Notes to the consolidated financial statements

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I. Company

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

FMG 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 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, 2016, 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, 2017, 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 euros (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), FMG 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 2016 Munich Airport did not apply any new accounting regulations for the first time.

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

The IASB published the IFRS 15 standard, Revenue from Contracts with Customers, in May 2014. IFRS 15 sets out comprehensive parameters for determining whether, to what extent, and when revenue is recognized. It replaces existing guidelines on the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC Customer Loyalty Programs. In future, new qualitative and quantitative information will be required that should allow users of financial statements to understand the type, level, time, and insecurity of revenue and cash flows from contract with customers.

According to IFRS 15, revenue is always recognized if the customer has authority to dispose of the goods or service. Based on a five-step model, it is a case of determining the point in time (or over time) and in what amount the revenue needs to be recognized.

IFRS 15 also contains rules on how to represent existing performance obligations or cases when performance is exceeded, in relation to the relevant contract, with contractual assets and/or liabilities showing up in the balance sheet accordingly.

IFRS 15 is to be applied to the first reporting period in any fiscal year starting on or after January 1, 2018, with early application also allowed. The Group has no plans to apply this standard early.

The impact of the new rules associated with the IFRS 15 standard on the consolidated financial statements of Flughafen München GmbH are currently being examined as part of an impact assessment. It will only be possible to comment on the quantitative and qualitative impact once this analysis phase is complete.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board published the final version of IFRS 9 Financial Instruments. IFRS 9 is to be applied to the first reporting period in any fiscal year starting on or after January 1, 2018, with early application also allowed. The Group intends to apply IFRS 9 for the first time to the fiscal year starting on January 1, 2018.

Munich Airport is currently reviewing what the overall impact of applying the IFRS 9 standard to the consolidated financial statements will be.

IFRS 9 contains the following rules, among other things:
Classification – 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 three classification categories for financial assets are (i) valued at amortized cost, (ii) valued at fair value through profit or loss (FVTPL), and (iii) valued at fair value though other comprehensive income (FVOCI).

Impairment – Financial assets and contractual 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. This kind of assessment is based on weighted probabilities.

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 lifetime of a financial instrument.

Classification – Financial liabilities: IFRS 9 retains the existing requirements under IAS 39 for the classification of financial liabilities to a large extent.

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

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IFRS 16 Leases

Published by the IASB in January 2016, IFRS 16 (Leases) introduces a uniform accounting model whereby leases must be recognized in the lessee's balance sheet. A lessee recognizes a right-of-use asset that represents its right to use the underlying asset, and also a liability from the lease that represents its obligation to make payments under the lease.

From the lessor's perspective, accounting is comparable with the present standard, i.e. the lessor will continue to classify leases as finance or operating leases.

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

The standard is to be applied to the first reporting period in any fiscal year starting on or after January 1, 2019. Early application is allowed for companies who are applying IFRS 15 Revenue from Contracts with Customers at the time IFRS 16 is first applied or beforehand. As things currently stand, the Group intends to apply IFRS 16 for the first time to the fiscal year commencing on January 01, 2019.

Flughafen München GmbH is currently reviewing the impact of applying the IFRS 16 standard to the consolidated financial statements.

3. Corrections as per IAS 8

In 2016, the Group corrected provisions for deferred maintenance expenses (remedial measures) which had been built up since 2013. As a result, provisions, deferred tax, other expenses, and interest expenses were overvalued. The Group has also, in 2016, revised financial liabilities resulting from interests in partnerships that were carried as liabilities following the IFRS conversion. The following items are affected by the corrections: financial liabilities resulting from interests in partnerships, other equity, interest result, and other financial result.

The error was corrected by adjusting the items concerned from the previous year's reports accordingly.

The tables below summarize the impact on the consolidated financial statements:

Consolidated balance sheet January 1, 2015

	Impact of corrections		
T€	**Reported previously**	**Adjustments**	**Corrected**
Other equity	1,506,083	-221,588	1,284,495
Equity	**1,906,972**	**-221,588**	**1,685,384**
Financial liabilities resulting from interests in partnerships	**67,875**	**224,632**	**292,507**
Other provisions	103,320	-3,876	99,444
Deferred tax liabilities	502,480	1,172	503,652
Non-current liabilities	**2,311,648**	**-2,704**	**2,308,944**
Other provisions	13,377	-340	13,037
Current liabilities	**950,367**	**-340**	**950,027**

Consolidated balance sheet December 31, 2015

	Impact of corrections		
T€	**Reported previously**	**Adjustments**	**Corrected**
Other equity	1,597,223	-213,667	1,383,556
Equity	**2,026,676**	**-213,667**	**1,813,009**
Financial liabilities resulting from interests in partnerships	**56,680**	**220,408**	**277,088**
Other provisions	103,810	-7,553	96,257
Deferred tax liabilities	459,862	2,592	462,454
Non-current liabilities	**2,037,849**	**-4,961**	**2,032,888**
Other provisions	17,694	-1,780	15,914
Current liabilities	**1,283,203**	**-1,780**	**1,281,423**

Consolidated income statement January 1 to December 31, 2015

	Impact of corrections		
T€	**Reported previously**	**Adjustments**	**Corrected**
Other expenses	-93,509	5,116	-88,393
Operating result (EBIT)	**274,839**	**5,116**	**279,955**
Interest result	-83,624	11,998	-71,626
Other financial result	-3,270	-7,773	-11,043
Financial result	**-86,894**	**4,225**	**-82,669**
Profit before tax (EBT)	**189,081**	**9,341**	**198,422**
Income taxes	-53,669	-1,420	-55,089
Consolidated profit (EAT)	**135,412**	**7,921**	**143,333**

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 that enable it to affect the 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.

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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

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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

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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, 2016	Dec. 31, 2015
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

[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.

The lease agreement between MAC Grundstücksgesellschaft mbH & Co.KG (MAC KG) and München Airport Center Betriebsgesellschaft MAC mbH (MAC GmbH) came to an end on October 31, 2016, with the acquisition of the MAC building by FMG. The agency agreement concluded between FMG and MAC GmbH regarding the management and leasing of office and commercial space at the MAC building also came to an end. The agreements reached in the lease and agency agreement about the way MAC GmbH carries out its business provided the basis for the consolidation of MAC GmbH. As a consequence of the termination of these agreements, the company was deconsolidated at the same time. The resulting deconsolidation loss of T€ 2,373 is shown under other operating expenses.

b) Associates

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

Associates

Name	Seat	Activities	Share of capital in %	
			Dec. 31, 2016	Dec. 31, 2015
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH	Freising	De-icing and aircraft pushback	49	49

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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, 2016	Share of capital in % Dec. 31, 2015
FMV – Flughafen München Versicherungsvermittlungsgesellschaft mbH	Freising	Insurance agents	SU[1]	100	100
Munich Airport International GmbH (previously: Munich Airport International Beteiligungs-GmbH)	Munich	Investment	SU[1]	100	100
HSD Flughafen GmbH	Berlin	Ground handling services	SU[1]	100	0
MediCare Flughafen München Medizinisches Zentrum GmbH	Oberding	Medical services	JV[2]	51	51
Radiologisches Diagnostikzentrum München Airport GmbH	Oberding	Medical services	JV[2]	18.2	18.2

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

As a result of non-inclusion, consolidated revenue is reported 0.37 percent lower (2015: 0.42 percent). The carrying amount of Munich Airport's investment in MediCare Flughafen München Medizinisches Zentrum GmbH (MediCare) amounts to T€ 153 (2015: T€ 153) The airport participates as follows in the assets and liabilities and net profit of MediCare:

Investment in MediCare Flughafen München Medizinisches Zentrum GmbH

T€	Dec. 31, 2016		Dec. 31, 2015	
Investments in joint ventures		153		153
FMG share in %		51		51
	Total	Pro-rata	Total	Pro-rata
Current assets	854	436	1,283	654
Non-current assets	1,135	579	898	458
Current liabilities	1,170	597	1,407	718
Non-current liabilities	20	10	19	10
Revenue	7,392	3,770	7,568	3,860
Profit before taxes	63	32	276	141
Consolidated profit (EAT)	45	23	237	121
Other comprehensive income	0	0	0	0
Total comprehensive income	45	23	237	121
Distributions		0		0

c) Corporate acquisitions

Global air traffic is forecast to grow significantly over the next 20 years. Expanding exposure outside the airport campus should give Munich Airport more options to participate in international growth and become more independent from local market trends. As from January 18, 2016, AeroGround Berlin GmbH acquired 100 percent of the voting shares in Acciona Airport Services, Berlin GmbH (Acciona) and 100 percent of the voting shares in HSD Flughafen GmbH (HSD). The companies provide ground handling services at Berlin-Tegel and Berlin-Schönefeld airports.

Corporate acquisitions

Name	Seat	Activities	Date of acquisition	Proportion	Costs
				In %	T€
Acciona Airport Services, Berlin GmbH	Charlottenburg	Ground handling services	Jan. 18, 2016	100	1,400
HSD Flughafen GmbH	Berlin	Ground handling services	Jan. 18, 2016	100	100

The purchase price was paid in cash.

At the time control was secured, both companies had funds available totaling T€ 659, resulting in a net cash outflow of T€ 841. The fair value of assets and liabilities acquired was T€ 1,400 and T€ 185 respectively at the time of acquisition and consists of the following items:

Non-current assets

T€	Acciona	HSD
Non-current assets		
Fixed assets	1,277	115
Current assets		
Cash and cash equivalents	350	309
Trade and other receivables	2,327	427
Prepayments	22	2
Deferred tax assets	37	0
Non-current liabilities		
Provisions	-125	0
Employee benefits	-52	0
Current liabilities		
Provisions	-77	-127
Employee benefits	-734	0
Liabilities	-1,564	-541
Deferred tax liabilities	-61	0
Equity	**1,400**	**185**

Receivables mainly relate to trade receivables. Trade receivables cover contractual receivables in gross amounts of T€ 1,438, of which T€ 50 were deemed to be probably irrecoverable at the time of acquisition. The recognized carrying amount is equivalent to the fair value.

Acciona merged with AeroGround Berlin during fiscal year 2016 (with retrospective effect from January 1, 2016). HSD is not included in the consolidated financial statements for 2016.

No goodwill was generated from the acquisition of Acciona because the consideration transferred was equivalent to the fair value of the net acquired assets identified.

Group net profit includes a loss of T€ 584 from the additional business generated by Acciona. Revenue for the current fiscal year includes T€ 16,226 relating to the former Acciona.

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	50 years
Roofs	20 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	15–20 years
Operating fixtures and equipment	
Mobile equipment, operations, and ground handling	4–10 years
Furnishings and fixtures	4–14 years
Vehicle pool	10 years
Other fixtures and fittings	**3–10 years**

At the end of each reporting period, the Group analyses 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 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 recognition of internally generated intangible assets related to special software for airport operation is 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 annually examined 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 the Group 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 available for sale financial assets and financial instruments at fair value through profit and loss is at fair value. 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 seq 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).

If the hedge no longer meets the requirements of hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortized to profit or loss over the period to maturity.

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 are reclassified to profit or loss in the periods where 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 underlying transaction, the hedging transaction, the hedge relation, risk management objectives and methods of measuring effectiveness. 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 comprise 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 (for pension benefits) and actuarial assumptions on future health care costs (for medical benefits), as well as the life expectancy of the persons entitled to the plan. 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 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	Parameter	
T€	Dec. 31, 2016	Dec. 31, 2015		Type	Hierarchy[4]
Interest rate swaps	0	1,040	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rate[1], volatility rate[2], CDS spreads[3], default loss[1]	II
Currency futures	0	5	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rate [1], volatility rate[2], CDS spreads[3], default loss[2]	II
Assets	**0**	**1,045**			
Interest rate swaps	69,648	84,194	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rate[1], volatility rate[2], CDS spreads[3], default loss[3]	II
Currency futures	645	0	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rate [1], volatility rate[2], CDS spreads[3], default loss[3]	II
Liabilities	**70,293**	**84,194**			

[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], net property return	III II	VII.3
Property outside the airport campus	Asset value method, income approach	Ground value, adjusted normal production costs, net income[1], economic useful life[1], net property return	II III	VII.3 VII.3
Receivables	Discounted cash flows	Expected cash flows[3], discount rate[3], CDS spreads[4]	II	VII.5 VII.15
Non-derivative financial liabilities	Discounted cash flows	Expected cash flows[3], discount rate[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 seq; 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 shareholder's 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 shareholder's 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 assumes that the third runway will be commissioned by 2023 at the latest. The investment in expanding the airport totaling T€ 180,157 (2015: T€ 178,733) 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€ 93,602 (2015: T€ 91,663) was provided for this purpose.

VI. Notes to the consolidated income statement

1. Revenue

Revenues result from the following activities and transactions:

Revenue

T€	2016	2015
Leases, royalties, and licenses	796,666	732,760
Services	310,128	262,432
Sale of goods	188,278	186,637
Miscellaneous	69,050	67,477
Total	**1,364,122**	**1,249,306**

Lease revenue primarily 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 17 years' prior written notice, however. Only few agreements include a definite lease term. The remaining life of those leases amounts to up to six 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 five years' prior written notice, however. Only few agreements include a definite lease term. The remaining life of those leases amounts to up to 13 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€ 16,582 (2015: T€ 17,017).

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

Expected revenue from non-cancellable operating leases

T€	Dec. 31, 2016	Dec. 31, 2015
In one year	69,588	70,132
In 2 to 5 years	172,348	187,816
After 5 years	104,832	97,407
Total	**346,768**	**355,355**

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

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€	2016	2015
Income from disposals of fixed assets and assets classified as held for sale	27,578	5,401
Income from the reversal of other liabilities	7,027	4,673
Income from the reversal and consumption of other provisions	5,685	3,126
Income in connection with damage and compensation	2,311	2,343
Income from marketing of advertising space	0	9,118
Income from the derecognition of liabilities	0	6,493
Miscellaneous	4,042	7,610
Total	**46,643**	**38,764**

Income from marketing of advertising space, income from the derecognition of liabilities, and T€ 5,143 of other income were assigned to revenue in fiscal year 2016. Exchange rate gains amount to T€ 566 (2015: T€ 1,079).

4. Cost of materials

Cost of materials includes the following amounts:

Cost of materials

T€	2016	2015
Expenditures for raw materials and supplies	-164,620	-164,748
Expenditures for purchased services	-187,465	-161,851
Total	**-352,085**	**-326,599**

5. Personnel expenses

The personnel expenses include the following amounts:

Personnel expenses

T€	2016	2015
Wages and salaries	-370,267	-326,813
Social security and support benefits	-65,385	-58,043
Expenses for defined benefit plans	-577	-533
Expenses for defined contribution plans	-16,286	-14,953
Expenses for post-employment benefits	-16,863	-15,486
Total	**-452,515**	**-400,342**

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

Number of employees

Average	2016	2015
Employees (permanent/temporary, trainees)	8,891	8,091
Apprentices	250	256
Total	**9,141**	**8,347**

6. Other expenses

Other expenses include the following amounts:

Other expenses

T€	2016	2015 (adjusted)
Expenses for audit, consulting, and project services	-16,885	-13,499
Expenses for advertising and PR	-12,425	-11,334
Other personnel expenses	-11,806	-9,812
Lease expenses	-10,836	-8,334
Contributions and fees for public utilities and other fees	-8,485	-9,508
Insurance	-7,438	-7,028
Additional leasing costs and office communication	-5,165	-4,196
Losses from the disposal of non-current assets	-3,157	-4,376
Other expenses in connection with damages	-2,880	-2,505
Expenses from deconsolidation	-2,373	0
Other taxes	-2,400	-5,172
Bank charges	-554	-392
Miscellaneous	-12,688	-12,237
Total	**-97,092**	**-88,393**

Exchange rate losses amount to T€ 172 (2015: T€ 351).

Miscellaneous other expenses also contain expenses from impairment of financial assets. These items are attributable to the valuation categories (at amortized cost) described in Section IV.9.a) as follows:

Composition of expenses from impairment of financial assets

T€	2016	2015
Loans and receivables	-567	-413
Total	**-567**	**-413**

Charges paid to the auditor are presented among miscellaneous other expenses, as well. They include audit fees at an amount of T€ 177 (2015: T€ 159), other attestation services at an amount of T€ 50 (2015: T€ 0), tax advisory services at an amount of T€ 265 (2015: T€ 0), and fees for other services amounting to T€ 93 (2015: T€ 25).

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 two to three 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€	Dec. 31, 2016	Dec. 31, 2015
In one year	5,900	5,935
In 2 to 5 years	10,044	12,027
After 5 years	0	0
Total	**15,944**	**17,962**

7. Depreciation and amortization

Depreciation includes the following amounts:

Depreciation and amortization

T€	2016	2015
Depreciation	-238,839	-214,278
Impairment	-232	0
Total	**-239,071**	**-214,278**

8. Financial result

The interest result is as follows:

Financial result

T€	2016	2015 (adjusted)
Interest income from short-term deposits and other receivables	1,001	1,187
Interest expenses from loans	-50,997	-42,509
Interest expenses from derivatives	-28,952	-28,106
Interest result from financial instruments	**-78,948**	**-69,428**
Other interest income	0	606
Other interest expense	-2,815	-2,804
Other interest result	**-2,815**	**-2,198**
Total	**-81,763**	**-71,626**

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€	2016	2015 (adjusted)
Income from the transfer of profit from non-consolidated entities	476	458
Net gains from financial instruments	2,524	2,753
Other financial income	**3,000**	**3,211**
Expense from profit/loss transfer	0	0
Net losses from financial instruments	-2,332	-14,254
Other financial expense	**-2,332**	**-14,254**
Total	**668**	**-11,043**

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€	2016	2015 (adjusted)
At fair value through profit or loss	0	5
Financial assets	**0**	**5**
At fair value, designated	462	13
At fair value through profit or loss	60	196
Derivative financial liabilities	**522**	**209**
At amortized cost	2,002	2,539
Non-derivative financial liabilities	**2,002**	**2,539**
Financial liabilities	**2,524**	**2,748**
Total	**2,524**	**2,753**

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€	2016	2015 (adjusted)
At fair value, designated	0	-3
Financial assets	**0**	**-3**
At fair value, designated	-476	-12
At fair value, through profit or loss	-647	-183
Derivative financial liabilities	**-1,123**	**-195**
At amortized cost	-1,209	-14,056
Non-derivative financial liabilities	**-1,209**	**-14,056**
Financial liabilities	**-2,332**	**-14,251**
Total	**-2,332**	**-14,254**

9. Income taxes

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

Composition of income tax expenses

T€	2016	2015 (adjusted)
Trade income tax	-34,751	-34,919
Corporate income tax	-42,412	-40,314
Actual taxes	**-77,163**	**-75,233**
Deferred taxes	18,921	20,144
Tax expenses	**-58,242**	**-55,089**

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

	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**

	2015	
%	from	to
Trade income tax	8.40	11.92
Corporate income tax and reunification tax	15.83	15.83
Total tax rate	**24.23**	**27.75**

If the earnings before taxes presented in these financial statements were the tax base, an income tax expense of T€ 58,313 would be expected (2015: T€ 55,062). 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€	Dec. 31, 2016	Dec. 31, 2015 (adjusted)
Profit before taxes (EBT)	**209,873**	**198,422**
Tax rate in %	27.8	27.8
Expected income tax expense/income	**-58,313**	**-55,062**
Non-deductible losses and expenses (trade income tax)	-1,538	-1,653
Non-taxable income and revenues (trade income tax)	3,440	4,576
Deviations from group tax rate	11,692	9,301
Change in deferred taxes due to changes in tax rates	-534	745
Effects from the utilization of tax losses without recognition of deferred tax assets in prior periods	657	-537
Effect from deconsolidation	-574	0
Non-deductible losses and expenses (corporate income tax)	1,147	-392
Non-taxable income and revenues (corporate income tax)	216	88
Current taxes relating to other periods	2,728	63
Deferred taxes relating to other periods	-3,806	1,270
Tax effect from German partnerships	-14,661	-13,696
Miscellaneous other effects	1,304	208
Reported tax expenses	**-58,242**	**-55,089**

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: Miscellaneous	Purchased: Advance payments	Self-produced: of which completed	Self-produced: of which incomplete	Total
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**

T€	Intangible assets – Purchased: Miscellaneous	Purchased: Advance payments	Self-produced: of which completed	Self-produced: of which incomplete	Total
Cost					
As of Jan. 1, 2015	**39,420**	**2,447**	**976**	**0**	**42,843**
Additions	2,153	1,206	387	67	3,813
Disposals	-10,449	-82	0	0	-10,531
Reclassifications	1,828	-2,244	463	0	47
As of Dec. 31, 2015	**32,952**	**1,327**	**1,826**	**67**	**36,172**
Accumulated depreciation and amortization					
As of Jan. 1, 2015	**30,492**	**0**	**439**	**0**	**30,931**
Scheduled	2,783	0	235	0	3,018
Disposals	-10,093	0	0	0	-10,093
As of Dec. 31, 2015	**23,182**	**0**	**674**	**0**	**23,856**
Carrying amount as of Jan. 1, 2015	**8,928**	**2,447**	**537**	**0**	**11,912**
Carrying amount as of Dec. 31, 2015	**9,770**	**1,327**	**1,152**	**67**	**12,316**

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€ 1,990 (Dec. 31, 2015: T€ 2,229) are presented among acquired intangible assets. Emission rights are intangible assets with indefinite useful lives.

There are obligations for the acquisition of intangible assets amounting to T€ 164 (Dec. 31, 2015: T€ 0).

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 reporting year, there was no development expenditure 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, 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**

T€	Land and property	Buildings	Machinery and equipment	Fixtures and fittings	Property, plant, and equipment under construction	Total
Cost						
As of Jan. 1, 2015	**1,858,205**	**3,484,586**	**1,577,355**	**300,425**	**640,876**	**7,861,447**
Additions	1,543	8,037	16,061	14,233	243,615	283,489
Disposals	-2	-10,465	-6,954	-25,091	-1,877	-44,389
Reclassifications	289	20,780	72,411	1,604	-95,420	-336
As of Dec. 31, 2015	**1,860,035**	**3,502,938**	**1,658,873**	**291,171**	**787,194**	**8,100,211**
Accumulated depreciation and amortization						
As of Jan. 1, 2015	**15,035**	**1,815,749**	**1,008,554**	**243,888**	**0**	**3,083,226**
Scheduled	0	133,130	48,662	14,149	0	195,941
Disposals	0	-9,459	-3,183	-24,971	0	-37,613
Reclassifications	0	14	-32	18	0	0
As of Dec. 31, 2015	**15,035**	**1,939,434**	**1,054,001**	**233,084**	**0**	**3,241,554**
Carrying amount as of Jan. 1, 2015	**1,843,170**	**1,668,837**	**568,801**	**56,537**	**640,876**	**4,778,221**
Carrying amount as of Dec. 31, 2015	**1,845,000**	**1,563,504**	**604,872**	**58,087**	**787,194**	**4,858,657**

Reclassifications contain transfers into assets classified as held for sale in the amount off T€ 111 (2015: T€ 55).

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, 2015: T€ 5,669).

Bank borrowings are secured on buildings of subsidiaries of FMG at an amount of T€ 1,080,098 (Dec. 31, 2015: T€ 602,462) and on both machinery and equipment and fixtures and fittings of subsidiaries at an amount of T€ 415,890 (Dec. 31, 2015: T€ 254,717). FMG 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€ 83,800 (Dec. 31, 2015: T€ 136,878).

Munich Airport has received compensation for the damage to, or loss of, property, plant, and equipment in the amount of T€ 700 (Dec. 31, 2015: T€ 950), T€ 700 (Dec. 31, 2015: T€ 200) of which 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€ 4,290 (Dec. 31, 2015: T€ 4,960) and borrowing costs resulting from direct project financing at an amount of T€ 4,351 (Dec. 31, 2015: T€ 12,934). Capitalization of general borrowing costs in the reporting year is based on a capitalization rate of 2.50 percent (2015: 2.80 percent).

The Group was granted two lots of assistance from the government in fiscal year 2016 amounting to a total of T€ 739, which were directly deducted from the carrying amount of the asset.

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, 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**

T€	Fixtures and fittings
Cost	
As of Jan. 1, 2015	**2,429**
Additions	0
Disposals	-1,320
As of Dec. 31, 2015	**1,109**
Accumulated depreciation and amortization	
As of Jan. 1, 2015	**1,761**
Scheduled	202
Disposals	-1,320
As of Dec. 31, 2015	**643**
Carrying amount as of Jan. 1, 2015	**668**
Carrying amount as of Dec. 31, 2015	**466**

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, 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**

T€	Land and property	Buildings
Cost		
As of Jan. 1, 2015	**106,649**	**572,304**
Additions	0	868
Disposals	0	-3,245
Reclassifications	0	668
As of Dec. 31, 2015	**106,649**	**570,595**
Accumulated depreciation and amortization		
As of Jan. 1, 2015	**0**	**250,062**
Scheduled	0	33,231
Disposals	0	-2,100
Reclassifications	0	0
As of Dec. 31, 2015	**0**	**281,193**
Carrying amount as of Jan. 1, 2015	**106,649**	**322,242**
Carrying amount as of Dec. 31, 2015	**106,649**	**289,402**

3. Investment properties

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, 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**

T€	Land and property	Buildings	Total
Cost			
As of Jan. 1, 2015	**76,411**	**185,082**	**261,493**
Additions	2,268	453	2,721
Disposals	-5	-1,238	-1,243
Reclassifications	-190	5	-185
As of Dec. 31, 2015	**78,484**	**184,302**	**262,786**
Accumulated depreciation and amortization			
As of Jan. 1, 2015	**690**	**70,451**	**71,141**
Scheduled	0	15,319	15,319
Impairments	0	0	0
Disposals	0	-1,236	-1,236
As of Dec. 31, 2015	**690**	**84,534**	**85,224**
Carrying amount as of Jan. 1, 2015	**75,721**	**114,631**	**190,352**
Carrying amount as of Dec. 31, 2015	**77,794**	**99,768**	**177,562**

Reclassifications contain transfers into assets classified as held for sale in the amount off T€ 241 (2015: T€ 419).

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€ 14,136 (2015: T€ 14,174). Operating expenses (including repairs and maintenance) were T€ 2,135 (2015: T€ 2,284).

There are obligations for the purchase and construction of investment property amounting to T€ 67,669 (Dec. 31, 2015: T€ 70,464).

Investment property is partially burdened with leasehold rights, usufructs, and similar rights. The carrying amount of this property is T€ 8,876 (Dec. 31, 2015: T€ 7,641).

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€ 229,330 (Dec. 31, 2015: T€ 251,539). 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, 2016		Dec. 31, 2015	
Investments in companies accounted for using the equity method		**3,415**		**3,157**
FMG share in %		49		49
	Total	**Pro-rata**	**Total**	**Pro-rata**
Current assets	2,202	1,079	1,485	728
Non-current assets	10,392	5,092	11,339	5,556
Current liabilities	3,785	1,855	4,264	2,089
Non-current liabilities	1,840	901	2,118	1,038
Revenue	25,449	12,470	26,686	13,076
Earnings before taxes	2,986	1,463	3,243	1,589
Consolidated profit (EAT)	2,114	1,036	2,318	1,136
Other comprehensive income	0	0	0	0
Total comprehensive income	**2,114**	**1,036**	**2,318**	**1,136**
Distributions		1,588		319

The fiscal year of EFM 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

T€	Held for trading purposes Dec. 31, 2016		Available for sale Dec. 31, 2016		Loans and receivables Dec. 31, 2016		Total Dec. 31, 2016	
	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]
Other receivables	0	0	0	0	84	84	84	84
Trade and other receivables	**0**	**0**	**0**	**0**	**84**	**84**	**84**	**84**
Primary financial assets	0	0	304	304	0	0	304	304
Derivatives	0	0	0	0	0	0	0	0
Other financial assets	**0**	**0**	**304**	**304**	**0**	**0**	**304**	**304**
Non-current financial assets	**0**	**0**	**304**	**304**	**84**	**84**	**388**	**388**

[1] CA = carrying amount
[2] FV = fair value

T€	Held for trading purposes Dec. 31, 2015		Available for sale Dec. 31, 2015		Loans and receivables Dec. 31, 2015		Total Dec. 31, 2015	
	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]
Other receivables	0	0	0	0	119	119	119	119
Trade and other receivables	**0**	**0**	**0**	**0**	**119**	**119**	**119**	**119**
Primary financial assets	0	0	204	204	0	0	204	204
Derivatives	1,040	1,040	0	0	0	0	1,040	1,040
Other financial assets	**1,040**	**1,040**	**204**	**204**	**0**	**0**	**1,244**	**1,244**
Non-current financial assets	**1,040**	**1,040**	**204**	**204**	**119**	**119**	**1,363**	**1,363**

[1] CA = carrying amount
[2] FV = fair value

All counterparties for non-current financial assets enjoy high levels of creditworthiness. The Group did not notice any specific credit risks. Hence, non-current financial assets do not carry any impairment losses. All of the assets are not 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

T€	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015 (adjusted)
Intangible assets	94	122	-1,161	-1,348
Property, plant, and equipment	9	5,347	-444,768	-462,404
Investment property	4,820	5,341	-11,788	-17,634
Financial assets	0	0	0	-208
thereof derivatives in cash flow hedges	0	0	0	-208
Inventories	56	184	-423	-435
Miscellaneous other assets	1,202	1,530	-1,861	-1,154
Assets	**6,181**	**12,524**	**-460,001**	**-483,183**
Financial liabilities	16,371	20,486	-9,006	-10,939
thereof derivatives in cash flow hedges	13,508	17,047	0	0
Provisions	7,208	9,827	-1,462	-2,926
Employee benefits	8,895	6,797	-36	0
thereof post-employment benefits and other long-term employee benefits	7,464	6,405	0	0
Other liabilities	50	53	-202	-189
Liabilities	**32,524**	**37,163**	**-10,706**	**-14,054**
Consolidation	**1,664**	**1,204**	**-4,771**	**-4,822**
Loss carried forward	2,543	3,135	0	0
Impairment on loss carried forward	-1,669	-2,318	0	0
Loss carried forward	**874**	**817**	**0**	**0**
Total	**41,243**	**51,708**	**-475,478**	**-502,059**
Offsetting	**-34,353**	**-39,605**	**34,353**	**39,605**
Amount recognized	**6,890**	**12,103**	**-441,125**	**-462,454**

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€	2016	2015 (adjusted)
As of Jan. 1	**-450,351**	**-465,988**
Initial consolidation	-27	0
Derivatives in cash flow hedges	58	-486
Post-employment benefits and other long-term employee benefits	448	94
Miscellaneous other temporary differences	18,358	20,314
Loss carried forward	57	222
Deferred taxes recognized through profit and loss	**18,894**	**20,144**
Derivatives in cash flow hedges	-3,389	-4,738
Post-employment benefits and other long-term employee benefits	611	231
Deferred taxes recognized through comprehensive income	**-2,778**	**-4,507**
As of Dec. 31	**-434,235**	**-450,351**

Trade income tax loss carried forward amounting to T€ 5.584 (Dec. 31, 2015: T€ 6,510) and corporate income tax loss carried forward amounting to T€ 6,327 (Dec. 31, 2015: T€ 9,982) 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€ 874 (Dec. 31, 2015: T€ 817). Deferred tax assets for the carried forward of tax loss 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€ 2,378 (Dec.31, 2015: T€ 5,901) of deferred tax assets and T€ 441,125 (Dec. 31, 2015: T€ 461,811) of 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, 2016	Dec. 31, 2015
Raw materials	7,756	7,819
Finished goods and work in progress	20	24
Merchandise	34,989	31,978
Carrying amount of inventories	**42,765**	**39,821**

The carrying amount of merchandise that is recognized at fair value less cost to sell is T€ 2,383 (Dec. 31, 2015: T€ 602).

Cost of materials includes expenses resulting from impairment on inventories at an amount of T€ 199 (2015: T€ 70).

In the reporting year, no reversal of impairment (2015: T€ 0) was netted off against cost of materials. The amount of goods and material employed is T€ 131,015 (2015: T€ 121,561).

Inventories are not pledged as securities for liabilities.

8. Current financial assets

The carrying amount of current financial assets are 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		Total	
T€	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Trade receivables	0	0	54,739	47,376	54,739	47,376
Other receivables	0	0	11,074	12,059	11,074	12,059
Trade and other receivables	**0**	**0**	**65,813**	**59,435**	**65,813**	**59,435**
Derivatives	0	5	0	0	0	5
Other financial assets	**0**	**5**	**0**	**0**	**0**	**5**
Current financial assets	**0**	**5**	**65,813**	**59,435**	**65,813**	**59,440**

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, 2016	Addition	Consumption	Reversal	Dec. 31, 2016
	1,567	567	-129	-554	1,451
T€	**Jan. 1, 2015**	**Addition**	**Consumption**	**Reversal**	**Dec. 31, 2015**
	1,382	413	-91	-137	1,567

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

Maturity analysis of trade receivables

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

Dec. 31, 2015	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	47,376	42,214	213	3,242	1,115	161	431

Receivables not due for payment relate to debtors of varying creditworthiness. The Group did not notice 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€ 1,270 (Dec. 31, 2015: T€ 975) of receivables arising from lease agreements are covered by deposits of T€ 1,599 (Dec. 31, 2015: T€ 1,502) and by guarantees of T€ 10,012 (Dec. 31, 2015: T€ 8,619). T€ 5,324 (Dec. 31, 2015: T€ 4,308) of receivables arising from ground handling services are covered by cash collateral, bank guarantees, and other collateral at an amount of T€ 11,139 (Dec. 31, 2015: T€ 9,007).

T€ 2,390 (Dec. 31, 2015: T€ 651) of the trade receivables of subsidiaries of FMG 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, 2016	Dec. 31, 2015
Supplier rebates	3,106	3,106
Receivables from associates and investments	1,935	1,968
Receivables relating to damage	1,423	1,378
Debit balances in accounts payable	1,420	1,555
Receivables from the authorities	1,402	0
Receivables from banks	9	531
Receivables from consulting	7	1,733
Miscellaneous	1,772	1,788
Total	**11,074**	**12,059**

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 are 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 notice 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, 2016	Dec. 31, 2015
Receivables from taxes and other levies	7,749	9,127
Other non-financial receivables	0	0
Non-financial receivables	**7,749**	**9,127**
Advance payments in connection with aviation	3,357	4,571
Prepaid transaction costs	491	161
Prepayments for maintenance services	861	925
Prepaid insurance premiums	0	24
Miscellaneous other prepaid expenses	632	778
Prepaid expenses	**5,341**	**6,459**
Other assets	**13,090**	**15,586**
of which current	10,162	11,812
of which non-current	2,928	3,774

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, 2016	Dec. 31, 2015
Short-term deposits	**12,000**	**212,000**
Deposits at banks	4,867	4,052
Cash on hand	1,167	1,271
Cash and cash equivalents	**6,034**	**5,323**
Total	**18,034**	**217,323**

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, 2016	Dec. 31, 2015
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**

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, 2016	Dec. 31, 2015
Capital reserve	**102,258**	**102,258**
Actuarial gains and losses	-13,582	-11,401
Deferred taxes	3,773	3,164
Miscellaneous other revenue reserves	58,544	33,525
Revenue reserves	**48,735**	**25,288**
Reserves	**150,993**	**127,546**

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, 2016	Dec. 31, 2015 (adjusted)
Hedge reserve	-66,725	-79,964
Deferred taxes	13,341	16,730
Measurement through other comprehensive income	**-53,384**	**-63,234**
Initial adoption of IFRSs	975,313	975,313
Miscellaneous other retained earnings	563,196	471,477
Retained earnings	**1,538,509**	**1,446,790**
Other equity	**1,485,125**	**1,383,556**

13. Capital management

The objectives of the Group's capital management strategy are to ensure that all entities of the Group continue as a going concern, to maximize the return to shareholders and to maintain an appropriate capital structure.

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€	2016	2015 (adjusted)
Financial liabilities resulting from interests in partnerships	293,561	277,088
Other financial liabilities	2,117,445	2,482,926
Cash and cash equivalents	-18,034	-217,323
Net debt	**2,392,972**	**2,542,691**
EBITDA for the fiscal year	529,003	494,233
Extraordinary and non-recurring effects	0	0
Adjusted EBITDA	**529,003**	**494,233**
Net debt/adjusted EBITDA	**4.5**	**5.1**

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. The Group'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€	2016	2015 (adjusted)
Equity	1,942,907	1,813,009
Net debt	2,392,972	2,542,691
Long-term employee benefits	47,588	42,356
Capital employed	**4,383,467**	**4,398,056**
EBT	209,873	198,422
Extraordinary and non-recurring effects	0	0
Adjusted EBT	**209,873**	**198,422**
ROCE: Adjusted EBT/capital employed in %	**4.8**	**4.5**

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.

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The selected risk-adequate discount rate of 9.5 percent represents an after tax figure derived from the capital 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 though 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. seq HGB. It does therefore not correspond to the actually expected maturities.

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

T€	Dec. 31, 2016	Dec. 31, 2015 (adjusted)
Carrying amount	**293,561**	**277,088**
of which non-current	272,308	277,059
of which current	21,253	29

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 estimated 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 risks:

Interest rate in %	8.5	9.5	10.5
Value of financial liability in € million	**321**	**294**	**268**

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 Dec. 31, 2016		At amortized cost Dec. 31, 2016		Total Dec. 31, 2016	
	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]
Trade payables	0	0	19,162	19,457	19,162	19,457
Other payables	0	0	8,509	8,509	8,509	8,509
Liabilities	**0**	**0**	**27,671**	**27,966**	**27,671**	**27,966**
Borrowings	0	0	1,453,736	1,433,713	1,453,736	1,433,713
Financial liabilities from finance leases [3]	0	0	51	52	51	52
Primary financial liabilities	0	0	1,453,787	1,433,765	1,453,787	1,433,765
Derivatives	69,546	69,546	0	0	69,546	69,546
Other financial liabilities	**69,546**	**69,546**	**1,453,787**	**1,433,765**	**1,523,333**	**1,503,311**
Non-current financial liabilities	**69,546**	**69,546**	**1,481,458**	**1,461,731**	**1,551,004**	**1,531,277**

T€	Held for trading purposes Dec. 31, 2015		At amortized cost Dec. 31, 2015		Total Dec. 31, 2015	
	CA [1]	FV [2]	CA [1]	FV [2]	CA [1]	FV [2]
Trade payables	0	0	15,990	16,170	15,990	16,170
Other payables	0	0	6,763	6,763	6,763	6,763
Liabilities	**0**	**0**	**22,753**	**22,933**	**22,753**	**22,933**
Borrowings	0	0	1,316,494	1,373,091	1,316,494	1,373,091
Financial liabilities from finance leases [3]	0	0	253	260	253	260
Primary financial liabilities	0	0	1,316,747	1,373,351	1,316,747	1,373,351
Derivatives	73,750	73,750	0	0	73,750	73,750
Other financial liabilities	**73,750**	**73,750**	**1,316,747**	**1,373,351**	**1,390,497**	**1,447,101**
Non-current financial liabilities	**73,750**	**73,750**	**1,339,500**	**1,396,284**	**1,413,250**	**1,470,034**

[1] CA = carrying amount
[2] FV = fair value
[3] 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 usual 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.

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

Key conditions of fixed-rate loans

Dec. 31, 2016	Carrying amount [1]	Residual debt	Interest	
	T€	T€	from in %	to in %
Currency				
EUR	704,843	720,621	0.48	4.05

Dec. 31, 2015	Carrying amount [1]	Residual debt	Interest	
	T€	T€	from in %	to in %
Currency				
EUR	604,822	626,863	0.88	4.05

[1] Excluding transaction costs

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

Key conditions of variable-rate loans

Dec. 31, 2016	Carrying amount [1]	Residual debt	Base interest
	T€	T€	
Currency			
EUR	847,300	847,300	3M-EURIBOR

Dec. 31, 2015	Carrying amount [1]	Residual debt	Base interest
	T€	T€	
Currency			
EUR	1,290,879	1,299,600	3M and 6M EURIBOR

[1] Excluding transaction costs

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, 2016			Dec. 31, 2015		
T€	Expected payment	Discounting	Carrying amount	Expected payment	Discounting	Carrying amount
≤ 1 year	208	-2	206	208	-2	206
Current	**208**	**-2**	**206**	**208**	**-2**	**206**
1 to 5 years	52	-1	51	260	-7	253
≥ 5 years	0	0	0	0	0	0
Non-current	**52**	**-1**	**51**	**260**	**-7**	**253**
Total	**260**	**-3**	**257**	**468**	**-9**	**459**

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, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Recognized hedges				
Cash flow hedging				
Interest rate swaps	0	1,040	69,648	84,194
Off-balance sheet hedges				
Foreign currency forwards	0	5	645	0
Total	**0**	**1,045**	**70,293**	**84,194**

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

The Group 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, 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

Dec. 31, 2015	Nominal	FMG pays		FMG receives
Type	T€	from in %	to in %	
Swaps	1,062,000	0.28	4.24	3M and 6M EURIBOR
Forward starting swaps	10,000	0.60	0.60	3M and 6M 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, 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

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

T€	Interest hedge	
Effective portion		
As of Jan. 1, 2015	**99,614**	
Reclassification	-27,721	
Revaluation	8,071	
As of Dec. 31, 2015	**79,964**	
Ineffective portion		
As of Jan. 1, 2015	**50**	
Revaluation	15	
As of Dec. 31, 2015	**65**	
Non-designated portion		
As of Jan. 1, 2015	**2,597**	
Net change	528	
As of Dec. 31, 2015	**3,125**	
Carrying amount		
As of Jan. 1, 2015	**102,261**	
As of Dec. 31, 2015	**83,154**	
	Asset	Liability
	1,040	84,194

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

Dec. 31, 2015	2016	2017 to 2020	After 2020
T€			
Expected reclassification to interest expenses	9,869	21,397	48,698

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, 2016	Nominal	FMG pays	FMG receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Foreign currency forwards	8,147	USD	EUR	1.10	1.12

Dec. 31, 2015	Nominal	FMG pays	FMG receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Foreign currency forwards	3,137	USD	EUR	1.08	1.12

17. Employee benefits

Provisions for employee benefits contain:

Composition of the carrying amount of provisions for employee benefits

T€	Dec. 31, 2016	Dec. 31, 2015
Post-employment pension benefits	30,051	28,809
Post-employment medical benefits	3,960	3,157
Post-employment benefits	**34,011**	**31,966**
Jubilee benefits	2,907	1,450
Phased retirement arrangements	7,698	6,276
Other long-term employee benefits	**10,605**	**7,726**
Termination benefits	**3,704**	**3,516**
Bonus payments	4,605	3,750
Overtime accounts	23,020	13,782
Unpaid wages and salaries	4,715	3,031
Miscellaneous other benefits	2,222	1,814
Other short-term employee benefits	**34,562**	**22,377**
Employee benefits	**82,882**	**65,585**
of which non-current	47,588	42,356
of which current	35,294	23,229

a) Pension obligations

Certain managers with procuration, directors, and their surviving dependents are entitled to receive post-employment pension benefits. Currently 29 persons (December 31, 2015: 30) are entitled to the plan, of whom 4 (December 31, 2015: 4) are active employees and 25 (December 31, 2015: 26) 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.

The Group 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€	2016	2015
Obligation as of January 1	**28,809**	**28,413**
Current service cost	577	533
Interest expenses	562	554
Pension payments	-1,369	-1,353
Actuarial gains and losses	1,472	662
Obligation as of December 31	**30,051**	**28,809**
Expected pension expenses	1,075	1,138
Expected pension payments	-1,381	-1,369
Expected obligation as of December 31 of the following year	**29,745**	**28,578**

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€	2016	2015
As of January 1	**10,291**	**9,629**
Change in financial assumptions	1,549	0
Experience-based changes	-77	662
As of December 31	**11,763**	**10,291**

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

%	Dec. 31, 2016	Dec. 31, 2015
Discount rate	1.6	2.0
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 (December 31, 2015: 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

December 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

December 31, 2015	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-12.0	14.9
Salary trend	1.0	1.7	-1.6
Pension trend	1.0	12.1	-10.2

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 47 persons (December 31, 2015: 44) are entitled to the plan, of whom 21 (December 31, 2015: 19) are active employees and 26 (December 31, 2015: 25) 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.

The Group 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€	2016	2015
Obligation as of January 1	**3,157**	**2,863**
Current service cost	177	187
Interest expenses	61	56
Aid payments	-144	-138
Actuarial gains and losses	709	189
Obligation as of December 31	**3,960**	**3,157**
Expected addition	282	238
Expected benefit payments	-177	-144
Expected obligation as of December 31 of the following year	**4,065**	**3,251**

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€	2016	2015
As of January 1	**1,110**	**921**
Change in financial assumptions	224	0
Experience-based changes	485	189
As of December 31	**1,819**	**1,110**

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, 2016	Dec. 31, 2015
Discount rate	1.6	2.0
Fluctuation	0.0	0.0
Cost trend	3.0	3.0
Average insurance premiums in T€	7.9	7.9

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

The average duration is 15 years (Dec. 31, 2015: 14).

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

Dec. 31, 2015	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-12.7	16.1
Cost trend	1.0	14.8	-12.0

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€ 16,516 for fiscal year 2017. In fiscal year 2016 contribution payments of T€ 16,286 were made.

18. Other provisions

The carrying amount of other provisions developed as follows:

Composition of the carrying amount of other provisions

T€	Onerous contracts	Regional fund	Restoration (adjusted)	Miscellaneous	Total
As of Jan. 1, 2016	**4,470**	**91,663**	**4,360**	**11,678**	**112,171**
Additions	27	0	0	3,471	3,498
Initial consolidation	0	0	0	201	201
Utilization	-2,100	0	-2,211	-1,517	-5,828
Reversals	-1,841	0	0	-1,744	-3,585
Unwinding of discount	0	232	0	6	238
Changes in interest rates	0	1,707	0	23	1,730
As of Dec. 31, 2016	**556**	**93,602**	**2,149**	**12,118**	**108,425**
of which current	347	3,800	2,149	9,420	15,716
of which non-current	209	89,802	0	2,698	92,709

Provisions for onerous contracts result from ground handling contracts with negative margins. The amount of the negative margin depends on the actual earnings situation in the respective fiscal year. The timing and the amount of the negative margins are uncertain.

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. The Airport agreed to support certain road construction projects in Freising and Erding with a total amount of T€ 10,000 up to 2010. T€ 6,205 of the fund have already been drawn up to fiscal year 2016. The remainder is expected to be paid by 2017. 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€ 10,000 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, 2016	In one year	In 2 to 5 years	After 5 years
T€			
Onerous contracts	347	209	0
Regional fund	3,800	40,000	49,995
Restoration	2,149	0	0
Miscellaneous	9,420	1,642	1,066
Total	**15,716**	**41,851**	**51,061**

19. Current financial liabilities

The carrying amount of current financial liabilities are 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		Total	
T€	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Trade payables	0	0	65,218	54,838	65,218	54,838
Other payables	0	0	102,615	47,214	102,615	47,214
Liabilities	**0**	**0**	**167,833**	**102,052**	**167,833**	**102,052**
Borrowings from shareholders	0	0	502,450	502,573	502,450	502,573
Borrowings	0	0	90,709	579,207	90,709	579,207
Financial liabilities from finance leases[1]	0	0	206	206	206	206
Non-derivative other financial liabilities	**0**	**0**	**593,365**	**1,081,986**	**593,365**	**1,081,986**
Derivative other financial liabilities	747	10,443	0	0	747	10,443
Other financial liabilities	**747**	**10,443**	**593,365**	**1,081,986**	**594,112**	**1,092,429**
Current financial liabilities	**747**	**10,443**	**761,198**	**1,184,038**	**761,945**	**1,194,481**

[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 liabilities

T€	Dec. 31, 2016	Dec. 31, 2015
Outstanding invoices	83,310	28,209
Payables from marketing activities	9,084	10,834
Payables to associates and investments	1,133	1,370
Miscellaneous other payables	9,088	6,801
Total	**102,615**	**47,214**

b) Borrowings from shareholders

T€ 130,450 (Dec. 31, 2015: T€ 130,482) of the borrowings from shareholders are owed to the Federal Republic of Germany, T€ 255,884 (Dec. 31, 2015: T€ 255,947) to the State of Bavaria, and T€ 116,116 (Dec. 31, 2015: T€ 116,144) 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€ 10,537 (2015: T€ 10,660).

c) Current financial liabilities from finance leases

Notes on financial liabilities resulting 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, 2016	Dec. 31, 2015
Liabilities from taxes and other levies	2,664	8,153
Other miscellaneous financial liabilities	2,649	1,231
Other non-financial liabilities	**5,313**	**9,384**
Liabilities in connection with aviation	0	16,000
Advance payments on leases	12,655	12,875
Advance payments on heritable building rights	3,860	3,977
Advance payments from aviation	2,184	2,243
Other deferred income	5,708	6,006
Deferred income	**24,407**	**41,101**
Total	**29,720**	**50,485**
of which current	11,170	31,914
of which non-current	18,550	18,571

21. Contingent liabilities

As in the prior year, there were no contingent liabilities as of December 31, 2016.

22. Operating permit

On May 9, 1974, the Bavarian Ministry of Economic Affairs and Media, Energy, and Technology approved operations at Munich Airport 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, for 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, 2016.

Munich Airport is subject to many different financial risks, including 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 BP will decrease or increase total comprehensive income, profit and loss, and other comprehensive income as follows:

Interest sensitivity analysis

	Dec. 31, 2016		Dec. 31, 2015	
T€	+100 BP	-25 BP	+100 BP	-25 BP
Total comprehensive income	22,744	-5,549	27,710	-38,403
thereof other comprehensive income	30,284	-7,434	38,429	-41,083
thereof net profit	-7,540	1,885	-10,719	2,680

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€ 84,235 (Dec. 31, 2015: T€ 276,143).

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€ 528,832 (2015: T€ 464,399). Munich Airport had access to credit lines of T€ 266,405 (Dec. 31, 2015: T€ 213,786).

The following table shows an analysis of the remaining contractual maturities for all financial liabilities:

Liquidity analysis

Dec. 31, 2016	2017		2018 to 2021		After 2021		
	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**

Dec. 31, 2015 (adjusted)	2016		2017 to 2020		After 2020		
	Interest	Principal repayment	Interest	Principal repayment	Interest	Principal repayment	Total
T€							
Financial liabilities from interests in partnerships	0	29	0	85,785	0	967,571	1,053,385
Shareholders	10,660	491,913	0	0	0	0	502,573
Loans	24,847	562,083	112,042	485,170	82,399	876,654	2,143,195
Finance leases	0	208	0	260	0	0	468
Trade payables	0	54,838	0	18,014	0	0	72,852
Other financial liabilities	0	47,614	0	6,762	0	0	54,376
Non-derivative financial liabilities	**35,507**	**1,156,685**	**112,042**	**595,991**	**82,399**	**1,844,225**	**3,826,849**
Derivatives	27,639	0	51,820	0	6,595	0	86,054
Derivative financial liabilities	**27,639**	**0**	**51,820**	**0**	**6,595**	**0**	**86,054**
Total	**63,146**	**1,156,685**	**163,862**	**595,991**	**88,994**	**1,844,225**	**3,912,903**

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 acquisition of Acciona saw liquid funds increase by T€ 350. The acquisition also changed receivables by T€ -2,327, other provisions by T€ 202, employee benefits by T€ 786, and liabilities by T€ 1,564. Payments for property, plant, and equipment for own use include T€ 1,158 attributable to the acquisition of Acciona, while those for intangible assets include T€ 119 attributable to the acquisition.

München Airport Center Betriebsgesellschaft MAC mbH i.L. was deconsolidated during the fiscal year (compare III.3.a). Due to the deconsolidation, cash and cash equivalents decreased by T€ 4,135. From a Group perspective, other assets decreased by T€ 686 and other liabilities by T€ 2,191.

X. Notes to transactions with related parties

FMG is the ultimate parent of the Group. The shares of FMG are held by the 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 result 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 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€	2016	2015
Non-derivative financial liabilities		
Interest payments	-25,105	-32,789
Repayments	-521,216	-31,064
Proceeds	200,000	84,100
Derivative financial liabilities		
Interest payments	-21,923	-20,341

Related parties also include public companies and institutions which have been engaged by the federal government and the 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 Group 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, Munich Airport International GmbH, 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, 2016	Dec. 31, 2015
Receivables	1,935	1,968
Liabilities	1,133	1,370
Lease revenues	6,001	5,847
Miscellaneous other revenues	2,177	3,762
Other income	6	24
Total income	**8,184**	**9,633**
Cost of materials	12,246	8,945
Other expenses	386	394
Expenses	**12,632**	**9,339**

The other revenues relate primarily to IT services and maintenance. 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 variable, performance-based bonus:

Remuneration of the members of the Executive Board

2016	Salary	Bonus	Total
T€			
Dr. Michael Kerkloh	313	170	483
Andrea Gebbeken	53	0	53
Thomas Weyer	287	151	438
Total	**653**	**321**	**974**

The earnings of Thomas Weyer include back payments worth T€ 7 relating to basic salary for 2015 and worth T€ 2 relating to the bonus for 2015.

In addition, members of the Executive Board received one-off payments worth T€ 5 plus benefits in kind and other contractual benefits worth a total of T€ 22.

The provisions for post-employment pension benefits to executive officers amount to T€ 5,422 (2015: T€ 4,719).

Former members of the Executive Board and their surviving dependents received total payments worth T€ 762 in fiscal year 2016 (2015: T€ 753). Pension provisions worth T€ 10,741 (2015: 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 (2015: T€ 24).

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

Munich, April 24, 2017

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