adjusted for transactions and events with material effects that occurred between the reporting dates.

On initial recognition, investments in associates are valued at cost. After initial recognition, the carrying amount of the investment is increased or decreased to recognize the pro rata changes in the equity of the associate on each reporting date. In the process, changes in the associate's equity are recognized in other comprehensive income. Otherwise changes are recognized in income.

At each reporting date following the time of acquisition, an assessment is carried out to determine if the carrying amount has fallen below the recoverable amount and an impairment or reversal of an impairment is necessary.

Gains and losses resulting from transactions between a fully-consolidated company and a company reported at equity are eliminated in accordance with the percentage of ownership provided the assets transferred have not already been impaired in the financial statements of the associate.

The accounting policies and valuation principles presented in Section IV are applied by associates included in the consolidated financial statements.

3. Consolidated group

a) Subsidiaries

Apart from the parent company itself, the group of companies consolidated in FMG comprises the following subsidiaries:

Subsidiaries

Name	Seat	Activities	Basis of consolidation	Share of capital in %	
				Dec. 31, 2017	Dec. 31, 2016
aerogate München Gesellschaft für Luftverkehrsabfertigungen mbH[1]	Oberding	Passenger handling	Voting majority	100	100
AeroGround Flughafen München GmbH[1]	Munich	Ground handling	Voting majority	100	100
AeroGround Berlin GmbH	Schönefeld	Ground handling	Voting majority	100	100
Allresto Flughafen München Hotel und Gaststätten GmbH[1]	Munich	Catering and hotel	Voting majority	100	100
CAP Flughafen München Sicherheits-GmbH	Freising	Security	Voting majority	100	100
Cargogate Flughafen München Gesellschaft für Luftverkehrsabfertigungen mbH[1]	Hallbergmoos	Cargo handling	Voting majority	100	100
eurotrade Flughafen München Handels-GmbH[1]	Munich	Retail trade	Voting majority	100	100
InfoGate Information Systems GmbH[1]	Freising	Information	Voting majority	100	100
Flughafen München Baugesellschaft mbH	Oberding	Client representation	Contract[2]	60	60
Terminal 2 Gesellschaft mbH & Co oHG[1]	Oberding	Terminal operations	Contract[2]	60	60
MAC Grundstücksgesellschaft mbH & Co. KG i.L.[1, 3]	Grünwald	Real estate financing	Voting majority	94.9	94.9
Munich Airport International GmbH	Munich	International consulting business	Voting majority	100	100

[1] With respect to the publication of the financial statements, the exemption option under Section 264, Paragraph 3 or Section 264b of the German Commercial Code (HGB) is used.
[2] The basis of consolidation will be explained in greater detail in Section V.1.
[3] The company has been in liquidation since November 1, 2016.

With a notarial deed dated July 20, 2017, Flughafen München GmbH transferred the «International Consulting Business» division to Munich Airport International GmbH (MAI) by way of a spin-off against the granting of new shares in accordance with Section 123 (3) of the German Reorganisation Act (Umwandlungsgesetz - UmwG). The spin-off was carried out retrospectively as at January 1, 2017. MAI was consolidated for the first time upon starting business operations on January 1, 2017.

b) Associates

The following companies are associates. They are recognized using the equity method:

Associates

Name	Seat	Activities	Share of capital in %	
			Dec. 31, 2017	Dec. 31, 2016
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH	Freising	De-icing and aircraft pushback	49	49

The following subsidiaries and joint ventures are not included in the consolidated financial statements:

Subsidiaries and joint ventures which are not included in the group of consolidated companies

Name	Seat	Activities	Type	Share of capital in %	
				Dec. 31, 2017	Dec. 31, 2016
FMV – Flughafen München Versicherungsvermittlungsgesellschaft mbH	Freising	Insurance agents	SU[1]	100	100
HSD Flughafen GmbH	Berlin	Ground handling services	SU[1]	100	100
MediCare Flughafen München Medizinisches Zentrum GmbH	Oberding	Medical services	JV[2]	51	51
Munich AirportClinic GmbH	Oberding	Medical services	JV[2]	51	0
Radiologisches Diagnostikzentrum München Airport GmbH	Oberding	Medical services	JV[2]	18.2	18.2

[1] SU = subsidiary
[2] JV = joint venture

Munich AirportClinic GmbH was founded on January 3, 2017. The company is a wholly owned subsidiary of MediCare Flughafen München Medizinisches Zentrum GmbH.

As a result of non-inclusion, consolidated revenue is reported 0.35 percent lower (2016: 0.37 percent). The carrying amount of Munich Airport's investment in MediCare Flughafen München Medizinisches Zentrum GmbH (MediCare) amounts to T€ 153 (2016: T€ 153).

IV. Recognition, measurement, and presentation

1. Property, plant and equipment

Expenditures for the acquisition or production of non-current tangible assets are capitalized as property, plant and equipment to the extent that it is probable that future economic benefits will flow to the Group and the cost of assets can be measured reliably.

Initial recognition of property, plant and equipment is at cost, comprising all costs directly attributable to the acquisition. The costs of self-constructed assets include direct costs and an allocation of fixed and variable overheads.

Repair and maintenance activities are expensed as incurred. Subsequent costs are capitalized to the extent that they comply with the requirements for recognition as an asset.

Subsequent valuation of property, plant, and equipment is at cost less accumulated depreciation and amortization.

Land and property are not depreciated. All other assets are depreciated using the straight-line method over their expected useful lives.

The Group uses the component approach to calculate depreciation for buildings. Under this approach, the accumulated cost of the building is disaggregated into components of different useful lives and depreciated separately. The components determined for the Group's buildings are shell and facade, roofs, interior fittings, and mechanicals.

The following useful lives are applicable in the consolidated financial statements:

Useful lives

Buildings	
Shell and facade	25-50 years
Roofs	25 years
Interior fittings and mechanicals	25 years
Traffic areas	**35 years**
Operating areas	**15-25 years**
Machinery and equipment	
Flight operation areas	40 years
Aviation equipment	10-20 years
Utilities and waste disposal systems	15-35 years
Other machinery and equipment	4-20 years
Operating fixtures and equipment	
Mobile equipment, operations, and ground handling	3-20 years
Furnishings and fixtures	3-14 years
Vehicle pool	6-10 years
Other fixtures and fittings	**3-10 years**

At the end of each reporting period, the Group analyzes whether the useful lives and expected residual values of property, plant, and equipment are still adequate.

The carrying amounts are reviewed on each reporting date to see whether there is anything to indicate if there has been any impairment. If this is the case, the recoverable amount of the asset is estimated. If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the asset is written down to the recoverable amount through profit or loss.

Gains and losses from the disposal of non-current assets are determined through comparing sale proceeds to the carrying amounts. They are presented in the consolidated income statement under other income or expenses.

2. Intangible assets

a) Acquired intangible assets

Expenditures for the acquisition of non-current intangible assets are capitalized to the extent that it is probable that future economic benefits will flow to the Group and the cost of the assets can be measured reliably.

Acquisition costs comprise all expenditures necessary in order to bring the asset to the condition for it to be capable of being operated in the manner intended by management.

Subsequent valuation of intangible assets is at cost less accumulated depreciation and amortization. With the exception of emission rights, the useful lives of acquired intangible assets are definite and are between three and ten years. These intangible assets are amortized using the straight-line method over their useful lives.

b) Internally generated intangible assets

Costs for internally generated intangible assets are capitalized as soon as they have reached the development phase and the following criteria are fulfilled:

- Technical feasibility
- Intention to bring to completion
- Suitability for utilization
- Documentation concerning the probability of future economic benefits in the form of revenues or cost savings
- Availability of resources
- Reliable measurement of project expenditures

The internally generated intangible assets related to special software for airport operation. These internally generated intangible assets are recognized at cost, which includes all directly attributable costs.

Expenditures that do not meet all requirements for recognition are expensed as incurred. Development costs that have been expensed are not capitalized in subsequent periods.

The useful life of internally generated intangible assets is determinable and amounts to five years. Amortization uses the straight-line method.

c) Emission rights

Emission rights are initially recognized at cost.

The useful life of emission rights is indefinite. Therefore, the carrying amount of these rights is examined annually for impairment and amortized if appropriate.

3. Borrowing costs

Provided a substantial period of time passes prior to an asset's readiness for its intended use or sale (qualified assets), the borrowing costs directly attributable to the acquisition or production of the asset are capitalized.

Borrowing costs that can be capitalized comprise interest costs of direct and indirect financing. They are derived from interest expense determined according to the effective interest method.

Capitalization of borrowing costs begins with the commencement of acquisition or production and ends with operational readiness.

4. Impairment test

At each reporting date, Munich Airport examines whether there are indications that an asset may be impaired. If so, the Group estimates the recoverable amount for the assets and compares it with the carrying amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Value in use is the present value of the cash flows that can be expected to be recovered from the continued use of the assets in question. If the recoverable amount is less than the carrying amount of the asset, the difference is amortized through profit or loss.

Assets that do not generate cash flows that are largely independent from those of other assets or groups of assets are combined into cash-generating units. The combination process ends as soon as units are reached that generate cash flows which are largely independent from those of other assets or units.

5. Non-current assets held for sale

Non-current assets are classified as held for sale if the associated carrying amount is to be realized through a sale transaction rather than through continued utilization. The requirements for classification as available for sale are as follows:

- Possibility to sell in the present condition and at terms that are usual and customary for sales of such assets
- Highly probable sale within a year's time

Non-current assets held for sale are not depreciated. Subsequent recognition is at cost less accumulated impairment losses. The recoverable amount is fair value less cost to sell.

6. Assistance received from the government

Assistance received from the government is not recognized until it is reasonably certain that Munich Airport will satisfy the conditions associated with the assistance and the assistance is actually granted.

Assistance received from the government is to be recognized in the consolidated income statement and in those periods when the Group recognizes the corresponding expenses which the assistance from the government is supposed to compensate. Specifically, assistance from the government for which the main condition is the purchase, construction, or some other procurement of non-current assets is recognized when the carrying amount of the asset is established. The assistance is recognized on the basis of a reduced depreciable amount over the service life of the depreciable asset in the consolidated income statement.

Assistance from the government paid to make good expenses or losses already incurred or for the purpose of immediate financial support associated with no future expenditure is recognized in the consolidated income statement in the period in which the relevant entitlement arises.

7. Investment property

In contrast to owner-occupied real estate, investment property is not held for use in the supply of products or services or for administrative purposes, but rather is used exclusively to earn rental income or for capital appreciation purposes.

Investment property includes all land and buildings whose future use has not yet been determined. In addition, the Group classifies all land and buildings which generate cash flows that are independent of other airport operations as investment property. For this reason, leased hangars, for example, are classified as owner-occupied real estate, while leased administrative buildings are classified as investment property.

Initial recognition of investment property is at cost, which includes all costs directly attributable to the acquisition. Subsequent valuation is at cost less accumulated depreciation and impairment losses. The useful lives and methods of depreciation correspond to the useful lives and methods of depreciation for owner-occupied real estate.

As soon as investment property comes into operational utilization, it is reclassified as property, plant, and equipment for own use. Investment property is assigned to non-current assets held for sale as soon as the requirements are fulfilled (see IV.5).

8. Leasing

All agreements that convey a right to use an asset in exchange for a series of payments are leases.

If the lessor retains all substantial risks and rewards associated with ownership of the leased object, the underlying agreement is an operating lease. In this case, the leasing remuneration is recognized as expense or revenue on a straight-line basis over the term of the lease.

If all substantial risks and rewards of ownership of the leased object are transferred to the lessee, the underlying agreement is a finance lease. In this case, the lessee recognizes the leased object and the associated lease liability. The leased object is depreciated over the shorter of useful life or the term of the lease. The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The charge is allocated to each period so as to produce a constant rate of interest during the lease term.

9. Financial instruments

a) Classification

Upon initial recognition, Munich Airport assigns financial instruments to one of the valuation categories described below according to their terms and conditions and the intentions of management.

Derivative financial instruments that are not part of a hedge relationship and non-derivative financial instruments acquired with an intention for trading are measured at fair value through profit or loss. They are presented as current assets or liabilities unless settlement is expected in more than twelve months after the reporting date. Derivatives that are not designated into a hedge relationship are presented as current assets or liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized under current assets unless they mature in more than twelve months after the reporting date.

All financial liabilities that are not measured at fair value are to be measured at amortized cost using the effective interest method. They are presented as current liabilities unless repayment is expected in more than twelve months after the reporting date.

The financial assets available for sale are investments in subsidiaries and joint ventures, which are not included in the group of consolidated companies for reasons of immateriality.

b) Recognition and measurement

Regular purchases and sales of financial instruments are recognized on the trade date.

Financial assets are derecognized if the rights to receive payments from the financial instrument have expired or have been transferred to a third party with transfer of all material risks and rewards of ownership. Financial liabilities are derecognized only upon fulfillment, termination or expiry.

The initial measurement of financial instruments carried at fair value through profit and loss is at fair value. Transaction costs are expensed as incurred. All other financial instruments are initially measured at fair value plus transaction costs.

Subsequent measurement of financial instruments through profit and loss is at fair value unless they belong to the categories Loans and receivables or Non-derivative financial liabilities. Loans and receivables as well as non-derivative financial liabilities are carried at amortized cost using the effective interest method. Subsequent measurement of investments in subsidiaries and joint ventures, which are not included in the consolidated financial statements for reasons of immateriality, is at cost to simplify matters.

Gains and losses from subsequent measurement at fair value are recognized in other financial result under other income (net) or other losses (net). Effects from the accrual of interest are not reflected in other income or loss.

The effective interest rate is the interest rate that exactly discounts all expected cash payments and proceeds (including fees) through the expected life of a financial instrument to its current net carrying amount. In cases of a change in the expected cash flows, the effective interest is retained. The effective interest rate of floating rate financial instruments is altered periodically for changes in expected cash flows. When the terms of a financial instrument carried at amortized cost are modified, the modification may lead to the derecognition of the initial and the recognition of a new financial instrument.

The treatment of fees depends on their nature. Fees that are charged for ongoing services or for the execution of significant acts are immediately recognized in profit or loss. All other fees are treated as transaction costs (recognized at the entry carrying amount and distributed using the effective interest method to fixed-rate financial instruments or distributed over the term in the case of floating-rate financial instruments), whereas commitment fees are deferred as prepaid expenses until the loan is paid out. If the loan is no longer expected to be paid out, the accumulated amount is immediately reversed through profit or loss.

c) Offsetting

Financial assets and liabilities are offset in the consolidated financial statements if the requirements pursuant to Section 387 et seqq. of the German Civil Code (Bürgerliches Gesetzbuch – BGB) are met and the management intends to settle on a net basis or to release a financial asset and settle a financial liability simultaneously and can actually do so.

d) Impairment and reversal

At each reporting date, all financial assets are examined individually to determine whether there is objective evidence of impairment. Objective evidence for the impairment of a financial asset exists if a loss event has occurred that has negative effects on the future cash flows from the asset.

Examples of loss events are significant refinancing difficulties, payment defaults, reductions in creditworthiness, and bankruptcy.

The difference between the residual carrying amount and the present value of the cash flows taking into consideration the loss event and the retention of the original effective interest rate is recognized as an impairment loss in the consolidated income statement.

If events occur in subsequent periods which indicate that future cash flows from the financial asset will approximate the original level (for example, through an increase in creditworthiness), a reversal of the impairment loss is recognized in the consolidated income statement.

e) Derivatives in hedging relationships

The following accounting and valuation principles can only be applied to derivatives that have been designated into highly effective and adequately documented hedging relationships. All other derivatives are measured at fair value through profit or loss. Derivatives in hedging relationships are recognized on the trade date. The initial and subsequent measurement of these financial instruments is at fair value, whereas the recognition of changes in fair value depends on the nature of the hedged item and the hedging relationship. Munich Airport distinguishes between the following types of hedging relationships:

Fair value hedge: Changes in the fair value of the hedging instrument and changes in the fair value of the hedged item with respect to the hedged risk are recognized in profit or loss. The effective portion of the change is presented among financial expenses or income and the ineffective portion among other gains (net) or other losses (net).

The fair-value measurement of the hedged item is ended upon the ending of a fair value hedge. In the case of fixed-rate borrowings measured at amortized cost, a new effective interest rate is determined on the basis of the carrying amount available at the time of termination and the still outstanding payment flows. The effective interest rate is taken as the basis of the subsequent measurements up to the disposal of the hedged item.

Cash flow hedge: The effective portion of the changes in fair value of the hedging instrument is reported in the hedging reserve under equity in other comprehensive income, while the ineffective portion is recognized through profit or loss in the other financial result under other income (net) or other losses (net). The amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss recognized remains in equity until the hedged item affects profit or loss. The amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The fair value of the hedging instrument is subsequently recognized in the other financial result under other income (net) or other losses (net).

Each hedge relationship is documented at designation. The documentation contains a description of the hedge relation, risk management objectives, and strategies. In the process, the underlying transaction and hedging transaction are identified, the nature of the hedge relationship is determined, and the objectives of the hedge strategy and the methods of the effectiveness measurement are specified. Munich Airport monitors the effectiveness of the hedge from the inception to the expiry of the hedge.

Disclosures concerning the fair value of the derivatives in hedging relationships can be found in Section VII.16, while disclosures concerning changes in the hedging reserve are disclosed in Section VII.12. The full carrying amount of a derivative is classified as current or non-current in accordance with the term of the associated hedged item.

10. Inventories

Inventories are carried at the lower of cost or net realizable value, where cost is determined using the FIFO method.

The net realizable value is the sales proceeds less expected costs up to disposal.

11. Trade receivables

Trade receivables are recognized as soon as Munich Airport has acquired a right to compensation for goods supplied or services rendered. They are presented among non-current assets provided they are due in more than twelve months after the reporting date. Otherwise they are presented among current assets.

Upon initial recognition, receivables are measured at fair value. Subsequent measurement is at amortized cost using the effective interest method less accumulated impairment losses.

12. Cash and cash equivalents

Cash and cash equivalents comprises short-term deposits and cash in hand and at banks with an original term of up to three months. Deposits with terms in excess of three months are assigned to cash and cash equivalents only if they are not subject to significant fluctuation in value and can be liquidated at any time without risk discount. Otherwise they are presented among short-term deposits.

13. Other assets and prepaid expenses

Other assets are recognized, provided they are likely to result in an inflow of economic benefit and can be reliably measured.

Prepaid expenses are recognized when payments are made that will result in expenses only in future periods.

14. Equity

a) Classification of equity and financial liabilities

Financial instruments issued by Munich Airport are classified as equity or financial liabilities in accordance with the substance of the agreements, whereby all financial instruments on the liability side that are not debt are classified as equity.

b) Partnerships

The group of consolidated companies contains partnerships with non-controlling interests. Interests in German commercial partnerships are puttable financial instruments with inalienable repayment and redemption clauses. The partner who is withdrawing from the partnership may make a claim for compensation from the other partners. This is why interests in partnerships are classified as financial liabilities unless they are attributable to controlling shareholders. Non-controlling interests in commercial partnerships are therefore classified as financial liabilities and presented as «financial liabilities resulting from interests in partnerships».

The principles applied in distinguishing financial liabilities from equity applied in these consolidated financial statements as per IFRS deviate from those under German law. Under the German Commercial Code, non-controlling interests in commercial partnerships would have to be classified as equity.

On initial recognition, «financial liabilities resulting from interests in partnerships» are measured at fair value, that is, at the present value of the expected redemption amount based on an interest rate which adequately reflects the risk.

Subsequent measurement is based on the effective interest method. Interest is compounded to the financial liability through profit or loss. Adjustments when estimating the future potential for distributions and therefore claims for compensation must be made through profit or loss in the carrying amount of the financial liability. Where profit shares from previous periods are not taken, these will show as a non-current financial liability in accordance with the company's liquidity plans.

15. Current and deferred income tax assets and liabilities

The tax expense for the period includes current and deferred income taxes. Income taxes are recognized in the income statement unless they relate to transactions recognized in other comprehensive income or directly in equity. In this case, taxes are recognized in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities are measured on the basis of tax laws applicable for Munich Airport as of the reporting date.

Deferred tax assets and liabilities are recognized for deductible and taxable temporary differences between the carrying amounts of the assets and liabilities under applicable IFRS and the tax valuations on the basis of a two-stage comparison of the balance sheet Deferred tax assets are also recognized for unused tax losses.

A deferred tax asset is recognized for as yet unused tax losses, as yet unused tax credits, and deductible temporary differences to the extent it is probable that future income to be taxed will be available for which they can be used. Profit to be taxed in future is determined on the basis of individual business plans at the subsidiaries. The planning horizon for checking whether tax relief from tax loss carryforwards can be realized amounts to a maximum of five years. Deferred tax assets are reviewed at each reporting date and reduced by the extent to which it is no longer probable that the associated tax benefit will be realized. Write-ups are performed if the probability there will be taxable income in future improves.

Off-balance-sheet deferred tax assets are reassessed at each reporting date and recognized to the extent to which it is probable that future income to be taxed will allow them to be realized.

Deferred taxes are not recognized when they result from the initial recognition of goodwill or from transactions that neither affected accounting nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that apply at the time when temporary differences reverse or tax loss carryforwards are used. Tax rate changes or changes in tax law are taken into account as soon as they are substantively enacted. In Germany, this is the case when the Bundesrat approves tax legislation that has been passed.

Deferred taxes are also recognized on temporary differences from the elimination of interim results. Deferred taxes on temporary differences between a subsidiary's net assets and the fiscal value of the investment are not recognized if Munich Airport itself can determine the date on which these temporary differences are reversed and reversal is not expected within a foreseeable period.

Deferred tax assets and liabilities are to be netted off if Munich Airport has acquired a legal claim to offset current income tax assets and liabilities and the deferred tax assets and liabilities relate to the same tax authority. Deferred taxes from current items and deferred taxes from non-current items are offset separately in the present consolidated financial statements. Offsetting only takes place at Group level in as much as offsetting is possible because income tax groups have been created.

16. Employee benefits

a) Post-employment benefits

The consolidated financial statements contain defined benefit and defined contribution plans. A defined contribution plan is a post-employment benefit plan under which a Group entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund fails to pay benefits. All other plans are defined benefit plans. Typically, a defined benefit plan provides for post-employment benefits depending on age, length of employment, and remuneration at the time of retirement.

Payments for **defined contribution** plans are carried as expenses in the period in which services are rendered by employees eligible for the post-employment benefits. Munich Airport pays contributions to Deutsche Rentenversicherung (a state plan) and to the supplementary welfare fund of the Bayerische Versorgungskammer. There are no obligations beyond the payment of contributions.

The Group recognizes provisions for liabilities from **defined benefit** plans. Measurement is calculated by making use of the projected unit credit method. This method reflects the actuarial present value of all benefits vested. The estimation of benefits considers expected salary and pension increases and the life expectancy of the persons entitled to the plan. The valuation of claims for health insurance benefits is based on actuarial assumptions on future health care costs. Discount rates are derived from the reporting date yield curves for high-quality corporate bonds. Pension payments and health care costs are made from operating cash flows. There are no plan assets.

Actuarial gains and losses are recognized in other comprehensive income.

b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognized when there is a detailed formal plan which entitles employees to these benefits.

Top-up payments made in the course of a phased retirement agreement are accounted for in accordance with the principles for other long-term employee benefits (see Section IV.16.c)).

c) Other long-term employee benefits

Other long-term employee benefits comprise provisions for jubilee benefits and all kinds of benefits paid in the course of phased retirement agreements.

The principles and methods for measurement of the liabilities are the same as presented in Section IV.16.a). Benefits paid in the course of phased retirement agreements are covered by plan assets. The present value of the liability is offset against the fair value of these assets. Any asset surplus is shown under other assets.

17. Other provisions

Other provisions are recognized if Munich Airport has an unavoidable obligation from a past event to commit resources embodying economic benefits to third parties, the obligation can be reliably measured and utilization by the third parties is an overwhelming probability. Recognition of provisions for expenses is generally not permitted. The obligation may be both legal and constructive in nature.

Where a single obligation is being measured, the individual most likely outcome may be the best estimate. If provisions are made for a large population of items, the best estimate may be the expected value.

If the present value of an obligation deviates significantly from the nominal amount, provisions are recognized at the present value of the expected obligation. The risks inherent in the obligation are taken into account in determining the expected outflow of resources, and are discounted at a risk-free pre-tax rate.

Current obligations arising from onerous contracts are recognized as provisions. An onerous contract is deemed to exist when Munich Airport is a contractual partner in a contract in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it.

18. Revenue

Revenue is measured at the fair value of the consideration received or receivable after revenue reductions. Revenue and other operating income are deemed to be realized when the service is rendered or at the time risk is transferred and are recognized on condition that an economic benefit is likely to accrue and this can be reliably quantified.

a) Revenue from the rendering of services

Munich Airport recognizes revenue from the rendering of services as such services are rendered. Some fees need to be approved by the aviation authorities. These traffic fees relate to use of airport infrastructure and cover take-off and landing fees, passenger fees, and fees relating to noise and emissions. Fees which do not require approval are those for ground handling services, such as work involving the apron and cargo handling, and for infrastructure.

Services rendered in the course of consulting projects regularly extend over a relatively long period of time. In these cases, revenue is recognized on a straight line basis or by reference to the stage of completion, provided the successful completion of the entire project, or of a separable milestone, can be expected to be highly probable. The cost-to-cost method is used to establish the stage of completion.

Revenue from leases in the Real Estate and Commercial Activities business division relates to income from leases involving terminal areas, office space, buildings, and land. Purchase options were not agreed. Depending on whether contractually defined conditions apply, leases for retail space may involve either minimum rates or variable rates based on revenue. Incentives granted for people to take out leases are recognized as part of the overall revenue for the lease over the period of the lease arrangement.

b) Revenue from concession agreements

Revenue is recognized provided an inflow of economic benefits is probable and the amount of revenue can be measured reliably. Concession fees are recognized on an accrual basis over the concession period in accordance with the substance of the relevant agreement.

c) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the relevant risks and rewards of ownership have been transferred to the acquirer. This typically takes place when the products are transferred and payment is made.

d) Revenue reductions

Revenue is measured at the fair value of the consideration received or receivable. It is reduced pro rata by the anticipated reduction from volume discounts. Another liability is recognized for the difference to the prices charged.

19. Earnings from investments and interest income

Earnings from investments are recognized when there is a legal entitlement to payment. The precondition is that it is probable that the inflow of economic benefits to the Group and the amount of earnings can be measured reliably.

Interest income is recognized if it is likely that the economic benefits will flow to the Group and the amount of revenues can be measured reliably.

20. Calculation of fair value

a) Measurement at fair value

Munich Airport measures derivative financial instruments that are hedged in fair value hedges at fair value on an ongoing basis.

Measurement of investments in subsidiaries and joint ventures, which were not included in the group of consolidated companies for reasons of immateriality, is at cost to simplify matters.

All non-financial assets are measured at amortized cost.

The following methods and parameters were applied in the calculation of fair value:

Calculation of fair value for measurement purposes

	Fair value		Measurement method	Parameter	
T€	Dec. 31, 2017	Dec. 31, 2016		Type	Hierarchy[4]
Interest rate swaps	0	0	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], default loss[1]	II
Currency futures	213	0	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], default loss[2]	II
Assets	**213**	**0**			
Interest rate swaps	51,255	69,648	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], default loss[3]	II
Currency futures	0	645	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], default loss[3]	II
Liabilities	**51,255**	**70,293**			

[1] Derived from market data
[2] Taken from the solvency regulation
[3] Counterparts: derived from market data, Munich Airport: derived from current credit conditions
[4] Within the meaning of IFRS 13.72 et seqq; in the fiscal year there was no reclassification between the levels of hierarchy.

The methods are the same as those applied in the prior year.

b) Disclosure of fair value

The consolidated financial statements contain disclosures on the fair value of investment property and on the fair value of financial instruments measured at amortized cost.

The following methods and parameters were applied in the calculation of fair value:

Calculation of fair value for disclosure purposes

	Measurement method	Parameter		Disclosure
T€		Type	Hierarchy[2]	
Property within the airport campus	Income approach	Net income[1], economic useful life[1]	III	VII.3
		Net property return	II	
Property outside the airport campus	Asset value method	Ground value, adjusted normal production costs	II	VII.3
	Income approach	Net income[1], economic useful life[1], net property return	III	VII.3
Receivables	Discounted cash flows	Expected cash flows[3], discount rates[3], CDS spreads[4]	II	VII.5, VII.15
Non-derivative financial liabilities	Discounted cash flows	Expected cash flows[3], discount rates[3], CDS spreads[4]	II	VII.5, VII.15

[1] Based on in-house data (e.g. leasing agreements, medium- and long-term corporate planning)
[2] Within the meaning of IFRS 13.72 et seqq; in the fiscal year there was no reclassification between the levels of hierarchy.
[3] Derived from market data
[4] Counterparts: derived from market data, Munich Airport: derived from current credit conditions

The methods are the same as those applied in the prior year.

The fair value of investments in subsidiaries and joint ventures, which were not included in the group of consolidated companies for reasons of immateriality, is not disclosed to simplify matters. They are equity instruments of unlisted companies. Prices of comparable listed equity securities are not available. FMG views the investments as strategic investments.

V. Critical accounting estimates and judgments

1. Control without a majority of the voting rights

FMG holds 60 percent of the voting rights in Flughafen München Baugesellschaft mbH. A significant number of decisions on important business activities are made in the shareholders' general meeting only with a 2/3 majority. The company operates exclusively for Terminal 2 Gesellschaft mbH & Co oHG. Control is exercised through an agency agreement.

FMG holds 60 percent of the voting rights of Terminal 2 Gesellschaft mbH & Co oHG. However, a significant number of decisions on important business activities are made in the shareholders' general meeting only with a 2/3 majority. Control is therefore not constituted through voting rights but largely through long-term agreements among shareholders about the way the company shall carry out its business.

2. Carrying amount of certain assets and liabilities

The carrying amounts of assets and liabilities included in the present consolidated financial statements are based on estimates and assumptions concerning the future. In the opinion of Munich Airport, there is no significant risk that these estimates and assumptions will change to such an extent by the next reporting date that a material adjustment of the carrying amount would be expected.

Munich Airport currently assumes a possible start of construction of the third runway in 2020. The investment in expanding the airport totaling T€ 198,499 (2016: T€ 193,709) is not expected to be impaired. The obligations from agreements with neighboring municipalities on the funding of infrastructure projects concluded with a view to the construction of the third runway also remain in place. A total of T€ 89,586 (2016: T€ 93,602) was provided for this purpose.

VI. Notes to the consolidated income statement

1. Revenue

Revenues result from the following activities and transactions:

Revenue

T€	2017	2016
Leases, royalties, and licenses	854,816	796,666
Services	352,365	310,128
Sale of goods	190,863	188,278
Miscellaneous	70,691	69,050
Total	**1,468,735**	**1,364,122**

The revenue from leases, royalties, and licenses also includes lease revenues. Lease revenues result from the lease of traffic, operations and logistics property as well as the lease of commercial areas, office space, and conference rooms.

The terms of the majority of leases of traffic, operations, and logistics property are indefinite. Lessees may cancel upon up to 16 years' prior written notice, however. Only few agreements include a definite lease term. The remaining life of those leases amounts to up to five years. Lease extensions, provided they have been included in lease agreements, are possible for up to five years. Purchase options are not granted as a rule.

The terms of the majority of leases of commercial areas, office space, and conference rooms are indefinite. Lessees may cancel upon up to nine years' prior written notice, however. Only few agreements include a definite lease term. The remaining life of those leases amounts to up to 18 years. Lease extensions, provided they have been included in lease agreements, are possible for up to 16 years. Purchase options are not granted as a rule. In addition to a fixed rent, lessees of commercial areas have to pay contingent rents depending on sales revenues.

Lease revenue contains contingent rent at an amount of T€ 17,670 (2016: T€ 16,582).

In future fiscal years, Munich Airport expects the following lease payments from non-cancellable operating leases:

Expected revenue from non-cancellable operating leases

T€	Dec. 31, 2017	Dec. 31, 2016
In one year	69,978	69,588
In 2 to 5 years	153,434	172,348
After 5 years	80,319	104,832
Total	**303,731**	**346,768**

Disclosures on the changes in the carrying amounts of assets leased are given in Section VII.2.

The revenue from the performance of services includes revenue from barter transactions in the amount of T€ 180.

2. Own work capitalized

The balance of work performed and capitalized relates in particular to planning and construction activities for the satellite building by Terminal 2 Gesellschaft mbH & Co oHG as well as various structural improvement projects.

3. Other income

The components of other income are as follows:

Other income

T€	2017	2016
Income from the reversal of other liabilities	8,495	7,027
Income from disposals of fixed assets and assets classified as held for sale	6,463	27,578
Income in connection with damage, compensation and insurance compensation	6,167	2,311
Income from the reversal and consumption of other provisions	2,733	5,685
Miscellaneous	6,510	4,042
Total	**30,368**	**46,643**

In the fiscal year 2017, Munich Airport was granted assistance from the government totaling T€ 2,865 which is disclosed under other income.

Exchange rate gains amounted to T€ 617 (2016: T€ 566).

4. Cost of materials

Cost of materials includes the following amounts:

Cost of materials

T€	2017	2016
Expenditures for raw materials and supplies	-171,868	-164,620
Expenditures for purchased services	-227,120	-187,465
Total	**-398,988**	**-352,085**

5. Personnel expenses

The personnel expenses include the following amounts:

Personnel expenses

T€	2017	2016
Wages and salaries	-392,061	-370,267
Social security and support benefits	-71,893	-65,385
Expenses for defined benefit plans	-607	-577
Expenses for defined contribution plans	-17,520	-16,286
Expenses for post-employment benefits	**-18,127**	**-16,863**
Total	**-482,081**	**-452,515**

The average number of employees in the fiscal year is shown below:

Number of employees

Average	2017	2016
Employees (permanent/temporary, trainees)	9,316	8,891
Apprentices	252	250
Total	**9,568**	**9,141**

6. Other expenses

Other expenses include the following amounts:

Other expenses

T€	2017	2016
Expenses for audit, consulting, and project services	-17,311	-16,885
Expenses for advertising and PR	-15,360	-12,425
Lease expenses	-14,003	-10,836
Other personnel expenses	-12,780	-11,806
Contributions and fees for public utilities and other fees	-9,572	-8,485
Insurance	-7,521	-7,438
Expenses for office communications	-4,309	-5,165
Expenses from impairment of receivables	-4,155	-567
Other expenses in connection with damages	-3,519	-2,880
Losses from the disposal of non-current assets	-3,045	-3,157
Other taxes	-2,995	-2,400
Expenses from deconsolidation	0	-2,373
Bank charges including transaction costs	-222	-569
Miscellaneous	-16,944	-12,106
Total	**-111,736**	**-97,092**

Exchange rate losses amount to T€ 874 (2016: T€ 172).

Charges paid to the auditor are presented among miscellaneous other expenses. They include audit fees at an amount of T€ 333 (2016: T€ 177), other attestation services at an amount of T€ 152 (2016: T€ 50), tax advisory services at an amount of T€ 44 (2016: T€ 265), and fees for other services amounting to T€ 881 (2016: T€ 93).

Lease expenses primarily result from the short-term lease of vehicles and buildings.

Vehicles are leased for terms up to three years. The agreements do not include any term extension or purchase options.

The terms of leases of buildings usually are definite with a possibility to cancel upon up to six months' prior written notice. The remaining life of those leases amounts to up to five years. Only in rare cases are lease terms indefinite with a possibility to cancel upon three months prior written notice. Lease extensions, provided they have been included in lease agreements, are possible for up to five years. The Group has not been granted any purchase options.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

Expected expenses from non-cancellable operating leases

T€	2017	2016
In one year	8,505	5,900
In 2 to 5 years	7,834	10,044
After 5 years	0	0
Total	**16,339**	**15,944**

7. Depreciation and amortization

Depreciation includes the following amounts:

Depreciation and amortization

T€	2017	2016
Depreciation	-217,617	-238,839
Impairment	0	-232
Total	**-217,617**	**-239,071**

8. Financial result

The interest result is as follows:

Interest result

T€	2017	2016
Interest income from short-term deposits and other receivables	544	1,001
Interest expenses from loans	-65,464	-50,997
Interest expenses from derivatives	-18,879	-28,952
Interest result from financial instruments	**-83,799**	**-78,948**
Other interest income	886	0
Other interest expense	-692	-2,815
Other interest result	**194**	**-2,815**
Total	**-83,605**	**-81,763**

Other interest income and expenses result from the measurement of other non-current provisions and obligations from employee benefits at present value.

The components of other financial result are as follows:

Other financial result

T€	2017	2016
Income from the transfer of profit from non-consolidated entities	495	476
Net gains from financial instruments	13,378	2,524
Other financial income	**13,873**	**3,000**
Expense from profit/loss transfer	0	0
Net losses from financial instruments	-5,030	-2,332
Other financial expense	**-5,030**	**-2,332**
Total	**8,843**	**668**

Net gains (interest income) from the remeasurement of financial instruments are attributable to the categories described in Section IV.9.a) as follows:

Composition of net gains from financial instruments

T€	2017	2016
At fair value through profit or loss	0	0
Financial assets	**0**	**0**
At fair value, designated	1,154	462
At fair value through profit or loss	0	60
Derivative financial liabilities	**1,154**	**522**
At amortized cost	12,224	2,002
Non-derivative financial liabilities	**12,224**	**2,002**
Financial liabilities	**13,378**	**2,524**
Total	**13,378**	**2,524**

Net losses (interest expenses) from the remeasurement of financial instruments are attributable to the valuation categories described in Section IV.9.a) as follows:

Composition of net losses from financial instruments

T€	2017	2016
At fair value, designated	0	0
Financial assets	**0**	**0**
At fair value, designated	-322	-476
At fair value through profit or loss	0	-647
Derivative financial liabilities	**-322**	**-1,123**
At amortized cost	-4,708	-1,209
Non-derivative financial liabilities	**-4,708**	**-1,209**
Financial liabilities	**-5,030**	**-2,332**
Total	**-5,030**	**-2,332**

9. Income taxes

The components of income tax expenses and income are as follows:

Composition of income tax expenses

T€	2017	2016
Trade income tax	-34,270	-34,751
Corporate income tax	-42,617	-42,412
Actual taxes	**-76,887**	**-77,163**
Deferred taxes	6,447	18,921
Tax expenses	**-70,440**	**-58,242**

The measurement of deferred tax assets and liabilities is based on tax rates expected at the time of realization (see Section IV.15). Deferred taxes in these consolidated financial statements are based on the following tax rates:

Composition of Group tax rate

	2017	
%	from	to
Trade income tax	8.40	12.37
Corporate income tax and reunification tax	15.83	15.83
Total tax rate	**24.23**	**28.20**

	2016	
%	from	to
Trade income tax	8.40	12.37
Corporate income tax and reunification tax	15.83	15.83
Total tax rate	**24.23**	**28.20**

If the earnings before taxes presented in these financial statements were the tax base, an income tax expense of T€ 63,717 would be expected (2016: T€ 58,313). Differences between the expected and the actual income tax expense are to some extent offset by the deferred tax expense or income resulting from the change in deferred tax assets and liabilities. The remainder is attributable to the following items:

Tax reconciliation

T€	2017	2016
Profit before taxes (EBT)	**229,240**	**209,873**
Tax rate in %	27.8	27.8
Expected income tax expense/income	**-63,717**	**-58,313**
Non-deductible losses and expenses (trade income tax)	-1,455	-1,538
Non-taxable income and revenues (trade income tax)	4,259	3,440
Deviations from Group tax rate	8,231	11,692
Change in deferred taxes due to changes in tax rates	-152	-534
Effects from the utilization of tax losses without recognition of deferred tax assets in prior periods	-2,176	657
Effect from deconsolidation	0	-574
Non-deductible losses and expenses (corporate income tax)	-370	1,147
Non-taxable income and revenues (corporate income tax)	683	216
Current taxes relating to other periods	362	2,728
Deferred taxes relating to other periods	-956	-3,806
Tax effect from German partnerships	-14,651	-14,661
Miscellaneous other effects	-498	1,304
Reported tax expenses	**-70,440**	**-58,242**

VII. Notes to the balance sheet

1. Intangible assets

The carrying amounts of intangible assets developed as follows:

Changes in the carrying amount of intangible assets

T€	Intangible assets				
	Purchased		Self-produced		Total
	Miscellaneous	Advance payments	of which completed	of which incomplete	
Cost					
As of Jan. 1, 2017	**36,278**	**2,366**	**2,100**	**0**	**40,744**
Additions	5,085	1,777	417	0	7,279
Disposals	-1,075	0	-145	0	-1,220
Reclassifications	2,687	-1,442	390	0	1,635
As of Dec. 31, 2017	**42,975**	**2,701**	**2,762**	**0**	**48,438**
Accumulated depreciation and amortization					
As of Jan. 1, 2017	**25,910**	**0**	**1,086**	**0**	**26,996**
Scheduled	4,258	0	336	0	4,594
Disposals	-629	0	0	0	-629
Reclassifications	-15	0	15	0	0
As of Dec. 31, 2017	**29,524**	**0**	**1,437**	**0**	**30,961**
Carrying amount as of Jan. 1, 2017	**10,368**	**2,366**	**1,014**	**0**	**13,748**
Carrying amount as of Dec. 31, 2017	**13,451**	**2,701**	**1,325**	**0**	**17,477**

T€	Intangible assets				
	Purchased		Self-produced		Total
	Miscellaneous	Advance payments	of which completed	of which incomplete	
Cost					
As of Jan. 1, 2016	**32,952**	**1,327**	**1,826**	**67**	**36,172**
Additions	2,479	1,843	81	0	4,403
Disposals	-843	0	0	0	-843
Additions from initial consolidation	119	0	0	0	119
Reclassifications	1,571	-804	193	-67	893
As of Dec. 31, 2016	**36,278**	**2,366**	**2,100**	**0**	**40,744**
Accumulated depreciation and amortization					
As of Jan. 1, 2016	**23,182**	**0**	**674**	**0**	**23,856**
Scheduled	3,156	0	360	0	3,516
Disposals	-378	0	0	0	-378
Reclassifications	-50	0	52	0	2
As of Dec. 31, 2016	**25,910**	**0**	**1,086**	**0**	**26,996**
Carrying amount as of Jan. 1, 2016	**9,770**	**1,327**	**1,152**	**67**	**12,316**
Carrying amount as of Dec. 31, 2016	**10,368**	**2,366**	**1,014**	**0**	**13,748**

Impairment losses are presented in the consolidated income statement among depreciation and amortization. Income from the reversal of impairments is presented among other income.

Emission rights with a carrying amount of T€ 2,532 (Dec. 31, 2016: T€ 1,990) are presented among acquired intangible assets. Emission rights are intangible assets with indefinite useful lives.

Of the acquired intangible assets of the subsidiaries of Flughafen München GmbH, T€ 747 (Dec. 31, 2016: T€ 358) act as securities for long-term loans.

There are obligations for the acquisition of intangible assets amounting to T€ 1,764 (Dec. 31, 2016: T€ 164).

If the requirements for the capitalization of internally generated intangible assets as explained in Section IV.2.b) were not fulfilled, development expenditures were not capitalized. In the year under review, as in the previous year, there was no development expenditure that was not capitalized. Research expenditures were not incurred.

2. Property, plant, and equipment

The carrying amounts of self-used property, plant, and equipment developed as follows:

Changes in the carrying amount of property, plant, and equipment for own use

T€	Land and property	Buildings	Machinery and equipment	Fixtures and fittings	Property, plant and equipment under construction	Total
Cost						
As of Jan. 1, 2017	**1,861,005**	**4,067,490**	**1,878,180**	**322,985**	**211,212**	**8,340,872**
Additions	2,708	21,966	12,369	19,886	73,518	130,447
Disposals	0	-27,862	-4,544	-5,750	-539	-38,695
Reclassifications	94	64,552	11,875	7,203	-71,613	12,111
As of Dec. 31, 2017	**1,863,807**	**4,126,146**	**1,897,880**	**344,324**	**212,578**	**8,444,735**
Accumulated depreciation and amortization						
As of Jan. 1, 2017	**15,035**	**2,078,692**	**1,099,298**	**241,823**	**0**	**3,434,848**
Scheduled	0	121,711	62,996	20,615	0	205,322
Disposals	0	-11,453	-3,913	-5,529	0	-20,895
Reclassifications	0	4,454	322	-354	0	4,422
As of Dec. 31, 2017	**15,035**	**2,193,404**	**1,158,703**	**256,555**	**0**	**3,623,697**
Carrying amount as of Jan. 1, 2017	**1,845,970**	**1,988,798**	**778,882**	**81,162**	**211,212**	**4,906,024**
Carrying amount as of Dec. 31, 2017	**1,848,772**	**1,932,742**	**739,177**	**87,769**	**212,578**	**4,821,038**

T€	Land and property	Buildings	Machinery and equipment	Fixtures and fittings	Property, plant and equipment under construction	Total
Cost						
As of Jan. 1, 2016	**1,860,035**	**3,502,938**	**1,658,873**	**291,171**	**787,194**	**8,100,211**
Additions	1,087	72,881	99,568	25,547	72,991	272,074
Disposals	-51	-5,262	-13,490	-11,400	-1,358	-31,561
Additions from initial consolidation	0	0	0	1,158	0	1,158
Reclassifications	-66	496,933	133,229	16,509	-647,615	-1,010
As of Dec. 31, 2016	**1,861,005**	**4,067,490**	**1,878,180**	**322,985**	**211,212**	**8,340,872**
Accumulated depreciation and amortization						
As of Jan. 1, 2016	**15,035**	**1,939,434**	**1,054,001**	**233,084**	**0**	**3,241,554**
Scheduled	0	143,160	58,409	18,483	0	220,052
Impairments	0	0	0	232	0	232
Disposals	0	-3,861	-13,128	-9,998	0	-26,987
Reclassifications	0	-41	16	22	0	-3
As of Dec. 31, 2016	**15,035**	**2,078,692**	**1,099,298**	**241,823**	**0**	**3,434,848**
Carrying amount as of Jan. 1, 2016	**1,845,000**	**1,563,504**	**604,872**	**58,087**	**787,194**	**4,858,657**
Carrying amount as of Dec. 31, 2016	**1,845,970**	**1,988,798**	**778,882**	**81,162**	**211,212**	**4,906,024**

Reclassifications contain transfers into assets classified as held for sale in the amount off T€ 0 (2016: T€ 111).

Impairment losses are presented in the consolidated income statement among depreciation and amortization. Income from the reversal of impairments is presented among other income.

Land is partially burdened with leasehold rights, usufructs, and similar rights. The carrying amount of this land is T€ 5,669 (Dec 31, 2016: T€ 5,669).

Of the buildings of the subsidiaries of Flughafen München GmbH, T€ 1,044,605 (Dec. 31, 2016: T€ 1,080,098), and of the technical equipment and machinery, the operational and business equipment, and the property under construction of the subsidiaries a total of T€ 409,226 (Dec. 31, 2016: T€ 415,890) act as securities for long-term loans. Flughafen München GmbH itself does not pledge any trade receivables as collateral for borrowings.

There are obligations for the acquisition of property, plant, and equipment amounting to T€ 119,705 (Dec. 31, 2016: T€ 83,800).

Munich Airport received compensation for the damage to or loss of property, plant, and equipment in the amount of T€ 0 (Dec. 31, 2016: T€ 700), of which T€ 0 (Dec. 31, 2016: T€ 700) was recognized through profit or loss.

The effects of changes of estimates on the measurement of property, plant, and equipment are not significant.

Additions to the costs of property under construction comprise general borrowing costs at an amount of T€ 4,596 (Dec. 31, 2016: T€ 4,290) and borrowing costs resulting from direct project financing at an amount of T€ 0 (Dec. 31, 2016: T€ 4,351). Capitalization of general borrowing costs in the reporting year is based on a capitalization rate of 2.50 percent (2016: 2.50 percent).

In the fiscal year 2017, Munich Airport received assistance from the government totaling T€ 720, which is included in the short-term debt as at December 31, 2017 and will be deducted directly from the carrying amount of the asset upon completion in the following year.

Fixtures and fittings contain assets from finance leases. The carrying amounts of fixtures and fittings developed as follows:

Changes in the carrying amount of fixtures and fittings from finance leases

T€	Fixtures and fittings
Cost	
As of Jan. 1, 2017	**998**
Additions	0
Disposals	0
As of Dec. 31, 2017	**998**
Accumulated depreciation and amortization	
As of Jan. 1, 2017	**732**
Scheduled	199
Disposals	0
As of Dec. 31, 2017	**931**
Carrying amount as of Jan. 1, 2017	**266**
Carrying amount as of Dec. 31, 2017	**67**

T€	Fixtures and fittings
Cost	
As of Jan. 1, 2016	**1,109**
Additions	0
Disposals	-111
As of Dec. 31, 2016	**998**
Accumulated depreciation and amortization	
As of Jan. 1, 2016	**643**
Scheduled	200
Disposals	-111
As of Dec. 31, 2016	**732**
Carrying amount as of Jan. 1, 2016	**466**
Carrying amount as of Dec. 31, 2016	**266**

Further disclosures on finance leases can be found in Section VII.15.d).

Owner-occupied land and buildings is partially leased out. The leases are all operating leases. The carrying amounts of land and building leased out changed as follows:

Change in the carrying amount of land and buildings leased out

T€	Land and property	Buildings
Cost		
As of Jan. 1, 2017	**106,649**	**667,050**
Additions	0	12,733
Disposals	0	-6,120
Reclassifications	0	13,559
As of Dec. 31, 2017	**106,649**	**687,222**
Accumulated depreciation and amortization		
As of Jan. 1, 2017	**0**	**317,358**
Scheduled	0	24,880
Disposals	0	-619
Reclassifications	0	0
As of Dec. 31, 2017	**0**	**341,619**
Carrying amount as of Jan. 1, 2017	**106,649**	**349,692**
Carrying amount as of Dec. 31, 2017	**106,649**	**345,603**

T€	Land and property	Buildings
Cost		
As of Jan. 1, 2016	**106,649**	**570,595**
Additions	0	8,821
Disposals	0	-2,622
Reclassifications	0	90,256
As of Dec. 31, 2016	**106,649**	**667,050**
Accumulated depreciation and amortization		
As of Jan. 1, 2016	**0**	**281,193**
Scheduled	0	34,480
Disposals	0	-1,510
Reclassifications	0	3,195
As of Dec. 31, 2016	**0**	**317,358**
Carrying amount as of Jan. 1, 2016	**106,649**	**289,402**
Carrying amount as of Dec. 31, 2016	**106,649**	**349,692**

3. Investment property

The carrying amounts of investment property developed as follows:

Change in the fair value of investment property

T€	Land and property	Buildings	Total
Cost			
As of Jan. 1, 2017	**83,408**	**184,241**	**267,649**
Additions	3,168	32	3,200
Disposals	-252	-146	-398
Reclassifications	-1,840	-13,676	-15,516
As of Dec. 31, 2017	**84,484**	**170,451**	**254,935**
Accumulated depreciation and amortization			
As of Jan. 1, 2017	**690**	**99,386**	**100,076**
Scheduled	0	7,701	7,701
Impairments	0	-291	-291
Disposals	0	-4,423	-4,423
As of Dec. 31, 2017	**690**	**102,373**	**103,063**
Carrying amount as of Jan. 1, 2017	**82,718**	**84,855**	**167,573**
Carrying amount as of Dec. 31, 2017	**83,794**	**68,078**	**151,872**

T€	Land and property	Buildings	Total
Cost			
As of Jan. 1, 2016	**78,484**	**184,302**	**262,786**
Additions	5,163	358	5,521
Disposals	-4	-419	-423
Reclassifications	-235	0	-235
As of Dec. 31, 2016	**83,408**	**184,241**	**267,649**
Accumulated depreciation and amortization			
As of Jan. 1, 2016	**690**	**84,534**	**85,224**
Scheduled	0	15,271	15,271
Impairments	0	0	0
Disposals	0	-419	-419
As of Dec. 31, 2016	**690**	**99,386**	**100,076**
Carrying amount as of Jan. 1, 2016	**77,794**	**99,768**	**177,562**
Carrying amount as of Dec. 31, 2016	**82,718**	**84,855**	**167,573**

Reclassifications contain transfers into assets classified as held for sale in the amount of T€ 1,770 (2016: T€ 241).

Impairment losses are presented in the consolidated income statement among depreciation and amortization. Income from the reversal of impairments is presented among other income.

Munich Airport realized revenues from the lease of investment property at an amount of T€ 16,809 (2016: T€ 14,136). Operating expenses (including repairs and maintenance) were T€ 5,788 (2016: T€ 2,135).

There are obligations for the purchase and construction of investment property amounting to T€ 32,190 (Dec. 31, 2016: T€ 67,669).

Investment property is partially burdened with leasehold rights, usufructs, and similar rights. The carrying amount of this real estate is T€ 8,883 (Dec. 31, 2016: T€ 8,876).

The methods of depreciation and useful lives of investment property are disclosed in Section IV.7.

The fair value of all investment property is T€ 239,384 (Dec. 31, 2016: T€ 229,330). All investment properties are put to their highest and best use. The company calculates fair value itself. Information on the measurement methods and parameters can be found in Section IV.20.b).

All investment property is subject to operating leases. The portion of investment property not leased is not significant.

4. Investments in companies accounted for using the equity method

The carrying amount of investments in companies accounted for using the equity method is as follows:

Investment in EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH

T€	Dec. 31, 2017		Dec. 31, 2016	
Investments in companies accounted for using the equity method		**4,116**		**3,415**
FMG share in %		49		49
	Total	**Pro-rata**	**Total**	**Pro-rata**
Current assets	5,534	2,712	2,202	1,079
Non-current assets	9,288	4,551	10,392	5,092
Current liabilities	3,340	1,637	3,785	1,855
Non-current liabilities	1,180	578	1,840	901
Revenue	29,070	14,244	25,449	12,470
Earnings before tax	4,626	2,267	2,986	1,463
Consolidated profit (EAT)	3,332	1,632	2,114	1,036
Other comprehensive income	0	0	0	0
Total comprehensive income	**3,332**	**1,632**	**2,114**	**1,036**
Distributions (total)	1,900		1,588	

The fiscal year of the associate begins on October 1 and ends on September 30 of the following year. Preparation of interim financial statements was waived for reasons of materiality. The financial statements are adjusted for transactions and events with material effects that occurred between October 1 and December 31.

There is no unrecognized share of losses and no share in contingent liabilities to be disclosed.

5. Non-current financial assets

Carrying amount and fair value of non-current financial assets are attributable to the valuation categories described in Section IV.9.a) as follows:

Carrying amount and fair value of non-current financial assets

	Held for trading purposes		Available for sale		Loans and receivables		No IAS 39 measurement category		Total	
T€	Dec. 31, 2017		Dec. 31, 2017		Dec. 31, 2017		Dec. 31, 2017		Dec. 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	0	0	0	0	53	53	0	0	53	53
Trade and other receivables	**0**	**0**	**0**	**0**	**53**	**53**	**0**	**0**	**53**	**53**
Primary financial assets	0	0	279	279	0	0	0	0	279	279
Derivatives	11	11	0	0	0	0	0	0	11	11
Other financial assets	**11**	**11**	**279**	**279**	**0**	**0**	**0**	**0**	**290**	**290**
Non-current financial assets	11	11	279	279	53	53	0	0	343	343

	Held for trading purposes		Available for sale		Loans and receivables		No IAS 39 measurement category		Total	
T€	Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	0	0	0	0	64	64	20	20	84	84
Trade and other receivables	**0**	**0**	**0**	**0**	**64**	**64**	**20**	**20**	**84**	**84**
Primary financial assets	0	0	304	304	0	0	0	0	304	304
Derivatives	0	0	0	0	0	0	0	0	0	0
Other financial assets	**0**	**0**	**304**	**304**	**0**	**0**	**0**	**0**	**304**	**304**
Non-current financial assets	0	0	304	304	64	64	20	20	388	388

All counterparties for non-current financial assets enjoy high levels of creditworthiness. The Group did not identify any specific credit risks. Hence, non-current financial assets do not carry any impairment losses. None of the assets are due as of the reporting date.

Information on derivatives can be found in Section VII.16.

6. Deferred taxes

Deferred tax assets and liabilities result from the following temporary differences and loss carried forward:

Allocation of deferred taxes

	Deferred tax assets		Deferred tax liabilities	
T€	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	71	94	-790	-1,161
Property, plant, and equipment	12	9	-439,721	-444,768
Investment property	5,377	4,820	-11,791	-11,788
Inventories	21	56	-806	-423
Miscellaneous other assets	540	1,202	-157	-1,861
Assets	**6,021**	**6,181**	**-453,265**	**-460,001**
Financial liabilities	12,314	16,371	-7,099	-9,006
thereof derivatives in cash flow hedges	9,583	13,508	0	0
Provisions	6,780	7,208	-3,698	-1,462
Employee benefits	9,780	8,895	0	-36
thereof post-employment benefits and other long-term employee benefits	7,627	7,464	0	0
Other liabilities	49	50	-206	-202
Liabilities	**28,923**	**32,524**	**-11,003**	**-10,706**
Consolidation	**1,861**	**1,664**	**-4,758**	**-4,771**
Loss carried forward	4,504	2,543	0	0
Impairment on loss carried forward	-3,675	-1,669	0	0
Loss carried forward	**829**	**874**	**0**	**0**
Total	**37,634**	**41,243**	**-469,026**	**-475,478**
Offsetting	**-33,486**	**-34,353**	**33,486**	**34,353**
Amount recognized	**4,148**	**6,890**	**-435,540**	**-441,125**

The effects of the change in deferred tax assets and liabilities on consolidated income and other comprehensive income are as follows:

Effects of the change in deferred tax assets and liabilities on consolidated income and other comprehensive income

T€	2017	2016
As of Jan. 1	**-434,235**	**-450,351**
Initial consolidation	0	-27
Derivatives in cash flow hedges	-233	58
Post-employment benefits and other long-term employee benefits	75	448
Miscellaneous other temporary differences	6,649	18,358
Loss carried forward	-45	57
Deferred taxes recognized through profit and loss	**6,446**	**18,894**
Derivatives in cash flow hedges	-3,691	-3,389
Post-employment benefits and other long-term employee benefits	88	611
Deferred taxes recognized through comprehensive income	**-3,603**	**-2,778**
As of Dec. 31	**-431,392**	**-434,235**

Trade income tax loss carried forward amounting to T€ 13,045 (Dec. 31, 2016: T€ 5,584) and corporate income tax loss carried forward amounting to T€ 13,242 (Dec. 31, 2016: T€ 6,327) were not recognized. Loss carried forward does not expire.

The carrying amount of deferred tax assets includes loss carried forward of companies with tax loss in the financial or the prior year at an amount of T€ 829 (Dec. 31, 2016: T€ 874). Deferred tax assets for the tax loss carried forward are recognized above the amount of the offsettable deferred tax liabilities only to the extent that there is sufficient future taxable profit against which the tax loss carried forward can be utilized.

T€ 712 (Dec. 31, 2016: T€ 2,378) of the deferred tax assets and T€ 435,540 (Dec. 31, 2016: T€ 441,125) of the deferred tax liabilities will probably be realized more than twelve months after the reporting date.

The companies included in the consolidated financial statements are corporations and partnerships. Pursuant to Article 8b (1) in conjunction with Article 8b (5) of the Corporate Tax Act (Körperschaftsteuergesetz – KStG) and/or Article 8b (2) in conjunction with Article 8b (5) of the KStG, 95 percent of the differences between the carrying amount for tax purposes of an investment in a corporation included in the consolidated financial statements and its net assets calculated in accordance with IFRS are exempt from taxation.

No additional differences emerge between the net assets of partnerships for tax purposes depicted in accordance with the mirror image method and the net assets calculated in accordance with IFRS beyond the temporary differences taken into account at individual company level.

7. Inventories

The carrying amount of inventories is as follows:

Composition of the carrying amount of inventories

T€	Dec. 31, 2017	Dec. 31, 2016
Raw materials	7,788	7,756
Finished goods and work in progress	47	20
Merchandise	33,732	34,989
Carrying amount of inventories	**41,567**	**42,765**

T€ 483 (Dec. 31, 2016: T€ 2,383) of the carrying amount of merchandise is recognized at fair value less cost to sell.

Cost of materials includes expenses resulting from impairment on inventories at an amount of T€ 75 (2016: T€ 199). In the reporting year, no reversal of impairment (2016: T€ 0) was offset against the cost of materials. The amount of goods and material employed is T€ 128,023 (2016: T€ 131,015).

Inventories are not pledged as securities for liabilities.

8. Current financial assets

The carrying amount of current financial assets is attributable to the valuation categories described in Section IV.9.a) as follows. The carrying amount is a reasonable approximation of fair value:

Composition of the carrying amount of current financial assets

	Held for trading purposes		Loans and receivables		No IAS 39 measurement category		Total	
T€	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	0	0	65,637	54,739	0	0	65,637	54,739
Other receivables	0	0	20,908	11,074	0	0	20,908	11,074
Trade and other receivables	**0**	**0**	**86,545**	**65,813**	**0**	**0**	**86,545**	**65,813**
Derivatives	202	0	0	0	0	0	202	0
Other financial assets	**202**	**0**	**0**	**0**	**0**	**0**	**202**	**0**
Current financial assets	**202**	**0**	**86,545**	**65,813**	**0**	**0**	**86,747**	**65,813**

a) Current trade receivables

Trade receivables are impaired to take account of significant risks of default when there is objective evidence that a loss event has taken place (see Section IV.9.d). Impairments on trade receivables are recorded in a separate allowance account. The amounts recorded in that account developed as follows:

Change in the impairment account

T€	Jan. 1, 2017	Addition	Consumption	Reversal	Dec. 31, 2017
	1,451	4,155	-91	-518	4,997

T€	Jan. 1, 2016	Addition	Consumption	Reversal	Dec. 31, 2016
	1,567	567	-129	-554	1,451

The credit risk arising from trade receivables is demonstrated in the following:

Maturity analysis of trade receivables

Dec. 31, 2017	Carrying amount	of which not due	of which due and impaired	of which due and not impaired by age in days			
T€				under 30	30 to 180	180 to 360	over 360
Trade receivables	**65,637**	59,239	19	3,258	2,935	93	93

Dec. 31, 2016	Carrying amount	of which not due	of which due and impaired	of which due and not impaired by age in days			
T€				under 30	30 to 180	180 to 360	over 360
Trade receivables	**54,739**	50,177	121	2,243	1,687	471	40

Receivables not due for payment relate to debtors of varying creditworthiness. The Group did not identify any specific credit risks. The analysis of impairment risks of financial assets is primarily focused on solvency, legal disputes, and payment defaults.

Receivables arising from lease agreements are secured through deposits and guarantees. Ground handling services are rendered only against deposit of cash collateral or bank guarantees. T€ 1,550 (Dec. 31, 2016: T€ 1,270) of receivables arising from lease agreements are covered by deposits of T€ 2,281 (Dec. 31, 2016: T€ 1,599) and by guarantees and other collateral at an amount of T€ 12,398 (Dec. 31, 2016: T€ 10,012). T€ 7,573 (Dec. 31, 2016: T€ 5,324) of receivables arising from ground handling services are covered by cash collateral and bank guarantees at an amount of T€ 13,506 (Dec. 31, 2016: T€ 11,139).

Of the trade receivables of the subsidiaries of Flughafen München GmbH, T€ 3,686 (Dec. 31, 2016: T€ 2,390) were pledged as collateral for loans. The pledge was by means of undisclosed assignment pursuant to Article 398 of the German Civil Code (BGB). FMG itself does not pledge any assets as collateral for borrowings.

b) Current other receivables

The following analysis shows the main components of current other receivables:

Composition of the carrying amount of current other receivables

T€	Dec. 31, 2017	Dec. 31, 2016
Creditors with debit accounts	9,758	1,420
Supplier rebates	3,209	3,106
Receivables from associates and investments	2,840	1,935
Receivables relating to damage	1,251	1,423
Receivables from the authorities	1,402	1,402
Miscellaneous	2,448	1,788
Total	**20,908**	**11,074**

Significant risks of default in relation to current other receivables are recognized using impairment provided a loss event has occurred (see Section IV.9.d). Impairment of current other receivables is directly charged to the carrying amount. In the fiscal and previous year, no impairment or impairment of minor significance were recognized.

The current other receivables are generally not to be considered as due. The receivables relate to debtors of varying creditworthiness. The Group did not identify any specific credit risks.

c) Current other financial assets

Current other financial assets mainly relate to derivative financial instruments.

Information on derivatives can be found in Section VII.16.

9. Other assets

The following analysis shows the main components of other assets:

Composition of the carrying amount of other financial assets

T€	Dec. 31, 2017	Dec. 31, 2016
Receivables from taxes and other levies	3,983	7,749
Other non-financial receivables	0	0
Non-financial receivables	**3,983**	**7,749**
Prepayments for maintenance services	1,695	861
Prepaid insurance premiums	1,362	0
Prepaid transaction costs	400	491
Advance payments in connection with aviation	0	3,357
Miscellaneous other prepaid expenses	400	632
Prepaid expenses	**3,857**	**5,341**
Other assets	**7,840**	**13,090**
of which current	7,066	10,162
of which non-current	774	2,928

10. Cash and cash equivalents

The following analysis shows the main components of cash and cash equivalents:

Composition of the carrying amount of cash and cash equivalents

T€	Dec. 31, 2017	Dec. 31, 2016
Short-term deposits	**158,000**	**12,000**
Deposits at banks	5,329	4,867
Cash on hand	1,296	1,167
Cash and cash equivalents	**6,625**	**6,034**
Total	**164,625**	**18,034**

The composition and carrying amount of cash and cash equivalents is identical with the composition and carrying amount in the statement of cash flows.

Cash and cash equivalents are measured as loans and receivables. Carrying amount and fair value do not differ.

11. Assets held for sale

The carrying amount of assets held for sale consists largely of land that is held as an object of exchange in connection with the acquisition of areas for the airport's expansion. Other developed and undeveloped land is intended for sale. Disposals at market rates are expected for both exchange transactions and sale transactions in the following fiscal year.

12. Equity

The issued capital of FMG is divided into three shares. All shares are fully paid.

The notional value per share is:

Composition of share capital

T€	Dec. 31, 2017	Dec. 31, 2016
Free State of Bavaria	156,456	156,456
Federal Republic of Germany	79,762	79,762
City of Munich	70,558	70,558
Total	**306,776**	**306,776**

According to the resolution of the shareholders' general meeting, each shareholder is entitled to one voting right per each € 10 portion of a share. The sale of shares or portions of shares requires the approval of all shareholders.

The main components of the carrying amount of reserves are:

Composition of the carrying amount of the reserves

T€	Dec. 31, 2017	Dec. 31, 2016
Capital reserve	**102,258**	**102,258**
Actuarial gains and losses	-13,896	-13,582
Deferred taxes	3,863	3,773
Miscellaneous other revenue reserves	58,542	58,544
Revenue reserves	**48,509**	**48,735**
Reserves	**150,767**	**150,993**

The capital reserve results from a capital increase in connection with the construction of the airport facilities at the current location in Erdinger Moos. Capital reserves can only be recalled upon unanimous consent of all shareholders.

The other revenue reserves are used to fund investment projects at subsidiaries (AeroGround Flughafen München GmbH, CAP Flughafen München Sicherheits-GmbH) and meet the requirements of loan agreements (Terminal 2 Gesellschaft mbH & Co oHG). The respective shareholders' general meetings decide upon the formation and withdrawal of these reserves.

The main components of the carrying amount of other equity are:

Composition of the carrying amount of other equity

T€	Dec. 31, 2017	Dec. 31, 2016
Hedge reserve	-48,261	-66,725
Deferred taxes	9,650	13,341
Measurement through other comprehensive income	**-38,611**	**-53,384**
Initial adoption of IFRSs	975,313	975,313
Miscellaneous other retained earnings	691,996	563,196
Retained earnings	1,667,309	1,538,509
Other equity	**1,628,698**	**1,485,125**

13. Capital management

Capital management pursues the aim of safeguarding the continued existence of the company and generating appropriate returns for the shareholders. Measures are taken to manage the capital structure and the profitability in order to achieve this aim.

a) Capital structure

Capital structure is controlled with a view to maintaining a credit rating in the investment grade.

The prime key performance indicator (KPI) for the determination of the credit rating is net debt to adjusted EBITDA. The use of adjusted EBITDA is meant to create a sustainable KPI. Adjustments made relate to non-recurring effects.

The capital structure is managed with regard to the ratio between net debt and adjusted EBITDA derived from the target credit rating. This ratio is compared with benchmark KPIs of publicly traded companies of the European peer group at regular intervals.

Due to the shareholder structure of FMG, the Group primarily concentrates its efforts to manage the capital structure on the scope of financing through borrowings.

The ratio has developed as follows:

Capital structure

T€	2017	2016
Financial liabilities resulting from interests in partnerships	315,375	293,561
Other financial liabilities	2,070,696	2,117,445
Cash and cash equivalents	-164,625	-18,034
Net debt	**2,221,446**	**2,392,972**
EBITDA for the fiscal year	519,987	529,003
Extraordinary and non-recurring effects	0	0
Adjusted EBITDA	**519,987**	**529,003**
Net debt/adjusted EBITDA	**4.3**	**4.5**

The objectives, methods, and processes for managing and monitoring the capital structure have not changed in comparison with the prior year.

b) Profitability

The Group uses EBT to manage profitability. EBT is one input factor for the determination of return on capital employed (ROCE) before taxes. Munich Airport's strategy is to generate a ROCE that at least corresponds to the weighted average cost of capital (WACC). At regular intervals, ROCE is also compared with benchmark KPIs of publicly traded companies in the European peer group.

The target EBT is disaggregated into sub-targets for the divisions and subsidiaries of the Group. These objectives are taken into account as part of the calculation of the variable components of management compensation.

Adjusted EBT and ROCE developed as follows:

Profitability

T€	2017	2016
Equity	2,086,254	1,942,907
Net debt	2,221,446	2,392,972
Long-term employee benefits	50,163	47,588
Capital employed	**4,357,863**	**4,383,467**
EBT	229,240	209,873
Extraordinary and non-recurring effects	0	0
Adjusted EBT	**229,240**	**209,873**
ROCE: Adjusted EBT/capital employed in %	**5.3**	**4.8**

14. Financial liabilities resulting from interests in partnerships

In the consolidated financial statements according to HGB, financial liabilities from interests in partnerships are presented as minority interest among shareholder's equity. The economic content and the measurement of financial liabilities resulting from interests in partnerships are described in Section IV.14.b). Initial measurement is at fair value, subsequent measurement at amortized costs using the effective interest method. The carrying amount is a reasonable approximation of fair value.

The selected risk-adequate discount rate of 9.5 percent represents an after tax figure derived from the capital cost structure. In addition to the final pro rata fixed capital, the financial liability also takes into account the discounted capital contributions and discounted potential for distributions during the term of the contract through to 2056.

Under the accounting principles of these financial statements, the carrying amount is broken down by maturity in accordance with Articles 122, 132 et seqq. HGB. It therefore does not correspond to the actually expected maturities.

Composition of the carrying amount of the financial liabilities from interests in partnerships

T€	Dec. 31, 2017	Dec. 31, 2016
Carrying amount	**315,375**	**293,561**
of which non-current	293,045	293,561
of which current	22,330	0

The resulting financial liability and liquidity requirement for the Group can be approximately derived from the expected distributions and retained profit shares in subsequent years, as well as from the underlying discount factors. A reduction in the interest rate will lead to an increase in the financial liability. The expected potential for distributions was predicted on the basis of previous experience and planned trends in revenue and costs, including expected price trends, and on the basis of investments in the maintenance and expansion of infrastructure.

The following sensitivity analysis provides a quantitative estimate of the scope of the above-mentioned risk:

Interest rate in %	8.5	9.5	10.5
Value of financial liability in € million	**344,181**	**315,375**	**290,640**

The calculation methods and assumptions used in the preparation of the sensitivity analysis did not change compared to the previous period.

15. Non-current financial liabilities

Carrying amount and fair value of non-current financial liabilities are attributable to the valuation categories described in Section IV.9.a) as follows:

Carrying amount and fair value of non-current financial liabilities

T€	Held for trading purposes		At amortized cost		No IAS 39 measurement category		Total	
	Dec. 31, 2017		Dec. 31, 2017		Dec. 31, 2017		Dec. 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	0	0	12,293	12,309	0	0	12,293	12,309
Other payables	0	0	205	205	0	0	205	205
Liabilities	**0**	**0**	**12,498**	**12,514**	**0**	**0**	**12,498**	**12,514**
Borrowings	0	0	1,343,194	1,388,953	0	0	1,343,194	1,388,953
Financial liabilities from finance leases[1]	0	0	0	0	0	0	0	0
Primary financial liabilities	0	0	1,343,194	1,388,953	0	0	1,343,194	1,388,953
Derivatives	49,853	49,853	0	0	0	0	49,853	49,853
Other financial liabilities	**49,853**	**49,853**	**1,343,194**	**1,388,953**	**0**	**0**	**1,393,047**	**1,438,806**
Non-current financial liabilities	**49,853**	**49,853**	**1,355,692**	**1,401,467**	**0**	**0**	**1,405,545**	**1,451,320**

T€	Held for trading purposes		At amortized cost		No IAS 39 measurement category		Total	
	Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	0	0	19,162	19,457	0	0	19,162	19,457
Other payables			8,509	8,509			8,509	8,509
Liabilities	**0**	**0**	**27,671**	**27,966**	**0**	**0**	**27,671**	**27,966**
Borrowings	0	0	1,453,736	1,433,713	0	0	1,453,736	1,433,713
Financial liabilities from finance leases[1]	0	0	51	52	0	0	51	52
Primary financial liabilities	0	0	1,453,787	1,433,765	0	0	1,453,787	1,433,765
Derivatives	69,546	69,546	0	0	0	0	69,546	69,546
Other financial liabilities	**69,546**	**69,546**	**1,453,787**	**1,433,765**	**0**	**0**	**1,523,333**	**1,503,311**
Non-current financial liabilities	**69,546**	**69,546**	**1,481,458**	**1,461,731**	**0**	**0**	**1,551,004**	**1,531,277**

[1] Only the derecognition principles described in Section IV.9. a) must be applied to financial liabilities from finance leases. Otherwise, the general accounting principles for financial liabilities from finance leases described in Section IV.8 are applied.

a) Non-current trade payables

Non-current trade payables mainly relate to warranty retentions.

b) Non-current other payables

Non-current other payables mainly relate to deposits.

Deposits bear interest at market rates. There are no significant differences between carrying amount and fair value.

c) Non-current borrowings

Borrowings mainly relate to syndicated loans. The loans bear customary non-financial covenants, including negative pledge and pari passu clauses. In addition, there are other general conventional agreements concerning interest rate adjustment and repayment in the event of changes in the FMG shareholder structure. There are no financial covenants.

Non-current borrowings include the following amounts:

Borrowings

Dec. 31, 2017	Carrying amount	Transaction costs	Total
	T€	T€	T€
Fixed interest rate	687,535	0	687,535
Variable interest rate	836,260	-6,733	829,527
	1,523,795	**-6,733**	**1,517,062**

Dec. 31, 2016	Carrying amount	Transaction costs	Total
	T€	T€	T€
Fixed interest rate	704,843	0	704,843
Variable interest rate	847,300	-7,698	839,602
	1,552,143	**-7,698**	**1,544,445**

The critical terms of short- and long-term fixed-rate loans are as follows:

Key conditions of fixed-rate loans

Dec. 31, 2017	Carrying amount	Residual debt	Interest	
Currency	T€	T€	from in %	to in %
EUR	**687,535**	695,879	0.48	4.05

Dec. 31, 2016	Carrying amount	Residual debt	Interest	
Currency	T€	T€	from in %	to in %
EUR	**704,843**	720,621	0.48	4.05

The critical terms of short- and long-term floating-rate loans are as follows:

Key conditions of variable-rate loans

Dec. 31, 2017	Carrying amount	Residual debt	Base interest
Currency	T€	T€	
EUR	836,260	836,260	3M- and 6M-EURIBOR

Dec. 31, 2016	Carrying amount	Residual debt	Base interest
Currency	T€	T€	
EUR	847,300	847,300	3M-EURIBOR

The current portion of the borrowings' carrying amount (including transaction costs) is recognized under current financial liabilities.

d) Non-current financial liabilities from finance leases

The carrying amount of financial liabilities from finance leases equals the present value of outstanding minimum lease payments. The total payments to be made in future fiscal years and their present values are compared in the following overview:

Total and present value of payments on finance leases to be made in the future fiscal periods

	Dec. 31, 2017		
T€	Expected payment	Discounting	Carrying amount
≤ 1 year	52	0	52
Current	**52**	**0**	**52**
1 to 5 years	0	0	0
≥ 5 years	0	0	0
Non-current	**0**	**0**	**0**
Total	**52**	**0**	**52**

	Dec. 31, 2016		
T€	Expected payment	Discounting	Carrying amount
≤ 1 year	208	-2	206
Current	**208**	**-2**	**206**
1 to 5 years	52	-1	51
≥ 5 years	0	0	0
Non-current	**52**	**-1**	**51**
Total	**260**	**-3**	**257**

The current portion of the financial liabilities' carrying amount is presented among current financial liabilities.

The finance leases include agreements on the transfer of office equipment and data processing systems in particular. The minimum term of the agreements in question equals the economic useful life of the items transferred. The leases are embedded in a service and maintenance agreement as a rule.

e) Non-current derivative financial liabilities

Information on derivatives can be found in Section VII.16 below.

16. Derivatives and hedging activities

Munich Airport uses derivatives to hedge financial risks arising from floating rate borrowings and from transactions in foreign currency. All hedge relations are highly effective. The Group does not hold any derivatives for trading or speculation purposes.

The carrying amounts of the derivatives are as follows:

Composition of the carrying amount of derivative financial instruments

	Assets		Liabilities	
T€	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Recognized hedges				
Cash flow hedging				
Interest rate swaps	0	0	51,255	69,648
Off-balance sheet hedges				
Foreign currency forwards	213	0	0	645
Total	**213**	**0**	**51,255**	**70,293**

The carrying amount of the derivatives corresponds with their fair value.

The carrying amount of derivatives with a term to maturity of less than one year is recognized under current financial assets/ liabilities.

a) Cash flow hedging

Munich Airport uses interest rate swaps to limit its exposure to fluctuations in interest rates payable under floating-rate borrowings. The floating-rate payments are exchanged for fixed-rate payments (pay-fixed/receive-floating). As a result, the risk of future changes in interest rates is fully eliminated. The portfolio includes current and forward starting swaps.

The portfolio of hedges is composed as follows:

Key conditions of interest hedges

Dec. 31, 2017	Nominal	FMG pays		FMG receives
Type	T€	from in %	to in %	
Swaps	724,000	0.28	2.92	3M- and 6M-EURIBOR

Dec. 31, 2016	Nominal	FMG pays		FMG receives
Type	T€	from in %	to in %	
Swaps	744,000	0.28	2.92	3M- and 6M-EURIBOR
Forward starting swaps	10,000	0.60	0.60	3M-EURIBOR

The carrying amount of derivatives that are designated into cash flow hedges changed as follows:

Change in the carrying amount of derivatives designated into cash flow hedges

T€	Interest hedge	
Effective portion		
As of Jan. 1, 2017	**66,725**	
Reclassification	-20,148	
Revaluation	1,684	
As of Dec. 31, 2017	**48,261**	
Ineffective portion		
As of Jan. 1, 2017	**0**	
Revaluation	0	
As of Dec. 31, 2017	**0**	
Non-designated portion		
As of Jan. 1, 2017	**2,923**	
Net change	71	
As of Dec. 31, 2017	**2,994**	
Carrying amount		
As of Jan. 1, 2017	**69,648**	
As of Dec. 31, 2017	**51,255**	
	Asset	Liability
	0	51,255

Change in the carrying amount of derivatives designated into cash flow hedges

T€	Interest hedge	
Effective portion		
As of Jan. 1, 2016	**79,964**	
Reclassification	-5,610	
Revaluation	-7,629	
As of Dec. 31, 2016	**66,725**	
Ineffective portion		
As of Jan. 1, 2016	**65**	
Revaluation	-65	
As of Dec. 31, 2016	**0**	
Non-designated portion		
As of Jan. 1, 2016	**3,125**	
Net change	-202	
As of Dec. 31, 2016	**2,923**	
Carrying amount		
As of Jan. 1, 2016	**83,154**	
As of Dec. 31, 2016	**69,648**	
	Asset	**Liability**
	0	69,648

The effective portion of the interest rate hedges is reclassified to financial expenses upon occurrence of the hedged interest payment, offsetting the expenses from interest payments for the hedged underlying transaction. Reclassification is expected to take place in the following fiscal periods:

Expected reclassification from the hedging reserve to the consolidated income statement

Dec. 31, 2017	2018	2019 to 2022	After 2022
T€			
Expected reclassification to interest expenses	1,148	47,031	82

Dec. 31, 2016	2017	2018 to 2021	After 2021
T€			
Expected reclassification to interest expenses	370	65,755	600

b) Off-balance sheet hedges

The carrying amount of off-balance sheet hedges results from foreign currency forwards, which are used to limit liquidity risks arising from long-term sales agreements in foreign currency. The aim of these transactions is to ensure that expected fees are exchanged at a specific exchange rate.

Because of the small number of transactions and the minor consequences for consolidated profit, Munich Airport decided to suspend accounting for these types of hedges on January 1, 2014 until further notice.

The main terms of these foreign currency forwards are:

Key conditions of foreign currency forwards

Dec. 31, 2017	Nominal	Munich Airport Group pays	Munich Airport Group receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Foreign currency forwards	4,626	USD	EUR	1.09	1.20

Dec. 31, 2016	Nominal	Munich Airport Group pays	Munich Airport Group receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Foreign currency forwards	8,147	USD	EUR	1.10	1.12

17. Employee benefits

Provisions for employee benefits contain:

Composition of the carrying amount of provisions for employee benefits

T€	Dec. 31, 2017	Dec. 31, 2016
Post-employment pension benefits	30,272	30,051
Post-employment medical benefits	3,853	3,960
Post-employment benefits	**34,125**	**34,011**
Jubilee benefits	3,873	2,907
Phased retirement arrangements	9,230	7,698
Other long-term employee benefits	**13,103**	**10,605**
Termination benefits	3,581	3,704
Bonus payments	4,282	4,605
Overtime accounts	27,953	23,020
Unpaid wages and salaries	5,165	4,715
Miscellaneous other benefits	2,841	2,222
Other short-term employee benefits	**40,241**	**34,562**
Employee benefits	**91,050**	**82,882**
of which non-current	50,163	47,588
of which current	40,887	35,294

a) Post-employment pension benefits

Certain managers with procuration, directors, and their surviving dependents are entitled to receive post-employment pension benefits. Currently 29 persons (Dec. 31, 2016: 29) are entitled to the plan, of whom 4 (Dec. 31, 2016: 4) are active employees and 25 (Dec. 31, 2016: 25) are retired persons, surviving dependents, and other entitled persons. The amount of the benefits depends on the length of service, the salary at the time of retirement, and the general pension level. The pension payments are made from current operating cash flows.

Munich Airport did not set up any plan assets for the financing of pension benefit payments. The carrying amount of the defined benefit liability is identical with the carrying amount of the defined benefit obligation.

The carrying amount of the defined pension benefit liability developed as follows:

Change in the carrying amount of the provisions for post-employment pension benefits

T€	2017	2016
Obligation as of Jan. 1	**30,051**	**28,809**
Current service cost	607	577
Interest expenses	469	562
Pension payments	-1,381	-1,369
Actuarial gains and losses	526	1,472
Obligation as of Dec. 31	**30,272**	**30,051**
Expected pension expenses	1,083	1,075
Expected pension payments	-1,422	-1,381
Expected obligation as of Dec. 31 of the following year	**29,933**	**29,745**

The change of actuarial losses is attributable to the following:

Reasons for the change in actuarial gains and losses from provisions for post-employment pension benefits

T€	2017	2016
As of Jan. 1	**11,763**	**10,291**
Change in financial assumptions	0	1,549
Experience-based changes	526	-77
As of Dec. 31	**12,289**	**11,763**

The measurement of the defined pension benefit obligations is based on the following assumptions:

Assumptions for the measurement of provisions for post-employment pension benefits

T€	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.6	1.6
Salary trend	3.0	3.0
Pension trend	2.0	2.0
Fluctuation	0.0	0.0

Life expectancy is derived from the 2005 G guideline tables by Klaus Heubeck based on monthly payments made in advance.

The average duration of the entitlements is eleven years (Dec. 31, 2016: eleven years).

The liquidity risk resulting from post-employment pension benefits is moderate. The risk can be approximated from the expected pension payments of the following year and the average duration of the entitlements.

Additional risks arise from fluctuations of interest rates, the salary, and the pension trend. A reduction of interest rates will result in an increase in the amount of the defined benefit liability. Likewise, the carrying amount will increase with an increase in the expected salary at the time of retirement. The same applies for an increase in the pension level following retirement. There is only a moderate risk, on the other hand, from a change in life expectancy.

The following sensitivity analysis provides a quantitative estimate of the scope of the above-mentioned risks:

Sensitivity analysis on the carrying amount of the provisions for post-employment pension benefits

Dec. 31, 2017	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-11.8	14.7
Salary trend	1.0	1.5	-1.4
Pension trend	1.0	12.0	-10.2

Dec. 31, 2016	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-12.1	15.1
Salary trend	1.0	1.6	-1.5
Pension trend	1.0	12.8	-10.7

The sensitivity analysis is based on the change of one assumption while holding all other assumptions constant. The method applied in the calculation of sensitivities is that used to subsequently measure pension liabilities (the projected unit credit method).

The calculation methods and assumptions used in the preparation of the sensitivity analysis did not change compared to the previous period.

b) Post-employment medical benefits

Civil servants and pensioners are entitled to receive post-employment medical benefits. Currently 46 persons (Dec. 31, 2016: 47) are entitled to the plan, of whom 19 (Dec. 31, 2016: 21) are active employees and 27 (Dec. 31, 2016: 26) are retired persons and surviving dependents. The amount of the medical benefits depends on the length of service. Benefit payments will be paid lifelong from the date of retirement. The medical benefits are paid from current operating cash flows.

Munich Airport has not set up any plan assets for the financing of medical benefit payments. The carrying amount of the defined benefit liability is identical with the carrying amount of the defined benefit obligation.

The carrying amount of the defined medical benefit liability developed as follows:

Change in the carrying amount of the provisions for post-employment medical benefits

T€	2017	2016
Obligation as of Jan. 1	**3,960**	**3,157**
Current service cost	220	177
Interest expenses	62	61
Aid payments	-177	-144
Actuarial gains and losses	-212	709
Obligation as of Dec. 31	**3,853**	**3,960**
Expected addition	257	282
Expected benefit payments	-182	-177
Expected obligation as of Dec. 31 of the following year	**3,928**	**4,065**

The change of actuarial gains and losses is attributable to the following:

Reasons for the change in the actuarial gains or losses from provisions for post-employment medical benefits

T€	2017	2016
As of Jan. 1	**1,819**	**1,110**
Change in financial assumptions	0	224
Experience-based changes	-212	485
As of Dec. 31	**1,607**	**1,819**

The measurement of the defined medical benefit obligations is based on the following assumptions:

Assumptions for the measurement of provisions for post-employment medical benefits

%	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.6	1.6
Fluctuation	0.0	0.0
Cost trend	3.0	3.0
Average insurance premiums in T€	9.1	7.9

Life expectancy is derived from the 2005 G guideline tables by Klaus Heubeck based on monthly payments made in advance.

The average duration is 13 years (Dec. 31, 2016: 15 years).

The benefit commitments result in a moderate liquidity risk for the Group. This risk can be approximated from the expected benefit payment for the following year and the average duration of benefit commitments.

Additional risks arise from fluctuations in the level of market interest rates and future medical costs. A reduction in the market interest rate level will lead to an increase in the amount of provisions for benefit commitments. The provision amount will likewise increase with an increase in the expected medical costs. There is only a moderate risk, on the other hand, from a change in life expectancy.

The following sensitivity analysis provides a quantitative estimate of the scope of the above-mentioned risks:

Sensitivity analysis on the carrying amount of the provisions for post-employment medical benefits

Dec. 31, 2017	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-12.5	15.9
Cost trend	1.0	15.4	-12.5

Dec. 31, 2016	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-13.1	16.9
Cost trend	1.0	15.7	-12.6

The sensitivity analysis is based on the change of one assumption while holding all other assumptions constant. The method applied in the calculation of sensitivities is that used to subsequently measure medical benefit liabilities (the projected unit credit method).

The calculation methods and assumptions used in the preparation of the sensitivity analysis did not change compared to the previous period.

c) Post-employment benefits via the Bavarian municipalities' supplementary welfare fund

All employees of Munich Airport employed in accordance with the provisions of the TVöD collective pay scale agreement for public sector employees receive an occupational pension. They are insured via their respective employers in the Bavarian municipalities' supplementary welfare fund. The supplementary welfare fund provides all employees of its members with insurance covering post-employment benefits, benefits to compensate for reductions in earning capacity, and benefits for surviving dependents.

The fund is financed via the levies and supplementary contributions of its members from investment and provisions. The levy is determined on the basis of an actuarial calculation, which is updated annually, of the fund's financing requirement over the planning horizon applicable at the time (maximum ten years). The levy rate currently amounts to 3.75 percent. The fund also levies an additional contribution to build up a capital stock, which currently stands at 4.0 percent. If membership is canceled, the company withdrawing from the fund must make a compensatory contribution equal to the present value of all obligations from post-employment benefits to the company's insured employees.

The occupational post-employment benefits provided via the welfare fund are a joint pension commitment by several companies. The members of the welfare fund bear the financial and biometric risk of post-employment benefits jointly. The – theoretically possible – asset allocation for each member is not constituted from the total contributions paid in each case but purely arithmetically from the total actuarial risks contributed in each case. Munich Airport is also exposed to the actuarial risks of the current and former employees of other external members with regard to the components of the obligation covered by the levy. It is impossible to reconcile the assets and a clear allocation of the obligation reliably. Post-employment benefits are therefore accounted for as a defined-contribution commitment. Contribution payments are recognized as an expense immediately.

Munich Airport is not aware of any deficits or surplus at the welfare fund nor of the scope of other companies' participation.

Munich Airport is expecting contribution payments of T€ 16,831 for fiscal year 2018. In fiscal year 2017 contribution payments of T€ 17,520 were made.

18. Other provisions

The carrying amount of other provisions developed as follows:

Composition of the carrying amount of other provisions

T€	Regional fund	Restoration	Miscellaneous	Total
As of Jan. 1, 2017	**93,602**	**2,149**	**12,674**	**108,425**
Additions	0	0	3,365	3,365
Utilization	-3,135	-627	-3,185	-6,947
Reversals	0	-1,522	-1,211	-2,733
Unwinding of discount	0	0	0	0
Deductions of accrued interest	-621	0	0	-621
Changes in interest rates	-260	0	-5	-265
As of Dec. 31, 2017	**89,586**	**0**	**11,638**	**101,224**
of which current	390	0	9,534	9,924
of which non-current	89,196	0	2,104	91,300

Provisions for the regional fund have been recognized for obligations arising from agreements with neighboring municipalities on the funding of infrastructure projects where it is not certain when and to what extent funds will be drawn. Munich Airport agreed up to 2010 to support certain road construction projects in Freising and Erding with a total amount of T€ 10,000. T€ 9,340 of the fund have already been drawn up to fiscal year 2017. The remainder is expected to be paid by 2018. In addition, a further T€ 40,000 for traffic infrastructure projects and T€ 50,000 for other infrastructure projects and to mitigate individual hardship has been made available to the surrounding municipalities. The funds may be drawn in maximum annual installments of T€ 15,000 upon the commencement of construction of the third runway.

Provisions for restoration are recognized as far as the Group has an inevitable obligation towards third parties. It is not certain when and to what extent restoration expenses will be incurred.

Payments for other provisions are expected in the following intervals:

Expected payments due to other provisions

Dec. 31, 2017	In one year	In 2 to 5 years	After 5 years
T€			
Regional fund	390	35,390	54,880
Restoration	0	0	0
Miscellaneous	9,534	1,044	1,077
Total	**9,924**	**36,434**	**55,957**

19. Current financial liabilities

The carrying amount of current financial liabilities is attributable to the valuation categories described in Section IV.9.a) as follows. Due to their short-term nature, their carrying amount is a reasonable approximation of fair value:

Composition of the carrying amount of current financial liabilities

	Held for trading purposes		At amortized cost		No IAS 39 measurement category		Total	
T€	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Trade payables	0	0	52,193	65,218	0	0	52,193	65,218
Other payables	0	0	107,110	102,615	0	0	107,110	102,615
Liabilities	**0**	**0**	**159,303**	**167,833**	**0**	**0**	**159,303**	**167,833**
Borrowings from shareholders	0	0	502,327	502,450	0	0	502,327	502,450
Borrowings	0	0	173,868	90,709	0	0	173,868	90,709
Financial liabilities from finance leases[1]	0	0	52	206	0	0	52	206
Non-derivative other financial liabilities	0	0	676,247	593,365	0	0	676,247	593,365
Derivative other financial liabilities	1,402	747	0	0	0	0	1,402	747
Other financial liabilities	**1,402**	**747**	**676,247**	**593,365**	**0**	**0**	**677,649**	**594,112**
Current financial liabilities	**1,402**	**747**	**835,550**	**761,198**	**0**	**0**	**836,952**	**761,945**

[1] Only the derecognition principles described in Section IV.8.a) must be applied to financial liabilities from finance leases. Otherwise, the general accounting principles for financial liabilities from finance leases described in Section IV.7 are applied.

a) Other current payables

The carrying amount of other current payables is comprised as follows:

Composition of the carrying amounts of current other payables

T€	Dec. 31, 2017	Dec. 31, 2016
Outstanding invoices	65,865	83,310
Payables from marketing activities	12,063	9,084
Debtors with credit balances	6,974	3,148
Payables to associates and investments	5,676	1,133
Miscellaneous other payables	16,532	5,940
Total	**107,110**	**102,615**

b) Borrowings from shareholders

T€ 130,418 (Dec. 31, 2016: T€ 130,450) of the borrowings from shareholders are owed to the Federal Republic of Germany, T€ 255,821 (Dec. 31, 2016: T€ 255,884) to the Free State of Bavaria, and T€ 116,087 (Dec. 31, 2016: T€ 116,116) to the City of Munich. The loans bear earnings-based interest and are for indefinite terms. Repayment requires a separate agreement. They are classified as current since Munich Airport does not have the unrestricted right to deny repayment within the following fiscal year. In the year under review, interest expense on shareholder loans amounted to T€ 10,414 (2016: T€ 10,537).

c) Current financial liabilities from finance leases

Notes on financial liabilities from finance leases can be found in Section VII.15.d).

20. Other liabilities

The carrying amount of other liabilities is comprised as follows:

Composition of the carrying amount of other liabilities

T€	Dec. 31, 2017	Dec. 31, 2016
Liabilities from taxes and other levies	6,004	2,664
Advance payments received	1,479	2,649
Other non-financial liabilities	**7,483**	**5,313**
Advance payments on leases	11,838	12,655
Advance payments in relation to construction activities	3,814	4,275
Advance payments on heritable building rights	3,626	3,860
Other deferred income	1,960	3,617
Deferred income	**21,238**	**24,407**
Total	**28,721**	**29,720**
of which current	11,416	11,170
of which non-current	17,305	18,550

21. Contingent liabilities

As in the prior year, there were no contingent liabilities as of December 31, 2017.

22. Operating permit

On May 9, 1974, the Bavarian Ministry of Economic Affairs and Media, Energy, and Technology approved operations by Flughafen München GmbH in accordance with aviation law under Section 6 of the German Air Traffic Act (Luftverkehrsgesetz – LuftVG). The operation permit contains all essential regulations for airport operation. The amendment according to Section 6(4) LuftVG for the operation of the third runway has not yet been obtained. It does not expire at a specific point of time.

In addition to the provisions of the aviation permit, the airport operator must observe the regulations resulting directly from the law (in particular the German Air Traffic Act and ordinances issued from it). FMG 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 ensure the availability of fire protection systems and emergency services that take account of the special operating conditions.

The pricing of take-off and landing charges is subject to approval by the Bavarian Ministry of the Interior, Building and Transport. Airlines are incorporated into the approval process by means of consulting procedures. In fiscal year 2014, Munich Airport concluded a master agreement on charges with uniform terms and conditions for all airlines, which secures the future development of air traffic charges until 2020.

VIII. Financial risk management

The risk management system of Munich Airport, along with the main risks, is explained in detail in the Group management report of December 31, 2017.

In the course of its business activities, Munich Airport is exposed to a wide range of different financial risks. They include credit, liquidity, and market risks arising from interest rate and exchange rate fluctuations.

Munich Airport was also exposed to these risks in the prior year in comparable composition.

Financial risk management is embedded into the Group's risk management and reporting system. It is carried out by the central treasury department (Group Treasury). All material financial risks are reported to the Executive Board on a quarterly basis. Liquidity, borrowings, and the composition of the portfolio of derivatives are reported monthly.

Derivatives are used exclusively for hedging. Only Group Treasury may acquire or sell derivatives. Treasury software is used for the documentation, processing, and the management of financial risks from derivatives. The software guarantees strict segregation of the functions between acquisition, settlement, and accounting for derivatives and monitoring the risks arising from these transactions.

The methods of financial risk management have not changed in comparison with the prior year.

1. Market risk

Munich Airport is exposed to market risks arising from fluctuations of interest and exchange rates. These risks affect the payment obligations from floating-rate loans. To a lesser extent, exchange rate risks influence cash flows from international consulting business.

Munich Airport addresses market risks through the use of derivative financial instruments. Hedging transactions are acquired solely for hedging purposes and mainly used to hedge fluctuations in cash flows.

The Group uses interest rate swaps to hedge cash flows against fluctuations in interest rates. Fluctuations in exchange rates are eliminated through currency futures. Disclosures on derivatives and hedging activities can be found in Section VII.16.

The remaining exposure to risks of fluctuations in interest and exchange rates is disclosed in the following sensitivity analysis.

The analysis of sensitivity to fluctuations in interest rates presents the effects of an increase or a decrease in total comprehensive income, profit and loss and other comprehensive income in the event of a parallel shift of the yield curve by plus 100 basis points or minus 25 basis points.

It is based on the following assumptions:

- The interest expense from fixed-rate borrowings measured at amortized cost with rates fixed for more than a year does not change. This applies independent of the time of the next interest rate fixing.
- Changes in the yield curve may affect the expected cash flows applicable for the determination of the carrying amount of fixed-rate borrowings measured at amortized cost with rates fixed for more than a year. These effects are not taken into consideration.
- The interest expense from financial instruments measured at amortized cost where rates are fixed for periods of less than one year, for example when fixed at 3M-EURIBOR or 6M-EURIBOR, changes. This applies independent of whether such borrowings have been designated into cash flow hedges. The carrying amount of these borrowings does not change.
- The interest expense from interest-bearing derivatives, for example when fixed at 3M-EURIBOR or 6M-EURIBOR, changes. This applies independent of whether such instruments have been designated into cash flow hedges.
- The carrying amount of derivatives changes. Secondary effects from the parallel yield curve shift, such as on forward exchange rates, are not taken into account in determining the sensitivity to changes in interest rates.
- Provided derivatives have been designated into cash flow hedges, the ineffective portion of the changes in fair value affects net profit. The effective portion of the changes in fair value affects other comprehensive income.

Under the aforementioned assumptions, a parallel shift of the yield curve by plus 100 or minus 25 basis points will decrease or increase total comprehensive income, profit and loss, and other comprehensive income as follows:

Interest sensitivity analysis

	Dec. 31, 2017		Dec. 31, 2016	
T€	+100 BP[1]	-25 BP[1]	+100 BP[1]	-25 BP[1]
Total comprehensive income	15,046	-3,970	22,744	-5,549
thereof other comprehensive income	22,286	-5,780	30,284	-7,434
thereof net profit	-7,240	1,810	-7,540	1,885

[1] Basis points

The sensitivity analysis uses the same assumptions and methods as in the previous year.

Most exchange rate risks arise from fluctuations of the euro against the Omani rial (OMR) and the US dollar (USD). Preparation of a currency sensitivity analysis was waived for reasons of materiality.

2. Credit risk

Munich Airport's credit risk primarily results from short-term deposits. In order to limit these risks the Group does not accept counterparties without deposit protection and/or seat outside the European Union.

Default risks are addressed through a severe and effective receivables management. This includes the comprehensive and constant monitoring of debtors' creditworthiness, overdue invoices, and a stringent collections management. Lease payments are secured through deposits and guarantees. Ground handling services are rendered only against deposit of cash collateral and bank guarantees.

Sales of retail stores and restaurants are predominantly made against cash or by credit card.

Defaults of individual financial assets are addressed in the impairment test.

Without taking account of any collateral held, the maximum exposure to credit risk corresponds with the total carrying amount of all financial assets amounting to T€ 251,716 (Dec. 31, 2016: T€ 84,235).

A concentration of credit risks arising from business relations with individual debtors or groups of debtors is not apparent.

For further disclosures concerning bad debt risk, in particular concerning impairments and the aging structure of receivables and other financial assets, see Sections VII.5 and VII.8.

3. Liquidity risk

The management of liquidity risks is carried out by Group Treasury. The liquidity risk is monitored in the course of long-, medium-, and short-term financial planning. In order to ensure liquidity at all times, long-term credit lines and liquid funds are made available based on a rolling liquidity plan.

The liquid funds of all subsidiaries are concentrated through the Group's cash pooling. Alongside the securitization of a positive cash flow from operating activities, Munich Airport maintains adequate liquidity in the form of short-term investment and credit lines. In the reporting year, cash flow from operating activities amounted to T€ 381,922 (2016: T€ 528,832). Munich Airport had access to credit lines of T€ 236,296 (Dec. 31, 2016: T€ 266,405).

The following table shows an analysis of the remaining contractual maturities for the non-derivative and derivative financial liabilities:

Liquidity analysis

	2018		2019 to 2022		After 2022		
Dec. 31, 2017	**Interest**	**Principal repayment**	**Interest**	**Principal repayment**	**Interest**	**Principal repayment**	**Total**
T€							
Financial liabilities from interests in partnerships	0	22,330	0	122,503	0	1,070,432	1,215,265
Shareholders	10,414	491,913	0	0	0	0	502,327
Loans	19,777	155,527	75,525	640,723	35,157	735,303	1,662,012
Finance leases	0	52	0	0	0	0	52
Trade payables	0	52,215	0	12,831	0	0	65,046
Other financial liabilities	0	107,110	0	205	0	0	107,315
Non-derivative financial liabilities	**30,191**	**829,147**	**75,525**	**776,262**	**35,157**	**1,805,735**	**3,552,017**
Derivatives	17,780	0	34,689	0	548	0	53,017
Derivative financial liabilities	**17,780**	**0**	**34,689**	**0**	**548**	**0**	**53,017**
Total	**47,971**	**829,147**	**110,214**	**776,262**	**35,705**	**1,805,735**	**3,605,034**

	2017		2018 to 2021		After 2021		
Dec. 31, 2016	**Interest**	**Principal repayment**	**Interest**	**Principal repayment**	**Interest**	**Principal repayment**	**Total**
T€							
Financial liabilities from interests in partnerships	0	0	0	123,946	0	929,411	1,053,357
Shareholders	10,537	491,913	0	0	0	0	502,450
Loans	21,131	71,815	76,050	584,893	53,707	911,214	1,718,810
Finance leases	0	206	0	52	0	0	258
Trade payables	0	65,222	0	22,667	0	0	87,889
Other financial liabilities	0	102,615	0	8,509	0	0	111,124
Non-derivative financial liabilities	**31,668**	**731,771**	**76,050**	**740,067**	**53,707**	**1,840,625**	**3,473,888**
Derivatives	18,921	645	53,155	0	618	0	73,339
Derivative financial liabilities	**18,921**	**645**	**53,155**	**0**	**618**	**0**	**73,339**
Total	**50,589**	**732,416**	**129,205**	**740,067**	**54,325**	**1,840,625**	**3,547,227**

Borrowings from shareholders are only repaid on the basis of separate repayment agreements. As long as not otherwise agreed, repayments of borrowings from shareholders are disclosed as current.

Repayments of financial liabilities from interests in partnerships are disclosed at the expected redemption amount. The maturity of these liabilities reflects the earliest possible time of termination.

IX. Notes to the cash flow statement

The carrying amounts relating to the financing activities developed as follows in the fiscal year:

Development of the carrying amounts relating to the financing activities

	Assets and liabilities					Other equity	Total
	Receivables and payables relating to associates and investments	Borrowings	Borrowings from shareholders	Financial liabilities from finance leases	Derivative financial liabilities		
T€							
As at Jan. 1, 2017	**802**	**1,544,445**	**502,450**	**260**	**69,648**	**1,485,125**	
Payments for distributions to shareholders						-30,000	-30,000
Proceeds from borrowings		33,184					33,184
Repayments of borrowings		-68,970		-205			-69,175
Interest paid (excluding construction period interest)		-16,180	-10,537		-18,832		-45,549
Cash flows from Group-wide cash management with associates and investments	-2,832						-2,832
Payments from construction period interest		-4,596			0		-4,596
Changes from financing cash flows	**-2,832**	**-56,562**	**-10,537**	**-205**	**-18,832**	**-30,000**	**-118,968**
Changes in fair values	0	3,745	0	0	-18,464	14,719	0
Other changes	-806	25,434	10,414	-3	18,903	159,328	214,076
As at Dec. 31, 2017	**-2,836**	**1,517,062**	**502,327**	**52**	**51,255**	**1,629,172**	

X. Notes to transactions with related parties

FMG is the ultimate parent of the Group. The shares of Flughafen München GmbH are held by the Free State of Bavaria (51 percent), the Federal Republic of Germany (26 percent), and the City of Munich (23 percent) (see Section VII.12). Decisions that affect the business as a whole and decisions about certain transactions are made by the shareholders unanimously. All other decisions are made with a simple majority.

1. Transactions with public agencies

The shares of FMG are held by the state. Hence, all agencies of the state are related parties.

Transactions with agencies result primarily from the lease of offices and other operational areas to police and customs with indefinite lease terms. The prices charged to public agencies may not exceed refundable expenses. They are subject to audits on a regular basis. The revenues and expenses resulting from business relationships with authorities are not material for the consolidated financial statements. Debit accounts are not significant.

2. Transactions with public companies

Entities whose decisions about the relevant business activities are controlled, jointly controlled or materially influenced by the Federal Republic of Germany, the Free State of Bavaria or the City of Munich are also related parties.

Among these are credit institutions with direct shareholding of governmental bodies (inter alia, Bayerische Landesbank Anstalt des öffentlichen Rechts, Kreditanstalt für Wiederaufbau, and LfA Förderbank Bayern) and credit institutes with indirect shareholding through public assets such as the financial market stabilization funds SoFFin (including Commerzbank AG). Transactions with these credit institutions result from financial liabilities (loans) and derivatives (interest swaps).

Transactions with credit institutions classified as related parties

T€	2017	2016
Non-derivative financial liabilities		
Interest payments	-20,776	-25,105
Repayments	-68,970	-521,216
Proceeds	589	200,000
Derivative financial liabilities		
Interest payments	-8,853	-21,923

Related parties also include public companies and institutions which have been engaged by the federal government and the Free State of Bavaria to perform sovereign functions at Munich Airport, for example the monitoring of aviation (including DFS Deutsche Flugsicherung GmbH, SGM Sicherheitsgesellschaft am Flughafen München GmbH, Deutscher Wetterdienst Anstalt des öffentlichen Rechts). Transactions with these entities primarily result from the lease of office and operational areas with indefinite lease terms.

Munich Airport is doing business with entities whose financial and business policies are at least materially influenced by the state. These include all companies included into the consolidated group of Deutsche Post AG, Telekom Deutschland GmbH, and Deutsche Bahn AG. There are mutual supply and service agreements between Munich Airport and these groups. Revenues and expenses from these transactions, however, are not substantial.

3. Transactions with associates and companies that have not been included in the consolidated group for materiality reasons

The scope of consolidation of Flughafen München GmbH includes one associate (EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH). The joint venture MediCare Flughafen München Medizinisches Zentrum GmbH and the subsidiaries FMV – Flughafen München Versicherungsvermittlungsgesellschaft mbH and HSD Flughafen GmbH have not been included in the consolidated group for materiality reasons.

There are mutual supply and service agreements between Munich Airport and these companies with the following effects on Group revenues, assets, and liabilities:

Transactions with associates and companies that have not been included in the consolidated group for materiality reasons

T€	Dec. 31, 2017	Dec. 31, 2016
Receivables	2,840	1,935
Liabilities	5,676	1,133

T€	Dec. 31, 2017	Dec. 31, 2016
Lease revenues	6,176	6,001
Miscellaneous other revenues	3,889	3,718
Other income	46	6
Total income	**10,111**	**9,725**
Cost of materials	15,362	12,246
Other expenses	175	386
Expenses	**15,537**	**12,632**

The other revenues relate primarily to IT services and maintenance of movable assets. The cost of materials primarily results from aircraft handling and from medical services.

4. Transactions with related persons

The members of the Executive Board and of the Supervisory Board of FMG are related persons.

The remuneration of the members of the Executive Board comprises a fixed salary and a variable, performance-based bonus:

Remuneration of the members of the Executive Board

2017	Salary	Bonuses and other remunerations	Total
T€			
Dr. Michael Kerkloh	312	185	497
Thomas Weyer	280	165	445
Andrea Gebbeken	210	39	249
Total	**802**	**389**	**1,191**

The other remunerations include non-cash remunerations, contractual ancillary benefits, and one-off payments. The provisions for post-employment pension benefits to executive officers amount to T€ 5,887 (2016: T€ 5,422).

Former members of the Executive Board and their surviving dependents received total payments worth T€ 781 in fiscal year 2017 (2016: T€ 762). Pension provisions worth T€ 10,552 (2016: T€ 10,741) are available for future pension benefits and for entitlements to benefits for surviving dependents.

Payments to the Supervisory Board amounted to T€ 32 (2016: T€ 32).

There are no loans to or contingent liabilities in favor of board members.

Munich, April 24, 2018

Dr. Michael Kerkloh **Andrea Gebbeken** **Thomas Weyer**