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 Free State of Bavaria, the Federal Republic of Germany, and the City of Munich.

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

As of December 31, 2018, 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 11, 2019, 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. The Group does not include any companies with different functional currency.

1. Basis of preparation of the financial statements

Pursuant to Article 315e (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 315e (3) sentence 2 in conjunction with (1) HGB.

The consolidated financial statements, with the exception of certain items, such as financial assets available for sale, derivative financial liabilities, hedged items, pensions, and similar obligations, have been prepared according to the historical cost principle.

The consolidated statement of profit or loss is prepared using the nature of expense method.

The fiscal year is the calendar year.

The preparation of financial statements in accordance with IFRS is based on judgments and estimates made by the Executive Board. Judgements and estimates on accounting items of certain matters may have material effect on the overall presentation of the consolidated financial statements. Therefore, matters whose accounting is based on judgements and estimates that have a material effect on the financial statements are disclosed separately in Section V.

2. New or revised accounting regulations

a) New regulations applied for the first time

In fiscal year 2018 Munich Airport applied the following new accounting regulations for the first time.

IFRS 9 Financial Instruments

The new accounting standard IFRS 9 Financial Instruments replaces the existing regulation of the IAS 39 Financial Instruments: Recognition and Measurement and was applied for the first time on January 1, 2018. Munich Airport decided to apply IFRS 9 using the modified retrospective method. Consequently, there was no adjustment of the previous year.

IFRS 9 introduces new regulations for the classification and measurement of financial assets, new regulations for impairment of financial instruments and hedge accounting.

Furthermore, the Group has applied consequential amendments to IFRS 7 Financial Instruments: Disclosures to the notes for fiscal year 2018. The comparative information has not been restated retrospectively.

The first time application led to the following adjustment effects, which were recognized directly in other equity:

Other equity

T€	Impact arising from first-time application of IFRS 9
As of Dec. 31, 2017	**1,628,698**
Recognition of expected credit losses	-211
Modification of the financial liabilities from loans	-1,854
Deferred taxes	430
As of Jan. 1, 2018	**1,627,063**

These adjustment effects result from the first-time application of the expected credit loss model to financial assets and from the measurement of financial liabilities with modified contractual terms. The revised regulations for the classification and measurement of financial assets do not result in any quantitative adjustment effects. The revised regulations for financial liabilities stipulate that such refinancings must be generally accounted for at the original effective interest rate. The discounting of changed cash flows consequently results in a leap in amortized costs recognized through profit or loss. In the case of variable-rate financial liabilities with a fixed margin, the effective interest rate was not retained during the contractual modifications under IAS 39, so there is an effect for the corresponding loans in the context of the transition to IFRS 9.

With respect to the principle-based approach of IFRS 9, all financial instruments within the scope of the standard were assigned to one of three measurement categories. Financial assets are classified on the basis of the identification of the business model as well as the review of the cash flow criterion «Solely Payments of Principal and Interest». As under IAS 39, the option to voluntarily recognize financial assets and financial liabilities through profit and loss was not exercised.

The following tables present the classification and measurement categories of financial assets and financial liabilities according to IAS 39 and the transition to the new classification and measurement categories to IFRS 9 as well as the respective carrying amounts as of January 1, 2018:

Transition to the new classification and measurement categories according to IFRS 9

	Disclosure	Carrying amount Dec. 31, 2017 T€	New measurement category IFRS 9	Reclassification	Measurement	Carrying amount Jan. 1, 2018 T€
IAS 39 – financial assets (non-current and current)						
Loans and receivables						
Trade receivables	VII.8	65,636	At amortized cost	-	-9	65,627
Cash and cash equivalents	VII.10	164,625	At amortized cost	-	-174	164,451
Other receivables	VII.8 and VII.5	20,962	At amortized cost	-	-14	20,948
Financial assets available for sale						
Primary financial assets	VII.5	279	No IFRS 9 financial instrument	-	-	279
Financial assets held for trading purposes						
Derivative financial assets	VII.8 and VII.5	213	At fair value through profit or loss	-	-	213

	Disclosure	Carrying amount Dec. 31, 2017 T€	New measurement category IFRS 9	Reclassification	Measurement	Carrying amount Jan. 1, 2018 T€
IAS 39 – financial liabilities (non-current and current)						
Financial liabilities at amortized cost						
Trade payables	VII.15 and VII.19	64,487	At amortized cost	-	-	64,487
Other payables	VII.15 and VII.19	107,315	At amortized cost	-	-	107,315
Financial liabilities resulting from interests in partnerships	VII.14	315,375	At amortized cost	-	-	315,375
Borrowings to shareholders	VII.19	502,327	At amortized cost	-	-	502,327
Borrowings	VII.15 and VII.19	1,517,062	At amortized cost	-	1,854	1,518,916
Borrowings from finance leases[1)]	VII.19	52	At amortized cost	-	-	52
Derivatives designated as hedging instruments (no IAS 39 measurement category)						
Derivative financial liabilities	VII.15 and VII.19	51,255	No IFRS 9 measurement category	-	-	51,255

[1)] Financial liabilities from finance leases are only to be accounted for according the categories with regard to derecognition. Otherwise, the general accounting principles for financial liabilities from finance leases described in Section IV.8 are applied.

IFRS 15 Revenue from Contracts with Customers

In fiscal year 2018, Munich Airport applied IFRS 15, Revenue from Contracts with Customers for the first time. As a result, the IFRS accounting guidelines were adjusted and professional accounting principles developed in a project started in fiscal year 2016; in addition the required adjustments to the IT processes and IT systems were completed.

Munich Airport decided to apply IFRS 15 using the cumulative retrospective method, retroactively to January 1, 2018. Here, the comparative values of the previous year were not adjusted in the statement of financial position; instead they were reported in accordance with IAS 18 and IAS 11. The analysis of the impacts of the standard did not lead to any effects in the opening balance of other equity arising from the first-time application. There were however changes in presentation in the statement of financial position and the statement of profit or loss. These changes are set out under Section II Accounting policies, subsection 3 Corrections as per IAS 8.

The changes pursue the objective that a company must provide information that allows users of financial statements to assess the type, level, time, and insecurity of revenue and cash flows from a contract with a customer. The new items contractual assets and contractual liabilities are reported in the statement of financial position. The refund liabilities, newly defined as part of IFRS 15, are reported under the balance sheet item, liabilities. The disclosures in the notes to the consolidated financial statements for revenues have been extended qualitatively and quantitatively.

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 16 Leases

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

The standard must be applied for the first time to fiscal years starting on or after January 1, 2019. The Group intends to apply IFRS 16 for the first time on January 1, 2019 using the modified retrospective method. For this reason, the cumulative effect from the application of IFRS 16 is recognized as an adjustment to the opening balance as of January 1, 2019. As a result, the values of the previous years will not be adjusted.

IFRS 16 introduces a uniform accounting model whereby leases must be recognized in the lessee's consolidated statement of financial position. The lessee shall recognise a liability arising from the lease that represents its obligation to make lease payments. In addition, a right of use, representing the right to use the underlying asset, must be capitalized.

The lessor's accounting is comparable to the current accounting principles. Leases must still be classified as financing or operating leases.

Munich Airport is currently assessing the impact of the application of IFRS 16 on its consolidated financial statements. The analysis revealed that lease liabilities and the capitalization of right of use assets would be recognized for the first time as of January 1, 2019 in the range from EUR 10.0 million to EUR 20.0 million.

3. Corrections as per IAS 8

The tables below summarize the impact of the first time application of IFRS 15 on the consolidated financial statements:

	Impact of the change in the accounting methods		
T€	Balance sheet item applying IAS 18	Adjustments under IFRS 15	Balance sheet item applying IFRS 15
Consolidated statement of financial position Jan. 1, 2018			
Inventories	41,567	-47	41,520
Receivables	86,545	-3,210	83,335
Contractual assets	0	3,354	3,354
Assets	**128,112**	**97**	**128,209**
Liabilities	159,304	-1,043	158,261
Contractual liabilities	0	2,349	2,349
Other liabilities	11,416	-1,209	10,207
Liabilities	**170,720**	**97**	**170,817**

Consolidated statement of financial position Dec. 31, 2018	**Balance sheet item applying IAS 18**	**Adjustments under IFRS 15**	**Balance sheet item applying IFRS 15**
Inventories	39,361	-168	39,193
Receivables	80,506	-4,449	76,057
Contractual assets	0	4,617	4,617
Assets	**119,867**	**0**	**119,867**
Liabilities	163,850	-1,348	162,502
Contractual liabilities	0	2,045	2,045
Other liabilities	13,372	-697	12,675
Liabilities	**177,222**	**0**	**177,222**

With the first-time application of IFRS 15 according to the cumulative retrospective method, there were changes in the statement of financial position with the new items contractual assets, contractual liabilities, and refund liabilities. The refund liabilities are reported under liabilities.

The impairment losses on receivables and contractual assets from contracts with customers are recognized in other expenses separately from the impairment losses arising from other contracts.

III. Consolidation

1. Subsidiaries

Subsidiaries are all companies that are controlled directly or indirectly by FMG.

An entity that draws variable returns from an investment has control if it has decision-making power over the relevant activities of the company and can use that decision-making power to influence the variable returns.

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

The accounting and measurement methods 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 by adding similar 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 recorded and reported separately.

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

Transactions with shares in subsidiaries are accounted for as transaction between shareholders unless they result in the creation or loss of control of the subsidiary.

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 are accounted for as equity transaction. The carrying amounts of the interests held by the Group and the non-controlling interests are adjusted to reflect changes in ownership interests in the company. 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 gains or loss associated with deconsolidation is recognized through profit or loss.

All amounts recognized in other comprehensive income in connection with this subsidiary are recognized as if the assets had been 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. The subsequent measurement of the shares likewise takes place at fair value, according to the subsequent degree of control according to IFRS 9 Financial Instruments: Recognition, measurement and classification or in accordance with the provisions for associated companies or joint ventures.

b) Acquisition of subsidiaries

The acquisition of subsidiaries is recognized on the basis of the acquisition method. The consideration transferred in the event of a business combination is measured 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 business combination are recognized through profit or loss when they occur.

The assets and liabilities acquired are measured 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 measured in accordance with IAS 12 *Income Taxes* or IAS 19 *Employee Benefits*; and
- Assets (or disposal groups) classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with 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 share, previously held by the acquirer, in the company acquired (assuming there is any) exceeds the balance of the fair values, as determined at the time of acquisition, of the identifiable assets acquired and the liabilities taken on. If the difference is found to be negative – even following another assessment – this will be recognized as income directly through profit or loss.

If the consideration transferred contains an element of contingent consideration, this will be measured 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. Any other contingent consideration that falls within the scope of IFRS 9 will be measured at fair value through profit or loss on the subsequent reporting dates in accordance with IFRS 9. Contingent considerations not falling within the scope of IFRS 9 must likewise be measured at fair value 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 controlled entity must prepare interim financial statements. Should this not be possible, financial statements with different reporting date may be used in applying the equity method, unless the difference between the reporting dates is not more than 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.

At the time of acquisition, investments in associates are measured 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 profit or loss.

At each reporting date following the time of acquisition, an assessment is carried out to determine if the carrying amount has exceeded 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 and measurement methods presented in Section IV are applied by associates included in the consolidated financial statements.

3. Composition of the scope of consolidation

a) Subsidiaries

Apart from the parent company itself, FMG's scope of consolidation comprises the following subsidiaries:

Subsidiaries

Name	Seat	Activities	Basis of consolidation	Share of capital in %	
				Dec. 31, 2018	Dec. 31, 2017
aerogate München Gesellschaft für Luftverkehrsabfertigungen mbH[1]	Oberding	Passenger handling	Voting majority	100	100
AeroGround Flughafen München GmbH[1]	Munich	Ground handling	Voting majority	100	100
AeroGround Berlin GmbH	Schönefeld	Ground handling	Voting majority	100	100
Allresto Flughafen München Hotel und Gaststätten GmbH[1]	Munich	Catering and hotel	Voting majority	100	100
CAP Flughafen München Sicherheits-GmbH	Freising	Security	Voting majority	100	100
Cargogate Flughafen München Gesellschaft für Luftverkehrsabfertigungen mbH[1]	Hallbergmoos	Cargo handling	Voting majority	100	100
eurotrade Flughafen München Handels-GmbH[1]	Munich	Retail trade	Voting majority	100	100
InfoGate Information Systems GmbH[1]	Freising	Information	Voting majority	100	100
Flughafen München Baugesellschaft mbH	Oberding	Client representation	Contract[2]	60	60
Terminal 2 Gesellschaft mbH & Co oHG[1]	Oberding	Terminal Operations	Contract[2]	60	60
MAC Grundstücksgesellschaft mbH & Co. KG i.L.[1),3)]	Grünwald	Real estate financing	Voting majority	94.9	94.9
Munich Airport International GmbH	Munich	International consulting business	Voting majority	100	100
LabCampus GmbH	Freising	Construction and marketing of real estate	Voting majority	100	0
Flughafen München Realisierungsgesellschaft mbH	Freising	Client representation	Voting majority	100	0

[1] With respect to the publication of the financial statements, the exemption option under Section 264 (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.

LabCampus GmbH was established on February 20, 2018. Flughafen München Realisierungsgesellschaft mbH was established on July 17, 2018. Both companies are wholly owned subsidiaries of FMG.

b) Associates and companies that are not included

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

Associates

Name	Seat	Activities	Share of capital in %	
			Dec. 31, 2018	Dec. 31, 2017
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH	Freising	De-icing and aircraft pushback	49	49

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

Subsidiaries and joint ventures which are not included in the consolidated financial statements

Name	Seat	Activities	Type	Share of capital in %	
				Dec. 31, 2018	Dec. 31, 2017
FMV – Flughafen München Versicherungsvermittlungsgesellschaft mbH	Freising	Insurance agents	SU[1]	100	100
HSD Flughafen GmbH	Berlin	Ground handling services	SU[1]	0	100
MediCare Flughafen München Medizinisches Zentrum GmbH	Oberding	Medical services	JV[2]	51	51
Munich AirportClinic GmbH	Oberding	Medical services	JV[2]	51	51
Radiologisches Diagnostikzentrum München Airport GmbH	Munich/ Airport	Medical services	JV[2]	0	18.2
Flughafen Parken GmbH	Munich	Parking space rental	JV[2]	16.7	0

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

The shares in Radiologisches Diagnostikzentrum München Airport GmbH were sold on September 27, 2018. With effect from January 1, 2018, FMG acquired 16.7 percent of the shares in Flughafen Parken GmbH.

HSD Flughafen GmbH was merged with AeroGround Berlin GmbH retroactively to January 1, 2018.

As a result of the above-named companies not being included, consolidated revenue is reported as being less than 1 percent (2017: less than 1 percent) lower.

IV. Accounting and measurement methods

1. Property, plant, and equipment

Expenditures for the acquisition or production of non-current tangible assets shall be recognized as property, plant, and equipment if they are controlled by the Group, can be measured reliably and it is probable that future economic benefits will flow to the Group.

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 proportionate overheads.

Repair and maintenance activities are expensed as incurred. Subsequent costs such as replacement or upgrade investments are capitalized to the extent that they comply with the requirements for recognition as a separate asset.

Subsequent measurement of property, plant, and equipment is at cost less any accumulated depreciation and any accumulated impairment losses.

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 façade, roofs, interior fittings, and technical installations.

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

Useful lives

Buildings	
Shell and facade	25-50 years
Roofs	20 years
Interior fittings and technical installations	25 years
Traffic areas	**35 years**
Operating areas	**15–25 years**
Technical plants and machinery	
Flight operation areas	40 years
Aviation equipment	10-20 years
Utilities and waste disposal systems	15-35 years
Other plants and machinery	4-20 years
Operating equipment	
Mobile equipment, operations, and ground handling	3-20 years
Furnishings and fixtures	2-14 years
Vehicle pool	6-10 years
Other operating equipment	**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 any indication of 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 impaired 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 statement of profit or loss under other income or expenses.

2. Intangible assets

a) Acquired intangible assets

Expenditures for the acquisition of non-current intangible assets shall be recognized to the extent that they are controlled by the Group, can be reliably measured and it is probable that future economic benefits will flow to the Group.

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

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

b) Internally generated intangible assets

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

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

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

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

The useful life of internally generated intangible assets is determinable and amounts to three to seven 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 compared with the recoverable amount and impaired if necessary.

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 of disposal 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 recognized as expense. With respect to the impairment of financial assets, please refer to the corresponding details under Section IV.9.f.

Assets that can only generate cash flows in combination with other assets are combined into cash-generating units. The aggregation ends as soon as units are reached that generate cash flows which are largely independent from other 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 measurement is at cost less accumulated impairment losses. The valuation standard used to determine the impairment requirement is the fair value less cost of disposal.

6. Assistance received from the government

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

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

Assistance from the government paid as compensation for expenses or losses already incurred or for the purpose of immediate financial support associated with no future expenditure is recognized in the consolidated statement of profit or loss in the period in which the related entitlement arises.

7. Investment property

In contrast to owner-occupied property, investment property is not used in the ordinary course of business, but solely to earn rentals or for capital appreciation.

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

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 for a period of time in return for payment 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 payment is recognized as income or expense 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 repayment reduces the lease obligation, the finance charge is expensed.

9. Financial instruments

a) Recognition and initial measurement

In general, financial assets and financial liabilities are initially recognized when the Group becomes party to the contract. Regular purchases and sales of financial instruments are recognized on the trade date. Financial assets with the exception of derivative financial instruments are recognized at the settlement date.

Financial instruments are measured at fair value on first recognition. Insofar as financial instruments, are not classified «at fair value through profit or loss», they are recognized at fair value including transaction costs directly attributable to the acquisition or issue. Trade receivables without significant financing components are measured at the transaction price.

b) Classification and subsequent measurement

Upon initial recognition, Munich Airport assigns financial instruments to one of the measurement categories described below: «at amortized costs», «at fair value through other comprehensive income – debt instrument», «at fair value through other comprehensive income – equity instrument» as well as «at fair value through profit or loss». The assignment of the financial assets to measurement categories – with the exception of equity instruments – takes place depending on the identified business model under which the assets are held and the characteristics of the contractual cash flows. The contractual terms of the financial assets must generate cash flows at stipulated times, that represent «Solely Payments of Principal and Interest».

Financial assets are assigned to the category «at amortized cost», if:

- these are held within a business model which objective is to hold assets, and

- the cash flows represent solely payments of principal and interest and take place at specified times.

Financial assets are assigned to the category «at fair value through other comprehensive income – debt instrument», if:

- these are held within a business model which objective is to hold and sell assets, and

- the cash flows represent solely payments of principal and interest and take place at specified times.

All other financial assets, that are not classified as «at amortized cost» or «at fair value through other comprehensive income – debt instrument» as described above, must be measured at fair value through profit or loss.

The business model is assessed at the portfolio level of the individual financial assets and their objectives. The Group has currently identified the business models «Held-to-collect» as well as «Other» for the financial instruments in its portfolio.

Financial assets in the «Held-to-collect» business model and thus in the category «at amortized cost» are, in particular, trade receivables as well as other receivables and assets. Furthermore, cash and cash equivalents are also assigned to these categories. Cash and cash equivalents include short-term, highly liquid financial investments, which can be converted into cash amounts at any time and are subject to only insignificant fluctuation in value.

Financial assessments of the «Other» business model and in the category «at fair value through profit or loss» are exclusively financial assets held for trading purposes within the meaning of derivatives and original financial instruments.

Munich Airport assigned the measurement categories described below under IAS 39 Financial Instruments.

Derivative financial instruments that are not part of a hedge relationship and non-derivative financial instruments acquired with the intention of 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 without a hedge relationship are presented as current assets or liabilities.

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 redemption 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 scope of consolidation for reasons of immateriality.

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

Under IFRS 9, the contractual payments of principal and interest must be assessed at individual instrument level, and based on the following definitions:

- The term «principal» refers to the principal amount of the financial asset. The principal amount represents the fair value of the financial instrument at the time of initial recognition. For current assets, this regularly corresponds to the nominal amount.

- The term «interest» is defined as a consideration for the time value of money and the assumed credit risk, as well as for other fundamental costs of a basic lending arrangement (for example, the liquidity risk and administrative costs). Financial assets are not reclassified after their initial recognition unless the Group changes its business model for the managing of financial assets. Reclassifications of the affected financial assets take place on the first day of the first reporting period after the change of business model and were not performed in the fiscal year ended.

Equity instruments are generally measured at fair value. On initial recognition of an equity instrument which is not held for trading purposes, Munich Airport can irrevocably determine to recognize changes in fair value directly in other comprehensive income («at fair value through other comprehensive income – equity instrument»). This decision is made for each individual instrument.

The equity instruments in the portfolio are investments in subsidiaries and joint ventures, which are not included in the scope of consolidation for reasons of immateriality.

Financial liabilities are generally classified in the category «at amortized cost» independently of other criteria. If on initial recognition, specific prerequisites are fulfilled, a different accounting treatment may be applied. In addition to accounting at amortized cost, they can also be recognized as at fair value through profit or loss. In this process, derivatives must always be measured at fair value through profit or loss; additionally it is possible to exercise the «at fair value through profit or loss» option. Currently this option is not exercised. For loan commitments issued, expected credit defaults must also be determined if certain conditions are met.

Financial liabilities in the category «at amortized cost» are essentially financial liabilities resulting from interests in partnerships, borrowings to shareholders, financial liabilities from loans as well as trade payables and other payables.

c) Measurement categories

The subsequent measurement of financial assets is based on the following measurement categories:

- «At fair value through profit or loss»: Profit and loss as well as any interest income and dividends from financial assets that are measured at fair value through profit or loss are recognized in the statement of profit and loss.

- «At amortized cost»: Financial assets measured at amortized costs are measured using the effective interest method. The amortized costs are reduced by the value adjustments. Interest income, foreign currency gains and losses as well as impairments are recognized through profit or loss. Furthermore, gains and losses occurring on derecognition are also to be recorded through profit or loss.

- «At fair value through other comprehensive income – debt instruments»: Other debt instruments are measured at fair value. With interest income calculated using the effective interest method, foreign currency gains and losses as well as impairments are recognized in the statement of profit or loss. Other net gains and losses must be recognized in other comprehensive income. On derecognition, aggregated gains and losses are reclassified through profit or loss.

- «At fair value through other comprehensive income – equity instrument»: Other equity instruments are measured at fair value. Dividends, that do not clearly compensate for part of the investment costs, are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income and may not be reclassified in the statement of profit and loss.

The subsequent measurement of financial liabilities is based on the following measurement categories:

- «At fair value through profit or loss»: Profit and loss as well as any interest expenses from financial liabilities that are measured at fair value through profit or loss are recognized in the statement of profit or loss. With respect to derivatives designated as hedging instruments, please also refer to Section IV.9.g.

- «At amortized cost»: Financial liabilities measured at amortized costs are measured using the effective interest method. Interest expenses, as well as foreign currency gains and losses are recognized through profit or loss. Furthermore, gains and losses occurring on derecognition are also recorded through profit or loss.

The effective rate is the rate that is used to discount the expected cash flows (including fees) over the expected life of a financial instrument to its carrying amount at the time of determination. When calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the financial asset (insofar as the asset is not impaired) or the amortized costs of the financial liability. For financial assets categorized as impaired after initial recognition, the effective interest rate is calculated on the net carrying amount of the financial asset. If the financial asset is subsequently no longer categorized as impaired, the interest income is again calculated on the basis of the gross carrying amount. In the event of changes in the estimates, the originally calculated effective interest rate is adjusted on an ongoing basis. A new effective interest rate is calculated for substantial contractual loan modifications that result in the original loans being derecognized and a new loan is being recognized. Where the contractual terms of a loan are not substantially modified, the existing liability is continued, retaining the original effective interest rate. The discounting of changed cash flows at the the original effective interest rate results in a carrying amount adjustment to the amortized costs that is recognized through profit or loss.

The treatment of fees depends on their nature. Fees charged for services rendered are recognized immediately in profit or loss. All other fees are treated as transaction costs (recognized in the initial carrying amount and distributed using the effective interest method to fixed-rate financial instruments or distributed on a straight-line basis over the term in the case of floating-rate financial instruments). Commitment fees are recognized as deferred expenses until the loan is disbursed. If the loan disbursement is no longer expected, the accumulated amount is immediately reversed through profit or loss.

The fair value of derivative financial instruments is determined by discounting the future cash flows using the market interest rate and other common financial methods. When they are initially recognized under market-appropriate conditions, the fair value of derivatives is in principle zero. Counterparty-specific credit risks are taken into account when measuring derivative financial instruments.

d) Derecognition

Financial assets are derecognized, when the contractual rights to the cash flows from the financial asset expire or the rights to receive the contractual cash flows from a transaction, in which substantially all risk and rewards of ownership, are transferred to a third party or are neither transferred nor retained and no control exists over the financial asset. Munich Airport does not enter into any transactions that could lead to a complete or partial transfer of all material risk and rewards.

Financial liabilities are derecognized, when the contractual obligations are discharged, cancelled or expired. Munich Airport also derecognizes financial liabilities, when the contractual terms have been adjusted and the cash flows differ materially from one another. In this case, a new financial liability based on the changed conditions is recognized at fair value. When derecognizing financial liabilities, the difference between the former carrying amount and the paid consideration (including non-cash assets or liabilities) is recorded through profit or loss.

e) 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) on the balance sheet date are met and the Executive Board intends to settle on a net basis or to release a financial asset and settle a financial liability simultaneously and can actually do so.

f) Impairments – expected credit losses

Munich Airport recognizes expected credit losses for all financial assets that are measured «at amortized cost». The amount of loss recognized and the interest collected are determined using the calculation model and the assignment of the instrument to the relevant stage.

With the exception of trade receivables and contractual assets[1)], the impairment amount for all other financial instruments is determined in accordance with the general impairment model (also referred to as the «general approach») as well as the three stages below:

Stage 1: All relevant financial instruments are initially assigned to Stage 1. The present value of the expected losses from possible default events within the next twelve months («12-month expected credit losses») after the reporting date must be recorded as expenses. The interest income associated with the financial instrument is calculated by multiplying the gross carrying amount at the start of the period with the effective interest rate determined at the time of receipt. Consequently, the effective interest method is applied on the basis of the carrying amount prior to consideration of the risk provision.

Stage 2: Financial instruments that demonstrate a significantly increased credit risk compared to the time of receipt must be assigned to Stage 2 of the impairment model. The impairment corresponds to the present value of the expected losses from possible default events over the residual contractual term of the financial instrument («lifetime expected credit losses»). The interest income is calculated analogously to Stage 1.

Stage 3: If, in addition to a significantly increased credit risk, objective evidence of an impairment of the financial instrument are also evident, the impairment continues to be measured on the basis of the present value of the expected losses from possible default events over the residual contractual term of the financial instrument («lifetime expected credit loss»). However, in contrast to Stages 1 and 2, interest income is received on the basis of the net carrying amount, this means the gross carrying amount less the risk provision taking into consideration the original effective interest rate.

Cash and cash equivalents, other receivables and assets as well as loan commitments are subject to the impairment requirements according to the general approach. The (net) carrying amount of these financial instruments represents, in each case, the maximum credit risk.

To determine a significantly increased credit risk compared to initial recording, Munich Airport takes into consideration appropriate information that is available without excessive cost or effort.

Financial instruments, in the «general approach», are subject to a significantly increased credit risk where there is a (relative) change in the probability of default by more than 20%; however a significantly increased credit risk is assumed no later than where a payment is overdue for more than 30 days.

For cash and cash equivalents, the simplification for financial instruments with a low credit risk («low credit risk exemption») is used, where possible, as at the balance sheet date. The assessment of a low credit risk uses, for example, country- and borrower-specific rating information and their outlook. The requirements for financial instruments with a low credit risk are considered to be fulfilled for cash and cash equivalents with at least an investment grade rating, so that tracking of the credit risk for financial instruments with a low credit risk is not required.

As credit commitments do not have a maturity structure, overdue dates are not used either to identify a significantly increased credit risk or in the case of objective evidence of an impairment.

[1)] The lease receivables that are likewise in the scope of application are not included in the portfolio. Furthermore, the option to apply the simplified approach for long-term trade receivables and contractual assets is used.

For trade receivables and contractual assets, a «simplified approach» is used to determine the impairment, which provides for an impairment in the amount of the lifetime expected credit loss over the residual term, independently of the credit quality. Consequently, a transfer to Stage 2 must be performed for these financial instruments at least, or a transfer to Stage 3 in the case of objective evidence of an impairment. The simplified approach is likewise used for trade receivables and contract assets, which include a financing component in accordance with IFRS 15, as well as for receivables from leases. The (net) carrying amount of these instruments represents, in each case, the maximum credit risk.

At each reporting date, the financial instruments are examined individually to determine whether there is objective evidence of impairment. If this is the case, Munich Airport performs an individual assessment of the financial instruments. Objective evidence of an impairment of a financial asset is deemed to exist if reliably measurable negative effect on future cash flows from the asset can be determined.

Objective evidence of impairment is assumed to exist for cash and cash equivalents, in addition to general qualitative indicators no later than 90 days past due.

Objective evidence of impairment includes, for example, significant financial difficulties on the part of the debtor, defaults or delays in payment, a decrease in creditworthiness, insolvency or other restructuring procedures on the part of the debtor.

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

To determine the expected credit losses and to evaluate the relative change in default probability, Munich Airport uses credit default swap spreads quoted on the market, which take into consideration forward-looking macroeconomic factors, and extrapolates the default probability. Depending on the volume of business with debtors, an individual assessment is performed for material positions; for positions that are immaterial in terms of the amount, an assessment is performed using homogeneous portfolios, which represent the geographical and debtor-specific characteristics. If, for certain debtors, no debtor-specific credit default swap spreads are available, they are considered taking into account the geographic and industry-specific characteristics.

The twelve-month expected credit losses and lifetime expected credit losses are calculated using credit default swap spreads quoted on the market, which along with the default probability of the debtor also include the loss given default. Where there is objective evidence of an impairment, a separate evaluation of the expected loss, based on the current market price and the original effective interest rate, is performed as part of the individual assessment.

The calculation of expected credit losses for loan commitments is based on the internally used credit spread, which is added to the variable interest rate of the relevant cash pool commitments.

Munich Airport defines a default event, as the no longer existing collectibility of financial instrument irrespective of the financial instrument in question, so that the probability of default is 100 percent. In this case, the receipt of contractual cash flows are no longer expected. At this point, a write-down of the portfolio is performed, corrected by any collateral.

g) Derivatives in hedge relationships

The following accounting and measurement methods 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. They are measured on initial recognition and thereafter at fair value. Changes in the fair value are recorded depending on the nature of the hedged item and the hedging relationship.

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 under financial expenses or income and the ineffective portion under other financial result, other gains (net) or other losses (net).

When a fair value hedge ends, the measurement of the hedged item at fair value is ended. For a financial instrument measured at amortized cost, a new effective interest rate is determined on the basis of the carrying amount as at the time the hedge ends and the still outstanding cash flows. The effective interest serves as the basis for the subsequent measurement up to the disposal of the hedged item.

Cash flow hedge: The effective portion of the changes in fair value of the hedging instrument is recognized directly in equity in the hedging reserve, while the ineffective portion is recognized through profit or loss under other financial result, other gains (net) or other losses (net). The value changes recorded in the hedging reserve are reclassified in the statement of profit or loss each time a payment is made to compensate the effect of the hedged cash flows of the hedged financial item.

Even after termination of a cash flow hedge, the changes in fair value accumulated to date remain in the hedging reserve until the hedged transaction occurs. The value changes recorded in the hedging reserve are reclassified in the statement of profit or loss each time a payment is made to compensate for the impact on income arising from the hedged cash flows of the hedged financial item.

At the inception of the hedge at the latest, the Group's hedging relationships, risk management objectives and strategies relating to the hedge are formally designated and documented. That documentation shall include the identification of the hedged item, the hedging instrument, the nature of hedging relationship, and the objectives of the hedging strategy and methods for effectiveness measurement.

Munich Airport monitors the prospective effectiveness of the hedging relationship from the time it is entered into until its end.

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 can be found 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

The inventories are measured at the lower of cost or the net realizable value. The method used to determine cost is the FIFO method.

The net realizable value is the selling price less estimated costs up to sale.

11. Receivables and contract assets

a) Trade receivables

Trade receivables are recognized as soon as Munich Airport has acquired a right to compensation for deliveries performed or services rendered. They are presented under 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 the transaction price and subsequently at amortized cost, taking impairment losses into consideration.

b) Contract assets

Contract assets are recognized as soon as Munich Airport has acquired a conditional right to compensation for deliveries performed or services rendered. They are reported under non-current assets provided their realization is more than twelve months after the reporting date. If their realization is in less than twelve months, they are reported under current assets.

Upon initial recognition, contract assets are measured at the transaction price and subsequently at amortized cost using the effective interest method less impairment losses.

A reclassification of contract assets to receivables takes place if the right to compensation is not linked to any further performance, and payment depends only on the passage of time.

12. Cash and cash equivalents

Cash and cash equivalents include cash on hand deposits at banks. As well as short-term deposits. It includes cash and deposits with an original maturity up to three months. Deposits with original maturities of more than 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 reported 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 in the reporting period that will result in expenses only in future periods.

14. Equity

a) Classification of equity and liabilities

Financial instruments issued by Munich Airport are classified as equity or 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 scope of consilidation contains partnerships with non-controlling interests. Interests in German partnerships are subject to a right of termination which cannot be waived by the articles of association. 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 in the consolidated financial statements, unless they are assignable to the owners of the company. In these consolidated financial statements, they are reported as «financial liabilities from interests in partnerships».

The IFRS rules used to delimit these consolidated financial statements differ from the distinction between equity and liabilities applicable in the German jurisdiction. In consolidated financial statements prepared in accordance with the German Commercial Code, non-controlling interests in partnerships would have to be classified as consolidated equity.

On initial recognition, «financial liabilities from interests in partnerships» are measured at fair value, that is, the present value of the expected compensation obligation with a risk-adequate interest rate at the earliest possible termination date.

Subsequent measurement is based on the effective interest method. The financial liability is compounded through profit or loss. Further explanations can be found in Section V.2.

15. Liabilities and contract liabilities

a) Trade payables

Trade payables are recognized as soon as Munich Airport has a contractual obligation arising from deliveries received or services rendered. They are posted under non-current liabilities if they are due in more than twelve months after the reporting date. If they fall due in less than twelve months, they are posted under current liabilities.

A refund liability is reported under liabilities, when Munich Airport receives a consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured in the amount of the received consideration (or to be received) to which the customer is entitled.

b) Contract liabilities

Contract liabilities are recognized as soon as Munich Airport has an outstanding obligation to transfer goods or services to a customer, for which Munich Airport has received or is yet to receive a consideration.

Upon initial recognition, liabilities are measured at fair value. Subsequent measurement is at amortized cost using the effective interest method. Differences between the original amount and the amount to be paid back at maturity are recognized through profit or loss over the term of the relevant contract, using the effective interest method.

16. 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 statement of profit or loss 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 calculated on the basis of the tax rates and tax laws applicable to Munich Airport.

Deferred tax assets and liabilities are determined for deductible and taxable temporary differences between the carrying amounts of the assets and liabilities under applicable IFRS and their tax base 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 unused tax losses, unused tax credits, and deductible temporary differences to the extent it is probable that future taxable profit will be available for which they can be utilized. Future taxable profit is determined on the basis of individual business plans at the subsidiaries. The planning horizon for examining whether tax relief from tax loss carryforwards can be realized is 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 related tax benefit will be realized. Write-ups are performed if the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent to which it is probable that future taxable profit will allow them to be utilized.

Deferred taxes and deferred tax liabilities are not recognized if the temporary differences result from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities resulting from transactions that neither affected accounting nor taxable profit.

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 utilized. 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 with the approval of the Federal Council (Bundesrat) on the adopted tax laws.

Deferred taxes are also recognized on temporary differences from the elimination of intercompany profit or loss. Deferred taxes on temporary differences between a subsidiary's net assets and tax base of its investment are not recognized if Munich Airport itself can determine the date on which these temporary differences are reversed and reversal is not expected in the foreseeable future.

Deferred tax assets and liabilities are to be netted off if Munich Airport has acquired a legal enforcable right 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 these consolidated financial statements. At Group level, netting is only carried out to the extent that there is a possibility of offsetting against income tax group.

17. Obligations from employee benefits

a) Obligations from 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 (in particular no obligation to make additional contributions in the event of underfunding of plan assets). All other plans are defined benefit plans. Typically, a defined benefit plan provides for the commitment of pension payments based on age, length of employment, and remuneration.

Payments for **defined contribution** plans are expensed as 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 obligations arising 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 the entitlement already earned. The present value of the defined benefit obligation considers expected salary and pension increases and the life expectancy of the persons entitled to the plan. The valuation of claims for health insurance benefits is based on actuarial assumptions on future health care cost trends. 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) Obligations from termination benefits

Provisions for termination benefits are recognized if Munich Airport is required to terminate an employment relationship before retirement age or to pay a several pay if an employee voluntarily leaves the company prematurely. 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 partial retirement agreement are accounted for in accordance with the principles for other long-term employee benefits (see Section IV.17.c).

c) Obligations from other long-term employee benefits

Other long-term employee benefits comprise provisions for jubilee benefits, provisions for obligations under partial retirement agreements (outstanding settlement amount and top-up payments) and other subsidized salary conversions.

The principles and methods for measurement of the obligation are the same as presented in Section IV.17.a. Benefits paid in the course of partial 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.

18. Other provisions

Other provisions are recognized if there is an obligation to a third party as a result of a past event and if the resource flow is probable and the provisional economic obligation can be reliably estimated. The obligation may be both legal and constructive in nature.

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

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

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

At Group level, loan commitments result from the consideration of subsidiaries and joint ventures that are not consolidated due to their materiality. Subsidiaries and joint ventures are entitled to avail on a committed loan amount at previously stipulated conditions. For these loan commitments, the expected loan loss must be determined on the basis of the possible payment obligation using the general approach.

19. Revenue

The Group applies IFRS 15 using the cumulative retrospective method, which is why the previous year's information is not adjusted and continues to be reported in accordance with IAS 18 and IAS 11. The accounting principles according to IAS 18 and IAS 11 are detailed separately, if they deviate from those of IFRS 15. The consequences of the changes are detailed in Section II.3 Corrections as per IAS 8.

The revenue amount corresponds to the contractually agreed consideration arising from contracts with customers, reduced by the amount generated in the name of a third party, and taking into consideration revenue reductions. Revenue is deemed to be realized when the performance obligation is fullfilled or when control over a product or service is transferred to the customer.

In the comparison period, revenue was deemed to be realized when the service was rendered or at the time risk was transferred and were recognized on condition that an economic benefit was probable to accrue and this could be reliably quantified.

a) Revenue from airport charges

The Munich Airport tarif regulation forms the legal basis for the use and compensation for the operation and provision of airport infrastructure. Some charges require the approval of the aviation authorities in accordance with Section 19b LuftVG. Revenue includes traffic charges that require approval, including take-off and landing charges, passenger charges, and charges relating to noise and emissions, and relate to the use of airport infrastructure. Charges that do not require approval involve, inter alia, de-icing and air-conditioning services for aircraft, services for people requiring care, and security services. In principle, revenue is recognized over time at the time of daily invoicing. Due to the short performance period, revenue recognition with invoicing appears appropriate. Payment is made either in advance or within a few weeks after the service is provided.

The transaction price is broken down into fixed, agreed charges and variable considerations (sales reductions). Liabilities for refund of parts of the transaction price may arise for Munich Airport from the variable consideration (refund liabilities). The effect of the revenue reduction is estimated using the expected value method and based on historical information. The estimate is based on the assumption that a revenue reduction must be recognized immediately, if the probability of occurrence cannot be excluded with a very high level of probability. The expected value must be reviewed again on the basis of the information at the end of the reporting period and adjusted if required.

b) Revenue from the retail trade

Revenue from the retail trade refers to the sale of goods in shops at Munich Airport, which must be recognized at the time when control of a product is transferred to a customer. The relevant point in time here is the conclusion of the payment transaction. Products are paid for primarily directly at the cash desk either in cash or via electronic payment methods (EC card, credit card, etc.).

The transaction price consists of the pricing of the goods and variable considerations (sales reductions). The variable considerations include, in particular, reductions on the transaction price due to product returns. The variable considerations are estimated using the expected value method. The estimate is based on historical information and is subject to the assumption that several events could occur (immediate, subsequent or no claim). The estimate is based on the assumption that a revenue reduction must be recognized immediately, if the probability of occurrence cannot be excluded with a very high level of probability. The expected value must be reviewed again on the basis of the information at the end of the reporting period and adjusted if required. Differences from the received compensation and the lower determined transaction price are recognized as refund liabilities.

Vouchers are recognized as a contract asset in the amount of the residual value of the voucher and reversed upon redemption to increase revenue.

Returned goods are only exchanged for new goods or vouchers – this means that in principle, no monetary reimbursements are offered. Warranties for defective goods exist only within the legal framework and do not represent additional performance obligations.

c) Revenue from handling services

Revenue in this category refers to the ground handling services (handling of aircraft and passengers) and cargo. In principle, revenue is recognized over time at the time of daily invoicing. Due to the short performance period, revenue recognition with invoicing appears appropriate. Payment is made either in advance or within a few weeks after the service is provided.

The transaction price is broken down into fixed, agreed prices and variable considerations (sales reductions). Liabilities to refund parts of the transaction price (refund liabilities) may arise for FMG from the variable considerations (bonus/malus regulations and discounts). The effect of the sales reduction is estimated using the expected value method and based on historical information. The estimate is based on the assumption that a sales reduction must be recognized immediately, if the probability of occurrence cannot be excluded with a very high level of probability. The expected value must be reviewed again on the basis of the information at the end of the reporting period and adjusted if required.

d) Revenue from hotels and catering

Revenue from the provision of services in the hotel and catering business refer, inter alia, to hospitality in restaurants and bars, as well as the provision of hotel rooms and services in the health and wellness facilities. In principle, revenue is recognized over time at the time of invoicing. Due to short performance period, revenue recognition with invoicing appears appropriate. Payment is generally made after the service has been rendered in cash, by EC card or credit card and on the basis of the payment terms according to the invoice (maximum 30 days).

The transaction price generally comprises fixed, agreed prices.

Vouchers are recongized as a contract liability in the amount of the residual value of the voucher, and are reversed upon redemption to increase revenue.

For contracts, in which the customer agrees to a non-cash consideration (exchange transaction) for a service, revenue is measured on the basis of the stand-alone sale prices of the services rendered. The related expense is recognized in the statement of profit or loss at the same amount. A temporary difference between the service provided by the Munich Airport companies and those provided by the customer can result in a contract liability or a contract asset.

e) Revenue from parking

Revenue from the provision of parking facilities relate to services in which customers are provided with indefinite parking spaces for use. This includes, inter alia, the one-off parking of passengers and visitors, the issue of parking cards to contingent car parkers for a specific time period and the provision of an indefinite area for washing, refueling and car care in the car rental center. In principle, revenue is recognized over time at the time of invoicing. Due to short performance period, revenue recognition with invoicing appears appropriate. In principle, payment is made after the use by the day parker by cash, EC card or credit card, and on the basis of the payment terms according to the invoice (maximum 30 days) in the case of contingent car parkers.

The transaction price generally comprises fixed, agreed prices.

f) Other revenue

Other revenue includes, inter alia, other services from consulting projects, aviation fuel supply and other services (for example, security, IT, construction measures and advertising). In principle, revenue is recognized over time at the time of daily invoice. The determination of performance progress depends on the type of service and the period of service performance. If the period is rather short (a few days), revenue recognition with invoicing appears appropriate (for example, aviation fuel supply, security and IT services). Payment is made either in advance or within a few weeks after the service is provided. If the performance period is to be classified as longer, revenue recognition takes place on the basis of incurred costs or the service units to be defined individually (for example, consulting projects and construction measures). The payment is made based on the individually rendered service units or through various payments during the performance of the service. For services rendered over a longer period of time, contract assets or contract liabilities may be recognized in the statement of financial position.

The transaction price may include fixed, agreed charges and variable considerations (sales reductions). Liabilities to refund parts of the transaction price may arise for Munich Airport from the variable considerations (refund liabilities). The effect of the revenue reduction is estimated using the expected value method and is based on historical information. The estimate is based to the assumption that revenue reduction must be recognized immediately, if the probability of occurrence cannot be excluded with a very high level of probability. The expected value must be reviewed again on the basis of the information at the end of the reporting period and adjusted if required.

Another component of other revenue is income from permits and concessions. The revenue amount is defined according to the achievement of certain key figures, and thus cannot be estimated with a very high degree of probability. Consequently, revenue recognition does not take place until a withdrawal of revenue is very unlikely (special regulations for licenses). This is the case when the corresponding key figures are known (for example, monthly). Payment takes place a few weeks after revenue recognition.

Other revenue also includes revenue from the sale of goods (for example, sale of fuel), that is recognized when control of a good is transferred to the customer. The relevant point in time is the completion of the payment transaction. Products are paid for primarily directly at the cash desk either in cash or via electronic payment methods (EC card, credit card, etc.).

20. Income from investments and interest income

Income from investments are recognized when there is a legal entitlement to payment. This is subject to the condition that the inflow of economic benefits to the Group is probable and the amount of income can be reliably determined.

Interest income is recognized if it is probable that the economic benefits will flow to the Group and the amount of income can reliably determined.

21. Calculation of fair value

a) Measurement at fair value

Munich Airport measures derivative financial instruments continuously at fair value.

Measurement of investments in subsidiaries and joint ventures, which were not included in the scope of consolidation due to their insignificance are measured at cost for reasons of simplification.

All non-financial assets are measured at amortized cost.

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

Calculation of fair value for measurement purposes

	Fair value		Measurement method	Parameter	
T€	Dec. 31, 2018	Dec. 31, 2017		Type	Hierarchy [4]
Currency futures	0	213	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], loss upon non-performance[2]	II
Assets	**0**	**213**			
Interest rate swaps	40,173	51,255	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], loss upon non-performance[3]	II
Currency futures	34	0	Discounted cash flows, add-on procedure	Expected cash flows[1], discount rates[1], volatility rates[2], CDS spreads[3], loss upon non-performance[3]	II
Liabilities	**40,207**	**51,255**			

[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

These consolidated financial statements contain disclosures on the fair value of investment property and on 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
		Type	Hierarchy[2]	
Property within the airport campus	Income approach	Net income[1], economic useful life[1]	III	VII.3
		Net property return	II	
Property outside the airport campus	Asset value method	Ground value, adjusted normal production costs	II	VII.3
	Income approach	Net income[1], economic useful life[1], net property return	III	VII.3
Receivables	Discounted cash flows	Expected cash flows[3], discount rates[3], CDS spreads[4]	II	VII.5, VII.15
Non-derivative financial liabilities	Discounted cash flows	Expected cash flows[3], discount rates[3], CDS spreads[4]	II	VII.5, VII.15

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

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

The investments in subsidiaries and joint ventures, which are not included in the scope of consolidation for reasons of immateriality, refer to equity instruments of unlisted companies. Prices of comparable listed equity instruments are not available. FMG considers its investments to be a strategic investment. The fair value of these investments are not disclosed.

V. Assumptions and estimates with a material impact on the consolidated financial statements

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 mainly from agreements between the shareholders with a long-term binding effect on the conduct of the company's business activities.

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.

After the state elections in October 2018, the coalition contract for the legislative period 2018 to 2023 between CSU and Freien Wähler [Free Voters] stipulated as follows: «The coalition partners have differing opinions regarding the need for a third runway at Munich Airport. The plans for its construction will therefore not be pursued during the current legislative period…» Munich Airport is currently assuming, on the basis of this statement, a potential decision on the realization of the project in 2023, with construction on the third runway starting in 2025. The effects of the moratorium were shown in the financial statements of 2018. Further impairments with respect to the investments made for the sub-projects arising from the 98th amendment of the planning approval notice [third runway, Erdinger Ringschluss tunnel construction, expansion of the east airport distribution road and partial expansion of the eastern apron] in the amount of T€ 190,844 [2017: T€ 198,499] is currently not expected. 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. In total, T€ 87,796 [2017: T€ 89,586] has been provided for this purpose.

As of December 31, 2018, further assets under construction, purchased land as well as compensation and replacement measures in connection with the third runway are capitalized following the impairment performed for planning services already rendered. A complete suspension of the project can thus lead to a complete impairment of the still reported assets under construction. At this point impairment on the reported land and replacement and compensation measures must also be examined with respect to their future usability.

Further significant, future-related assumptions and estimates exist for the financial liabilities to partnerships. Adjustments in the estimation of future potential for distributions and therefore claims for compensation are made in the carrying amount of the financial liability with an effect in profit or loss. If profit shares from previous periods are not withdrawn, they are reported as a non-current financial liability in accordance with the company's liquidity plans. The expected potential for distributions is predicted on the basis of previous experience and planned revenue and cost developement, taking into account the expected price development and investments in the maintenance and expansion of infrastructure. In total, T€ 346,058 [2017: T€ 315,375] have been recorded as a liability for this.

VI. Notes to the consolidated statement of profit or loss

1. Revenue

Prior to the first-time application of IFRS 15, revenue was comprised as follows:

Revenue 2017 in accordance with IAS 18

T€	**2017**
Leases, royalties, and licenses	854,816
Services	352,365
Sale of goods	190,863
Miscellaneous	70,691
Total	**1,468,735**

After the first-time application of IFRS 15, revenue comprises the following categories :

Revenue 2018 after IFRS 15

T€	2018
Revenue in accordance with IFRS 15	
Airport charges	626,726
Retail trade	186,766
Handling services	175,689
Catering and hotel	138,673
Parking	94,165
Other revenue	145,428
Leasing	
Rental and leasing	106,806
Parking (leasing)	5,670
Advertising (leasing)	28,894
Total	**1,508,817**

a) Revenue in accordance with IFRS 15

The previous category for the sale of goods corresponds to the current retail trade category. The category for leases, royalties and licenses included a broad spectrum of topics, which encompassed, in addition to airport charges and leasing for example, also the shares of the parking business and concessions which must now be assigned to IFRS 15. The revenue from services included handling services and revenue from the hotel and catering businesses as well as other services such as consulting services.

The revenue from airport charges includes airport charges that require approval, including take-off and landing charges, passenger charges, and charges relating to noise and emissions. Charges that do not require approval involve, inter alia, de-icing and air-conditioning services for aircraft, services for people in need of care, and security services.

Revenue from the retail trade relates to the sale of goods in shops at Munich Airport.

Revenue from handling services includes services relating to ground handling (handling of aircraft and passengers) and cargo.

Revenue from the provision of services in the hotel and catering business includes, inter alia, catering in restaurants and bars as well as the provision of hotel rooms and services in the health and wellness facilities.

Revenue from the provision of parking facilities relates to services in which customers are provided with indefinite parking spaces for use. This includes, inter alia, the one-off parking of passengers and visitors, the issue of parking cards to contingent car parkers and the general areas in the car rental center.

Other revenue includes, inter alia, other services from consulting projects, aviation fuel supply and other services (for example, security, IT, construction measures and advertising). Another component of other revenue is income from permits, concessions, and the sale of goods.

Munich Airport generates its revenue predominantly in Germany. Performance obligations satisfied at a point in time relate to revenue from the retail trade, while other business transactions refer to services realized in accordance with the rules for performance obligations satisfied over time.

b) Leasing

Lease income results from the rental and leasing of real estate, from the rental of parking spaces that are not reported in accordance with IFRS 15, from the rental of billboards and light boxes for advertising purposes as well as from the rental of exhibition spaces.

The rental and leasing of real estate category encompasses income from the leasing of traffic, operations and logistics properties as well as the leasing of commercial space, office and conference rooms.

The terms of the majority of leases of traffic, operations, and logistics properties are indefinite with periods of notice of up to 15 years. In individual cases, fixed term contracts are agreed. The terms of those leases range up to five years. Lease extensions are possible for extension period up to five years if agreed. Purchase options are generally not granted.

The terms of the majority of leases of commercial space, office and conference rooms are indefinite with periods of notice of up to nine years. In individual cases, fixed term contracts are agreed. The terms of those leases range up to 17 years. Lease extensions are possible for extension period up to 16 years, if agreed. Purchase options are generally not granted. In addition to a fixed basic rent, lessees of commercial space have to pay a revenue-related charge.

The leasing of parking spaces refers to specifically assigned parking spaces for a certain period of time.

Lease income contains contingent lease payments of T€ 19,179 (2017: T€ 17,670).

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

Expected lease payments from non-cancellable operating leases

T€	Dec. 31, 2018	Dec. 31, 2017
In one year	79,089	69,978
In 2 to 5 years	129,093	153,434
After 5 years	72,390	80,319
Total	**280,572**	**303,731**

Disclosures on the carrying amounts of assets leased can be found in Section VII.2.

2. Own work capitalized

The balance of own work capitalized relates to various construction improvement projects.

3. Other income

The components of other income are as follows:

Other income

T€	2018	2017
Income from disposals of fixed assets	10,025	6,463
Reversal of other liabilities	7,800	8,495
Assistance from the government and other grants	2,536	2,865
Income in connection with damages, compensation, and insurance compensation	1,812	6,167
Reversal and use of other provisions	1,695	2,733
Reversal of expected credit losses	1,496	518
Miscellaneous	4,367	3,127
Total	**29,731**	**30,368**

Exchange rate gains amounted to T€ 660 (2017: T€ 617) and are included in other income.

4. Cost of materials

Cost of materials includes the following amounts:

Cost of materials

T€	2018	2017
Expenditures for raw materials, supplies and merchandise	-171,091	-171,868
Expenditures for purchased services	-222,511	-227,120
Total	**-393,602**	**-398,988**

5. Personnel expenses

Personnel expenses break down as follows:

Personnel expenses

T€	2018	2017
Wages and salaries	-415,690	-392,061
Social security and support benefits	-73,353	-71,893
Expenses for defined benefit plans	-611	-607
Expenses for defined contribution plans	-18,059	-17,520
Expenses for post-employment benefits	-18,670	-18,127
Total	**-507,713**	**-482,081**

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

Number of employees

Average	2018	2017
Employees (permanent/temporary, trainees)	9,521	9,316
Apprentices	252	252
Total	**9,773**	**9,568**

6. Other expenses

Other expenses include the following amounts:

Other expenses

T€	2018	2017
Expenses for audit, consulting, and project services	-19,463	-17,311
Expenses for advertising and PR	-16,948	-15,360
Services similar to personnel costs	-13,132	-12,780
Lease expenses	-11,542	-14,003
Contributions and fees for public utilities and other fees	-10,319	-9,572
Expenses for Insurance	-8,418	-7,521
Expenses for other taxes	-6,300	-2,995
Expenses for office communications	-4,734	-4,309
Other expenses in connection with damages	-4,038	-3,519
Losses from the disposal of non-current assets	-2,055	-3,045
Impairment of financial assets	-1,316	-4,155
Bank charges including transaction costs	-15	-222
Miscellaneous	-16,038	-16,944
Total	**-114,318**	**-111,736**

Exchange rate losses amount to T€ 282 (2017: T€ 874) and are included in other expenses.

Fees paid to the auditor are presented under the expenses for audit, consulting, and project services. These comprise audit fees in the amount of T€ 314 (2017: T€ 333), other attestation services in the amount of T€ 67 (2017: T€ 152), tax advisory services in the amount of T€ 146 (2017: T€ 44), and fees for other services in the amount of T€ 1,068 (2017: T€ 881).

Lease expenses mainly result from the rental of vehicles and buildings.

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

Most buildings are rented for a limited period with notice periods of up to six months. The terms range up to 15 years. Indefinite contracts are agreed in individual cases. The notice periods are usually three months. Lease extensions are possible for extension period up to five years if agreed. There are no purchase options.

As of December 31, the future minimum lease payments for non-cancellable leases are payable as follows:

Future minimum lease payments for non-cancellable leases

T€	Dec. 31, 2018	Dec. 31, 2017
In one year	4,840	8,505
In 2 to 5 years	6,698	7,834
After 5 years	5,230	0
Total	**16,768**	**16,339**

The Group expects future minimum payments in the amount of T€ 149 on the reporting date, arising from the non-cancellable subleases.

7. Depreciation and amortization

Depreciation and amortization includes the following amounts:

Depreciation and amortization

T€	2018	2017
Depreciation and amortization	-199,454	-217,617
Impairments	-16,408	0
Total	**-215,862**	**-217,617**

Impairment refers primarily, with an amount of T€ 12,849, to planning services performed, which must presumably be performed again due to the delay in building the third runway, most recently as a result of the postponement of the decision as part of the moratorium.

8. Financial result

The interest result is as follows:

Interest result

T€	2018	2017
Interest income from short-term deposits and other receivables	310	544
Interest expenses from loans	-67,972	-65,464
Interest expenses from derivatives	-17,653	-18,879
Interest result from financial instruments	**-85,315**	**-83,799**
Other interest income	2,541	886
Other interest expense	-1,483	-692
Other interest result	**1,058**	**194**
Total	**-84,257**	**-83,605**

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€	2018	2017
Income from the transfer of profit from non-consolidated entities	583	495
Net gains from financial instruments	681	13,378
Other financial income	**1,264**	**13,873**
Net losses from financial instruments	-18,697	-5,030
Impairments on expected credit losses	-380	0
Other financial expense	**-19,077**	**-5,030**
Total	**-17,813**	**8,843**

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

Net gains from financial instruments

T€	2018	2017
At fair value	0	0
Financial assets	**0**	**0**
At fair value, designated as hedging instruments	154	1,154
At fair value	0	0
Derivative financial liabilities	**154**	**1,154**
At amortized cost	527	12,224
Non-derivative financial liabilities	**527**	**12,224**
Financial liabilities	**681**	**13,378**
Total	**681**	**13,378**

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

Net losses from financial instruments

T€	2018	2017
At fair value, designated	0	0
Financial assets	**0**	**0**
At fair value, designated as hedging instruments	-169	-322
At fair value	-247	0
Derivative financial liabilities	**-416**	**-322**
At amortized cost	-18,281	-4,708
Non-derivative financial liabilities	**-18,281**	**-4,708**
Financial liabilities	**-18,697**	**-5,030**
Total	**-18,697**	**-5,030**

9. Income taxes

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

Income tax

T€	2018	2017
Tax expense for the current period	-82,215	-77,126
Recognized adjustments for current taxes of the previous years in the current period	-1,430	239
Current taxes	-83,645	-76,887
Deferred taxes	11,059	6,447
Tax expenses	**-72,586**	**-70,440**

The measurement of deferred tax assets and liabilities is based on tax rates expected at the time of realization (see Section IV.16). In fiscal year 2018, tax rates of 24.23 percent to 28.20 percent (previous year: 24.23 percent to 28.20 percent) were used for the calculation.

If the earnings before taxes presented in these financial statements were the basis for taxation, an income tax expense of T€ 61,516 would be expected (2017: T€ 63,717). Differences between the expected and the income tax expense reported in the statement of profit or loss are partially offset by the deferred tax expense or income from the change in deferred tax assets and liabilities. The remaining difference is attributable to the following items:

Tax reconciliation

T€	2018	2017
Earnings before taxes (EBT)	**221,319**	**229,240**
Tax rate in %	27.8	27.8
Expected income tax expense/income	**-61,516**	**-63,717**
Effects due to local tax based additions	-1,506	-1,455
Effects due to local tax based reduction	6,980	4,259
Deviations from Group tax rate	15,214	8,231
Change in deferred taxes due to changes in tax rates	0	-152
Effects from unused tax losses not recognized as deferred tax assets	-392	-2,006
Non-deductible expenses	-343	-370
Tax-free income	748	683
Current taxes relating to other periods	-1,430	362
Deferred taxes relating to other periods	382	-956
Tax effect from German partnerships	-29,929	-14,651
Miscellaneous other effects	-794	-668
Reported tax expenses	**-72,586**	**-70,440**

VII. Notes to the statement of financial position

1. Intangible assets

The carrying amounts of intangible assets developed as follows:

Changes in the carrying amounts of intangible assets

T€	Intangible assets – acquired – Miscellaneous	Intangible assets – acquired – Advance payments	Intangible assets – internally generated – completed	Intangible assets – internally generated – incomplete	Total
Cost					
As of Jan. 1, 2018	**42,975**	**2,701**	**2,762**	**0**	**48,438**
Additions	6,926	1,255	147	0	8,328
Disposals	-1,137	0	0	0	-1,137
Reclassifications	684	-1,414	0	0	-730
As of Dec. 31, 2018	**49,448**	**2,542**	**2,909**	**0**	**54,899**
Accumulated amortization					
As of Jan. 1, 2018	**29,524**	**0**	**1,437**	**0**	**30,961**
Scheduled	4,616	0	437	0	5,053
Disposals	-687	0	0	0	-687
As of Dec. 31, 2018	**33,453**	**0**	**1,874**	**0**	**35,327**
Carrying amount as of Jan. 1, 2018	**13,451**	**2,701**	**1,325**	**0**	**17,477**
Carrying amount as of Dec. 31, 2018	**15,995**	**2,542**	**1,035**	**0**	**19,572**

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

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

Emission rights with a carrying amount of T€ 4,503 (Dec. 31, 2017: T€ 2,532) are presented among acquired intangible assets. Emission rights are intangible assets with indefinite useful lives.

Of the acquired intangible assets of the subsidiaries of Flughafen München GmbH T€ 695 (Dec. 31.12.2017: T€ 747) serve as collateral for long-term loans.

There are obligations for the acquisition of intangible assets amounting to T€ 1,433 (Dec. 31, 2017: T€ 1,764).

If the recognition requirements for internally generated intangible assets as explained in Section IV.2.b were not met, development expenditures were not capitalized. As in the previous year no development expenses were incurred in the year under review that were not recognized. No research expenditures were incurred.

2. Property, plant, and equipment

The carrying amounts of owner-occupied property, plant, and equipment developed as follows:

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

T€	Land	Buildings	Technical plants and machinery	Operating and office equipment	Property, plant, and equipment under construction	Total
Cost						
As of Jan. 1, 2018	**1,863,807**	**4,126,146**	**1,897,880**	**344,324**	**212,578**	**8,444,735**
Additions	2,780	42,925	14,485	20,043	115,829	196,062
Disposals	-152	-20,196	-11,208	-8,919	-16,905	-57,380
Reclassifications	-257	27,867	7,126	3,468	-38,094	110
As of Dec. 31, 2018	**1,866,178**	**4,176,742**	**1,908,283**	**358,916**	**273,408**	**8,583,527**
Accumulated depreciation						
As of Jan. 1, 2018	**15,035**	**2,193,404**	**1,158,703**	**256,555**	**0**	**3,623,697**
Scheduled	0	104,295	63,606	22,200	0	190,101
Impairments		935	0	0	15,216	16,151
Disposals	0	-15,752	-10,847	-8,757	-15,216	-50,572
Reclassifications	0	48	-48	0	0	0
As of Dec. 31, 2018	**15,035**	**2,282,930**	**1,211,414**	**269,998**	**0**	**3,779,377**
Carrying amount as of Jan. 1, 2018	**1,848,772**	**1,932,742**	**739,177**	**87,769**	**212,578**	**4,821,038**
Carrying amount as of Dec. 31, 2018	**1,851,143**	**1,893,812**	**696,869**	**88,918**	**273,408**	**4,804,150**

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

Reclassifications contain transfers from assets held for sale in the amount of T€ 34 (2017: T€ 0).

Impairment losses are presented in the consolidated statement of profit or loss 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, 2017: T€ 5,669).

Of the buildings of the subsidiaries of Flughafen München GmbH T€ 993,170 (Dec. 31, 2017: T€ 1,044,605), and of the technical plants and machinery, the operation and office equipment, and the assets under construction of the subsidiaries, a total of T€ 365,757 (Dec. 31, 2017: T€ 409,226) serve as collateral for long-term loans. FMG itself has not provided any trade receivables as collateral for borrowings.

There are obligations for the acquisition of property, plant, and equipment amounting to T€ 226,305 (Dec. 31, 2017: T€ 119,705).

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

Additions to the costs of assets under construction comprise exclusively general borrowing costs in amount of T€ 4,916 (Dec. 31, 2017: T€ 4,596). Capitalization of general borrowing costs in the reporting year is based on a capitalization ratio of 2.50 percent (2017: 2.50 percent).

In fiscal year 2017, Munich Airport received a government grant totaling T€ 720, which was included in current liabilities as of December 31, 2017 and was only deducted directly from the carrying amount of the asset after completion in fiscal year 2018.

Operating and office equipment contain assets from finance leases. The carrying amounts of operating and office equipment developed as follows:

Changes in the carrying amount of operating and office equipment from finance leases

T€	Operating and office equipment
Cost	
As of Jan. 1, 2018	**998**
Additions	0
Disposals	-998
As of Dec. 31, 2018	**0**
Accumulated depreciation	
As of Jan. 1, 2018	**931**
Scheduled	67
Disposals	-998
As of Dec. 31, 2018	**0**
Carrying amount as of Jan. 1, 2018	**67**
Carrying amount as of Dec. 31, 2018	**0**

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

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

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

Change in the carrying amount of land and buildings leased out

T€	Land	Buildings
Cost		
As of Jan. 1, 2018	**106,649**	**687,222**
Additions	0	1,714
Disposals	0	-3,929
Reclassifications	0	38,128
As of Dec. 31, 2018	**106,649**	**723,135**
Accumulated depreciation		
As of Jan. 1, 2018	**0**	**341,619**
Scheduled	0	16,410
Disposals	0	-2,456
Reclassifications	0	29,935
As of Dec. 31, 2018	**0**	**385,508**
Carrying amount as of Jan. 1, 2018	**106,649**	**345,603**
Carrying amount as of Dec. 31, 2018	**106,649**	**337,627**

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

3. Investment property

The carrying amounts of investment property developed as follows:

Change in the carrying amounts of investment property

T€	Land	Buildings	Total
Cost			
As of Jan. 1, 2018	**84,484**	**170,451**	**254,935**
Additions	4,942	232	5,174
Disposals	0	-514	-514
Reclassifications	-1,483	0	-1,483
As of Dec. 31, 2018	**87,943**	**170,169**	**258,112**
Accumulated depreciation			
As of Jan. 1, 2018	**690**	**102,373**	**103,063**
Scheduled	0	4,301	4,301
Impairments	256	0	256
Disposals	0	-397	-397
As of Dec. 31, 2018	**946**	**106,277**	**107,223**
Carrying amount as of Jan. 1, 2018	**83,794**	**68,078**	**151,872**
Carrying amount as of Dec. 31, 2018	**86,997**	**63,892**	**150,889**

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

Reclassifications contain transfers into assets held for sale in the amount off T€ 2,137 (2017: T€ 1,770).

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

Munich Airport realized income from the lease of investment property in an amount of T€ 16,416 (2017: T€ 16,809). Operating expenses (including repairs and maintenance) were T€ 5,828 (2017: T€ 5,788).

There are obligations to acquire investment property and to construct extensions to investment property amounting to T€ 32,450 (Dec. 31, 2017: T€ 32,190).

Investment property is partially burdened with third-party rights (inter alia leasehold rights). The carrying amount of this real estate is T€ 8,407 (Dec. 31, 2017: T€ 8,883).

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€ 244,462 (Dec. 31, 2017: T€ 239,384). All investment properties are put to their highest and best use. The company determines the fair values itself. Explanation on the measurement methods and parameters can be found in Section IV.7.

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

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, 2018		Dec. 31, 2017	
Investments in companies accounted for using the equity method		**3,657**		**4,116**
FMG share in %		49		49
	Total	**Pro-rata**	**Total**	**Pro-rata**
Current assets	3,745	1,835	5,534	2,712
Non-current assets	9,940	4,871	9,288	4,551
Current liabilities	4,942	2,422	3,340	1,637
Non-current liabilities	1,280	627	1,180	578
Revenue	30,512	14,951	29,070	14,244
Earnings before taxes	3,362	1,647	4,626	2,267
Profit/loss for the year (EAT)	2,394	1,173	3,332	1,632
Other comprehensive income	0	0	0	0
Total comprehensive income	**2,394**	**1,173**	**3,332**	**1,632**
Distributions (total)	3,330		1,900	

The fiscal year of the associate begins on October 1 and ends on September 30 of the following year. For reasons of materiality, no interim financial statements have been prepared. The financial statements are included with a different reporting date after adjustments for results from material business transactions between October 1 and December 31.

There are no unrecognized shares of losses or contingent liabilities.

5. Non-current financial assets

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

Carrying amount and fair value of non-current financial assets

	At fair value through other comprehensive income		At amortized cost		No IFRS 9 measurement category		Total	
T€	Dec. 31, 2018		Dec. 31, 2018		Dec. 31, 2018		Dec. 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	0	0	3,539	3,539	0	0	3,539	3,539
Receivables	**0**	**0**	**3,539**	**3,539**	**0**	**0**	**3,539**	**3,539**
Non-current financial assets	0	0	3,539	3,539	0	0	3,539	3,539

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

The carrying amount of non-current financial assets includes expected credit losses. None of the non-current financial assets were categorized as due.

The Group had other financial assets with a gross carrying amount of T€ 3,545. These were assigned to the rating classes BB- to BBB+. Impairments amounted to T€ 7 as at the reporting date.

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

6. Deferred taxes

Deferred tax assets and liabilities are allocated to the following balance sheet items with reference to their origin:

Allocation of deferred tax assets and liabilities to balance sheet items

	Deferred tax assets		Deferred tax liabilities	
T€	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	25	71	612	790
Property, plant, and equipment	15	12	434,762	439,721
Investment property	5,789	5,377	11,790	11,791
Inventories	62	21	767	806
Miscellaneous other assets	613	540	2,035	157
Assets	**6,504**	**6,021**	**449,966**	**453,265**
Other financial liabilities	9,925	12,314	4,957	7,099
thereof derivatives in cash flow hedges	7,507	9,583	0	0
Provisions	11,090	6,780	3,999	3,698
Employee benefits	10,099	9,780	0	0
thereof post-employment benefits and other long-term employee benefits	7,865	7,627	0	0
Other liabilities	272	49	201	206
Liabilities	**31,386**	**28,923**	**9,157**	**11,003**
Consolidation	**0**	**1,861**	**2,806**	**4,758**
Loss carried forward	5,830	4,504	0	0
Impairment on loss carried forward	-4,067	-3,675	0	0
Loss carried forward	**1,763**	**829**	**0**	**0**
Total	**39,653**	**37,634**	**461,929**	**469,026**
Offsetting	**-34,789**	**-33,486**	**-34,789**	**-33,486**
Amount recognized	**4,864**	**4,148**	**427,140**	**435,540**

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

Effects of the change in deferred tax assets and liabilities on consolidated statement of profit or loss and statement of other comprehensive income

T€	2018	2017
As of Jan. 1	**431,392**	**434,235**
Initial application of IFRS 9	-430	
Derivatives in cash flow hedges	-72	233
Post-employment benefits and other long-term employee benefits	-463	-75
Miscellaneous other temporary differences	-9,592	-6,649
Loss carried forward	-933	45
Deferred taxes affecting profit or loss	**-11,060**	**-6,446**
Derivatives in cash flow hedges	2,149	3,691
Post-employment benefits and other long-term employee benefits	225	-88
Deferred taxes not affecting profit or loss	**2,374**	**3,603**
As of Dec. 31	**422,276**	**431,392**

Trade tax loss carried forward amounting to T€ 13,656 (Dec. 31, 2017: T€ 13,045) and corporate tax loss carried forward amounting to T€ 15,112 (Dec. 31, 2017: T€ 13,242) were not recognized. Loss carried forward does not expire.

The carrying amount of deferred tax assets includes deferred tax assets for losses carried forward of companies with tax losses in the reporting or prior year in an amount of T€ 1,763 (Dec. 31, 2017: T€ 829). In addition to the amount of deferred tax liabilities that can be offset, deferred tax assets on losses carried forward are only recognized to the extent that they can be offset against expected taxable profits.

T€ 1,556 (Dec. 31, 2017: T€ 712) of the deferred tax assets and T€ 427,140 (Dec. 31, 2017: T€ 435,540) of the deferred tax liabilities will probably be realized more than twelve months after the reporting date.

The companies included in the consolidated financial statements are corporations and partnerships. Pursuant to Article 8b (1) in conjunction with Article 8b (5) of the Corporate Tax Act (Körperschaftsteuergesetz – KStG) and/or Article 8b (2) in conjunction with Article 8b (5) of the KStG, 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 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 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 amounts of inventories

T€	Dec. 31, 2018	Dec. 31, 2017
Raw materials, supplies and consumables	7,353	7,788
Finished goods and work in progress	0	47
Merchandise	31,840	33,732
Carrying amount of inventories	**39,193**	**41,567**

T€ 429 (Dec. 31, 2017: T€ 483) of the carrying amount relates to merchandise that is measured at net realizable value.

Cost of materials includes expenses resulting from impairment on merchandise in an amount of T€ 87 (2017: T€ 75). In the reporting year, no reversals of impairment were offset against the cost of materials. The cost of goods and materials used is T€ 127,419 (2017: T€ 128,023).

Inventories are not burdened with third-party rights.

8. Current financial assets

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

Composition of the carrying amounts of current financial assets

	At amortized cost	No IFRS 9 measurement category	Total
T€	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2018
Trade receivables	63,491	0	**63,491**
Other receivables	12,566	0	**12,566**
Receivables	**76,057**	**0**	**76,057**
Other financial assets	**0**	**0**	**0**
Current financial assets	76,057	0	76,057

	Held for trading purposes	Loans and receivables	No IAS 39 measurement category	Total
T€	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017
Trade receivables	0	65,637	0	65,637
Other receivables	0	20,908	0	20,908
Receivables	**0**	**86,545**	**0**	**86,545**
Derivative financial assets	202	0	0	202
Other financial assets	**202**	**0**	**0**	**202**
Current financial assets	202	86,545	0	86,747

a) Current trade receivables and contract assets

Default risks on trade receivables and contract assets are taken into by impairments for expected credit losses (see Section IV.9.d). The amortized costs of the trade receivables include expected credit losses that are calculated using the simplified approach. Munich Airport monitors the credit risk, by using credit default swap spreads and rating information from popular market data providers together with available press and supervisory information on debtors to determine expected credit losses. Individual value adjustments for trade receivables are recognized separately. The impairments in the amount of T€ 4,768 are attributable to trade receivables (T€ 4,751) and contract assets from contracts with customers (T€ 17). The table below contains a more detailed analysis of the credit quality of these receivables:

Analysis of the credit quality

Default risk rating class as of Dec. 31, 2018		Lifetime expected credit losses		
T€		Not impaired	Impaired	
Portfolio	Rating class	collective	individual	Gross carrying amount
Individual consideration	BBB- to AAA	1	0	16,251
Individual consideration	CCC- to B+	5	0	1,056
Individual consideration – impaired	D to CCC	0	4,738	5,738
Cluster – Aviation	BB- to BB+	1	0	20,324
Cluster – Non-Aviation	BB- to BB+	1	0	12,079
Cluster – Retail trade	BB- to BB+	1	0	5,989
Cluster – Hotel/Catering	BB- to BB+	2	0	5,895
Cluster – Consulting business	BB- to BB+	2	0	911
		13	**4,738**	**68,243**
Cluster – Contract assets	BB- to BB+	4	0	1,653
Cluster – Contract assets from the consulting business	BB- to BB+	13	0	2,982
		17	**0**	**4,635**
		30	**4,738**	**72,878**

Over the course of fiscal year 2018, the following movements occurred in the impairments for trade receivables and contract assets:

Impairment losses for expected credit losses in accordance with IFRS 9

	Lifetime expected credit losses	
T€	Not impaired	Impaired
	collective	individual
Portfolio under IAS 39 as of Dec. 31, 2017	0	4,997
Adjustment effect IFRS 9	12	0
Jan. 1, 2018	**12**	**4,997**
Amounts amortized (consumption)	–	-120
Net remeasurement of allowances (+Addition - Reversal)	18	-139
Dec. 31, 2018	**30**	**4,738**

In the past fiscal year, there were no significant changes in the gross carrying amount of trade receivables or contract assets, that would have contributed to significant changes in the impairment.

The impairment amount in the previous year developed as follows:

Impairment balance

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

Under IAS 39, the following maturity structure for trade receivables existed in 2017:

Maturity analysis of trade receivables

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

Receivables not due for payment relate to debtors of varying creditworthiness. When determining the need for impairment for the financial assets, insolvencies, legal disputes, and payment defaults, among other factors, were used to determine if there was objective evidence of an impairment.

Receivables arising from leases are secured through deposits and guarantees. Handling services are rendered only against deposit of cash collateral or bank guarantees. T€ 1,943 (Dec. 31, 2017: T€ 1,550) of receivables arising from leases are covered by deposits of T€ 2,436 (Dec. 31, 2017: T€ 2,281) and by guarantees and other collateral in the amount of T€ 12,315 (Dec. 31, 2017: T€ 12,398). T€ 5,803 (Dec. 31, 2017: T€ 7,573) of receivables arising from handling services are covered by cash collateral, bank guarantees, and other collateral in the amount of T€ 10,973 (Dec. 31, 2017: T€ 13,506). As the collateral can be used in full, regularly and directly, without further costs, the exposure amount to be taken into consideration for the calculation of the expected credit losses is reduced by the amount of the relevant collateral.

Of the trade receivables of the subsidiaries of Flughafen München GmbH, T€ 1,970 (Dec. 31, 2017: T€ 3,686) 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, 2018	Dec. 31, 2017
Supplier bonuses	3,149	3,209
Receivables from associates and shareholdings	2,830	2,840
Receivables relating to damage	1,310	1,251
Receivables from the authorities	984	1,402
Debit balances in trade payables	977	9,758
Miscellaneous	3,316	2,448
Total	**12,566**	**20,908**

Significant risks of default for current other receivables are recognized through impairments losses (see Section IV.9.f). Impairment losses are offset against the carrying amount.

The amortized costs of other receivables include expected credit losses that are calculated using the general approach. Munich Airport monitors the credit risk, by using credit default swap spreads and rating information from popular market data providers together with available press and supervisory information on debtors to determine expected credit losses. Individual value adjustments of other receivables are recognized separately.

The Group had other current receivables with a gross carrying amount of T€ 12,577. These were assigned to the rating classes BB- to BBB+. The impairments on other receivables were T€ 11 (Jan. 1, 2018: T€ 12) on the reporting date.

Under IAS 39, no impairments were formed up to December 31, 2017.

In the past fiscal year, there were no significant changes in the gross carrying amount of other receivables that would have contributed to significant changes in the impairment.

The current other receivables are generally not to be considered as due. The receivables relate to debtors of varying creditworthiness.

c) Current other financial assets

Current other financial assets 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, 2018	Dec. 31, 2017
Receivables from taxes and other levies	5,909	3,983
Other non-financial receivables	0	0
Non-financial receivables	**5,909**	**3,983**
Accruals in connection with aviation	6,738	0
Maintenance services	2,297	1,695
Insurance premiums	435	1,362
Transaction costs for loans	310	400
Miscellaneous other prepaid expenses	185	400
Prepaid expenses	**9,965**	**3,857**
Other assets	**15,874**	**7,840**
of which current	9,243	7,066
of which non-current	6,631	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, 2018	Dec. 31, 2017
Short-term deposits	**209,446**	**158,000**
Deposits at banks	10,125	5,329
Cash on hand	2,252	1,296
Cash and cash equivalents	**12,377**	**6,625**
Total	**221,823**	**164,625**

The composition and carrying amount of cash and cash equivalents corresponds to the balance of cash and cash equivalents in the statement of cash flows.

Cash and cash equivalents are measured at amortized cost. Carrying amount and fair value do not differ.

The amortized cost of cash and cash equivalents includes expected credit losses that are calculated using the general approach. Munich Airport reduces the credit risk, in that it invests primarily in financial instruments with at least an investment grade rating. The rating information is acquired from popular market data providers and monitored regularly for changes. In order to determine whether the published ratings are up-to-date and whether a significant increase in the credit risk has taken place, the determination of expected credit losses is based on credit default swap spreads and available press and supervisory information, in addition to the rating information.

The following table presents an analysis of the credit quality of the cash and cash equivalents (excluding cash on hand). A differentiation is made here between the 12-month credit expected losses and the lifetime expected credit losses, whereby the latter is further differentiated according to whether it is impaired or not impaired:

Analysis of the credit quality of cash and cash equivalents (excluding cash on hand)

	12-month expected credit losses	Lifetime expected credit losses	
T€	Not impaired	Not impaired	
Rating class	collective	collective	Gross carrying amount
BBB- to AAA	257	0	155,014
BB- to BB+	113	185	65,034
CCC- to B+	0	0	77
	370	**185**	**220,125**

For fiscal year 2018, the following movements occurred in the impairments for cash and cash equivalents:

Impairment losses for expected credit losses in accordance with IFRS 9

	12-month expected credit losses	Lifetime expected credit losses
T€	Not impaired	Not impaired
	collective	collective
Portfolio under IAS 39 as of Dec. 31, 2017	0	0
Adjustment effect IFRS 9	175	0
Jan. 1, 2018	**175**	**0**
Amounts amortized (consumption)	–	–
Net remeasurement of allowances (+Addition - Reversal)	195	185
Dec. 31, 2018	**370**	**185**

Under IAS 39, no impairments were formed up to December 31, 2017.

In the past fiscal year, there were no significant changes in the gross carrying amount of financial instruments that would have contributed to significant changes in the impairment.

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 land for extensions. Other developed and undeveloped land is intended for sale. Disposals at market conditions are expected for both barter transactions and sale transactions in the following fiscal year.

12. Equity

The subscribed 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, 2018	Dec. 31, 2017
Free State of Bavaria	156,456	156,456
Federal Republic of Germany	79,762	79,762
City of Munich	70,558	70,558
Total	**306,776**	**306,776**

Each ten euros of a share shall grant one vote within the scope of the resolution adopted by the shareholders' meeting. The disposal of the shares or parts thereof requires the approval of all shareholders.

The main components of the carrying amount of reserves are:

Composition of the carrying amounts of the reserves

T€	Dec. 31, 2018	Dec. 31, 2017
Capital reserve	**102,258**	**102,258**
Actuarial gains and losses	-13,085	-13,896
Deferred taxes	3,638	3,863
Miscellaneous other revenue reserves	58,542	58,542
Revenue reserves	**49,095**	**48,509**
Reserves	**151,353**	**150,767**

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 contract (Terminal 2 Gesellschaft mbH & Co oHG). The respective shareholders' 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 amounts of other equity

T€	Dec. 31, 2018	Dec. 31, 2017
Hedge reserve	-37,519	-48,261
Deferred taxes	7,502	9,650
Measurement through other comprehensive income	**-30,017**	**-38,611**
Initial adoption of IFRSs	975,313	975,313
Initial application of IFRS 9	-1,635	0
Miscellaneous other retained earnings	810,727	691,996
Retained earnings	**1,784,405**	**1,667,309**
Other equity	**1,754,388**	**1,628,698**

13. Capital management

Capital management pursues the aim of ensuring the going concern and generating appropriate returns for the shareholders. Measures are taken to manage the capital structure and the profitability in order to achieve this aim.

a) Capital structure

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

The prime key performance indicator (KPI) for the determination of the company's rating is net debt/adjusted EBITDA. Adjusted EBITDA is meant to create a sustainable KPI. Adjustments relate to non-recurring effects in the current year. In fiscal year 2018, there were no effects that were adjusted, therefore the adjusted EBITDA corresponds to the EBITDA.

The capital structure is managed with regard to the ratio between net debt and adjusted EBITDA derived from the target rating. This ratio is compared with benchmark KPIs of capital market-listed 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€	2018	2017
Financial liabilities from interests in partnerships	346,058	315,375
Other financial liabilities	1,955,134	2,070,696
Cash and cash equivalents	-221,823	-164,625
Net debt	**2,079,369**	**2,221,446**
EBITDA of the fiscal year = adjusted EBITDA	**538,078**	**519,987**
Net debt/adjusted EBITDA	**3.9**	**4.3**

Procedures and methods of controlling and monitoring the capital structure have not changed in comparison with the prior year.

b) Profitability

The Group uses EBT to measure profitability. A large part of the incentives of managers is based on this value. Within the framework of value-oriented management, Munich Airport strives to achieve a return on capital employed (ROCE), which can be used, among other things, to evaluate investments in comparison to the WACC (weighted average cost of capital).

In the fiscal year 2018, the EBT amounts to T€ 221,319 (previous year: T€ 229,240).

Procedures and methods of controlling profitability have not changed in comparison with the prior year.

14. Financial liabilities from interests in partnerships

In the consolidated financial statements according to HGB, financial liabilities from interests in partnerships are presented as equity. The economic content and the measurement of financial liabilities from interests in partnerships are described in Section IV.14.b and Section V.2. They belong to the measurement category «financial liabilities measured at amortized cost». The carrying amount is a reasonable approximation of fair value.

The selected risk-adequate discount rate of 9.5 percent represents an after tax figure derived from the capital cost structure. In addition to the final maturity of the 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 and measurement methods 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, 2018	Dec. 31, 2017
Carrying amount	**346,058**	**315,375**
of which non-current	309,139	293,045
of which current	36,919	22,330

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

Interest rate in %	8.5	9.5	10.5
Value of financial liability in € million	**375,870**	**346,058**	**320,533**

Calculation methods and type of assumptions used in the preparation of the sensitivity analysis are identical to the previous period.

15. Non-current financial liabilities

Carrying amounts and fair values of non-current financial liabilities are attributable to the measurement categories described in Section IV.9.c as follows:

Composition of the carrying amount and fair value of non-current financial liabilities

T€	At fair value through profit or loss		At amortized cost		No IFRS 9 measurement category		Total	
	Dec. 31, 2018		Dec. 31, 2018		Dec. 31, 2018		Dec. 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	0	0	12,166	12,208	0	0	12,166	12,208
Refund liabilities	0	0			0	0	0	0
Other payables	0	0	199	199	0	0	199	199
Payables	**0**	**0**	**12,365**	**12,407**	**0**	**0**	**12,365**	**12,407**
Borrowings	0	0	1,275,783	1,304,714	0	0	1,275,783	1,304,714
Financial liabilities from finance leases[1]	0	0	0	0	0	0	0	0
Non-derivative financial liabilities	0	0	1,275,783	1,304,714	0	0	1,275,783	1,304,714
Derivative financial liabilities (hedge accounting)	0	0	0	0	38,904	38,904	38,904	38,904
Derivative financial liabilities	5	5	0	0	0	0	5	5
Other financial liabilities	**5**	**5**	**1,275,783**	**1,304,714**	**38,904**	**38,904**	**1,314,692**	**1,343,623**
Non-current financial liabilities	**5**	**5**	**1,288,148**	**1,317,121**	**38,904**	**38,904**	**1,327,057**	**1,356,030**

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

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

a) Non-current trade payables

Non-current trade payables mainly relate to warranty retentions.

b) Non-current other payables

Non-current other payables mainly relate to deposits.

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

c) Non-current borrowings

Borrowings mainly relate to syndicated loans. The loans bear 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. No financial covenants have been agreed.

Non-current borrowings include the following amounts:

Composition of the borrowings

Dec. 31, 2018	Carrying amount	Transaction costs	Total
	T€	T€	T€
Fixed interest rate	682,314	0	682,314
Floating interest rate	736,054	-5,768	730,286
	1,418,368	**-5,768**	**1,412,600**

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

The main conditions of loans with short and long-term fixed interest rates are as follows:

Key conditions of fixed-rate loans

Dec. 31, 2018	Carrying amount	Residual debt	Interest	
	T€	T€	from in %	to in %
	682,314	685,241	0.48	3.49
Dec. 31, 2017	**Carrying amount**	**Residual debt**	**Interest**	
	T€	T€	from in %	to in %
	687,535	695,879	0.48	4.05

The main conditions of loans with short and long-term floating interest rates are as follows:

Key conditions of floating-rate loans

Dec. 31, 2018	Carrying amount	Residual debt	Base interest
	T€	T€	
	736,054	734,404	3M and 6M EURIBOR
Dec. 31, 2017	**Carrying amount**	**Residual debt**	**Base interest**
	T€	T€	
	836,260	836,260	3M and 6M EURIBOR

The current portion of the borrowings (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 periods and their present values are compared in the following overview:

Total and present value of payments on finance leases expected in future periods

T€	Dec. 31, 2018 Expected payment	Discounting	Carrying amount
≤ 1 year	0	0	0
Total	**0**	**0**	**0**

T€	Dec. 31, 2017 Expected payment	Discounting	Carrying amount
≤ 1 year	52	0	52
Total	**52**	**0**	**52**

The current portion of the financial liabilities from finance leases 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 lease term of the agreements in question equals the economic useful life of the items transferred. The leases are generally embedded in a service and maintenance agreement. In fiscal year 2018, all financing leases expired. New contracts were not concluded.

e) Non-current derivative financial liabilities

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

16. Derivatives and hedging relationships

Munich Airport uses derivatives as hedging instruments for financial risk management purposes. All hedging relationships are rated as effective. Trading in derivatives for speculative purposes is generally prohibited at Munich Airport.

The carrying amounts of the derivatives are as follows:

Composition of the carrying amount of derivative financial instruments

T€	Assets Dec. 31, 2018	Assets Dec. 31, 2017	Liabilities Dec. 31, 2018	Liabilities Dec. 31, 2017
Recognized hedges				
Cash flow hedge				
Interest rate swaps	0	0	40,173	51,255
Off-balance sheet hedges				
Forward exchange transactions	0	213	34	0
Total	**0**	**213**	**40,207**	**51,255**

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 hedge

Munich Airport is exposed to a risk of interest rate change due to fluctuations in interest rates. To limit interest rate risk, the Group concludes interest rate hedges for floating-rate loans. The floating-rate payments are exchanged for fixed-rate payments (pay-fixed/receive-floating). As a result, the consequences of a change in interest payment obligations for future loans are largely compensated for, so that a specific, floating rate of interest on the net position is striven for with respect to the long-term refinancing. Managing the hedging ratio guarantees a high level of planning security for the interest result, while also facilitating a participation should interest rates fall. The derivatives portfolio includes current and forward starting swaps.

The risk management objective is to eliminate the risk of a change in cash flows due to interest rate changes («interest rate risk») by designating a portion of the nominal amount of the syndicated loan («hedging ratio»). The hedging ratio is reduced successively in accordance with the payment schedule of the syndicated loan. Within the limits defined by the hedging ratio, the interest rate risk should be largely eliminated.

The hedged risk arises from the cash flows from floating interest rate loans. Interest rate swaps are used for hedging purposes, which are entirely designated in the hedging relationship.

The portfolio of hedges is composed as follows:

Derivatives portfolio

		Maturity		
Dec. 31, 2018	Total	2018	2019 to 2022	After 2022
Swaps				
Nominal amount (in T€)	644,000	58,000	531,000	55,000
Average fixed interest rates (in %)		2.61	2.37	0.52

Derivatives portfolio

Dec. 31, 2017

Type	Nominal amount	FMG pays		FMG receives
	T€	from in %	to in %	
Swaps	724,000	0.28	2.92	3M and 6M EURIBOR

The carrying amount of hedged items and derivatives that are designated as cash flow hedges changed as follows:

Carrying amount of hedged items

Dec. 31, 2018	Value change used as the basis for recognizing an ineffectiveness of the hedge	Hedge reserve of cash flows
T€		
Instrument with floating interest rates	6,907	37,911

Carrying amount of the derivatives for cash flow hedges

		Carrying amount of the derivatives		of which the designated portion					
Dec. 31, 2018	Nominal amount	Assets	Liabilities	Assets	Liabilities	Balance sheet item, in which the hedged item is included	Value change of the hedging instrument that was recognized in other comprehensive income	Amount that was reclassified from the hedge reserve into profit or loss	Items in the statement of comprehensive income, in which the reclassification amount is included
	T€	T€	T€	T€	T€		T€	T€	
Interest rate swaps	644,000	0	40,173	0	37,519	Borrowings	6,911	17,653	Interest result

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

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

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 items.

Development of the hedge reserve

T€	Hedge reserve
Jan. 1, 2018	**48,261**
Changes in fair value	
Interest rate risk	6,911
Amount that was reclassified into profit or loss	
Interest rate risk	-17,653
Dec. 31, 2018	**37,519**

In the previous year, under IAS 39 the expected reclassification in the following periods was presented as follows:

Expected reclassification from the hedge reserve to the consolidated statement of profit or loss

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

The prospective effectiveness test is performed on designation and subsequently each quarter. The assessment of effectiveness takes place prospectively on the basis of qualitative features or using cumulative dollar offset methods based on hypothetical derivative methods. Due to corresponding main measurement parameters and the designation of the hedging relationship as a micro hedge, the value changes of the hedged item and the hedging transaction are almost completely offset by each other. As a critical value parameter, a comparison is performed here of the reference interest rate, the term, the interest rate adjustment dates and terms, as well as the nominal amounts. Possible mismatches are expected from the consideration of the credit risk in the hypothetical derivative; but usually that does not lead to any ineffectiveness that had to be recorded through profit or loss. Further sources of ineffectiveness are not known in the Group.

b) Off-balance sheet hedging relationships

The carrying amount of non-designated hedging relationships results from forward exchange transactions, 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 forward exchange transactions are:

Key conditions of forward exchange transactions

Dec. 31, 2018	Nominal amount	FMG pays	FMG receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Forward exchange transactions	1,391	USD	EUR	1.17	1.21

Dec. 31, 2017	Nominal amount	FMG pays	FMG receives	Exchange rate from	Exchange rate to
Type	T€			EUR/USD	EUR/USD
Forward exchange transactions	4,626	USD	EUR	1.09	1.20

17. Employee benefits

Provisions for employee benefits contain:

Composition of the carrying amounts of provisions for employee benefits

T€	Dec. 31, 2018	Dec. 31, 2017
Post-employment pension benefits	29,463	30,272
Post-employment medical benefits	3,585	3,853
Post-employment benefits	**33,048**	**34,125**
Jubilee benefits	4,458	3,873
Partial retirement arrangements	10,132	9,230
Other long-term employee benefits	**14,590**	**13,103**
Termination benefits	4,184	3,581
Bonus payments	6,332	4,282
Overtime accounts	29,882	27,953
Unpaid wages and salaries	5,517	5,165
Other benefits	796	2,841
Other short-term employee benefits	**42,527**	**40,241**
Employee benefits	**94,349**	**91,050**
of which non-current	50,864	50,163
of which current	43,485	40,887

a) Post-employment pension benefits

Obligations from pension commitments exist towards managing directors, authorised signatories and their surviving dependents. They comprise a total of 29 entitled persons (Dec. 31, 2017: 29), of whom 4 (Dec. 31, 2017: 4) are active employees and 25 (Dec. 31, 2017: 25) are retired persons, surviving dependents, and other entitled persons. The amount of the benefits depends on the length of service, the salary at the time of retirement, and the general pension level. The pension payments are made from current operating cash flows.

Munich Airport has not invested any plan assets for the financing of pension benefit payments. The carrying amount of the provision corresponds to the amount of the cumulative defined benefit obligation.

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

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

T€	2018	2017
Obligation as of Jan. 1	**30,272**	**30,051**
Current service costs	611	607
Interest expense	472	469
Pension payments	-1,424	-1,381
Actuarial gains and losses	-468	526
Obligation as of Dec. 31	**29,463**	**30,272**
Expected pension expense	985	1,083
Expected pension payments	-1,417	-1,422
Expected obligation as of Dec. 31 of the following year	**29,031**	**29,933**

The change of actuarial losses is attributable to the following:

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

T€	2018	2017
As of Jan. 1	**12,289**	**11,763**
Change in financial assumptions	-759	0
Changes in demographic parameters	258	0
Experience-based changes	33	526
As of Dec. 31	**11,821**	**12,289**

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, 2018	Dec. 31, 2017
Discount rate	1.8	1.6
Salary trend	3.0	3.0
Pension trend	2.0	2.0
Fluctuation	0.0	0.0

For the first time, life expectancy was derived in fiscal year 2018 from the 2018 G guideline tables of Heubeck Richttafeln GmbH based on monthly payments made in advance.

The average duration of the defined benefit obligation is twelve years (Dec. 31, 2017: 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 pension commitments.

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 obligation. Likewise, the carrying amount will increase with an increase in the expected salary at the time of retirement. The same applies for an increase in the pension level following retirement. There is only a moderate risk, on the other hand, from a change in life expectancy.

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

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

Dec. 31, 2018	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-11.4	14.0
Salary trend	1.0	1.3	-1.2
Pension trend	1.0	11.9	-10.1

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

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 obligations (the projected unit credit method).

The calculation methods and assumptions 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. They comprise a total of 44 entitled persons (Dec. 31, 2017: 46), of whom 18 (Dec. 31, 2017: 19) are active employees and 26 (Dec. 31, 2017: 27) 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 and will be provided indirectly through insurance.

Munich Airport has not invested any plan assets for the financing of medical benefit payments. The carrying amount of the provision corresponds to the amount of cumulative defined benefit obligation.

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

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

T€	2018	2017
Obligation as of Jan. 1	**3,853**	**3,960**
Current service costs	197	220
Interest expense	60	62
Aid payments	-182	-177
Actuarial gains and losses	-343	-212
Obligation as of Dec. 31	**3,585**	**3,853**
Expected addition	226	257
Expected benefit payments	-175	-182
Expected obligation as of Dec. 31 of the following year	**3,636**	**3,928**

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€	2018	2017
As of Jan. 1	**1,607**	**1,819**
Change in financial assumptions	-103	0
Experience-based changes	-284	-212
Changes in demographic parameters	44	0
As of Dec. 31	**1,264**	**1,607**

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, 2018	Dec. 31, 2017
Discount rate	1.8	1.6
Fluctuation	0.0	0.0
Cost trend	3.0	3.0
Average insurance premiums in T€	9.1	9.1

For the first time, life expectancy was derived in fiscal year 2018 from the 2018 G guideline tables of Heubeck Richttafeln GmbH based on monthly payments made in advance.

The average duration is 14 years (Dec. 31, 2017: 13 years).

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

Additional risks arise from fluctuations in the level of market interest rates and future medical costs. A reduction in the market interest rate level will lead to an increase in the amount of provisions for medical 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, 2018	Change in assumption	Change in obligation	
%		+	-
Discount rate	1.0	-12.4	15.9
Cost trend	1.0	15.4	-12.4

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

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 obligations (the projected unit credit method).

The calculation methods and assumptions 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 public sector's collective pay scale agreement 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 cancelled, 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 active 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 plan. 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 and payments in direct insurances of T€ 18,531 for fiscal year 2019. In fiscal year 2018 contribution payments and payments in direct insurances totaling T€ 18,059 were made.

18. Other provisions

The carrying amount of other provisions developed as follows:

Composition of the carrying amount of other provisions

T€	Regional fund	Tax and authorities audit	Miscellaneous	Total
As of Jan. 1, 2018	**89,586**	**2,280**	**9,358**	**101,224**
Changes as of Jan. 1, 2018 as a result of IFRS 9	0	0	14	14
Additions	0	1,728	8,106	9,834
Use	0	-45	-3,647	-3,692
Release	0	-3	-1,702	-1,705
Compounding	0	0	3	3
Discounting	-2,539	0	0	-2,539
Changes in interest rates	749	0	12	761
As of Dec. 31, 2018	**87,796**	**3,960**	**12,144**	**103,900**
of which current	770	3,142	10,219	14,131
of which non-current	87,026	818	1,925	89,769

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€ 9,340 of the fund have already been drawn up to fiscal year 2018. The remainder amount is expected to be paid in 2019. Furthermore, in the event of the realization of the third runway, an additional T€ 40,000 for transport infrastructure projects and T€ 50,000 for other infrastructure projects and to mitigate individual hardship is available to the surrounding municipalities and affected parties from the regional fund. The funds can be drawn in maximum annual installments of T€ 10,000 only upon commencement of project realization.

Payments for other provisions are expected in the following intervals:

Expected payments due to other provisions

Dec. 31, 2018 T€	In one year	In 2 to 5 years	After 5 years
Regional fund	770	0	89,890
Tax and authorities audits	3,142	819	0
Miscellaneous	10,219	883	1,047
Total	**14,131**	**1,702**	**90,937**

As at the reporting date, there were loan commitments from granted cash pooling lines and loan commitments to non-consolidated subsidiaries and joint ventures as well as associates in the amount of T€ 7,018 (Jan. 1, 2018: T€ 11,288), which were assigned an investment grade rating. The provision due to expected credit losses is recognized at T€ 4 (Jan. 1, 2018: T€ 14) and represents the 12-month credit loss. The change during the fiscal year resulted from the re-measurement.

19. Current financial liabilities

The carrying amounts of current financial liabilities are attributable to the measurement categories described in Section IV.9.c as follows. Due to their short-term nature, their carrying amount is a reasonable approximation of market value.

Composition of the carrying amounts of current financial liabilities

Dec. 31, 2018	At fair value through profit or loss	At amortized cost	No IFRS 9 measurement category	Total
T€				
Trade payables	0	49,894	0	49,894
Refund liabilities	0	33,570	0	33,570
Other payables	0	79,038	0	79,038
Payables	**0**	**162,502**	**0**	**162,502**
Borrowings from shareholders	0	502,327	0	502,327
Borrowings	0	136,817	0	136,817
Financial liabilities from finance leases[1]	0	0	0	0
Non-derivative financial liabilities	0	639,144	0	639,144
Derivative financial liabilities (hedge accounting)	0	0	1,269	1,269
Derivative financial liabilities	29	0	0	29
Other financial liabilities	**29**	**639,144**	**1,269**	**640,442**
Current financial liabilities	**29**	**801,646**	**1,269**	**802,944**

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

Dec. 31, 2017	Held for trading purposes	At amortized cost	No IAS 39 measurement category	Total
T€				
Trade payables	0	52,193	0	52,193
Other payables	0	107,110	0	107,110
Payables	**0**	**159,303**	**0**	**159,303**
Borrowings from shareholders	0	502,327	0	502,327
Borrowings	0	173,868	0	173,868
Financial liabilities from finance leases[1]	0	52	0	52
Non-derivative financial liabilities	0	676,247	0	676,247
Derivative financial liabilities	0	0	1,402	1,402
Other financial liabilities	**0**	**676,247**	**1,402**	**677,649**
Current financial liabilities	**0**	**835,550**	**1,402**	**836,952**

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

a) Other current payables

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

Composition of the carrying amount of current other liabilities

T€	Dec. 31, 2018	Dec. 31, 2017
Outstanding invoices	56,887	65,865
Debtors with credit balances	6,397	6,974
Payables to associates and shareholdings	5,249	5,676
Payables from marketing activities	0	12,063
Miscellaneous other payables	10,505	16,532
Total	**79,038**	**107,110**

b) Borrowings from shareholders

T€ 130,418 (Dec. 31, 2017: T€ 130,418) of the borrowings from shareholders are owed to the Federal Republic of Germany, T€ 255,821 (Dec. 31, 2017: T€ 255,821) to the Free State of Bavaria and T€ 116,087 (Dec. 31, 2017: T€ 116,087) to the City of Munich. The loans bear earnings-based interest and are for indefinite terms. Repayment requires a separate agreement. They are classified as current since Munich Airport does not have the unrestricted right to deny repayment within the following fiscal year. In the year under review, interest expense on shareholder loans amounted to T€ 10,414 (2017: T€ 10,414).

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, 2018	Dec. 31, 2017
Liabilities from taxes and other levies	6,421	6,004
Advance payments received[1] & Miscellaneous	271	1,479
Other non-financial liabilities	**6,692**	**7,483**
Advance payments on leases	11,808	11,838
Advance payments in connection with construction activities	4,114	3,814
Advance payments on heritable building rights	3,626	3,626
Other deferred income	3,321	1,960
Deferred income	**22,869**	**21,238**
Total	**29,561**	**28,721**
of which current	12,675	11,416
of which non-current	16,886	17,305

[1] Advance payments received that fall under IFRS 15 have been reported under contract liabilities since January 1, 2018.

21. Contingent liabilities

As in the prior year, there were no contingent liabilities as of December 31, 2018.

22. Operating permit

On May 9, 1974, the Bavarian Ministry of Economic Affairs, Development, and Energy 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. The operating permit 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 Air Traffic Act and ordinances issued from it). FMG is required, among other things, to keep the airport in a save operating condition at all times, to provide and maintain the equipment and signs required 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 State Ministry for Housing, Building and Transport. Airlines are involved into the approval process by means of consultation procedure. 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.

23. Contract assets and contract liabilities

a) Contract balances

The balances from contracts with customers are as follows:

Balances from contracts with customers

T€	Dec. 31, 2018	Jan. 1, 2018
Trade receivables	60,861	61,310
Contract assets	4,617	3,351
Contract liabilities	-2,045	-2,349

In fiscal year 2018, an amount of T€ 1,611 was recognized in revenue, which was included in the balance of contract liabilities at the beginning of the year. In addition, T€ 0 was recognized as revenue due to a change in the transaction price for services already rendered in the previous year.

The contract assets and contract liabilities mainly result from revenue from the retail trade, hotel and catering, and other revenue (for example consulting projects and construction measures). Revenue is explained in Section IV.19.

b) Disclosures regarding material changes

Material changes in the balances from contracts with customers relate to the following items in the reporting period:

Changes in balances from contracts with customers

T€	Contract assets
As of Jan. 1, 2018	**3,351**
Changes from service provision	4,526
Reclassifications into trade receivables, which were included in contract assets as at January 1, 2018	-3,149
Changes in impairments	-15
Adjustments from:	
Contract changes	-96
As of Dec. 31, 2018	**4,617**

T€	Contract liabilities
As of Jan. 1, 2018	**2,349**
Changes from service provision	-1,611
Additions due to advance payments received from customers	1,307
As of Dec. 31, 2018	**2,045**

c) Remaining performance obligations

The following table contains expected future revenue, which will be realized from performance obligations still to be fulfilled or to be partly fulfilled.

Expected future revenue from the realization (partly) of remaining performance obligations

	2019	2020	2021 ff.	Total
T€				
Revenue in accordance with IFRS 15				
Retail trade	24	12	0	36
Catering and hotel	118	69	0	187
Parking	152	99	12	263
Other revenue	10,764	9,571	6,973	27,308
Total	**11,058**	**9,751**	**6,985**	**27,794**

Munich Airport makes use of the practical expedient of IFRS 15.121. The notes to the consolidated financial statements do not contain any information on remaining performance obligations, which have an expected original term of less than one year, and no information on performance completed, that have not yet been invoiced but have been recognized as revenue.

VIII. Financial risk management

The risk management system of Munich Airport, along with the significant risks, is explained in detail in Section 4.2 of the Group management report of December 31, 2018.

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

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

Monitoring and controlling financial risks is the responsibility of central financial and cash management. As part of the early risk detection system, all material financial risks are reported to the Executive Board on a quarterly basis. The Executive Board is informed of liquidity and loan development and the development of the derivatives portfolio by means of a monthly financial report.

Derivatives are used exclusively for hedging purposes. Business transactions are concluded by central financial and cash management. The central finance and cash management department uses a treasury system to document, process and control risks arising from the derivatives portfolio. The software ensures a strict segregation of the functions between acquisition, settlement, and accounting of derivatives and the monitoring of 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 have an impact on the amount of payment obligations arising from floating-rate loan agreements. To a lesser extent, foreign currency risks affect cash flows from international consulting business.

Munich Airport counters market risks by entering into derivative financial instruments. Derivatives used as hedges are acquired solely for hedging purposes and are mainly used to hedge fluctuations in cash flows.

a) Interest rate risk

The interest rate risk of Flughafen München GmbH arises from long-term, floating-rate loans. Munich Airport uses interest rate swaps to hedge cash flows against interest rate fluctuations. Disclosures on hedging relationship can be found in Section VII.16.

Sensitivity analyses are used to show Munich Airport's remaining risk exposure to interest rate fluctuations.

The analysis of sensitivity to fluctuations in interest rates shows the effects of an increase or a decrease in total comprehensive income, profit or loss for the year 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:

- Current interest expense from fixed-rate borrowings measured at amortized cost with fixed-interest periods of more than one year does not change. This applies regardless of when the next interest rate is fixed.
- Effects of changes in the yield curves on the reporting date value of financial instruments measured at amortised cost with fixed-interest periods of more than one year are not taken into consideration.

- Current interest expense from financial instruments measured at amortized cost with fixed-interest periods of less than one year, for example when tied at 3M-EURIBOR or 6M-EURIBOR, changes. This applies regardless of whether such borrowings have been designated into cash flow hedges. The reporting date value of these financial instruments does not change.

- Current interest expense from interest-bearing derivatives, for example when tied at 3M-EURIBOR or 6M-EURIBOR, changes. This applies regardless of whether such instruments have been designated into cash flow hedges.

- Reporting date value of derivatives changes. Secondary effects from the parallel shift in the yield curve such as the change in forward exchange rates are not taken into account when determining interest rate sensitivity.

- As far as derivative financial instruments have been designated into cash flow hedges, the ineffective portion of the changes in value affects profit/loss of the year. The effective portion of the changes in value has an effect on other comprehensive income.

Based on the above mentioned assumptions, a parallel shift of the yield curve by plus 100 or minus 25 basis points will decrease or increase total comprehensive income, profit or loss for the year, and other comprehensive income as follows:

Interest sensitivity analysis

	Dec. 31, 2018		Dec. 31, 2017	
T€	+100 BP[1)]	-25 BP[1)]	+100 BP[1)]	-25 BP[1)]
Total comprehensive income	9,556	-2,520	15,046	-3,970
thereof other comprehensive income	15,996	-4,131	22,286	-5,780
thereof profit or loss for the year	-6,440	1,610	-7,240	1,810

[1)] Basis points

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

b) Foreign currency risk

Foreign currency risks result for the most part from operative activities in foreign currencies. Fluctuations in cash flows arising from exchange rate fluctuations are eliminated through forward exchange transaction. This results in risks from fluctuations of the euro against the US dollar (USD). For reasons of materiality, no currency sensitivity analysis is performed.

2. Credit risk

The credit risk is the risk of a financial loss, insofar as a debtor cannot fulfill its contractual obligations with respect to the financial instrument. Munich Airport's credit risk primarily results from trade receivables and short-term deposits.

The gross carrying amount of financial assets represents the gross exposure to the credit risk; it thus represents the maximum default risk and is described in further detail in the relevant sections on the financial assets. Without taking account of any collateral held, Munich Airport's maximum exposure to credit risk is T€ 301,602 (Dec. 31, 2017: T€ 251,716).

The default risk for short-term deposits is countered by ensuring these are only held by credit institutions that have deposit protection.

The credit risk of receivables is analyzed and managed by a central responsible body (receivables management). Potential bad debt risks are countered by a timely and correct invoicing of the subjects of performance by means of monitoring, and enforcement of punctual and complete settlement of the resulting receivables. This includes the comprehensive credit assessment of customers, constant monitoring of open items, and a stringent dunning process Lease payments are secured through rental deposits and guarantees. Ground handling services are rendered only against deposit of cash collateral and bank guarantees.

Sales of goods and gastronomic service are mainly made against cash or by credit card payment.

Identifiable default risks of individual financial assets are accounted for by corresponding (individual) impairments in accordance with the regulations for determining expected credit losses defaults in the context of impaired financial assets (stage 3).

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

3. Liquidity risk

The liquidity risk describes the risk that Munich Airport might not be able in the future to meet its financial obligations, such as the redemption of financial debts or the settlement of financial liabilities on maturity. Monitoring and controlling liquidity risks is the responsibility of central financial and cash management. The liquidity risk is monitored in the course of long-, medium-, and short-term financial planning. In order to ensure solvency at all times, long-term credit lines and liquid funds are made available based on a rolling liquidity plan.

Group-wide cash management concentrates the cash and cash equivalents of the operating subsidiaries. In addition to access to operating cash surplus, Munich Airport maintains adequate liquidity in the form of short-term deposits and sufficient credit lines with banks. In the reporting year, cash flow from operating activities amounted to T€ 468,296 (2017: T€ 381,921). Munich Airport had access to free credit lines of T€ 256,687 (Dec. 31, 2017: T€ 236,296).

The following table shows the contractually agreed interest and redemption payments for primary and derivative financial liabilities.

Liquidity analysis

Dec. 31, 2018	2019		2020 to 2023		After 2023		
	Interest	Redemption	Interest	Redemption	Interest	Redemption	Total
T€							
Partnerships	0	36,919	0	153,423	0	1,094,447	1,284,789
Shareholders	10,414	491,913	0	0	0	0	502,327
Banks	18,441	123,906	56,249	781,809	22,435	513,931	1,516,771
Leases	0	0	0	0	0	0	0
Trade payables	0	49,894	0	12,700	0	0	62,594
Other financial liabilities (incl. refund liabilities)	0	112,608	0	198	0	0	112,806
Non-derivative financial liabilities	**28,855**	**815,240**	**56,249**	**948,130**	**22,435**	**1,608,378**	**3,479,287**
Derivative financial liabilities (hedge accounting)	15,663	0	24,996	0	-167	0	40,492
Derivative financial liabilities	5	0	29	0	0	0	34
Derivative financial liabilities	**15,668**	**0**	**25,025**	**0**	**-167**	**0**	**40,526**
Total	**44,523**	**815,240**	**81,274**	**948,130**	**22,268**	**1,608,378**	**3,519,813**

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

Redemption on borrowings from shareholders of Munich Airport is only made on the basis of separate redemption agreements. If no binding redemption decision has been made by the reporting date, redemption on borrowings from shareholders is allocated to the interval of up to one year.

Redemption of original financial liabilities from interests in partnerships is shown at the expected settlement amount. The due date here is the earliest possible termination date of the shareholders.

IX. Notes to the statement of cash flow

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

Development of the carrying amounts relating to the financing activities

	Assets and liabilities						Other equity	Total
	Receivables and payables with associates and shareholdings	Borrowings	Borrowings from shareholders	Financial liabilities from finance leases	Financial liabilities from interests in partnerships	Derivative financial liabilities		
T€								
As of Jan. 1, 2018	**-2,836**	**1,517,062**	**502,327**	**52**	**315,375**	**51,255**	**1,628,698**	
Distributions to shareholders							-30,000	-30,000
Proceeds from borrowings		13,200						13,200
Repayments of borrowings from banks		-125,661		-52				-125,713
Repayments of financial liabilities from interests in partnerships					-22,330			-22,330
Interest paid (excluding borrowing costs for qualifying assets)		-15,519	-10,414			-18,009		-43,942
Cash flows from Group-wide cash management with associates and shareholdings	-572							-572
Payments for borrowing costs for qualifying assets		-4,916						-4,916
Cash flow from financing activities	**-572**	**-132,896**	**-10,414**	**-52**	**-22,330**	**-18,009**	**-30,000**	**-214,273**
Changes in fair value		1,613		0	16,310	-10,742	-7,181	0
Other changes	4,497	26,821	10,414	0	36,703	17,703	162,871	259,009
As of Dec. 31, 2018	**1,089**	**1,412,600**	**502,327**	**0**	**346,058**	**40,207**	**1,754,388**	

	Assets and liabilities					Other equity	Total
	Receivables and payables with associates and shareholdings	Borrowings	Borrowings from shareholders	Financial liabilities from finance leases	Derivative financial liabilities		
T€							
As of Jan. 1, 2018	**802**	**1,544,445**	**502,450**	**260**	**69,648**	**1,485,125**	
Distributions to shareholders						-30,000	-30,000
Proceeds from borrowings		33,184					33,184
Repayments of borrowings from banks		-68,970		-205			-69,175
Interest paid (excluding borrowing costs for qualifying assets)		-16,180	-10,537		-18,832		-45,549
Cash flows from Group-wide cash management with associates and shareholdings	-2,832						-2,832
Payments for borrowing costs for qualifying assets		-4,596					-4,596
Cash flow from financing activities	**-2,832**	**-56,562**	**-10,537**	**-205**	**-18,832**	**-30,000**	**-118,968**
Changes in fair value	0	3,745	0	0	-18,464	14,719	0
Other changes	-806	25,434	10,414	-3	18,903	159,328	214,076
As of Dec. 31, 2017	**-2,836**	**1,517,062**	**502,327**	**52**	**51,255**	**1,629,172**	

X. Notes to transactions with related parties

FMG is the ultimate parent of the Group. The shares of Flughafen München GmbH are held by the Free State of Bavaria (51 percent), the Federal Republic of Germany (26 percent), and the City of Munich (23 percent) (see Section VII.12). Decisions affecting the Company's business principles or involving certain risky transactions are made unanimously by the shareholders. All other decisions are made with a simple majority.

1. Transactions with public authorities

The shares in Flughafen München GmbH are held directly by the public sector. Hence, all agencies of the state are related parties.

Transactions with authorities mainly result from unlimited leases with the federal and state police and customs. The prices charged to public authorities 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. There are no significant open items.

2. Transactions with public sector companies

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

Related public-sector companies include credit institutions with direct public participation (for example, Bayerische Landesbank Anstalt des öffentlichen Rechts, Kreditanstalt für Wiederaufbau, and LfA Förderbank Bayern) and credit institutions with indirect public-sector participation via special funds such as the financial market stabilization fund SoFFin (including Commerzbank AG). Transactions with these credit institutions result from financial liabilities (borrowings) and derivatives (interest swaps).

Transactions with credit institutions classified as related parties

T€	2018	2017
Non-derivative financial liabilities		
Interest payments	-20,433	-20,776
Redemption	-33,473	-68,970
Drawings	13,200	589
Derivative financial liabilities		
Interest payments	-8,624	-8,853

In addition, related parties in the public sector include companies and public-law institutions which have been engaged by the Federal Government and the Free State of Bavaria to perform sovereign tasks 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 companies mainly result from indefinite rental agreements.

Munich Airport is doing business with other companies whose financial and business policies are at least significantly influenced by the public sector. These include, for example, the companies of the Deutsche Post AG, Telekom Deutschland GmbH, and Deutsche Bahn AG corporate group. There are mutual supply and service relationships between Munich Airport and these groups, but these are of secondary importance to the group profit/loss.

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

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

There are mutual supply and service relationships between Munich Airport and these companies with the following effects on group profit/ loss assets and liabilities:

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

T€	Dec. 31, 2018	Dec. 31, 2017
Receivables (gross)	6,338	2,840
Payables	5,249	5,676

T€	2018	2017
Revenue	12,315	10,065
Other income	0	46
Total income	**12,315**	**10,111**
Cost of materials	10,815	15,362
Other expenses	174	175
Expenses	**10,989**	**15,537**

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

4. Transactions with related persons

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

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

Remuneration of the members of the Executive Board

2018	Fixed Salary	Bonuses and other remunerations	Total
T€			
Dr. Michael Kerkloh	315	189	504
Thomas Weyer	282	170	452
Andrea Gebbeken	210	132	342
Total	**807**	**491**	**1,298**

Other remunerations include non-cash remunerations, contractual ancillary benefits, and one-off payments. The provisions for post-employment pension benefits to executive officers amounts to T€ 6,276 (2017: T€ 5,887).

Former members of the Executive Board and their surviving dependents received total payments of T€ 798 in fiscal year 2018 (2017: T€ 781). Pension provisions of T€ 9,985 (2017: T€ 10,552) have been set up for future pension benefits and surviving dependents benefits.

Payments to the Supervisory Board amounted to T€ 31 (2017: T€ 32).

There are no loans to or contingent liabilities entered into in favour of board members.

XI. Events after the reporting date

In fiscal year 2019, Munich Airport intends to launch itself on the US market. To this end, subsidiaries were already founded in mid-January 2019 in the US, by Munich Airport International GmbH.

No further events of special significance occurred after the end of fiscal year 2018.

Munich, April 11, 2019

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