Annual Report 2016

Gute Reise! We make it happen

About this report
Gute Reise! We make it happen

Since the end of 2015, Fraport has a new mission statement. It includes a clear paradigm shift: Instead of taking the airport manager's perspective, Fraport turns to the customer. Our processes and our infrastructure should help our customers have a "gute Reise". The company's mission has been clearly expressed: We successfully operate airports for our customers worldwide and offer associated services. We create the conditions needed for international interconnectedness, economic development and prosperity. In doing so, we want to serve the demand for mobility in business and society, offer our partners a platform for their business model, and be an economic force and job engine in the respective regions and an attractive employer and responsible partner.

The new mission statement "Gute Reise! We make it happen" was already taken up in the 2015 Annual Report. The current publication refers to the slogan again. The focus is on the second part: "We make it happen." The pictures on the Group identity cards show who is behind the "we". They stand for belonging to the Fraport Group and our major common goal of giving passengers a "gute Reise".

Financial performance indicators

€ million	**2016**	**2015**	**Change in %**
Revenue	2,586.2	2,598.9	–0.5
Revenue adjusted by IFRIC 12	2,566.3	2,583.8	–0.7
EBITDA	1,054.1	848.8	+24.2
EBIT	693.7	520.5	+33.3
EBT	581.4	433.8	+34.0
Group result	400.3	297.0	+34.8
Profit attributable to shareholders of Fraport AG	375.4	276.5	+35.8
Earnings per share (basic) (€)	4.07	3.00	+35.7
Year-end closing price of the Fraport share (€)	56.17	58.94	–4.7
Dividend per share [1] (€)	1.50	1.35	+11.1
Operating cash flow	583.2	652.2	–10.6
Free cash flow	301.7	393.6	–23.3
Total assets	8,872.8	8,847.3	+0.3
Shareholders' equity	3,841.4	3,511.7	+9.4
Group liquidity	1,247.5	1,043.1	+19.6
Net financial debt	2,355.9	2,774.3	–15.1
Return on revenue (%)	22.5	16.7	–
Return on shareholders' equity (%)	10.4	8.3	–
EBITDA margin (%)	40.8	32.7	–
EBIT margin (%)	26.8	20.0	–
ROCE (%)	11.6	8.6	–
ROFRA (%)	11.4	9.4	–
Gearing ratio (%)	65.4	83.8	–

Table 1

Non-financial performance indicators

	2016	**2015**	**Change in %**
Global satisfaction (Frankfurt) (%)	82	80	+2.0 PP
Punctuality rate (Frankfurt) (%)	79.5	80.3	–0.8 PP
Baggage connectivity (Frankfurt) (%)	98.7	98.8	–0.1 PP
Equipment availability rate (Frankfurt) (%)	96.7	–	–
Employee satisfaction	2.91	2.85	–0.06
Rate per 1,000 employees	23.9	25.8	–1.9

Table 2

Employees

	2016	**2015**	**Change in %**
Average number of employees	20,322	20,720	–1.9
Total employees as at the balance sheet date	22,650	23,038	–1.7

[1] Proposed dividend (2016).

Table 3

Contents

Letter of the CEO

Dear Shareholders,

We cannot rest on past successes. Yet, they provide us with a strong foundation on which to successfully manage the changes in the air transport industry and ensure that your company continues its profitable development in the future. Our mission is to be Europe's best airport operator and to set global standards with a focus on customer requirements. In our new mission statement, we have summed this up in one sentence: "Gute Reise! We make it happen." This means customers are now an even greater focus of our actions than before. At the same time, we are continuing to develop our strategic alignment in line with the changing general and market conditions to position your company for permanent success in the air transport market.

We view the trend towards the digitization of business processes as an opportunity to structure your company more efficiently and to work together with our business partners to establish new digital offers for our customers. The multi-channel platform we developed last year has been expanded with new products and services. This allows us to create attractive, integrated solutions and simultaneously utilize the synergies of the digital and stationary business to strengthen our earning power. As one of the world's pioneering airport operators, we are pleased to see that our online shopping platform received the renowned "Imagine Excellence Award" in the USA last year.

The next logical step as part of our digitization strategy will be taken together with our partner, retailer Gebr. Heinemann. At the end of last year, we founded a joint venture, in which we are combining the activities relating to the duty-free business at Frankfurt Airport. Our customers can now also make their purchases via the online shopping platform and can choose to have them conveniently delivered to their home in Germany or in the future to the gate. The stronger integration of our loyalty programs allows us to better focus our offer on the specific customer requirements. Why not pay us a visit at shop.frankfurt-airport.com?

"Our mission is to be Europe's best airport operator and to set global standards with a focus on customer requirements."

We are also responding to market changes in the "aviation" sector with the development of tailored services and the new charge table. These days, when adding new routes or stops, airlines expect the airport operator to share the costs of market development. At the same time, on European routes, we have long been observing the trend towards the disproportionate growth of low-cost direct traffic to the detriment of established network carriers. The new charge table, which entered into force at the start of this fiscal year, creates incentives for growth through existing as well as new carriers. By expanding the low-cost segment at the Frankfurt site, we are responding to the wishes of our passengers and ensuring sustainable growth in the transport offer as well as a high diversity of flight connections.

At the same time, the new charge table encourages the use of low-noise aircraft at Frankfurt Airport to an even greater extent than was previously the case. This involved a further increase in emissions-related airport charges with an even greater spread. An incentive program to fit aircraft with navigation technology that enables low-noise approach procedures has also been included. We have taken these and additional measures in an effort to shoulder our responsibility to local residents. Together with our partners we will also continue to work intensively on reinforcing and expanding Frankfurt Airport's role as an international pioneer in the issues of active noise absence and reduction.

Financially, fiscal year 2016 was very successful for Fraport in view of the difficult geopolitical conditions. The profitable sale of holdings in the operating company of Pulkovo Airport in St. Petersburg and the compensation payments as part of the Manila project allowed us to achieve an excellent result. In particular, the Group companies Lima in Peru and Twin Star in Bulgaria also contributed to the positive financial development as they were able to significantly increase their relevant traffic and financial figures in comparison to the previous year and generated joint EBITDA of over 150 million euros. By contrast, the Antalya investment in particular reported a sharp drop in traffic and result due to the attacks in Turkey and the recent tensions with Russia. The Frankfurt business was also challenging in 2016. Despite a significant fall in passenger numbers in late spring and summer, as a consequence of the attacks in Belgium and France, among other things, Frankfurt Airport was once again able to surpass the 60-million mark, with around 60.8 million passengers, and only record a slight drop of 0.4 percent below the previous year. Meanwhile, cargo tonnage rose by 1.8 percent, to around 2.1 million metric tons, due to a strong global economy.

Overall, at the Group level, your company generated EBITDA of over 1,054 million euros and EBIT of around 694 million euros. The Group result increased significantly by almost 35 percent to a new record high of over 400 million euros. The extremely positive performance of the key financial figures is also reflected in your company's increased value added. This amounted to around 169 million euros, approximately 122 million euros above the already good level of the previous year. We want you, our esteemed shareholders, to participate in this good result development. As a result, for fiscal year 2016, the Executive Board and the Supervisory Board will submit a proposal to the AGM to increase the dividend by 15 cents per share and distribute a dividend of 1.50 euros per share.

In this respect, I would like to extend a special thanks, also on behalf of my Executive Board colleagues, to our employees in Frankfurt and around the world. Their consistently high level of commitment, their expertise and their ideas ensure that we are able to achieve this kind of positive statement of financial position. They are the ones who ensure the successful development of the Group airports and Group companies every single day and constantly set new standards of performance, especially in difficult conditions.

For fiscal year 2017, we expect passenger growth of between two and four percent at the Frankfurt site, while the market environment will remain challenging. We also expect an overall positive development at our international airports. In particular, the airports in Lima and Xi'an should continue their high growth trend. The traffic forecast for the St. Petersburg and Antalya airports remains very uncertain. Despite this, we expect a recovery in passenger demand at both airports due to the lifting of the sanctions against Russia.

With regard to the development of our key financial performance indicators, we expect Group EBITDA of between around 980 million euros and approximately 1,020 million euros and Group EBIT of between about 610 million euros and around 650 million euros. We forecast the Group result to lie between around 310 million euros and about 350 million euros. We expect that dividends will remain at the level of 1.50 euros per share.

The forecast for fiscal year 2017 also includes the 14 Greek regional airports. The planned takeover of these airports by around March of this year will represent an important milestone in the further development of our international business. These airports welcomed over 25 million passengers in total in 2016, an increase of nine percent compared to the previous year. In the coming four years, in addition to the continued increase in passenger numbers, the focus will particularly turn to the implementation of improvements in customer and security processes, and the expansion of the terminal and air traffic capacities. In addition to the concession price of around 1.2 billion euros, during this period we will invest a further approximately 400 million euros in the airports and also pay a fixed annual concession fee of around 23 million euros to the Greek government.

To our esteemed shareholders, I look forward to your continued support on our path into the future. I would also like to thank you very warmly for the confidence that you have placed in us to date. I hope you will enjoy reading our 2016 Annual Report and look forward to welcoming many of you to this year's AGM on May 23, 2017 in the Jahrhunderthalle in Frankfurt am Main.

Sincerely yours,

Stefan Schulte

The Fraport Executive Board


Fraport
Appointed until
30.09.22
Michael Müller
Executive Director Labor Relations
Born in 1957
Executive Director since October 2012
Fraport
Fraport
Appointed until
31.03.22
Dr. Matthias Zieschang
Executive Director Controlling and Finance
Born in 1961
Executive Director since April 2007
Fraport

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board performed all the tasks incumbent on it under law, the company statutes, and rules of internal procedure, and continuously monitored the management of the company in fiscal year 2016. The Supervisory Board obtained regular, timely, and comprehensive information from the Executive Board, in writing and orally, on the proposed business policies, fundamental questions concerning future management and corporate planning, the situation and development of the company and the Group as well as significant business transactions, and consulted with the Executive Board on these matters. Deviations in the development of business from the planning were explained in detail to the Supervisory Board. Based on the reports of the Executive Board, the Supervisory Board extensively discussed the business transactions of significance to the company. The Supervisory Board harmonized the strategic alignment of the company with the Executive Board. In addition, the Chairman of the Executive Board maintained regular contact with the Chairman of the Supervisory Board and informed him about the current developments concerning the business situation as well as substantial business transactions. The Supervisory Board was directly involved in all the decisions that were of fundamental importance to the company. Where required by law, the company statutes or rules of internal procedure, the Supervisory Board voted on the relevant proposals made by the Executive Board, after having thoroughly examined and consulted on those matters.

During the reporting period, the Supervisory Board convened four ordinary meetings, one strategy session, and two special meetings.

With the exception of Mayor Feldmann, all members of the Supervisory Board participated in more than half of the meetings of the Supervisory Board meetings and the committees of which they are members.

Focal points of discussions of the Supervisory Board

The business development of the Fraport Group and its Group companies, with a particular emphasis on the traffic and earnings development at Frankfurt Airport, were the subject of regular discussions by the Supervisory Board. Ongoing reports were also provided on the expansion in the southern section of the airport site.

With respect to the Group airports Antalya, Varna, Burgas and St. Petersburg, the impacts of the continuing political crisis in relation to Russia as well as developments within Turkey also played a prominent role.

Apart from this regular reporting, the following matters were extensively discussed in particular:

> In 2016, the Supervisory Board once again regularly obtained information on the various measures and initiatives to improve active and passive noise abatement at Frankfurt Airport. In this respect, the focus was also on the concept to introduce a noise ceiling, which was presented by the Hessian Ministry of Economics, Energy, Transport and Regional Development at the end of September. In addition, the Supervisory Board noted that the charge increases in the new charge table requested by Fraport, which entered into force at the start of 2017, exclusively occur for noise charges, whose share of the overall charges rises from about 14 % to 16 % as a result.

> More detailed reports were also provided on the progress of the projects to utilize new communication media for passenger retention and to promote retail activities, which were commenced in 2015.

> An ongoing topic in the reporting was the efforts to further increase the service quality in all areas. In this regard, information was also provided on the measures to implement the company's new mission statement under the slogan "Gute Reise! Wir sorgen dafür" and the positive development in passenger satisfaction was welcomed.

"With regard to the successful fiscal year 2016 despite the difficult general conditions, the Supervisory Board would like to thank the Executive Board and the company's employees for their work."

- In addition, the impacts of the revised version of the AÜG on the processes at the Frankfurt site and the solutions developed in this respect were analyzed in greater detail.
- With a view to energy management at Fraport, the Supervisory Board was also informed of the various projects for climate protection, from the reduction in energy consumption through to the promotion of e-mobility.
- In continuation of the internationalization strategy, the Supervisory Board intensively supervised the progress of the takeover process with regard to the Greek regional airports based on the concession agreement concluded on December 15, 2015.
- With respect to the investment in Manila, the Supervisory Board continued to support the efforts in and out of court in reaching an appropriate compensation agreement with the Philippine government for the capital expenditure made in connection with the construction of Terminal 3 at Manila Airport. In this regard, it was pleased that, based on the rulings of the Supreme Court of the Philippines of September 8, 2015 and April 19, 2016, the Philippine government made a compensation payment to the local project company PIATCO, of which just under 270 million US dollars flowed through to Fraport, based on a settlement agreement approved by the Supervisory Board. It also welcomed the fact that this conflict-ridden project has now come to a close.
- In addition, the Supervisory Board dealt with the financial statements and management reports of the company and the Group as at December 31, 2015, the agenda and the included resolution proposals for the Annual General Meeting (AGM) on May 20, 2016, as well as the 2015 Annual Report. Furthermore, the Supervisory Board again decided to propose to the AGM that PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as the auditor for fiscal year 2016.

Furthermore, the Supervisory Board made specific decisions on the following subjects, among others:

- On March 14, 2016, the Supervisory Board essentially endorsed the intended restructuring of the responsibilities for security checks at Frankfurt Airport and approved the closing of a corresponding declaration of intent with the Federal Ministry of the Interior. Continuous reports were provided on the progress of the discussions during the year.
- Also on March 14, 2016, the Supervisory Board adopted the agenda for the ordinary AGM on May 20, 2016 and, in this respect, also approved the proposal for the closing of control and profit transfer agreements with a number of Group companies.
- In addition, on June 27, 2016, the Supervisory Board gave its consent for the implementation of a structural engineering project development on the Mönchhof site in a joint venture with a project developer.
- In connection with the ongoing dealings with the southern expansion of Frankfurt Airport, on September 30, 2016, the Supervisory Board approved the formation of Fraport Ausbau Süd GmbH (FAS) and the closing of a management service agreement with this company to optimize the project structure.
- Also on September 30, 2016, the Supervisory Board gave its consent to extend the partial leasehold with regard to the Frankfurt Airport Center (FAC1) by an additional 30 years.
- Following prior consultation in the executive committee, on June 27, 2016 the Supervisory Board approved the re-appointment of Dr. Zieschang and, on December 12, 2016, the re-appointment of Mr. Müller as members of the Executive Board of Fraport AG for a further five years in each case. With regard to the special matter of the occured compensation payment from the Manila project, the Supervisory Board also resolved to conclude an agreement with every Executive Board member on the partial waiver of bonus claims for fiscal year 2016.
- On December 12, 2016 the Supervisory Board also approved the 2017 Business Plan.

In its strategy session at the end of September 2016, the Supervisory Board initially focused on the development of the aviation market in Europe and Germany as well as the consequences for Frankfurt Airport. In-depth discussions were also held on the opportunities and challenges for the site presented by the low-cost segment.

Additional topics covered were the situation in the ground services, in particular consideration of the revision of the AÜG and the construction and cost approaches for Terminal 3.

Work of the committees

The Supervisory Board continued its successful work with the committees it had formed to increase the efficiency of its work and to prepare for the Supervisory Board meetings. In individual appropriate cases and in accordance with law, decision-making powers of the Supervisory Board are granted to the committees. The chairpersons of the committees provided regular reports at the next Supervisory Board meeting to the plenum of the Supervisory Board on the work of the committees. The composition and responsibilities of the individual committees can be found in the chapter "Joint Statement on Corporate Governance and Corporate Governance Report" as well as on the Group's website www.fraport.com under the section Investor Relations.

The **finance and audit committee** met six times during the reporting period and discussed substantial business transactions, the annual and consolidated financial statements, the management reports and the recommendation to the AGM for the appropriation of profit and for the amount of the dividend. Representatives of the auditor often participated in the meetings on individual agenda items. The finance and audit committee prepared the determination of the focal points of the 2016 fiscal year audit of accounts for the Supervisory Board. The half-year interim report and the other interim releases were discussed in detail prior to their publication. Comments were also made on the 2017 Business Plan of Fraport AG (prepared in accordance with the HGB) and the 2017 Group Plan (prepared in accordance with IFRS). Furthermore, the finance and audit committee dealt with the issuance of awarding the audit mandate to the auditor and made a proposal to the plenum for the election of the auditor for fiscal year 2016. In this context, the auditor's confirmation of independence pursuant to Section 7.2.1 of the German Corporate Governance Code (GCGC) was obtained, the qualification of the auditor monitored, and the remuneration of same discussed. Furthermore, the issue of mandates for non-audit-related services to the auditor was discussed. After the cyclical change of the auditor for the fiscal year 2013, it was proposed to the plenum again to recommend PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to the AGM as auditor for fiscal year 2016.

Further focal points of the discussions were asset and liability management as well as the regular supplementary report in accordance with Section 90 of the German Stock Corporation Act (AktG) to the consolidated financial statements and/or the consolidated interim financial reports. In addition, the committee discussed the risk management, the internal control system, the internal audit system as well as the compliance management system in detail and ensured that the Supervisory Board was appropriately informed.

The focal points of the discussion of the **investment and capital expenditure committee** in fiscal year 2016 were again the further business development of the investment business and the area of capital expenditure. During four meetings and one special meeting, the committee dealt in depth with matters such as the preparation of the Supervisory Board resolutions to implement the structural engineering project development on the Mönchhof site, to extend the partial leasehold for FAC1 and to form FAS.

In addition, the committee provided its final approval for the formation of a project company in New York and its capitalization with a maximum of US$30 million as part of the Group company Fraport USA Inc.

The focus of attention also regularly turned to the existing global investments as well as those at the Frankfurt site, while members of the Supervisory Board and the committee took the opportunity to gain an impression of the development at the Bulgarian Group airports in Varna and Burgas on site at the start of October 2016. Finally, the committee assisted with the capital expenditure at the Frankfurt site and commented on the investment plan in the context of the 2017 Business Plan.

The **human resources committee** met four times in fiscal year 2016 and regularly discussed the human resources situation in the Group. Focal points of discussion included current wage issues, considerations on the control changes for the aviation security checks in Frankfurt and the development of postings and returns. In addition, the impacts of the new Temporary Employment Act on the Group, demographic change and management development were the subject of discussions. Reports were also provided on the results of the "Fraport Culture Check", the implementation of partial retirement, the situation for severely disabled persons, and the initiatives for the professional integration of young refugees.

The **executive committee** met five times during the reporting period. It dealt with Executive Board matters and remuneration issues arising in the 2016 fiscal year. In this respect, it also arranged the re-appointment of Dr. Zieschang and Mr. Müller as members of the Executive Board for a further five years in each case and the bonus adjustment in Executive Board remuneration.

In light of the fact that there was no change in the composition of the Supervisory Board, the **nomination committee** formed for preparing the new election of shareholder representatives did not meet in the 2016 fiscal year.

Nor was it necessary to convene the **mediation committee** in accordance with the German Co-Determination Act (MitbestG) in fiscal year 2016.

Corporate Governance and statements of compliance

The Executive Board and the Supervisory Board also addressed the implementation of the German Corporate Governance Code (GCGC) in the past fiscal year.

In light of the fact that the Government Commission decided against a further development of the GCGC in 2016 and that two of three substantial code amendments from the previous year had already been implemented in 2015, based on the respective resolution of the Supervisory Board of September 18, 2015, the implementation of the third new recommendation to define a company-specific control limit for the length of membership of the Supervisory Board continued to be waived. As a consequence, this once again had to be explained and justified in the 2016 statement of compliance.

In 2016, the Supervisory Board performed the regular efficiency audit based on a detailed questionnaire, with the help of an external consultant. The extremely positive results were analyzed during the December meeting. This did not result in any specific need for action.

Further details on Corporate Governance and the wording of the current statement of compliance pursuant to Section 161 of the AktG, released by the Executive Board and the Supervisory Board on December 12, 2016, are provided in the "Joint Statement on Corporate Governance and Corporate Governance Report" starting on page 14. The Fraport Code and the current and past statements of compliance can also be found on the Group's website www.fraport.com under the section Investor Relations permanently.

Conflicts of interest and their treatment

To avoid potential conflicts of interest, Mr. Gerber did not participate in the consultations on the strategic topics of "charges" and "development of the aviation market in Europe and Germany – consequences for Fraport".

Annual and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as at December 31, 2016 as well as the management report and Group management report and issued unqualified auditor's reports. The audit mandate was issued by the chairman of the Supervisory Board and the chairwoman of the finance and audit committee in accordance with the resolution of the AGM of May 20, 2016.

The annual financial statements and the management report were prepared in accordance with the regulations of the HGB applicable to large capital companies; the consolidated financial statements and the Group management report were prepared in accordance with IFRS as applicable in the EU, and both audited by the auditor. The consolidated financial statements and the Group management report meet the conditions for exemption from the preparation of consolidated financial statements in accordance with German law. The auditor established that an early risk warning system, that meets the legal requirements and which makes it possible to identify at an early stage developments that could jeopardize the company as a going concern, was in place.

The documents mentioned as well as the proposal by the Executive Board for the utilization of the profit earmarked for distribution have been sent to the Supervisory Board by the Executive Board without delay. The finance and audit committee of the Supervisory Board examined these documents extensively and the Supervisory Board reviewed them also personally. The audit reports of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and the financial statements were available to all the members of the Supervisory Board, and were comprehensively dealt with in the accounting meeting of the Supervisory Board on March 15, 2017 in the presence of the auditor who reported on significant results of its audit, and were available to respond to additional questions and provide further information. In the meeting, the chairwoman of the finance and audit committee provided a comprehensive report on the treatment of the annual financial statements and the consolidated financial statements in the committee. The Supervisory Board approved the results of the annual audit. After the completion of the audit by the finance and audit committee and its own review, the Supervisory Board did not raise any objections. The Supervisory Board approved the annual financial statements prepared by the Executive Board; the financial statements were thus adopted.

The Supervisory Board approved the proposal by the Executive Board to use the profit earmarked for distribution to pay a dividend of EUR 1.50 per no-par value share.

The report prepared by the Executive Board on the relationships of Fraport AG with affiliated companies pursuant to Section 312 of the AktG was submitted to the Supervisory Board. The report concludes with the following statement by the Executive Board, which is also included in the management report:

“The Executive Board declares that under the circumstances known to us at the time when the legal transactions were fallen, Fraport AG received fair and adequate compensation for each and every legal transaction conducted. During the reporting year, measures were neither taken nor omitted at the request of or in the interests of the State of Hesse and the City of Frankfurt am Main and their affiliated companies.”

The auditor reviewed the report on the relationships with affiliated companies and issued the following auditor’s report:

“Based on our mandatory audit and the conclusions reached, we confirm that
1. the effective disclosures made in the report are correct,
2. the consideration paid by the company for the legal transactions referred to in the report was not unreasonably high.”

The auditor participated in the discussions with the Supervisory Board on Wednesday, March 15, 2017 on the report regarding the relationships with affiliated companies and was available to the Supervisory Board to provide additional information. After conducting its own review, the Supervisory Board agrees with the assessment by the auditor and raises no objections to the statement by the Executive Board regarding the relationships with affiliated companies provided at the end of the report and included in the management report.

Personnel particulars

The composition of the Executive Board and Supervisory Board remained unchanged compared to the previous year in 2016.

With regard to the successful fiscal year 2016 despite the difficult general conditions, the Supervisory Board would like to thank the Executive Board and the company’s employees for their work.

Frankfurt am Main, March 15, 2017

Karlheinz Weimar
(Chairman of the Supervisory Board)

Joint Statement on Corporate Governance and Corporate Governance Report

The Fraport AG Executive Board reports – in the name of the Supervisory Board as well – on the contents subject to the reporting requirements pursuant to Section 289a of the German Commercial Code (HGB) for Fraport AG as well as for the Fraport Group (Fraport AG and Group companies with a participating interest of at least 50 %, hereinafter referred to as "Fraport") as part of a joint statement on corporate governance pursuant to Section 289a of the HGB and Section 315 (5) of the HGB, including the for the Supervisory Board, in order to enable a general statement on the Group's corporate governance principles. The Executive Board and Supervisory Board also provide an annual report on corporate governance pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) as part of the corporate governance report and publish this in conjunction with the general statement on corporate governance.

The term "corporate governance" at Fraport means responsible corporate management and control. The objectives of corporate governance at Fraport are sustainable value creation and creating as well as strengthening confidence among investors, customers, employees and the public. Good corporate governance therefore has the highest priority at Fraport. In this context, efficient collaboration between the Executive Board and the Supervisory Board is as important as protecting shareholders' interests and maintaining open and transparent corporate communications. Fraport monitors the national and international developments in this area and regularly reviews its own corporate code, the Fraport Corporate Governance Code, in connection with new legal regulations and revised national and international standards, and modifies it to meet these as required.

In accordance with Section 317 (2) sentence 4 of the HGB, the following disclosures under Section 289a of the HGB were not included in the annual audit by the auditor.

Statement of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

As a listed company headquartered in Germany, corporate governance at Fraport AG primarily complies with German stock corporation law, capital market law and the suggestions and recommendations of the GCGC. There is no obligation to implement the suggestions and recommendations of the GCGC. However, under Section 161 of the AktG the Executive Board and the Supervisory Board are obliged to issue a statement of compliance and to report and justify any deviations from the recommendations of the GCGC.

The Executive Board and the Supervisory Board last issued the following statement of compliance under Section 161 of the AktG on December 12, 2016:

"The last annual statement of compliance was issued on December 14, 2015. Since then, Fraport AG has complied with and will continue to comply with the recommendations made by the Government Commission on the German Corporate Governance Code in the version dated May 5, 2015, with the exception of the recommendations set forth in Section 5.4.1 (2) sentence 1 of the GCGC with regard to the specification of a regular limit of length of membership in the Supervisory Board.

Grounds:
Section 5.4.1 (2) sentence 1 of the GCGC contains, inter alia, a recommendation that a regular limit of length of membership in the Supervisory Board be specified. The Supervisory Board of Fraport AG views such a limit on the duration of membership as inappropriate. Rather, in determining the composition of a functional and effective Supervisory Board, care should be taken to ensure a mix of experienced members and those newly elected to serve in this body. A rigid maximum duration runs contrary to this, as it would be necessary to replace all or most members of the Supervisory Board at regular intervals. However, the long-standing Supervisory Board members who would be affected by such a provision in particular have profound knowledge of the company, which they can use to the company's benefit in supervising and advising the Executive Board. In light of the time limit on their activities as such, long-standing Supervisory Board members also do not lose either their independence or their openness towards new ideas. It would therefore not be in the interests of Fraport AG if persons with particular supervisory and advisory skills and abilities were to be required to leave the Supervisory Board based on a fixed time limit on their membership therein. In addition, a fixed maximum length of membership may run counter to the diversity the GCGC requires in the composition of the Supervisory Board, which is reflected in part in the different lengths of time for which members have served and, associated with these lengths, the members' experience levels."

The statement of compliance was promptly made permanently available to the shareholders on the company’s website at www.fraport.com in the section Investor Relations.

GCGC Recommendations

Fraport AG also voluntarily complies with the recommendations of the GCGC, solely with the following exceptions:

Transmission of the Annual General Meeting (AGM) via modern communication media (Section 2.3.3 of the GCGC).

Primarily for security reasons and personal privacy, Fraport AG only published the speeches of the Chairman of the Supervisory Board and the Chairman of the Executive Board at the beginning of the 2016 AGM on the Internet.

First-time appointment of members of the Executive Board (Section 5.1.2 (2) of the GCGC).

All Executive Board members were initially appointed for a term of five years, indicating Fraport AG's willingness to enter into a long-term arrangement. Furthermore, an initial term of five years still represents the common practice among experienced professionals and is therefore in line with the expectations of many potential Executive Board members.

Gender Ratio and Setting Targets for the Proportion of Women in the Executive Board and in Management Positions

Gender ratio

On May 1, 2015, the “Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector” came into force. According to this, the statutory gender ratio with a minimum of at least 30% women and at least 30% men in the Supervisory Board must be complied with (Section 96 (2) of the AktG, Section 5.4.1 (2) of the GCGC) as part of the new elections and postings in Fraport’s Supervisory Board that become necessary from January 1, 2016. In this respect, the Supervisory Board decided at its meeting of September 18, 2015 that these ratios are to be met separately for shareholders and for employees. The Supervisory Board currently comprises three female and seven male shareholder representatives and one female and nine male employee representatives.

Targets for the Executive Board

The “Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector” additionally requires targets to be set for the proportion of women in the Executive Board (Section 111 (5) of the AktG, Section 5.1.2 (1) of the GCGC).

The Supervisory Board also set a target of 25% for the proportion of women in the Fraport AG Executive Board at its meeting of September 18, 2015. This target is to be reached by June 30, 2017. As the Executive Board currently consists of one female and three male members, this target has already been reached.

Targets for the first and second management levels below the Executive Board

The “Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector” furthermore requires targets to be set for the proportion of women in both management levels below the Executive Board (Section 76 (4) of the AktG, Section 4.1.5 of the GCGC).

At the turn of the year 2016/2017, the Executive Board set a target of 30.0% for the proportion of women in the first management level below the Executive Board (“direct reports”) and a target of 30.0% for the proportion of women for the subordinate management levels (“direct reports” to the first management level) by December 31, 2021 for Fraport AG. At the end of 2016, the proportion of women in the first management level amounted to 26.9% and 29.8% in the second management level.

Disclosures on Other Significant Corporate Management Practices

Beyond the statutory provisions, Fraport utilizes the following relevant corporate management practices:

Own corporate governance code

The Supervisory Board of Fraport AG has adopted its own corporate governance principles for the company. The Fraport Corporate Governance Code describes the fundamental principles for the management and control of the company as well as the responsible corporate governance that Fraport has undertaken to uphold. It also presents the specific implementation of the recommendations and suggestions of the GCGC at Fraport and clarifies the material rights of the shareholders.

The Fraport Corporate Governance Code is closely modeled on the GCGC and is regularly monitored and adapted where necessary in light of new legal regulations as well as revised national and international standards (last amended on September 30, 2016). The Fraport Corporate Governance Code can be downloaded from the company website under www.fraport.de in the section Investor Relations.

Compliance

Fraport understands the term "compliance" to mean compliance with laws and internal regulations. Since 2003, Fraport has developed values-based compliance, which is continued and updated in a Compliance Management System (CMS). The CMS is focused on prevention, identifying non-compliance, and responding to infringements. Fraport has structured the CMS based on audit standard IDW PS 980. In addition to an internal representative and an external ombudswoman, Fraport has been operating an electronic whistleblower system (BKMS® system) since 2009. This enables information relating to serious legal violations to reach the compliance department via a range of reporting channels, which then processes and clarifies the information in a central case management system.

In 2016, the area of compliance was organizationally assigned to the Fraport AG legal department. The Chief Compliance Officer is now the head of the central "Legal Affairs and Compliance" department.

Compliance and prevention measures are focused on a group-wide compliance risk analysis, numerous communication measures, and a range of training courses, which either take place as classroom-based events or as e-learning. In the past few years, the substantial minimum CMS requirements have been implemented by the executive boards of the national and international Group companies at Fraport.

Moreover, in the past fiscal year, Fraport has updated its internal guideline for insider and ad-hoc publicity. The new guideline, adapted to the Market Abuse Regulation requirements, also defines the concept of insider information. In addition, the guideline regulates the handling of insider information up to disclosure. To announce the changes, Fraport published the guideline internally and held training events at the top management levels.

Fraport also anchors its commitment to comply with internationally accredited regulations, such as the principles of the UN Global Compact, OECD Guidelines, and ILO Core Labor Standards, across the company through a code of conduct. The Fraport Policy forms the core of this commitment and is published on www.fraport.com in the section Responsibility.

The supplier code, updated in fiscal year 2016, also describes the requirements and principles for cooperations of Fraport AG with contractors, suppliers, and service providers. They are obliged to comply with the applicable national laws and the relevant internationally recognized standards, guidelines and principles, as also stipulated in the code of conduct. Business partners are additionally obliged to work towards the consistent compliance with these standards by all other companies involved in the provision of services.

Social and environmental commitment

As one of the leading international airport operators, Fraport and the Group companies domiciled at the Frankfurt site support sports, social and cultural associations and institutions as active partners in the region. Fraport has also always been committed to contributing to the reduction of aircraft noise pollution. Moreover, Fraport is committed to the due and proper consideration of the environmental requirements associated with the operation of the airport. This particularly includes protection of the climate and nature, as well as the responsible use of resources.

In light of the growing challenges, such as international competition in the air transport industry as well as customer quality expectations together with a continuing focus on earnings, the objective is to support the personal, professional, social and methodological expertise of employees. This allows Fraport to ensure a high service quality as well as to secure the provision of attractive jobs in the long-term.

Further information is available in the “2016 Compact” report and on the company website www.fraport.de.

Structure and Functioning of the Management and Control Bodies

For Fraport, a responsible and transparent corporate governance and control structure is the cornerstone for creating value and trust. In accordance with the provisions of law, Fraport AG is subject to a “dual governance system”, which is achieved by the strict separation of personnel in the management and control bodies (two-tier board). While the Executive Board manages Fraport AG, the Supervisory Board supervises the Executive Board. The members of the Executive Board and the Supervisory Board work closely together in the interest of the company.

The structure of the management and control bodies at Fraport AG is as follows:

Executive Board

The Executive Board of Fraport AG has comprised four members since September 1, 2014: Dr. Stefan Schulte (Chairman), Anke Giesen, Michael Müller, and Dr. Matthias Zieschang. As the management body, it conducts the business of the company. The Executive Board is bound by the company’s interests and corporate sociopolitical principles within the framework of the stock corporation law. Beyond this, the rules of procedure, which the Executive Board established for itself and presented to the Supervisory Board for approval, form the basis of its work. The schedule of responsibilities for the Executive Board, which governs the allocation of responsibilities, is also attached to the rules of procedure as an annex.

On this basis, the Executive Board reports to the Supervisory Board on all relevant matters of business development, corporate strategy, and possible risks in a regular, timely and comprehensive manner. In addition, the Executive Board must have the prior approval of the Supervisory Board for several matters, particularly for capital expenditure and equity investment measures above a value of €10 million, to the extent that this is not provided for in a business plan approved by the Supervisory Board. The length of the appointment of the Executive Board members is geared toward the long term and is – as already stated – five years as standard. Remuneration of the Executive Board comprises fixed and performance-related components. A detailed breakdown of the remuneration is provided in the Remuneration Report in the Group management report in the 2016 Annual Report.

The Executive Board usually meets weekly and constitutes a quorum if at least half of its members participate in the meeting. Resolutions are adopted by a simple majority of all the participating members of the Executive Board. In the case of a tie, the chairman holds the casting vote.

Supervisory Board

The Supervisory Board of Fraport AG supervises the activities of the Executive Board. It is composed of an equal number of representatives of shareholders and employees and comprises 20 members. The ten shareholder representatives are elected by the AGM and the ten employee representatives are elected by the employees in accordance with the provisions of the German Co-Determination Act (MitbestG) for five years. The Supervisory Board has created rules of procedure, under which it has a quorum if – on the basis of a proper notice of meeting – at least half of its members participate in the voting in person or through submission of written votes. Resolutions are adopted with a simple majority unless otherwise mandated by law. In the event of a tie vote, the chairman of the Supervisory Board, who must be a shareholder representative, is entitled to a second vote. Beyond this, the rules of procedure regulate, in particular, the appointment and powers of committees of the Supervisory Board.

The Supervisory Board generally meets four times a year (seven times in 2016) and regularly reviews the efficiency of its activities. The Supervisory Board reviews its activities in the past fiscal year on an annual basis in the Supervisory Board Report. A detailed breakdown of its remuneration is provided in the Remuneration Report in the Group management report in the 2016 Annual Report.

At the time of publishing this statement, the Supervisory Board was comprised as follows:

Composition of the Supervisory Board

Representatives of the shareholders	Representatives of the employees
Karlheinz Weimar (Chair)	Gerold Schaub (Vice-Chair)
Uwe Becker	Claudia Amier
Kathrin Dahnke	Devrim Arslan
Peter Feldmann	Hakan Cicek
Peter Gerber	Dr. Roland Krieg
Dr. Margarete Haase	Mehmet Özdemir
Frank-Peter Kaufmann	Arno Prangenberg
Lothar Klemm	Hans-Jürgen Schmidt
Michael Odenwald	Werner Schmidt
Prof. Dr. Eng. Katja Windt	Edgar Stejskal

Table 4

Objectives for the composition of the Supervisory Board

The Supervisory Board named specific objectives for its composition pursuant to Section 5.4.1 of the GCGC. With regard to the proportion of women in the Supervisory Board, the Supervisory Board updated the objective set for its composition in fiscal year 2015 as follows:

“The Supervisory Board shall be composed of at least 30% women and 30% men, and this ratio is to be met separately for shareholder representatives and for employee representatives.”

As already stated, the Supervisory Board comprises three female and seven male shareholder representatives and one female and nine male employee representatives.

In addition, there is an adequate number of members on the Supervisory Board who have international experience. When proposing candidates, the nomination committee and the Supervisory Board will continue to take the international experience of Supervisory Board candidates appropriately into account.

In addition, in accordance with the new recommendation in Section 5.4.1 (4) of the GCGC, they will in future check with the respective candidate that he or she can contribute the time expected.

Furthermore, based on the then new provision in Section 5.4.1 (2) of the GCGC, in its meeting on December 14, 2012, the Supervisory Board decided that at least three independent shareholder representatives within the meaning of Section 5.4.2 of the GCGC should be members of the board.

As the Supervisory Board has at least three independent shareholder representatives with Kathrin Dahnke, Dr. Margarete Haase, and Prof. Dr. Eng. Katja Windt, this target has been reached.

Committees of the Supervisory Board

The Supervisory Board has formed the following committees based on the statutory provisions and the provisions of its rules of procedure. The following table provides an overview of the tasks, regulated number of meetings, the actual number of meetings in the past fiscal year, the planned number of members and the actual number of members as at the date of publication of this statement.

Committees of the Supervisory Board

Committee	Functions	Regulated number of meetings	Meetings 2016	Regulated number of members	Members

Finance and audit committee	> Preparation of resolutions in the area of finance and audit-related resolutions
	> Tasks
	  > monitors the accounting process
	  > monitors the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of accounts, and compliance
	> Statement of opinion
	  > on the business plan and plan changes that require approval, on the annual and consolidated financial statements, on the Executive Board recommendation for the appropriation of profits, on the management and Group management report, on the audit report of the auditor of the annual accounts and of other auditors, on the Supervisory Board's recommendation for the audit report, and on the discharge of the Executive Board
	  > on the assignment of the audit mandate to the auditor, the fee agreement, and the stipulation of the areas of focus of the audit.
	> The finance and audit committee is responsible for the auditor selection process.
	> It monitors the independence of the auditor and the quality of the audit of accounts. In this regard, it provides its advance consent to all of the auditor's legitimate non-audit services.
		4	6	8	Dr. Margarete Haase (Chair)
					Arno Prangenberg (Vice-Chair)
					Uwe Becker
					Kathrin Dahnke
					Lothar Klemm
					Dr. Roland Krieg
					Hans-Jürgen Schmidt
					Edgar Stejskal

Investment and capital expenditure committee	> Preparation of resolutions relating to capital expenditure, resolutions or decisions concerning the founding, acquisition, and sale of Group companies and ongoing monitoring of the economic development of existing Group companies > Final decision if the obligation or entitlement of Fraport AG arises from a capital expenditure measure (outside of the approved business plan) or an investment-related action between €10,000,000.01 and €30,000,000 > Final decision on the acquisition or disposal of, or charge on, property or land rights between €5,000,000.01 and €10,000,000 > Statement of opinion on the capital expenditure plan and on capital expenditure reporting	4	5	8	Lothar Klemm (Chair) Gerold Schaub (Vice-Chair) Claudia Amier Peter Feldmann Frank-Peter Kaufmann Werner Schmidt Edgar Stejskal Prof. Dr. Eng. Katja Windt
Human resources committee	> Preparation of resolutions in the area of human resources > Statement of opinion, in particular on changes in headcount, fundamental issues relating to collective bargaining law, the payment system, the employee investment plan, matters concerning the company retirement plan	4	4	8	Claudia Amier (Chair) Frank-Peter Kaufmann (Vice-Chair) Devrim Arslan Uwe Becker Hakan Cicek Mehmet Özdemir Michael Odenwald Prof. Dr. Eng. Katja Windt
Executive committee	> Preparations for the appointment of members of the Executive Board and the conditions of employment contracts, including remuneration > Final decision concerning outside activities of members of the Executive Board that require the approval of the Supervisory Board	As needed	5	8	Supervisory Board Karlheinz Weimar (ex officio) Vice Chairman of the Supervisory Board Gerold Schaub (ex officio) Claudia Amier Peter Feldmann Dr. Margarete Haase Frank-Peter Kaufmann Werner Schmidt Edgar Stejskal
Committee in accordance with Section 27 of the MitbestG	> Preparation of a recommendation on the appointment or dismissal of members of the Executive Board if the entire Supervisory Board does not reach such decision	As needed	0	4	Chairman of the Supervisory Board Karlheinz Weimar (ex officio) Vice Chairman of the Supervisory Board Gerold Schaub (ex officio) Devrim Arslan Lothar Klemm
Nomination committee	> Recommendation of suitable candidates to the Supervisory Board for its recommendations to the AGM	As needed	0	3	Karlheinz Weimar Uwe Becker Dr. Margarete Haase

Table 5

Shareholders and AGM

The shareholders of Fraport AG exercise their rights at the AGM where they exercise their right to a voice and a vote. The shareholders are informed of business developments in the past year and the company's forecasts through the management report with sufficient time prior to the meeting. During the year, the shareholders are provided with comprehensive and timely information about current business developments through interim reports and other company publications on the company website. The AGM is held in the first six months of every fiscal year and makes decisions concerning the tasks assigned to it by law, such as the appropriation of profits, election and approval of the actions of the members of the Supervisory Board and approval of the actions of the Executive Board, the selection of the external auditor, amendments to the company statutes, and other tasks. The shareholders can either exercise their right to vote in person or can authorize third parties to exercise their right to vote. Each share entitles its holder to one vote in the voting.

Remuneration of the Executive Board and the Supervisory Board

The disclosures on the essential features of the remuneration system as well as the disclosures on the remuneration of the Executive Board and the Supervisory Board can be found in a separate remuneration report. This is part of the Group management report in compliance with Section 315 (2) number 4 of the HGB, and Section 4.2.5 and Section 5.4.6 (2) of the GCGC.

Acquisition or Disposal of Company Shares (Directors' Dealings)

Pursuant to Article 19 of the Market Abuse Regulation (MAR) (replaces the former regulation in Section 15a of the WpHG, which has been repealed, from June 2, 2016), management (directors) and persons closely related thereto are legally obliged to disclose the acquisition or disposal of shares of Fraport AG or any financial instruments related thereto, if the value of the transactions undertaken exceeds the sum of €5,000 within one calendar year. The notifications in this respect are immediately disclosed by Fraport AG.

Shareholdings of the Bodies

The total shareholdings of all members of the Executive Board and Supervisory Board are less than 1% of the total number of shares issued by Fraport AG.

Risk and Opportunities Management

For Fraport, corporate governance also means handling corporate risks and opportunities responsibly. For this reason, Fraport has introduced a comprehensive Group-wide risk and opportunities management system. The structure of the risk and opportunities management system and a report on key risks and corporate opportunities are presented in detail by the Executive Board in the management report for the fiscal year. Depending on their importance for the company, changes to key risks or significant opportunities opening up during the year are published either in an ad hoc disclosure or as part of the financial reporting during the year or the quarterly releases.

The early risk recognition system is also part of the annual audit by the auditor. The effectiveness of the internal control and risk management system is monitored by the Supervisory Board in accordance with Section 107 (3) of the AktG. At Fraport, the finance and audit committee of the Fraport AG Supervisory Board performs this task.

Accounting and Audit of Accounts

Fraport prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union, and the additional applicable requirements of German commercial law pursuant to Section 315a (1) of the HGB. A Group management report is prepared in accordance with Section 315 of the HGB. The annual financial statements and management report of Fraport AG are prepared in accordance with the provisions of the HGB. Further information on the accounting principles is available in the notes to the respective financial statements. The annual and consolidated financial statements are published within 90 days of the end of the fiscal year.

The annual and consolidated financial statements and the management report and Group management report of Fraport are audited by an external auditor in accordance with Section 316 of the HGB. On the basis of the AGM's resolution, in fiscal year 2016 this was PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("PwC"), which is thus auditing Fraport for the fourth year in a row. The confirmation of independence required in accordance with Section 7.2.1 of the GCGC for the preparation of the vote was submitted by PwC. The audit of accounts is carried out in accordance with German auditing standards. It was agreed with the external auditor that it will immediately inform the Fraport AG Supervisory Board of possible grounds for disqualification or partiality immediately if these are not remedied at once. The external auditor shall also immediately report on all findings and incidents arising during the performance of the audit of accounts that are significant for the tasks of the Supervisory Board. In addition, the external auditor has to inform the Supervisory Board, respectively, record in the audit report if it finds facts that reveal an inaccuracy in the statement of compliance submitted by the Executive Board and Supervisory Board in accordance with Section 161 of the AktG while performing the audit of accounts.

During the year, the external auditor also participated in discussions with the finance and audit committee regarding the Group interim financial statements and meetings with the Fraport AG Supervisory Board regarding the annual and consolidated financial statements.

Disclosure of the Joint Statement on Corporate Management and Corporate Governance Report

The Executive Board disclosed the joint statement on corporate governance and corporate governance report on February 16, 2017 on www.fraport.com in the section Investor Relations.

Group Management Report for the 2016 Fiscal Year

Information about Reporting

Group accounting takes account of the International Financial Reporting Standards (IFRS) in force on the reporting date (December 31, 2016) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted in the European Union (EU). In addition, Fraport reports the information pursuant to Section 315a (1) of the German Commercial Code (HGB). Compared to the previous year, there were no substantial changes to accounting and reporting standards for Fraport, meaning that the previous year's figures were not restated and no significant adjustments to the report structure were needed.

With regard to the development of the results of operations, the main changes compared to the previous year resulted from the sale of shares in the Group company Air-Transport IT Services, Inc., USA, on April 22, 2015. The Group company, which had been allocated to the External Activities & Services segment, generated revenue in the amount of €4.9 million, EBITDA of €0.3 million, EBIT of €0.1 million, and a result of €0.1 million in the previous year up to the deconsolidation of the company. A gain on disposal of €8.0 million resulted from the sale. In addition, Fraport sold its shares in FSG Flughafen-Service GmbH (FSG) on September 21, 2015. In the past fiscal year until its deconsolidation, the company, which was also allocated to the External Activities & Services segment, generated revenue of €1.9 million and earnings of €0.1 million. The deconsolidation of FSG has had no substantial effect on the consolidated financial statements.

Fraport also sold 51 % of the shares in the capital of Group company Fraport Cargo Services (FCS) to Worldwide Flight Services (WFS) on November 2, 2015. The Group company, which still is part of the Ground Handling segment, has since been included in the Group using the equity method under the new name of Frankfurt Cargo Services. Up to the time of the sale of shares, the company had generated revenue in the amount of €54.0 million, EBITDA of –€1.4 million, EBIT of –€2.8 million, and a result of –€3.2 million. In fiscal year 2016, the company's contribution to earnings for Fraport was €0.1 million (previous year: €0.2 million).

With effect from October 21, 2016, Fraport sold 10.5 % of the shares in the parent company of the operating company of Pulkovo Airport in St. Petersburg, Thalita Trading Ltd. This sale resulted in a gain on disposal in the amount of €40.1 million, which was allocated to the External Activities & Services segment.

There were no further significant changes in the companies included in consolidation nor any further significant increases or reductions in shareholdings. The companies included in consolidation and the disclosures of shareholding pursuant to Section 313 (2) of the HGB can be found in the Group notes of this report.

An overview of the calculation of financial key figures and a description of specialist terms are presented in the Glossary on page 202.

The Executive Board approved these consolidated financial statements and this Group management report for publication on February 28, 2017. The Supervisory Board gave its approval on March 15, 2017.

Overview of Business Development

Situation of the Group

> Sale of shares in Thalita Trading Ltd.
> Further developed strategy based on the mission statement

Economic Report

> Gain on disposal from the sale of shares in Thalita Trading Ltd. as well as the compensation payment from the Manila project
> Approval of the request to increase the airport charges in Frankfurt for 2017
> Take-over of the operations of Greek regional airports planned for around March 2017
> A decline in passenger numbers in Frankfurt as well as drops in numbers as expected in Antalya and St. Petersburg
> Significant growth in passenger numbers in Lima, Varna, Burgas, and Xi'an
> One-off effects had a considerably positive influence on the results of operations for 2016
> Corresponding significant improvement in earnings per share of €1.07 to €4.07
> Free cash flow of €307.7 million significantly exceeded the amount paid as dividends of €124.7 million
> One-time effects also had a positive impact on the net financial liabilities (€2,355.9 million) and gearing ratio (65.4%)
> Shareholder's equity ratio increased from 37.4% to 40.6%
> Noticeable improvement in value added in the Group of €122.1 million to €169.1 million
> Stable development of the non-financial performance indicators
> The annual average number of employees was 20,322 (2015: 20,720)
> Continuing focus on innovations and ideas and on the environment and society
> Despite the positive market environment, the Fraport share fell from €58.94 to €56.17 by closing-date comparison

Outlook Report

> Positive passenger expectations Group-wide
> Slight recovery expected in Antalya and St. Petersburg
> Sales growth of up to approximately €2.9 million as well as Group EBITDA of approximately €980 million to roughly €1,020 million forecast for 2017
> Free cash flow in 2017 forecast at approximately the level of 2016
> A significant increase in net financial liabilities and gearing ratio is expected from the take-over of operations of the Greek airports
> No risks jeopardizing the Group as a going concern discernible
> Increase in dividends by €0.15 to €1.50 per share for the fiscal year 2016

Situation of the Group

Operating Activities

The following section provides an overview of the Fraport Group's fundamental business model and most important Group sites from a financial standpoint as well as their competitive positions.

A leading international airport group

Fraport Group (hereinafter also referred to as Fraport) is among the leading global airport groups with its international portfolio. As such, Fraport provides all airport and terminal operation services and associated services. Fraport also provides planning and consultancy services and has operational and administrative activities. Passenger traffic, which impacts on a majority of the services the Group provides, is key to the Group's revenue and earnings performance.

The Group's business activities can fundamentally be broken down by Group site and by the services provided there. Here, the main site is Frankfurt Airport, one of the biggest passenger and cargo airports in the world. In contrast to time-limited airport operating models, the Fraport Group parent company, Fraport AG Frankfurt Airport Services Worldwide (in short: Fraport AG), wholly owns and operates Frankfurt Airport with no time limits. With almost 10,500 employees, Fraport AG, which has been stock exchange-listed since 2001, is also the biggest single company of the Group, which has more than 20,300 employees. It directly or indirectly holds the shares in the other Group companies (companies pursuant to Section 313 (2) of the HGB) and its head office is in Frankfurt am Main Fraport provides the entire range of airport and airport-related services at the Frankfurt site.

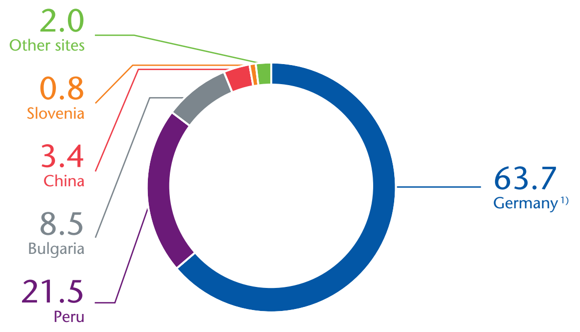
In addition to the Frankfurt site, Fraport was also active at 13 further airports through Group companies at the time of preparing the consolidated financial statements. The most significant companies in terms of earnings were the Group companies Lima (concession agreement for the operation of Lima Airport until 2031 with an extension option), Antalya (concession agreement for the operation of the terminals there until 2024), Twin Star (concession agreement for the operation of the airports in Varna and Burgas until 2041), Fraport USA Inc. (formerly AMU Holdings Inc., as of October 11, 2016 renamed Fraport USA Inc., agreements on the time-limited operation of retail space at the airports in Baltimore, Boston, Cleveland, and Pittsburgh), Ljubljana (rights of use of Ljubljana Airport until 2054) and Xi'an (share in the capital in the operating company of Xi'an Airport). Whereas the Group companies Lima, Twin Star, Fraport USA Inc. and Ljubljana are fully consolidated in the Group, the Group companies Antalya (joint venture) and Xi'an (associated company) are included using the equity method.

Key sites and competitive positions

Germany – in this respect almost exclusively Frankfurt Airport – was once again the most important site for the Fraport Group in the past fiscal year with a share of 63.7% of the Group result (2015: 63.4%). Compared with the previous year, the share of the Peru site rose from 15.5% to 21.5% and the share of the Bulgaria site rose from 4.8% to 8.5% In fiscal year 2016, the sites in Turkey and the USA made a negative contribution to the Group result due to a sharp drop in passenger numbers in Antalya as well as the unscheduled depreciation and amortization in connection with the Group company Fraport USA Inc.

Share in Group result by site

in %



1) Values adjusted for the compensation payment from the Manila project in the amount of €121.4 million as well as the gain on disposal from the sale of the shares in Thalita Trading Ltd. In the amount of €35.9 million.

Graphic 1

Competitive position at Frankfurt site

With 60.8 million passengers, Frankfurt Airport was the fourth largest passenger airport in Europe in the past fiscal year after London Heathrow (75.7 million), Paris Charles de Gaulle (65.9 million) and Amsterdam Schiphol (63.6 million), and ahead of Istanbul Atatürk (60.0 million). In Germany, Frankfurt Airport was by far the largest passenger airport, ahead of Munich with 42.3 million passengers in the 2016 fiscal year. Based on its cargo throughput (air freight and airmail) of 2.1 million metric tons, Frankfurt has remained Europe's largest airport ahead of Paris Charles de Gaulle and Amsterdam Schiphol. In Germany, Leipzig/Halle Airport was the next largest competitor with 1.0 million metric tons of cargo. Compared across continents, Frankfurt Airport is among the largest passenger and cargo airports in the world.

In respect of its competitive position, Frankfurt Airport competes, on the one hand, with airports in its catchment area for originating passengers and, on the other hand, for national and international transfer passengers on the basis of its function as an international transfer airport. Here, the Frankfurt site particularly serves the transfer passengers of Deutsche Lufthansa, which, as in previous years, was the site's main customer and had a share of more than 60% of the passengers in Frankfurt in fiscal year 2016. The largest international competitors for transfer passengers are primarily the aforementioned hub airports, London Heathrow, Paris Charles de Gaulle, Istanbul Atatürk and Amsterdam Schiphol, which are also dominated to varying degrees by their resident main customers British Airways, Air France, Turkish Airlines and KLM. Due to the dynamic development of many airlines and airports from the Persian Gulf region, the Frankfurt site is increasingly also in intercontinental competition with these sites, currently particularly with Dubai.

The expansion and modernization programs at the Frankfurt site continue to contribute to maintaining and improving its international competitive position. The completed Runway Northwest and the Pier A-Plus as well as, in particular, Terminal 3, which should open in 2023, secure the Airport's capacities in the long term and the necessary range of infrastructure available to ensure the site stays ahead of the competition in the long term. In addition, low-cost traffic continues to gain importance at Frankfurt Airport. Starting in summer 2017, Fraport will focus part of its efforts on the strongly growing demand in this area. The increased customer focus also has a positive impact on the competitive position (see also the chapter titled "Strategy" beginning on page 28). The ongoing enhancement of CargoCity North and CargoCity South also supports the competitive position in the cargo segment.

Competitive position outside the Frankfurt site

The competitive situation at the very tourist-oriented sites of Antalya, Turkey, as well as in Varna and Burgas, both in Bulgaria, differs from that of the Frankfurt site. The key drivers of the sites' traffic and business development are tourist providers' charter traffic without a significant focus on individual airlines. The performance of each site depends primarily on the appeal of the respective regions with regard to safety, quality, price level and entry requirements. With some 19.0 million passengers, the airport in Antalya was the third-largest passenger airport in Turkey in the past fiscal year behind Atatürk and Sabiha Gökçen airports in Istanbul, and one of the dominant tourist airport in the Mediterranean region. The largest passenger groups were travelers from Germany, accounting for a share of around 40%, and Ukraine, accounting for a share of just over 10%. Starting in 2017, recovery effects in tourist travel from Russia are expected due to the lifting of sanctions in the summer of 2016. Russian travelers have thus far made up the second largest passenger group. Due to the continuing difficult security situation in Turkey, positive effects for Antalya Airport due an increase in the number of tourist travelers from Western Europe are subject to uncertainty. The Black Sea airports in Burgas and Varna, with just under 2.9 million and approximately 1.7 million passengers, respectively, were the second and third-largest passenger airports in Bulgaria after Sofia. Substantial passenger groups at the sites were from Russia (just over 21%), Germany (approximately 19%) and the UK (roughly 11%). After the opening of the terminal in fiscal year 2013, both tourist sites now offer sufficient capacity to maintain the regions' expected growth in the medium term.

The sites of Lima, Peru, and Xi'an, China, continue to benefit from the relatively high economic growth rates of the relevant countries and from increasing demand from tourists. The growth of the Lima site is also boosted by the good geographical location of the airport, which is attractive for the transfer traffic between South and North America in particular. Jorge Chavez Airport is the most important airport in Peru and, with just over 18.8 million passengers in the past fiscal year, was once again among the ten largest airports in South America. The site's main customer is LAN Perú, which belongs to the LATAM Group and carries more than half the airport's passengers. Due to the passenger growth forecasted, the Lima site's capacity will reach its limit in the foreseeable future. Capital expenditure on the airport's infrastructure in the medium term (construction of a new terminal and a new runway) is therefore required to maintain and strengthen the competitive position. Preliminary construction should start in the fiscal year 2017. Xi'an Airport was the eighth largest airport in China in 2016 with just under 37.0 million passengers. Several airlines with growth rates in double digits are developing very dynamically at the site. These include China Eastern Airlines, which, with a market share of almost 30%, is the largest passenger airline. The transfer market, which has to date only been relatively small, offers the airport further potential. The Xi'an site has sufficient land and airside capacities for the short to medium term. Given the site's high growth prospects, additional expansions in these capacities are expected in the coming years.

The Ljubljana site is the airport for Slovenia's capital and also represents the country's largest airport, with 1.4 million passengers. Its further development is therefore essentially connected to the country's economic and tourist prosperity and the development of neighboring regions and their airports, for example Zagreb in Croatia or Trieste in Italy. The key customer in Ljubljana is the airline Adria Airways, which serves around 60 % of the passenger traffic. In addition, various destinations are served, also by low-cost airlines, which have posted considerable increases in their market share at the Ljubljana site in recent years. To increase the quality of service at the Airport and improve operational processes, several options are currently being studied which will also require capital expenditure in the short term, particularly in the terminal infrastructure.

Additional information about business development in the past fiscal year can be found in the chapter titled "Economic Report" beginning on page 46.

Structure

Changes compared with the previous year

Compared with the previous year, no fundamental changes were made to the legal and organizational Group structure in the 2016 fiscal year. On October 21, 2016, Fraport sold 10.5 % of its shares in Thalita Trading Ltd., which is allocated to the External Activities & Services segment. There were no further significant changes in the companies included in consolidation nor any further significant increases or reductions in shareholdings. As at December 31, 2016, there were 51 companies consolidated excluding companies accounted for using the equity method, and 70 companies including companies accounted for using the equity method (in the previous year 49 and 67 companies respectively). A detailed overview of the shareholdings within the Group is presented in the Group note 56.

Regarding the organizational structure of Fraport AG, the Executive Board restructured the former central unit of "Global Investments and Management" into a strategic business segment as at January 1, 2016. The central unit "Compliance, values and risk management" was disbanded and restructured effective July 1, 2016. The "Risk management, internal controlling and quality management system" department was allocated to the "Accounting" central unit, the "Compliance and value management" department was allocated to the "Legal affairs and compliance" central unit, which was then renamed "Legal affairs and contracts" in this regard. On August 4, 2016, "Fraport Ausbau Süd GmbH" was founded. In addition, the "Airport Expansion South" service unit, which, in particular, brings together the activities related to the construction of Terminal 3 and the associated infrastructure in Frankfurt, has been redesigned.

Organization

As a management body, the Executive Board bears the strategic and operational responsibility for the Group. At the time of preparing the consolidated financial statements, the Executive Board consisted of the four members Dr. Stefan Schulte (Chair), Anke Giesen (Executive Director Operations), Michael Müller (Executive Director Labor Relations), and Dr. Matthias Zieschang (Executive Director Controlling and Finance).

A detailed description of the structure and operation of the management and control bodies is presented in the "Joint Statement on Corporate Management". The annually updated Joint Statement on Corporate Management does not form part of the annual audit of the consolidated accounts by the auditor and can be found in the chapter "To our Shareholders" in the Annual Report.

For the purpose of managing the Group, the Executive Board has divided the business activities into four segments: "Aviation", "Retail & Real Estate", "Ground Handling", which primarily operate at the Frankfurt site, as well as "External Activities & Services", which mainly includes the Group companies outside Frankfurt. The segments encompass the strategic business units and service units of Fraport AG and also include the Group companies involved in each of these business processes.

The **Aviation** segment includes the strategic business units "Airside and Terminal Management, Corporate Safety and Security" and "Airport Security Management" as well as the Group company FraSec Fraport Security Services, among others. In addition, "Fraport Ausbau Süd GmbH" is also allocated to the Aviation segment.

The **Retail & Real Estate** segment consists of the strategic business unit "Retail and Properties" as well as the Group company Fraport Immobilienservice und -entwicklungs GmbH & Co. KG, among others. The strategic business unit mainly conducts the retail activities, parking lot management and the renting and marketing of areas around the Frankfurt site.

The **Ground Handling** segment comprises the "Ground Services" strategic business unit and the Group companies FCS and APS Airport Personal Service. In 2016, the segment principally generated its income from providing ground services and the central infrastructure at the Frankfurt site.

The **External Activities & Services** segment is largely made up of the strategic business unit "Global Investments and Management" as well as the Group companies that are not integrated into business activities conducted at the Frankfurt site, such as Lima, Varna and Burgas, Antalya, and Ljubljana and Xi'an. In addition to business activities not conducted at the Frankfurt site, which, given the company's history, are referred to as "external activities", this segment includes the "Integrated Facility Management", "Information and Telecommunication", "Airport Expansion South" and "Corporate Infrastructure Management" service units.

In addition to the aforementioned strategic business units and service units, Fraport AG's ten central units provide, among other things, Group-wide services such as "Legal Affairs and Compliance", "HR Top Executives", "Finance and Investor Relations" and "Corporate Development, Environment and Sustainability". The costs of the central units are allocated to the four segments appropriately.

Segment structure

Fraport Group				
Segments [1]	Aviation	Retail & Real Estate	Ground Handling	External Activities & Services
Directly assigned business and service units of Fraport AG	Airside and Terminal Management, Corporate Safety and Security Airport Security Management	Retail and Properties	Ground Services	Global Investments and Management Integrated Facility Management Information and Telecommunication Airport Expansion South Corporate Infrastructure Management

[1] including assigned Group companies.

Graphic 2

Strategy

Group strategy remains oriented toward long-term market development

Fraport continues to guide its strategy by the long-term forecasted development of the global aviation market and its market trends. Here, renowned aviation associations and aircraft manufacturers continue to expect long-term stable growth of the aviation market. This is derived, in particular, from projected global economic growth and the continuing global expansion of the middle class that increases its consumption. Supporting effects continue to result from the continuing internationalization of labor and education. Increasing traffic is also forecasted from migration and tourism. The intense competition between airlines has the effect of promoting growth. Business models that focus their efforts on pure transport lead to relatively cheap ticket prices. Disproportionate growth is still expected from and in the economic emerging markets.

Forecasts for the long-term development of global air traffic

Source	Period	Reference	CAGR
Airbus	until 2035	Revenue passenger kilometers	4.5%
Boeing	until 2035	Number of passengers	4.0%
Embraer	until 2035	Revenue passenger kilometers	4.7%
ACI	until 2040	Number of passengers	4.9%

Table 6

Short-term development of air traffic remains volatile

Despite the long-term growth forecasts, the short-term development of aviation markets continues to contain uncertainties. These primarily result from political crises, such as in Ukraine, Turkey, and the Middle East, the possible spread of epidemics and possible terrorist attacks, but also from the economically uncertain situations of various economies. In addition, the various companies in the air travel industry, in particular the airlines, have been negatively affected by continued intense competition, the introduction of national taxes, such as the German aviation tax and labor disputes. As a result, these negative effects are resulting in a conservative and short-term volatile supply behavior of airlines. Positive and negative effects also arise from the appreciation and depreciation of currencies and from price fluctuations on commodity markets.

Due to its position as an international hub, at Fraport the aforementioned uncertainties particularly affect Frankfurt Airport. In Europe, there have also been shifts in passenger flows, moving away from Turkey as a popular destination for German tourists – Antalya Airport has been particularly affected by this – towards alternative holiday destinations in the western Mediterranean region. Due to the high share of Russian-dominated traffic, the St. Petersburg, Varna, and Burgas sites are also heavily influenced by political uncertainties in connection with Russia.

Group mission statement

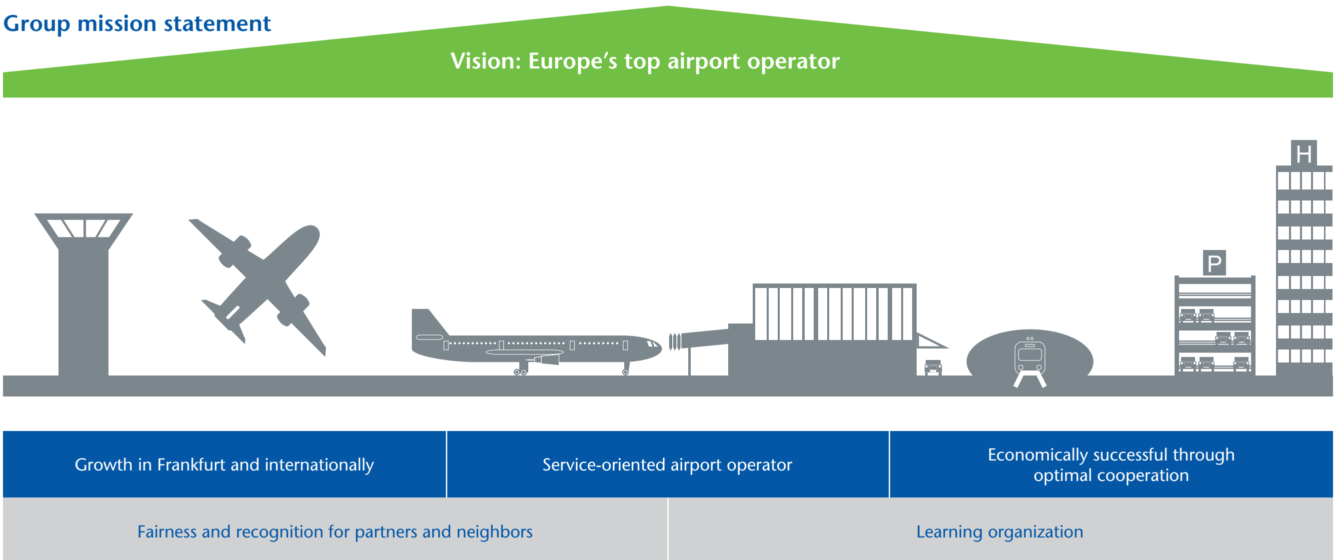
The modified general conditions in global air traffic influence the entire air transport industry. Price wars between airlines and a change in passenger travel behavior have led to increased competition between airports. At the same time, the quality of services as well as reliable and fast processes are becoming increasingly important.

Within this scope, Fraport have continued to develop our corporate strategy by placing more focus on the changed framework and market conditions. The challenges for the future are significant: From the point of view of the passenger, airports are becoming increasingly exchangeable. Transfer passengers can often choose between several airlines or alliances, and thus their hubs. To an increasing extent, they draw up their travel routes themselves and forgo any end-to-end offers from one single airline. The expansion of low-cost carriers in the point-to-point market at other airports means that Frankfurt, without a corresponding offer, is no longer the first choice for price-savvy passengers within its catchment area. This requires the entire company to place a much more in-depth focus on customers, whether they be passengers, airlines, or shop owners. Fraport generates revenue and its economic success from these diverse customer groups, and has drawn up its Group mission statement "Gute Reise! We make it happen" incorporating these changed requirements.

The mission statement and its implementation through the refined Group strategy should help ensure that Fraport will continue to be one of the most important international airport operators. The Company seeks to establish itself as Europe's top airport operator, while at the same time setting global standards. This will ensure the long-term sustainable development of the value of the company. Fraport has positioned itself as an attractive partner for all its customers, which ensures it remains competitive.

The mission statement includes the corporate goals: "Growth in Frankfurt and internationally", "Service-oriented airport operator", "Economically successful thanks to optimal cooperation", "Fairness and recognition for partners and neighbors" and "Learning organization". These goals are combined in the vision to be "Europe's top airport operator".

Group mission statement



Graphic 3

Growth in Frankfurt and internationally

To maintain its international competitive positions and participate in the growth of air traffic over the long term, the provision of airport infrastructure in a demand-, safety-, and cost-oriented manner remains a high priority for Fraport. In addition, the international network of the Group companies is becoming increasingly important.

Fraport is seeking to secure and further increase the appeal of the Frankfurt site for network carriers. The basis for this will be to continually adapt the current land and airside infrastructure of the Airport to customers' needs. With the opening of the Pier A-Plus in 2012, Fraport has enabled Star-Alliance passengers, who make up a market share of around 75 % at Frankfurt Airport, to change planes more comfortably and quickly. Fraport considers the ability to seamlessly change planes to be an important criterion in order to continue to be Europe's leading hub airport.

The next major step in the infrastructure development will be the construction of Terminal 3. This will create the necessary capacities for future air traffic growth at the Frankfurt site from 2023.

In addition to the traditional hub traffic with virtually stagnant growth, point-to-point connections, particularly in low-cost transport, are showing dynamic growth rates. They generate increasingly popular offers on continental connections. The expansion of low-cost air traffic at the Frankfurt site presents a further possibility for Fraport to create a transport offer that can continue to grow in the long term, thereby ensuring a wide variety of connections. Of particular importance for point-to-point traffic is excellent intermodal connections at Frankfurt Airport, which should be continuously expanded.

The aim is to increase the result from the external business in the next few years. By further expanding the Group's foreign activities, Fraport creates a broader basis for its value creation and decreases growth risks at individual Group sites. This includes optimizing the current portfolio, such as the medium-term need for capital expenditure, for example at the Lima site. Here, by constructing a new terminal and a new runway, the dynamic traffic growth of the past few years and the forecasted development of the site are taken into account. In addition, the goal is to expand the portfolio focus on revenue and increased opportunity. For example, the Executive Board expects to complete the take-over of the operations of 14 Greek regional airports in around March 2017. At the same time, the portfolio will be adjusted whenever attractive opportunities present themselves. In the past fiscal year, a step was taken in this direction with the sale of shares in Thalita Trading Ltd., the parent company of the operating company of Pulkovo Airport in St. Petersburg.

The Retail & Real Estate segment is the most important earnings driver at the Frankfurt site. Forward-looking projects to increase earnings include the use of new communication media to ensure passenger loyalty and to promote retail activities. Fraport develops innovative offers to passengers along its entire travel chain to provide them with customized shopping, food and drink, and services offers. These include introducing an online shopping platform and the launch of a loyalty program for passengers and visitors to Frankfurt Airport at the end of 2015. In addition, Fraport is advancing the development and marketing of commercial space in direct proximity to Frankfurt Airport (such as the Mönchhof site or Gateway Gardens).

Fraport measures and controls its Group-wide growth based on the development of Group EBITDA and the Group result, ROFRA, net financial debt, and free cash flow. Other substantial performance indicators of the corporate goal "Growth in Frankfurt and internationally" can be found in the chapter titled "Control" starting on page 32. A description of the development of performance indicators during the past fiscal year can be found in the chapters titled "Results of Operations", "Asset and Financial Position", and "Value Management" beginning on page 52. The associated forecasted figures for the fiscal year 2016 can be found in the chapter titled "Business Outlook" beginning on page 93.

The key risks and opportunities associated with the expansion of airport infrastructures in and outside of Frankfurt can be found in the "Risk and Opportunities Report" beginning on page 75.

Service-oriented airport operator

Based on the mission statement "Gute Reise! We make it happen", Fraport is working intensively to strengthen its commitment to customers and service Group-wide. Fraport benefits, in particular, from passengers, airlines, concessionaires, and cargo handlers seeing the Group's airports as their airports of choice. The digitization of airport processes and services plays a particular role in this. By consistently continuing the service program "Great to have you here!", Frankfurt Airport aims to offer a 5-star service for its passengers and other customers. The objective is to maintain the general satisfaction of passenger customers at Frankfurt Airport (global satisfaction) above 80 % in the long term and to strengthen passengers' loyalty to the site and thus Frankfurt Airport's competitive position.

An important aspect of the "Gute Reise" mission statement is the long-term improvement in quality within the area of aviation security, while at the same time increasing cost-efficiency through the planned take-over of passenger and baggage control (Section 5 German Aviation Security Act (LuftSiG)). In doing so, Fraport intends as far as possible to assume overall control from the German Federal Police in order to modernize the infrastructure, reduce waiting times, and optimize organizational structures.

Outside of Frankfurt, the Lima site in particular demonstrates its customer focus impressively with numerous awards (including 1st place in "Skytrax Best Airport in South America" 2009–2015 and 2nd place in 2016). At Antalya Airport, the quality of the ground service processes and customer satisfaction are also of key significance. At the Varna and Burgas sites, the "We Care" program improves passenger satisfaction in the check-in and security areas. The focus is also on passenger satisfaction at the Ljubljana site.

Key performance indicators relating to the corporate goal "Service-oriented airport operator" can be found in the chapter titled "Control" beginning on page 32. A description of their development during the past fiscal year can be found in the chapter titled "Non-financial Performance Indicators" beginning on page 65; the associated forecasted figures for the fiscal year 2016 can be found in the chapter titled "Business Outlook" beginning on page 93.

Economically successful through optimal cooperation

The competitive circumstances in aviation and the comprehensive capital expenditure measures taken and those planned for the future result in financial burdens for Fraport, which consist predominantly of operating costs, depreciation and amortization, and interest. The Executive Board therefore faces the challenge of increasing the profitability of the company, the operating result, as well as the Group result.

Aligning this with the objectives of the vision of becoming the top airport operator requires efficient Group-wide cooperation.

Fraport consistently pursues the results of the structured performance analysis of the administrative units, which was conducted in 2013 and 2014 for the first time, in order to be commercially successful. This includes optimizing services and structures in the strategic business units, service units and central units, as well as reducing non-operational services and optimizing staff levels. The current implementation is scheduled to be completed by the end of 2020.

In the Ramp Services business unit of the Ground Handling segment, the objective is to reach a long-term positive EBIT of €15 million to maintain the value of the business unit. An additional challenge stems from the amendment to the German law on temporary employment. This requires changes to the structure of the business unit, and these must be implemented quickly in the Group company APS Airport Personal Services.

In the face of rising energy costs, the reduction in Group-wide energy consumption is being pursued systematically. The objective is to reduce consumption by 20% by 2020 without substantial capital expenditure.

Key performance indicators relating to the corporate goal "Economically successful through optimal cooperation" can be found in the chapter titled "Control" beginning on page 32. A description of the development of performance indicators during the past fiscal year can be found in the chapters titled "Results of Operations", "Asset and Financial Position", and "Value Management" beginning on page 52. The associated forecasted figures for the fiscal year 2016 can be found in the chapter titled "Business Outlook" beginning on page 93. In addition, the Executive Board is examining further measures to improve profitability, which are not part of the business outlook, and are shown by way of example in the chapter titled "Risk and Opportunities Report" beginning on page 75.

Learning organization

As a learning organization, Fraport focuses on good entrepreneurship, cost-efficiency, and competitiveness. The on-going development of Fraport as a learning organization requires networking and ensuring the availability of existing Group expertise across all business units and sites. Fraport believes this is necessary to recognize future risks and opportunities in good time. Fraport responds to demographic change with strategic personnel recruitment and retention management as well as strategic succession planning in order to retain knowledge Group-wide. In addition, Fraport supports the targeted development and upskilling of existing potential within the Group in the future.

For Fraport, being a learning organization also means anticipating market changes at an early stage, particularly within the scope of changing general conditions.

As a learning organization, Fraport mainly benefits from the operational expertise of its employees. The non-financial performance indicator "Rate per 1,000 employees", which is a measured variable that reflects the knowledge of the staff in connection with occupational health and safety, shows whether improvements and training measures can be implemented within the context of a learning organization in the area of occupational safety.

Key performance indicators relating to the corporate goal "Learning organization" can be found in the chapter titled "Control" starting on page 32. A description of the development during the past fiscal year can be found in the chapter titled "Non-financial Performance Indicators" beginning on page 65; the associated forecasted figures for the 2016 fiscal year can be found in the chapter titled "Business Outlook" beginning on page 93.

Fairness and recognition for partners and neighbors

Flight operations are invariably associated with direct and indirect burdens for local residents and the environment. In this area of conflict, Fraport faces up to its corporate responsibility. To the extent that this is feasible, the Company ensures that the burden from airport operations is reduced. This includes climate protection, as well as protection of nature and resources. In the area of climate protection, Fraport seeks, particularly at the Frankfurt site, to reduce CO_2 emissions in relative terms per traffic unit and also in absolute relative terms.

Active and passive noise abatement also contributes to limiting the impacts of air traffic at the Frankfurt site. An example of noise abatement measures is airport charges based on the level of emissions. This gives airlines a financial incentive to use aircraft with lower pollutant and noise emissions and to implement lower-noise flying methods.

At the other Group airports, noise abatement measures are also in place in accordance with the local requirements.

Being a good employer is important for Fraport. Employee satisfaction acts as a key non-financial performance indicator for the Group, which shows fair and recognized cooperation between employees and executives. Among other things, Fraport places importance on a high level of safety in the workplace as well as comprehensive Group-wide occupational health and safety.

As an active partner in the region, Fraport supports sporting, social and cultural associations and institutions, such as regional children and youth projects, initiatives for people with a migration background, minorities as well as the socially disadvantaged. Furthermore, the Fraport Environmental Fund has promoted ecological projects on the topics of biodiversity, climate protection and environmental education in neighboring areas to the Airport since 1997.

Key performance indicators relating to the corporate goal “Fairness and recognition for partners and neighbors” can be found in the chapter titled “Control” beginning on page 32. A description of the development during the past fiscal year can be found in the chapter titled “Non-financial Performance Indicators” beginning on page 65; the associated forecasted figures for the fiscal year 2016 can be found in the chapter titled “Business Outlook” beginning on page 93.

An additional description of measures taken in the area of society and the environment is included in the chapter of the management report with the same name. Detailed information is published on the Group website www.fraport.com.

Control

The Control chapter explains the key figures primarily used by the Executive Board to make the corporate measures taken as part of the Group strategy measurable and to evaluate them. Here, the Executive Board differentiates between financial and non-financial performance indicators.

Changes compared with the previous year

The strategy refined in 2016 did not produce any fundamental changes for the past fiscal year. The Executive Board continues to manage the Group in accordance with key financial and non-financial performance indicators, which continue to be derived from the Group strategy.

With regard to non-financial performance indicators, the calculation method for the equipment availability rate was adjusted at the beginning of the 2016 fiscal year. Availability for passengers is now included instead of purely technical functionality. More detailed information on this topic can be found in the relevant section of the next chapter.

Financial performance indicators

For Fraport, the growth-oriented development of financial performance indicators is critical for the long-term success of the company. Their overriding importance is reflected in the Group strategy as a benchmark of the corporate goals “Growth in Frankfurt and internationally” and “Economically successful through optimal cooperation”.

Fraport mainly uses key figures relating to the results of operations and to the asset and financial position, as well as key figures that link the results of operations with the asset and financial position, as key financial performance indicators (value management). In accordance with the long-term oriented Group strategy, the Executive Board manages and evaluates the development of financial performance indicators while also taking account of long-term forecasted market developments. In this context, strategic measures – such as the implementation of larger capital expenditure projects or the expansion of external business – can also lead to a short to medium-term burden on the financial performance indicators, as long as it is assumed that the asset, financial and earnings position will develop in a positive manner over the long term, and the measures do not pose disproportionately high risks to the Group.

The key financial performance indicators and their significance for Fraport are described in the following. The description of their development during the past fiscal year can be found in the chapters titled “Results of Operations”, “Asset and Financial Position”, as well as “Value Management” beginning on page 52. The associated forecasted figures for the fiscal year 2017 can be found in the chapter titled “Business Outlook” beginning on page 93.

Results of operations key figures

As a fundamental component of the interim and consolidated annual financial statement reporting, the results of operations include the presentation and explanation of significant earnings components and key figures. While the results of operations in the context of regular reporting provide information about the past business development and are forecasted in the business outlook, earnings forecasts are also regularly drawn up over long-term periods for internal planning purposes. The information resulting from this is essential for the Executive Board with regard to the company's long-term management.

Key financial performance indicators are for Fraport are **revenue** – as a key component of total revenue, **EBITDA**, **EBIT**, **EBT** and the **Group result**.

Calculation of key financial performance indicators

Graphic 4

EBITDA and earnings per share (EPS), and thus indirectly the Group result, are elements of the remuneration of the Executive Board (also see chapter "Remuneration Report" starting on page 38; definitions for calculating the financial key figures can be found in the "Glossary" on page 202)

Asset and financial position key figures

As well as in the results of operations, the result of the strategically adopted measures and operating activities of Fraport is also reflected in the Group's asset and financial position. For Fraport, in particular the development of the **shareholders' equity**, the **shareholders' equity ratio**, the **liquidity** or **net financial debt**, the **gearing ratio**, the **operating cash flow** and the **free cash flow** are significant.

The level of shareholders' equity or the shareholders' equity ratio represents the basis for the current and future operating activities for Fraport. A solid base of shareholders' equity is, for example, essential for the financing of large strategic projects. Also connected with this was the company's stock market launch in the 2001 fiscal year, which led to a significant increase in shareholders' equity of around €900 million, and formed the essential basis for financing the expansion of the Frankfurt site as well as the external business.

Besides shareholders' equity, the liquidity or net financial debt and the gearing ratio in particular serve as key financial indicators to the Executive Board to assess the financial situation. The gearing ratio indicates the Group's leverage and essentially varies depending on the phase of Fraport's capital expenditure cycle. The gearing ratio therefore usually increases in times of high capital expenditure and falls when the company's capital expenditure is lower. In connection with the capital expenditure program at the Frankfurt site, the Executive Board has defined that the gearing ratio should not exceed a value of about 140 %.

In addition to the gearing ratio, the Executive Board uses the operating cash flow and the free cash flow as key performance indicators for the evaluation of the financial strength of the Group. The free cash flow provides information about the financial funds available to the Group from the operating activities of a period after deducting operating capital expenditure activities. These free funds can, in turn, be retained in order to increase the company's liquidity and to be available as a financial reserve for future capital expenditure or to reduce the leverage (the gearing ratio) or can be distributed among shareholders as dividends. (Definitions for calculating the financial key figures can be found in the "Glossary" on page 202.)

Links between the results of operations and the asset and financial position (value management)
In order to sustainably increase the Group's value, the Executive Board, in addition to the key figures of the results of operations, and asset and financial position, specifically draws parallels between the development of the results of operations, and the asset and financial position. In this context, the Executive Board plans and manages the Group's development according to the principles of value management.

At Fraport, the central figure used to steer and measure this approach is the **"Fraport value added"** figure. The value added is consolidated and recorded at Group and at segment level. While EBIT and the pre-tax results of Group companies accounted for using the equity method are key figures of the results of operations, Fraport assets are derived from the consolidated statement of financial position, and are defined as the average of the Group's or segments' fixed interest-bearing capital required for operations including the carrying amounts of the Group companies accounted for using the equity method.

Calculation of the Fraport value added

EBIT ⊕ Pre-tax result of the Group-companies accounted for using the equity method ⊖ Fraport assets ⊗ WACC ⊜ **Fraport value added**

Fraport assets:
Goodwill
+ Other intangible assets at cost/2
+ Investments in airport operator projects at cost/2
+ Property, plant, and equipment at cost/2
+ Carrying amount of the Group companies accounted for using the equity method
+ Inventories
+ Trade accounts receivable
– Current trade accounts payable

Graphic 5

To avoid value creation coming solely from depreciation and amortization, the Fraport Executive Board recognizes regularly depreciable or amortizable assets within Fraport assets at half of their historical acquisition/ manufacturing costs (at cost/2), and not at residual carrying amounts. Goodwill and investments in Group companies accounted for using the equity method are recognized at carrying amount because they are not subject to regular depreciation and amortization. Starting in the fiscal year 2017, Fraport assets that are not being depreciated or amortized – particular the assets under construction – are measured at full cost.

Fraport calculates the weighted average cost of capital (WACC) using the capital asset pricing model. Given the continuously changing economic environment, interest rate levels, and/or Fraport's risk and financing structure, Fraport regularly reviews, and, if needed, adjusts its WACC. The WACC is used for the value-oriented control of the Fraport Group. For details on the use of the weighted average cost of capital within the scope of impairment testing, refer to note 4 in the Group notes. In fiscal year 2016, the WACC was 8.6 % (before taxes, previous year: 8.6 %).

For the fiscal year 2017, for the first time a WACC specifically defined by the regulating bodies has been applied and used exclusively for calculating the airport charges. The main differences from the previous method for calculating the WACC based on the recommendations of the IDW (German Institute of Auditors) particularly relate to the method of calculating the capital structure. As a result, a WACC of 6.7 % (before taxes) has been defined. This is comprised as follows:

Calculation of the WACC

Equity cost rate	Debt cost rate
Total market yield 8.1 % (Risk-free interest rate 1.9 % plus market risk premium 6.2 %)	Debt cost rate before taxes 3.4 %
Beta factor 0.93	
Equity cost rate before taxes 11.3 %	Debt cost rate before taxes 3.4 %
Shareholders' equity ratio 48 % (based on market value)	Debt ratio 52 % (interest-bearing 39 %/ non interest-bearing 13 %)
WACC before taxes 6.7 %	

Graphic 6

Contrary to the previous calculation method according to the recommendations of IDW, the adjusted approach included one instance of non interest-bearing debt capital. In addition, securities held as fixed assets are no longer included in financial debt. As a result, the share of debt capital has increased, while the share of equity has consequently decreased.

To allow comparisons between segments of varying size, in addition to its value added Fraport uses the measurement and steering figure **"Return on Fraport-Assets"**, in short: **ROFRA.** ROFRA indicates whether the business units are creating value (ROFRA > WACC) or not creating value (ROFRA < WACC).

ROFRA is also an element of the remuneration of the Executive Board (also see chapter "Remuneration Report" beginning on page 38; definitions for calculating the financial key figures can be found in the "Glossary" on page 202).

Non-financial performance indicators

In addition to its financial development, Fraport also measures the development of "non-financial performance indicators", which are also essential for the long-term success of the company and result primarily from the corporate goals "Service-oriented airport operator", "Learning organization", and "Fairness & recognition for partners and neighbors" within the Group strategy. These performance indicators include, for example, service quality as perceived by passengers and employee occupational health and safety. To improve the company control, Fraport has assigned the key non-financial performance indicators to the "customer satisfaction and product quality" and "appeal as an employer" categories.

The key non-financial performance indicators pursuant to GAS 20 and their significance for Fraport are shown in the following. The description of their development during the past fiscal year can be found in the chapter titled "Non-financial Performance Indicators" beginning on page 65. The associated forecasted figures for the fiscal year 2017 can be found in the chapter titled "Business Outlook" beginning on page 93. An additional description of non-financial performance indicators that are not essential for the understanding of the business development pursuant to GAS 20 can be found on the Group website www.fraport.com. The online reporting does not form part of the audit of the consolidated accounts by the auditor.

Customer satisfaction and product quality

For Fraport, the quality of services performed and the associated customer satisfaction are decisive competitive factors and of key significance for the long-term success of the business. The clear objective is to raise its own quality and a high level of customer satisfaction. Fraport uses a number of performance indicators to measure and control quality and customer satisfaction. The most important factors at the Frankfurt site include **global satisfaction** of passengers, the **punctuality rate**, **baggage connectivity** and the **equipment availability rate**. Beyond the Frankfurt site, the focus at the Group airports is also on passenger satisfaction. Due to the control of the relevant Group companies, the satisfaction figures of the airports where Fraport holds a minimum stake of 50% in the shareholders' capital are stated within the framework of the annual reporting

Global satisfaction describes the overall passenger satisfaction with the travel process chain and the service at the Frankfurt site. Fraport continues to aim for a target of at least 80% for global satisfaction at Frankfurt Airport. Compared with the 2010 fiscal year, this increase is equivalent to a rise of ten percentage points. In Frankfurt and at the other Group sites, global satisfaction and passenger satisfaction with the Group airports is primarily measured in surveys. Passenger satisfaction is also an element of the remuneration of the Executive Board (also see chapter "Remuneration Report" beginning on page 38).

The punctuality rate indicates how many flights took off and landed on time in Frankfurt, whereby a flight is regarded as being late after 15 minutes in accordance with the International Air Transport Association (IATA). A high level of punctuality is an evidence of the reliability of the respective airport and improves the ability of airlines and airport service providers to plan. The assessment of the punctuality rate may particularly be distorted by bad weather conditions in Frankfurt or by already existing delays to incoming flights. With a comparable weather situation, Fraport aims for a continued high punctuality rate of around 80%.

Baggage connectivity provides information about the percentage of departure baggage at the Frankfurt site that is loaded on time and sent to the correct destination in relation to the total departing baggage. A high level of connectivity proves a good quality of baggage processes here. This is particularly important because Frankfurt must process a high proportion of transfer baggage with a transfer share of more than 55%. The objective is to achieve a sustainable baggage connectivity of more than 98.5%.

The availability of mobility equipment in terminals is particularly important for passengers with limited mobility. Fraport uses the equipment availability rate to track this availability at the Frankfurt site. Up to 2015, the rate was determined on the basis of technical availability; as of 2016 it has been determined on the basis of availability for passengers. This means that only functioning systems are included which are located in areas accessible to passengers. There was no retroactive adjustment to the previous year's values. Fraport continues to aim for an availability rate of well above 90%.

Appeal as an employer

For Fraport, appeal as an employer is, like customer satisfaction and product quality, a key factor to ensure the long-term success of the business. Fraport understands appeal to mean the creation of good working conditions in order to gain and retain committed and qualified employees. To measure and manage its appeal as an employer, Fraport uses various performance indicators, such as **employee satisfaction**, as well as key figures relating to **employee safety** and **health management**.

Employee satisfaction, which is surveyed annually by means of a questionnaire to employees of Fraport AG and 15 other Group companies – including Lima and Ljubljana – is a central instrument for the measurement of employee morale. Fraport is convinced that satisfied employees achieve better customer loyalty and improved performance. The employee satisfaction key figure is calculated from nine aspects of satisfaction and shows potential areas of improvement. Despite continued uncertain economic framework conditions, the Executive Board seeks to stabilize and continuously improve the employee satisfaction over the long term. The target value of over 3.0 was once again reached in the past fiscal year. The goal is to continue to consolidate this development (index value similar to school grading system). Employee satisfaction is also an element of the remuneration of the Executive Board (also see chapter "Remuneration Report" beginning on page 38).

Furthermore, health and safety management is a key element in increasing appeal. Fraport needs efficient and high-performing employees to withstand international competition. One measurement of employee occupational health and safety that Fraport uses is the number of work accidents. The objective is to continuously reduce the total number of work accidents per year and the resulting days missed due to accidents. The Executive Board reports the number of reportable work accidents in relation to 1,000 employees ("Rate per 1,000 employees"). The goal is to achieve a Group-wide rate per 1,000 employees with a sustained value under 25 by 2020.

Finance management

The core objectives of finance management are **securing liquidity**, **limiting financial risks**, **profitability,** and **flexibility**. The highest priority is to secure liquidity. Based on the Group's solid shareholders' equity base, it is secured, in principle, through both internal financing via operating cash flow and external financing in the form of debt. The following section shows how financial management is conducted at Fraport AG as well as in the Group companies.

To secure liquidity within finance management, Fraport AG aims to achieve balanced financing composed of bilateral loans, bonds (capital market), loan financing from public loan institutions, and promissory note loans. In line with the Group finance policy, money can be borrowed both at a fixed and at a floating interest rate. To reduce interest rate risks from borrowing with floating interest rates, interest rate hedging transactions can be concluded as a rule. In addition, Fraport AG maintains a strategic liquidity reserve to secure and guarantee that is does not need to depend on external sources of financing. The medium- and long-term investment horizon corresponds to the greatest possible extent to the expected long-term cash outflows. To cover payments expected in the short term, Fraport AG uses operating liquidity and holds time deposits and liquid securities with a short remaining term. To limit the financial risks resulting from this, liquidity is widely diversified. Based on this strategy, there have not been any failures or losses within asset management in the past fiscal year. To improve profitability, asset management mainly includes investments in corporate bonds with a rating and in selective cases even without a rating. The majority of the investments concerned listed corporate bonds and commercial paper, time deposits at banks, and promissory note loans. All the investments are fungible or can be liquidated in the short term at any time.

The majority of the fully consolidated Group companies in Germany are integrated into the Fraport AG cash pool. The liquidity in these Group companies is permanently guaranteed – via access to the Group's own liquidity at any time as well as within the scope of the agreements also concluded in some cases on the financial resources of Fraport AG – so that external financing is not necessary. In a similar manner, the close connection of these companies to Fraport AG ensures that attention is paid to the other strategic objectives of financial management.

For the controlled and non-controlled foreign Group companies, the securing of liquidity takes place depending on the relevant company shares, either by concluding project financing, bilateral loans, or by internal provision of funding via a Group loan or shareholders' equity. Attention is paid to the main objectives within the financial management of these Group companies by including the Finance department of Fraport AG.

Due to the effects on the consolidated statement of financial position as at December 31, 2016, the financing and liquidity analysis in the chapter titled "Asset and Financial Position" beginning on page 58 relates only to Fraport AG and the fully consolidated Group companies in Germany and abroad. Additional key financial risks and opportunities, i.e. also referring to the Group companies accounted for using the equity method are stated in the "Risk and Opportunities Report" beginning on page 75.

Legal Disclosures

As a listed corporation headquartered in Germany, Fraport AG is subject to a number of statutory disclosure requirements. Important reporting obligations that apply to this management report as a result of these requirements are shown in the following.

Takeover-related disclosures

The capital stock of Fraport AG amounts to €924,344,190. It is divided into 92,434,419 no-par-value bearer shares. The company holds treasury shares (77,365 shares), which are offset from capital stock on the balance sheet. The subscribed capital stated in the commercial balance sheet as at December 31, 2016 and reduced by treasury shares is €923,570,540 (92,357,054 no-par-value bearer shares). There are no differing classes of shares.

On the basis of the consortium agreement concluded between the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH dated April 18/23, 2001 with a supplement as at December 2, 2014, the total voting rights in Fraport AG held by both shareholders, calculated in accordance with Section 22 (2) of the German Securities Trading Act (WpHG), amounted to 51.32 % as at December 31, 2016. State of Hesse 31.32 % and Stadtwerke Frankfurt am Main Holding GmbH 20.00 %. The voting rights in Fraport AG owned by the City of Frankfurt am Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary. According to the last official reports in accordance with the WpHG or disclosures by individual shareholders, other voting rights in Fraport AG were attributable as follows (as at December 31, 2016): Deutsche Lufthansa AG 8.44 % and Lazard Asset Management 5.05 %. The relative ownership interests were adjusted to the current total number of shares as at the balance sheet date, and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosures.

The appointment and dismissal of Executive Board members is carried out in compliance with the relevant provisions of the German Stock Corporation Act (AktG) (Sections 84 and 85). Pursuant to Section 179 (1) sentence 2 of the AktG in conjunction with Section 11 (3) of the company statutes, the Supervisory Board is entitled to amend the company statutes only with respect to the wording. Other amendments to the company statutes require a resolution of the AGM, which, according to Section 18 (1) of the company statutes, must be passed in general by a simple majority of the votes cast and the capital stock represented at the time of the resolution. If, by way of exception, the law requires a higher capital majority (e.g., when changing the purpose of the company as stated in the company statutes, Section 179 (2) sentence 2 of the AktG; or when creating contingent capital, Section 193 (1) sentence 1 of the AktG), the resolution of the AGM has to be passed by a three-quarter majority of the represented capital stock.

At the AGM of May 31, 2013, by canceling the existing authorized capital, new authorized capital of €3.5 million was approved, which can be used for issuing shares to employees of Fraport AG (see also Group note 31). The Executive Board is now entitled, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by up to a total of €3.5 million until May 30, 2018, by issuing new shares in return for cash. The statutory subscription rights of the shareholders may be excluded. In 2016, a total of €493,430 of authorized capital was used for issuing shares within the scope of the employee investment plan.

A contingent capital increase of €13.9 million was approved according to Sections 192 et seqq. of the AktG at the AGM held on March 14, 2001. The purpose of the contingent capital was expanded at the AGM on June 1, 2005. The contingent capital increase also served to fulfill subscription rights under the approved Fraport Management Stock Options Plan 2005 (MSOP 2005). In connection with the planned phase-out of MSOP 2005, the Supervisory Board voided the contingent capital in its meeting of March 16, 2015 and passed a resolution for the deletion without replacement of the passage in this regard in Section 4 (4) of the company statutes.

Report on the relationships with affiliated companies

Due to the interest of 31.32 % (previous year: 31.34 %) held by the State of Hesse and 20.00 % held by Stadtwerke Frankfurt am Main Holding GmbH (previous year: 20.01 %) as well as the consortium agreement concluded between these shareholders on April 18/23, 2001 with a supplement as at December 2, 2014, Fraport AG is a publicly controlled enterprise. There are no control or profit transfer agreements.

The Executive Board of Fraport AG therefore compiles a report on the relationships with affiliated companies in accordance with Section 312 of the AktG. At the end of the report, the Executive Board made the following statement: "The Executive Board declares that under the circumstances known to us at the time, Fraport AG received fair and adequate compensation for each and every legal transaction conducted. During the reporting year, measures were neither taken nor omitted at the request of or in the interests of the State of Hesse and the City of Frankfurt am Main and their affiliated companies."

Joint Statement on Corporate Governance and Corporate Governance Report

Within the scope of a Joint Statement on Corporate Management pursuant to Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 289a HGB, the Fraport AG Executive Board reports – in the name of the Supervisory Board as well – on the contents subject to the reporting requirements pursuant to Section 289a HGB for Fraport AG as well as for the Fraport Group. The Executive Board and Supervisory Board also provide an annual report on corporate governance pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) as part of the corporate governance report and publish this in conjunction with the joint statement on corporate governance. The Joint Statement on Corporate Governance and the Corporate Governance Report are published in the chapter of the Annual Report "To Our Shareholders" and on the corporate website www.fraport.com under the section Investor Relations.

Key features of the internal control and risk management system

The description of the key features of the internal control and risk management system with respect to the accounting process in accordance with Section 315 (2) no. 5 HGB can be found in the chapter titled "Risk and Opportunities Report" beginning on page 75 of this report.

Remuneration Report

The following remuneration report describes the main features of the remuneration system for the Executive Board and Supervisory Board of Fraport AG in accordance with the statutory regulations, and the recommendations of the German Corporate Governance Code (GCGC) as amended on May 5, 2015. It summarizes which principles apply in determining the total remuneration of the members of the Executive Board, and explains the structure and amount of the compensation of the Executive Board and Supervisory Board members.

Remuneration of the Executive Board members in the 2016 fiscal year

Remuneration system

Executive Board remuneration is set by the Supervisory Board upon the recommendation of its executive committee and is reviewed on a regular basis. The remuneration of the Executive Board members of Fraport AG is intended to be in proportion to the tasks of the position and the company's situation and in line with a transparent and sustainable corporate management approach which focuses on the long term.

Remuneration is comprised as follows:

> Non-performance-related components (fixed salary and compensation in kind)
> Performance-related components with a short and medium-term incentive effect (bonus)
> Performance-related components with a long-term incentive effect (Long-Term Strategy Award and Long-Term Incentive Program)

In order to comply with the remuneration-related amendments of the GCGC in the version dated May 5, 2015, with effect starting in fiscal year 2014, a maximum limit was defined with each Executive Board member for the sum of the aforementioned respective remuneration components. For the Chairman of the Executive Board this amounts to €2.3 million and €1.65 million for every other member of the Executive Board. This maximum limit also applies in relation to the remuneration components that were granted for previous fiscal years and were or have not yet been fully paid out. This is still relevant for the 2013 fiscal year.

In addition to the remuneration components specified above, the members of the Executive Board received allocations to pension commitments. In principle, the pension commitments, including performance-related contributions, are in a fixed proportion to the respective fixed annual gross salary, and are therefore subject to implicit maximum limits. Further information on pension commitments for Executive Board members can be found in note 37.

Non-performance-related components

During the term of their employment contract (generally five years), Executive Board members, as a rule, receive an unchanging fixed annual salary across the entire period.

The amount of the fixed annual salary is reviewed on a regular basis, generally annually, to ensure that it is appropriate.

The fixed annual compensation also covers any activity performed by an Executive Board member for companies in which Fraport AG holds an indirect or a direct interest of more than 25 % (so-called “other board mandates related to Group companies”).

In addition, the remuneration for Executive Board members includes compensation in kind and other payments (ancillary benefits). In particular, compensation in kind is the pecuniary benefit subject to income tax from the private use of a company car with driver. This compensation in kind is generally available to all Executive Board members in the same way; the amount of compensation depends on the personal situation.

Executive Board members also receive half of the total contributions toward their pension insurance in the case of voluntary insurance, and in the case of statutory insurance, half of the total statutory contributions.

For contributions to voluntary statutory or private medical and health care insurance, each member of the Executive Board receives a tax-free employer contribution in line with legal provisions.

Performance-related components

Without a long-term incentive effect (bonus)

The bonus is dependent on the EBITDA and ROFRA of the Fraport Group for the respective fiscal year. EBITDA is the Group operating result, ROFRA the interest on Group assets; i.e., the total return on capital (“return on Fraport assets”). Both key figures (EBITDA and ROFRA) are recognized business management parameters for measuring the success of a company.

The actual bonus for an Executive Board member is calculated by multiplying EBITDA and ROFRA, each minus a basic allowance, by a multiplier contractually stipulated for each Executive Board member and adding together the aforementioned results. The bonus amount for one fiscal year is capped at 175 % of the bonus paid for 2009 or, if the member was appointed during the year or the employment contract was amended in 2009, an amount extrapolated for the entire year. For Executive Board members appointed as of 2012, the maximum bonus amount for a fiscal year is limited to 140 % of the bonus calculated pro forma for fiscal year 2011. 50 % of anticipated bonus payments are paid out monthly during the fiscal year. The remaining bonus payments are payable within one month after the Supervisory Board has approved the respective consolidated financial statements for the relevant fiscal year.

50 % of the calculated bonus payments have a conditional payback provision. If EBITDA and ROFRA in the following year do not reach at least an average of 70 % of the corresponding key figure for the fiscal year in question, the Executive Board member has to pay back 30 % of the bonus to Fraport AG. Should the same apply to the second year after the relevant fiscal year, 20 % of the bonus has to be repaid. A possible repayment obligation exists for each following year separately and must be individually reviewed for compliance each year.

If the Supervisory Board is of the opinion that the relevant business figures have decreased due to influences outside of the Executive Board's control, it can grant a bonus at its discretion or waive the repayment in full or in part, based on the Executive Board member's performance. If an Executive Board member holds an active position for less than one fiscal year, a pro rata bonus payment is made.

With long-term incentive effect (Long-Term Strategy Award, LSA)

The LSA creates an additional long-term incentive effect that appropriately and on an ongoing basis takes into consideration the interests of the main stakeholders of Fraport AG, specifically employees, customers, and shareholders.

As part of the LSA, each Executive Board member is promised a prospective financial reward for one fiscal year. After three fiscal years have expired (the fiscal year in question and the two following years), the extent to which the targets have been met is determined and the actual payment is calculated based on these results. The paid amount can exceed or fall below the prospective amount but is capped at 125 % of the amount originally stated. Performance targets are customer satisfaction, sustained employee development, and share performance. All three targets are equally important under the LSA. As in the previous year, a prospective sum of €120 thousand has been promised to the Chairman of the Executive Board for the performance period of 2016 to 2018, with a payout in 2019, while a prospective sum of €90 thousand each has been promised to the other members of the Executive Board.

Customer satisfaction is evaluated on an annual basis using an established assessment system for airlines, real estate management, retail properties, and passengers. Whether or not a target has been met is determined by comparing the corresponding data (in percentage points) at the beginning of the three-year period with the average achieved over the same period. If the actual result exceeds or falls below the target by two full percentage points, the bonus paid for customer satisfaction is increased or decreased correspondingly.

Sustained employee development relates to employee satisfaction and the changes in headcount. The Supervisory Board decides to what extent the target has been met. Its decision is based on the results of the employee satisfaction barometer (an annual survey among Fraport Group employees) and the responsible development of headcount in view of the Group's economic situation.

For the share performance target, the Fraport share price development over the corresponding three-year period is compared with the average development of the MDAX and a share basket, which includes the shares of the operators of the Paris, Zurich, and Vienna airports. The payment for this share performance target is again determined by comparing the reference value calculated at the beginning of the three-year period with the actual development. Positive or negative deviations increase or decrease the prospective bonus accordingly.

Entitlement to LSA payments is established by approval by the Supervisory Board of the consolidated financial statements for the last fiscal year of the performance period.

If an Executive Board member leaves Fraport AG before the end of a three-year period already commenced, the performance targets for such an Executive Board member are not calculated until after this three-year period has expired. The award for the entire period is then paid on a pro rata basis for the amount of time the Executive Board member actually worked for the company. There is no right to payment for a three-year period which has not yet expired at the time the employment contract has been legally terminated due to extraordinary circumstances that are within the control of the Executive Board member (termination by request of the Executive Board member without cause pursuant to Section 626 of the German Civil Code (BGB), termination for cause within the control of the Executive Board member in accordance with Section 626 of the BGB, or if the Executive Board member has been removed from his or her office for cause pursuant to Section 84 (3) of the AktG. If an Executive Board member joins the company during the course of a fiscal year, the Supervisory Board decides if and to what extent the Executive Board member is entitled to participate in the LSA program for this fiscal year.

Long-Term Incentive Program (LTIP)

The LTIP is a virtual stock options program. The Executive Board members of Fraport AG are promised a contractually stipulated amount of virtual shares within their employment agreements, so-called performance shares, for each fiscal year on the condition that and depending on whether they meet predefined performance targets (the so-called target tranche). After four fiscal years, the so-called performance period, it will be determined to what extent these performance targets have been met and the number of performance shares actually due to the Executive Board member, the so-called actual tranche. The actual tranche can exceed or fall below the target tranche but is capped at 150% of the target tranche.

The two performance targets “earnings per share” (EPS) and “rank total shareholder return MDAX” are relevant for deriving the actual tranche from the target tranche, with earnings per share (EPS) being weighted at 70% and rank total shareholder return MDAX at 30%. For the 2016 fiscal year, 9,000 performance shares were allocated to Dr. Stefan Schulte as a target tranche, while the other Executive Board members were allocated 6,850 performance shares.

In order to determine to what extent the EPS performance target has been met, the weighted average target EPS during the performance period, based on the strategic development planning applicable at the time of the award, is compared with the average EPS actually achieved during the performance period. For the evaluation to what extent the target has been met, the target EPS for the first fiscal year accounts for 40%, the second for 30%, the third for 20%, and the fourth for 10%. If targets have been met 100% across the performance period, the actual tranche corresponds to the target tranche. If the actual EPS differs from the target EPS, the number of allocated performance shares is adjusted accordingly. If the actual EPS falls below the target EPS by more than 25 percentage points, no performance shares are issued for the EPS performance target. If the actual EPS falls below the target EPS by 25 percentage points, the actual tranche amounts to 50% of the target tranche. If the actual EPS exceeds the target EPS by 25 percentage points, the actual tranche amounts to 150% of the target tranche. Intermediate values can be calculated using a straight-line method. Any performance exceeding the targets by more than 25 percentage points is not taken into account.

The extent to which the rank total shareholder return MDAX performance target has been met is calculated by determining the weighted average rank of Fraport AG amongst all companies listed in the MDAX in relation to the total shareholder return (share price development and dividends) over the performance period. Just as with the EPS performance target, the four relevant fiscal years will be weighted in decreasing order. The actual tranche equals the target tranche if Fraport AG, during the performance period, ranks number 25 among total shareholder return MDAX with its weighted average. For each rank exceeding or falling below 25, the actual tranche is increased or reduced by 2.5 percentage points. If Fraport AG ranks worse than 45th place, no performance shares will be issued for the rank total shareholder return MDAX performance target; if Fraport AG ranks better than 5th place, there will not be a further increase in the number of performance shares issued over 5th place.

The relevant share price used for calculating the LTIP payment corresponds to the weighted average of the company's closing share prices in XETRA, or a similar trading system replacing XETRA at the Frankfurt Stock Exchange, during the first 30 trading days immediately subsequent to the last day of the performance period. For the performance shares issued in 2013 and in previous fiscal years, the relevant share price for calculating the LTIP payment is limited to €60 per performance share. Entitlement to the LTIP payment is established by approval of the consolidated financial statements for the last fiscal year of the performance period by the Supervisory Board.

For all performance shares allocated from 2014 fiscal year onwards, the LTIP payment is limited to 150 % of the product of the performance shares of the target tranche multiplied by the "relevant share price at the time of issuance". The "relevant share price at the time of issuance" corresponds to the weighted average of the company's closing share prices in XETRA or a similar trading system replacing XETRA at the Frankfurt Stock Exchange during the month of January of the fiscal year, in which the relevant performance period begins.

Furthermore, for all LTIP performance share tranches that have already been allocated and will be in future, maximum payment amounts have been defined, which amounts to a maximum of €810.0 thousand for Dr. Schulte and for the other Executive Board members a maximum of €616.5 thousand per performance share tranche.

The rules for LTIP entitlements of former Executive Board members are largely the same as for the LSA. In addition, a former Executive Board member is not entitled to any performance shares for a target tranche whose performance period has lasted less than twelve months at the time the employment contract was legally terminated. The LTIP fair value accrual allocation resulted in the following expenses for the fiscal year: Dr. Stefan Schulte €529.7 thousand (previous year: €579.4 thousand), Anke Giesen €341.1 thousand (previous year: €384.0 thousand), Michael Müller €304.5 thousand (previous year: €227.0 thousand), Peter Schmitz €51.2 thousand (previous year: €133.9 thousand), Dr. Matthias Zieschang €410.3 thousand (previous year: €380.4 thousand).

Further information regarding share-based remuneration via LTIP is provided in the Group notes under note 45.

Remuneration of the Executive Board 2016

In the tables below, the contributions, inflows, and pension-related expenses to each member of the Executive Board are displayed individually based on the recommendations of Section 4.2.5 (3) of the GCGC:

Remuneration of the Executive Board (contributions granted)

in €'000	Dr. Stefan Schulte (Chairman of the Executive Board; Executive Director since April 15, 2003)			
	2015	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed salary	415.0	415.0	415.0	415.0
Ancillary benefits [1]	25.2	36.0	36.0	36.0
Total [1]	**440.2**	**451.0**	**451.0**	**451.0**
One-year variable remuneration (bonus) [2]	766.7	783.3	–	870.1
Multiyear variable remuneration				
Long-Term Strategy Award (3 years)				
Tranche 2015 (1/1/2015 to 12/31/2017)	120.0	–	–	–
Tranche 2016 (1/1/2016 to 12/31/2018)	–	120.0	0.0	150.0
Long-Term Incentive Program (4 years)				
Tranche 2015 (1/1/2015 to 12/31/2018) [3]	370.2	–	–	–
Tranche 2016 (1/1/2016 to 12/31/2019) [3]	–	458.1	0.0	810.0
Total [4]	**1,697.1**	**1,812.4**	**451.0**	**2,281.1**
Pension-related expenses [5]	502.5	492.0	492.0	492.0
Total remuneration	**2,199.6**	**2,304.4**	**943.0**	**2,773.1**

[1] Ancillary benefits vary depending on personal circumstances; there is no set minimum or maximum.
[2] The bonus includes the payments on account for the 2016 fiscal year and the addition to the bonus provision in 2016.
The provision was reduced accordingly by taking into consideration special effects, in particular, the waiver by members of the Executive Board in connection with the Manila project.
[3] LTIP was carried at fair value as at the time of offer.
[4] For the Chairman of the Executive Board, the total cap amounts to €2.3 million and €1.65 million for all other members of the Executive Board.
If the total cap is exceeded, the last payment component will be reduced accordingly.
[5] Pension-related expenses were reported according to IAS 19.

Remuneration of the Executive Board (inflows)

in €'000	Dr. Stefan Schulte (Chairman of the Executive Board; Executive Director since April 15, 2003)	
	2015	**2016**
Fixed salary	415.0	415.0
Ancillary benefits	25.2	36.0
Total	**440.2**	**451.0**
One-year variable remuneration (bonus) [2]	724.1	797.1
Multiyear variable remuneration		
Long-Term Strategy Award (3 years)		
Tranche 2012 (1/1/2012 to 12/31/2014)	40.0	–
Tranche 2013 (1/1/2013 to 12/31/2015)	–	60.0
Long-Term Incentive Program (4 years)		
Tranche 2011 (1/1/2011 to 12/31/2014)	489.0	–
Tranche 2012 (1/1/2012 to 12/31/2015)	–	406.3
Total [3]	**1,693.3**	**1,714.4**
Pension-related expenses	502.5	492.0
Total remuneration	**2,195.8**	**2,206.4**

[1] An offsetting of the remuneration in 2016 for the Supervisory Board activities at Hanover-Langenhangen Airport was made against the bonus payment of Dr. Zieschang in the amount of €2,380.00 for fiscal year 2016.
[2] The bonus includes the payments on account for fiscal year 2016 and the ex-post adjustment to the bonus for fiscal year 2015.
[3] For the Chairman of the Executive Board, the total cap amounts to €2.3 million and €1.65 million for all other members of the Executive Board.
If the total cap is exceeded, the last payment component will be reduced accordingly.

												Contributions granted
	Anke Giesen (Executive Director Operations; Executive Director since January 1, 2013)				**Michael Müller (Executive Director Labor Relations; Executive Director since October 1, 2012)**				**Dr. Matthias Zieschang (Executive Director Controlling and Finance; Executive Director since April 1, 2007)**			
	2015	**2016**	**2016 (Min)**	**2016 (Max)**	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	320.0	320.0	320.0	320.0
	33.3	31.6	31.6	31.6	30.3	31.7	31.7	31.7	41.0	46.6	46.6	46.6
	333.3	**331.6**	**331.6**	**331.6**	**330.3**	**331.7**	**331.7**	**331.7**	**361.0**	**366.6**	**366.6**	**366.6**
	541.2	552.9	–	674.8	490.1	552.9	–	674.8	541.4	541.4	–	541.4
	90.0	–	–	–	90.0	–	–	–	90.0	–	–	–
	–	90.0	0.0	112.5	–	90.0	0.0	112.5	–	90.0	0.0	112.5
	281.7	–	–	–	281.7	–	–	–	281.7	–	–	–
	–	348.7	0.0	616.5	–	348.7	0.0	616.5	–	348.7	0.0	616.5
	1,246.2	**1,323.2**	**331.6**	**1,735.4**	**1,192.1**	**1,323.3**	**331.7**	**1,735.5**	**1,274.1**	**1,346.7**	**366.6**	**1,637.0**
	146.8	134.8	134.8	134.8	127.8	121.6	121.6	121.6	345.5	341.1	341.1	341.1
	1,393.0	**1,458.0**	**466.4**	**1,870.2**	**1,319.9**	**1,444.9**	**453.3**	**1,857.1**	**1,619.6**	**1,687.8**	**707.7**	**1,978.1**

Table 7

						Inflow
	Anke Giesen (Executive Director Operations; Executive Director since January 1, 2013)		**Michael Müller (Executive Director Labor Relations; Executive Director since October 1, 2012)**		**Dr. Matthias Zieschang (Executive Director Controlling and Finance; Executive Director since April 1, 2007)**	
	2015	**2016**	**2015**	**2016**	**2015**	**2016 [1)]**
	300.0	300.0	300.0	300.0	320.0	320.0
	33.3	31.6	30.3	31.7	41.0	46.6
	333.3	**331.6**	**330.3**	**331.7**	**361.0**	**366.6**
	511.1	562.7	387.0	534.5	551.0	544.5
	20.0	–	22.5	–	30.0	–
	–	45.0	–	45.0	–	45.0
	186.1	–	140.5	–	372.2	–
	–	231.9	–	141.3	–	309.2
	1,050.5	**1,171.2**	**880.3**	**1,052.5**	**1,314.2**	**1,265.3**
	146.8	134.8	127.8	121.6	345.5	341.1
	1,197.3	**1,306.0**	**1,008.1**	**1,174.1**	**1,659.7**	**1,606.4**

Table 8

Pension obligations

Pension obligations to currently active Executive Board members were as follows:

Pension obligations

in €'000	Obligation December 31, 2015	Change in 2016	Obligation December 31, 2016
Dr. Stefan Schulte	6,265	1,034	7,299
Michael Müller	418	151	569
Dr. Matthias Zieschang	2,984	599	3,583
Anke Giesen	421	184	605
Total	**10,088**	**1,968**	**12,056**

Table 9

Other agreements

Each member of the Executive Board has entered into an obligation to purchase shares in Fraport AG amounting to at least half a year's fixed gross salary (cumulative cost at the time of purchase) and hold them for the duration of the respective contract of employment. Already existing holdings of Fraport AG shares are taken into account. The obligation to purchase and hold shares is reduced pro rata if the employment contract has a term of less than five years. If the Executive Board member is reappointed, the equivalent value of the shares an Executive Board member is obliged to hold is increased to at least a full annual gross salary.

Each member of the Executive Board has agreed to a two-year noncompetition clause. During this term, reasonable compensation in the form of an annual fixed gross salary pursuant to Section 90a of the HGB shall be paid. Part payments shall be made monthly. The compensation shall be generally credited against any retirement pensions owed by Fraport AG, inasmuch as the compensation together with the retirement pensions and other generated income exceeds 100% of the last fixed salary received.

The employment contract of the former Executive Board member Peter Schmitz provides for a two-year noncompetition clause following the end of his employment as at August 31, 2014. Pursuant to a resolution of the Supervisory Board, the noncompetition clause was waived. Furthermore, in fiscal year 2016, Mr. Schmitz received payments of €206.2 thousand for the LTIP 2012 tranche, and a payment of €25 thousand for the LSA 2013 tranche.

Other benefits

As other benefits, Executive Board members have the option of private use of a company vehicle with a driver, private use of a company mobile device, a D&O liability insurance with a deductible pursuant to Section 93 (2) sentence 3 of the AktG, an accident insurance and a lifetime entitlement to use the VIP service of Fraport AG, as well as access to a parking spot at Frankfurt Airport. Fraport AG reimburses travel costs for company trips and other business expenses in line with the regulations in general use at Fraport AG.

Remuneration of the Supervisory Board in fiscal year 2016

The remuneration of the Supervisory Board is laid down in Section 12 of the Statutes of Fraport AG. It is provided solely as fixed remuneration. According to this, every member of the Supervisory Board shall receive a fixed remuneration of €22.5 thousand for each full fiscal year payable at the end of the fiscal year, the Chairman and the Chairman of the finance and audit committee shall receive twice that amount, the Vice-Chairman and the Chairmen of the other committees shall each receive one and a half times this amount. For their membership on a committee, Supervisory Board members receive an additional, fixed remuneration of €5 thousand per committee for each full fiscal year. This additional compensation is paid for a maximum of two committee memberships. Supervisory Board members that become members of or leave the Supervisory Board during a fiscal year receive pro rata remuneration. The same holds true in the case of any change in the membership of committees. Each Supervisory Board member receives €800 for every Supervisory Board meeting he or she attends and every committee meeting attended of which he or she is a member. Accrued expenses will also be reimbursed (see also note 55).

The following remuneration was paid to the individual members of the Supervisory Board for fiscal year 2016:

Remuneration of the Supervisory Board 2016

in € Supervisory Board Member		Fixed salary	Committee remuneration	Attendance fees	Total
Amier	Claudia	33,750.00	10,000.00	16,000.00	**59,750.00**
Arslan	Devrim	22,500.00	10,000.00	8,800.00	**41,300.00**
Becker	Uwe	22,500.00	10,000.00	8,000.00	**40,500.00**
Cicek	Hakan	22,500.00	5,000.00	8,800.00	**36,300.00**
Dahnke	Kathrin	22,500.00	5,000.00	9,600.00	**37,100.00**
Feldmann	Peter	22,500.00	10,000.00	5,600.00	**38,100.00**
Gerber	Peter	22,500.00	0.00	4,800.00	**27,300.00**
Haase	Dr. Margarete	45,000.00	10,000.00	13,600.00	**68,600.00**
Kaufmann	Frank-Peter	22,500.00	10,000.00	16,800.00	**49,300.00**
Klemm	Lothar	33,750.00	10,000.00	14,400.00	**58,150.00**
Krieg	Dr. Roland	22,500.00	5,000.00	10,400.00	**37,900.00**
Odenwald	Michael	22,500.00	5,000.00	6,400.00	**33,900.00**
Özdemir	Mehmet	22,500.00	5,000.00	8,800.00	**36,300.00**
Prangenberg	Arno	22,500.00	5,000.00	8,800.00	**36,300.00**
Schaub	Gerold	33,750.00	10,000.00	13,600.00	**57,350.00**
Schmidt	Hans-Jürgen	22,500.00	5,000.00	10,400.00	**37,900.00**
Schmidt	Werner	22,500.00	10,000.00	13,600.00	**46,100.00**
Stejskal	Edgar	22,500.00	10,000.00	18,400.00	**50,900.00**
Weimar	Karlheinz	45,000.00	10,000.00	9,600.00	**64,600.00**
Windt	Prof. Dr. Katja	22,500.00	10,000.00	12,000.00	**44,500.00**
		528,750.00	**155,000.00**	**218,400.00**	**902,150.00**

Table 10

Remuneration of the Economic Advisory Board in fiscal year 2016

For membership on the Economic Advisory Board, a compensation of €2,500.00 is paid for every year of membership and €2,000.00 per meeting attended, with the Chairman receiving twice that amount. Travel expenses are reimbursed independently.

Economic Report

General Statement of the Executive Board

Flight cancellations due to strikes and weather conditions as well as subdued booking behavior as a result of terrorist attacks in Europe led to a drop in passenger numbers at the Frankfurt site in the past fiscal year of 0.4 % to just under 61 million travelers. In the Cargo unit, the recovery of the global economy in the second half of 2016 was reflected in an increase of 1.8 % to around 2.1 million metric tons. The airports in the Fraport Group recorded mixed performances over the past fiscal year. While the Group airports in Antalya and St. Petersburg posted decreases in passenger numbers, the airports in Lima, Burgas, Varna and Xi'an showed significantly positive developments.

Financially, the Fraport Group showed positive development in 2016, in particular due to one-time effects. Due to changes in the scope of consolidation, Group revenue was also €12.7 million (–0.5 %) below the previous year's value at €2,586.2 million. Adjusted for changes in the scope of consolidation from the sale of shares in FCS and the sale of Air-Transport IT Services, Group revenue increased by €46.2 million (+1.8 %). With a slight drop in passenger numbers in Frankfurt, this was due, among other things, to higher revenue from land sales as well as the Group companies Lima and Twin Star and Fraport USA Inc. with around €41 million. Group EBITDA improved noticeably by 24.2 % to €1,054.1 million. The increase in EBITDA was mainly a result of the one-time revenue in connection with the sale of shares in Thalita Trading Ltd. in the amount of €40.1 million as well as the compensation payment of €198.8 million in the context of the Manila project, after taking into account the payment obligation in connection with a federal guarantee for investments abroad (GKA). The Group result rose by 34.8 % to €400.3 million. Free cash flow stood at €301.7 million, which was again significantly positive.

In light of the geopolitically difficult environment with in some cases significant decline in traffic at the Group airports, the Executive Board nonetheless describes the Fraport Group's operating development in fiscal year 2016 as solid.

Economic and Industry-specific Conditions

Development of the economic conditions

In 2016, the global economy once again showed signs of growth that were in line with the expectations at the beginning of the previous year. In contrast, the growth rate of world trade remained significantly below expectations at 1.9 %.

Gross domestic product (GDP)/world trade [1)]

Real changes compared to the previous year in %	2016	2015
World	+3.1	+3.2
Eurozone	+1.7	+2.0
Germany	+1.9	+1.7
USA	+1.6	+2.6
China	+6.7	+6.9
Japan	+0.9	+1.2
World trade	**+1.9**	**+2.7**

[1)] 2016 figures: Estimates based on International Monetary Fund (IMF, January 2017), German GDP: The Federal Statistical Office, Report (January 12, 2017)

Table 11

The recovery of the global economy forecast at the beginning of the year started to be felt in the second quarter. This led to a more positive development of global trade in goods in the third quarter after it had initially shown a more stagnating trend. Advanced and emerging economies contributed more or less equally to the recovery of the global economy. The key US market was able to accelerate its rate of expansion noticeably during the course of the year. In Japan, a new stimulus package buoyed the economy. The monetary policies of the large developed economies remained extraordinarily focused on expansion and fiscal consolidations were postponed.

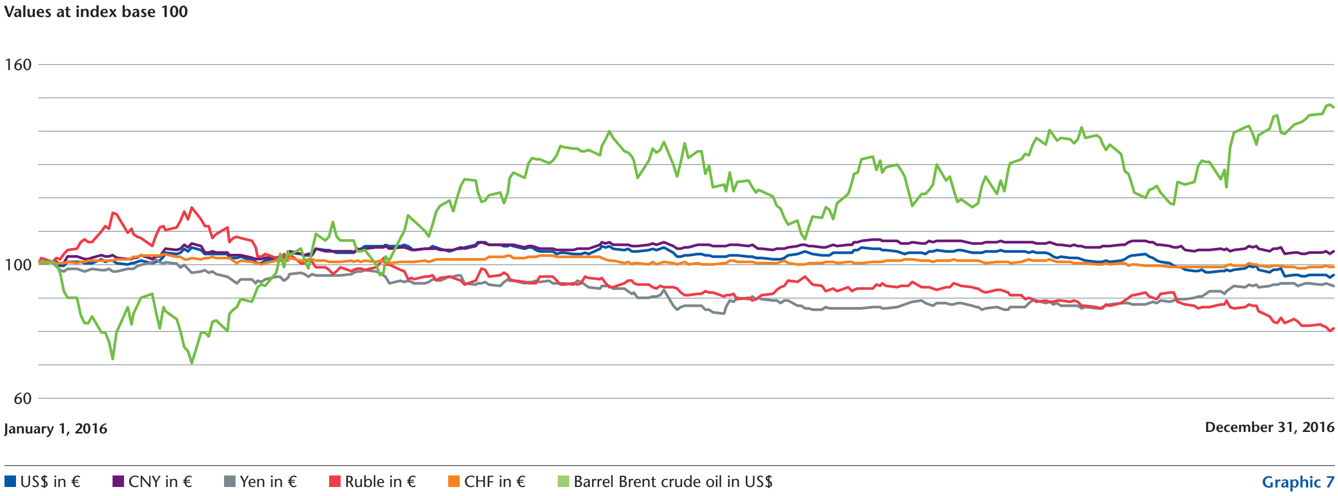
Also, in important emerging countries such as China and India, expansive economic policy measures caused an increase in the growth rates of their gross domestic product during the summer. In China, however, growth rates showed signs of settling down at a level below that of the previous years. Finally, the trend towards recession in raw material-exporting emerging countries such as Russia and Brazil subsided, as the prices of many industrial and agricultural raw materials have shown signs of moderate growth for some months. In addition, oil prices recovered from their lowest point in January 2016 and stabilized by the end of the year thanks to an agreement on limits on production levels by OPEC countries at a price of US$50 per barrel, which boosted oil exporting countries. The Russian ruble depreciated against the US dollar over the course of the year. China intervened in the foreign exchange market in order to keep the external value of the renminbi from falling.

Moderate recovery continued in the Eurozone. Fears of negative economic effects from the referendum on the UK's withdrawal from the EU and a resurgence of the euro crisis after Italy's failure to pass its reform project failed to materialize. The mood among producers and consumers in the EU since last summer has become more positive. Gross domestic product in the Eurozone grew by an estimated 1.7 % in 2016. Despite the ongoing economic recovery, the unemployment rate in the Eurozone is only reducing slowly, and stood at 10.0 % in September.

The moderate economic recovery in Germany was mainly due to private and government consumption in the past year, which has been driven by an increase in the population in recent years. As a result, gross domestic product increased by 1.9% in 2016. Compared to previous recoveries, very little impetus has yet come from exports. The slow recovery of trade partners in the rest of the Eurozone that are of significant importance for Germany, the noticeable slowdown in growth in China, and lower demand in raw material-exporting emerging countries were the main reasons for this development. The drop in demand offset the stimulus effect of the euro which had weakened slightly against the US dollar since early summer.

Short and long-term interest rates have fallen further in the Eurozone over the past year. As a result, the average 6-month Euribor was negative at –0.17% (previous year: 0.05%). In the long term, the average 10-year Euro swap rate dropped from 0.88% to 0.53%.

Crude oil price and significant exchange rates 2016



Graphic 7

Development of the legal environment

During the past fiscal year, there were no changes to the legal environment that had a significant influence on the business development of the Fraport Group.

Development of the global aviation market

According to the preliminary figures from Airports Council International (ACI), global passenger traffic grew by 5.5% in fiscal year 2016. Air freight volume rose by 3.5%. European airports achieved slightly lower growth in passenger numbers at 5.0%. In air freight, European airports also grew at a rate +4.1% higher than the overall market. The passenger numbers at German airports grew by 3.4%. Cargo tonnage rose by 3.4%. The growth was at approximately global level.

Passenger and cargo development by region

Changes compared to the previous year in %	Passengers 2016	Air freight 2016
Germany	+3.4	+3.4
Europe	+5.0	+4.1
North America	+3.9	+1.7
Latin America	+2.2	+1.5
Middle East	+9.4	+5.8
Asia-Pacific	+9.0	+4.5
Africa	–1.9	+0.6
World	**+5.5**	**+3.5**

Source: ACI Pax Flash and Freight Flash (ACI, February 23, 2017), ADV for Germany; cargo instead of air freight (ADV, February 7, 2017).

Table 12

Significant Events

The risk of terrorism affects air traffic in Europe

The past fiscal year saw terrorist attacks in Turkey, Paris and Nice, at the international airports Brussels-Zaventem and Istanbul-Atatürk, attacks in Bavaria as well as at a Christmas market in Berlin at the end of December, all of which influenced passengers' travel behavior. In particular, traffic to North Africa, which consists primarily of tourists, has been declining for years with the terrorist attacks in Tunisia and Egypt. Many travel agents have removed destinations in North Africa from their product ranges. Turkey as a holiday destination has been particularly affected due to the attacks in Istanbul as well as the continuing threat of terrorism throughout the country. Holiday travel dropped significantly in the past fiscal year, especially on the Turkish Riviera. On the other hand, alternative travel destinations such as the Canary Islands, the Balearic Islands, Portugal, Greece, and Bulgaria benefited from the change in traffic flows. Since these destinations were unable to provide sufficient accommodation capacity, there was a high demand for other holiday destinations that, given their geographical proximity, can be reached by forms of transport other than air, such as Austria, Italy and Croatia. This led to a shift in demand away from air travel to cars, buses, and trains.

Even tourist traffic from intercontinental destinations to Frankfurt was affected negatively by the events in Europe, since the attacks in Paris and Brussels led to a decrease in demand for tours of Europe, in particular from the Far East and North America.

Sale of shares in Thalita Trading Ltd.

On October 21, 2016, Fraport concluded the sale of 10.5 % of the shares in Thalita Trading Ltd., the parent company of the operating company of Pulkovo Airport in St Petersburg, and of a loan made to Thalita Trading Ltd., to the Qatar Investment Authority. The sale resulted in a gain on disposal in the amount of €40.1 million, which was fully included in the Group EBITDA and EBIT and the amount of €36.4 million was included in the Group EBT for fiscal year 2016. This was reflected in the Group result in the amount of €35.9 million. The remaining stake of 25 % will continue to be accounted for in the consolidated financial statements using the equity method. Fraport AG will retain its role as airport operator. Details of the impact on the balance sheet can be found in the Group note 2.

Compensation payment for the Manila project

In the first half of October 2016, Fraport AG received payments of approximately US$270 million (€241.2 million) from the project company PIATCO in connection with the terminal project in Manila. PIATCO had previously received compensation from the Philippine government in connection with the terminal project at Manila Airport due to a 2015 decision by the Supreme Court of the Philippines, which became legally binding in 2016. In return, Fraport AG will not make any further claims in connection with the expropriation of the Manila terminal project. From the amount awarded in this decision, Fraport AG is to pay the German Federal government an estimated amount of €42.4 million as reimbursement for funds received in fiscal year 2008 as repayment for federal guarantees for investments abroad (GKA) (€34.1 million of this has already been paid at the end of December 2016). The remaining amount of €198.8 million increased both Group EBITDA and Group EBIT. Taking into account currency translation effects, the payment increased Group EBT by €189.6 million. This was reflected in the Group result in the amount of €121.4 million. The effect of the payment is shown in the Group notes in note 1, and the changes of the risks compared to the previous year with regard to the Manila project can be found in the chapter "Risk and Opportunities Report" beginning on page 75.

Ryanair adds flights from Frankfurt starting in summer 2017

With the introduction of its 2017 summer flight schedule, Irish airline Ryanair will offer four connections from Frankfurt. The initial destinations with daily flights will be Palma de Mallorca (PMI), Alicante (ALC), Malaga (AGP), and Faro (FAO). In the medium term, Fraport will seek to respond to the growing demand for low-cost offers by also making corresponding adjustments to the passenger and terminal processes. By placing two aircraft at the Frankfurt site, the airline will transport approximately 400 thousand customers in 2017.

Application to increase airport charges in Frankfurt from 2017 approved

The application to increase the airport charges in fiscal year 2017 at the Frankfurt site was approved by the Ministry for Economic Affairs, Energy, Transport and Regional Development (HMWEVL) of the State of Hesse. The new charge table took effect on January 1, 2017 and includes an increase in airport charges of 1.9 % compared to fiscal year 2016. The authorities also approved an incentive program to increase passenger numbers on new flights to intercontinental and continental destinations outside of Germany with lower-noise aircraft.

New joint venture to further develop the duty-free business at the Frankfurt site

Effective January 1, 2017, the retail company Gebr. Heinemann SE & Co. KG and Fraport launched a joint venture "Frankfurt Airport Retail GmbH & Co. KG". The joint venture, in which both partners hold 50%, operates a total of 27 existing shops at Frankfurt Airport, most of which are run under the brand name Heinemann Duty Free and Travel Value. In particular, the prospective growth in both digital and brick-and-mortar business, especially by expanding the concept stores and the planned expansion of retail space, as well as the continuous optimization of the existing retail space and processes were the reasons behind founding the joint venture. In addition, the joint venture is a premium partner for Fraport AG's digitization efforts. These include expanding the online retail platform by offering the option of delivery of the purchases to customers' homes or directly to the gate, as well as a stronger integration of existing customer loyalty programs. The expansion of the business activities both locally at the Frankfurt site and in the area of e-commerce creates the basis for stronger customer loyalty thanks to increased knowledge of customers, which can form the basis for a changed focus of the offering to match changing customer needs.

Launch of a program for changes to the personnel structure

In fiscal year 2016, Fraport AG initiated a Company-wide program to develop its personnel structure. In particular, the focus has been placed on the operating units, starting with the ground services at the Frankfurt site, which place a high demand on personnel. Long-term employees are being offered options such as partial retirement, early retirement, part-time hours, or an exit with severance pay. The program aims to generally improve the cost structure of personnel expenses, particularly in the business segments that place a high demand on personnel. Provisions in the amount of €37.7 million were created as at December 31, 2016 for the entire program.

Operational take-over of 14 Greek regional airports

Fraport expects the operational take-over of 14 Greek regional airports to take place in around March 2017. On the date of the take-over, the concession companies will make a one-off payment of €1,234 million. Conditions precedent need to be met concerning this, including, in particular, approval from the anti-trust authorities of the EU and the signing of project financing. In fiscal year 2016, the entire portfolio posted significant growth in passenger numbers of 9%. At the end of February, the Greek companies employed around 450 people. Fraport expects capital expenditure in the infrastructure of the 14 regional airports of around €400 million in the first four years after taking over operations. The anticipated effects of the operational take-over of the airports on the Fraport Group's asset, financial, and earnings position are described in the chapter titled "Business Outlook" beginning on page 93.

No other events that have had or will have a significant effect on the business development of the Fraport Group have occurred over the past fiscal year.

Business Development

Development at the Frankfurt site

Passenger demand was down slightly in the past fiscal year; as a result, 2016 posted the second highest amount of passenger numbers recorded at Frankfurt Airport at just over 60.8 million **passengers**. This figure just fell short of the previous year's level by around 250 thousand passengers (–0.4%). The year was once again characterized by cancellations due to strikes.

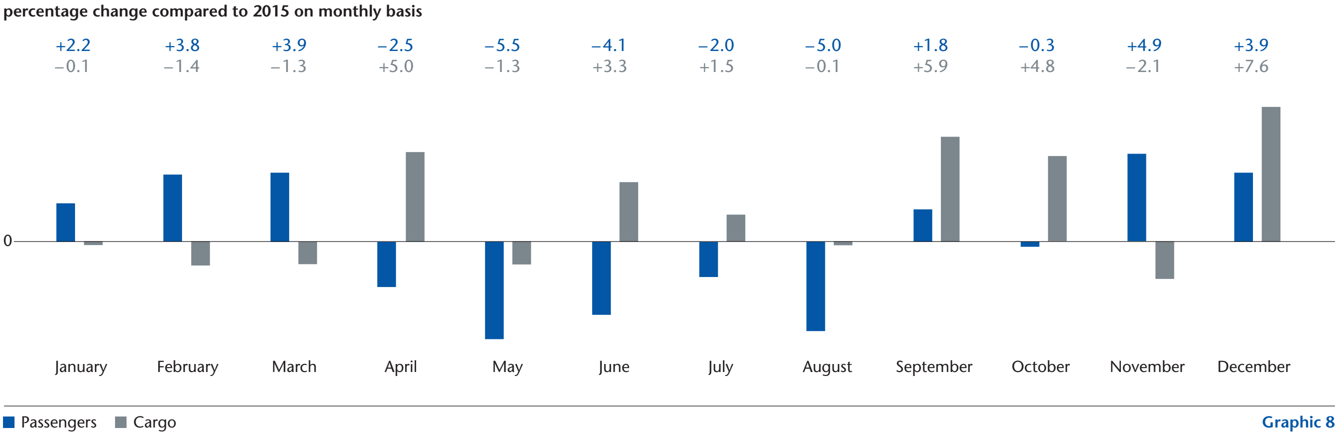
Above all, the travel market was affected by geopolitical crises in 2016. A growing intensity of terrorist attacks in traditional tourist destinations in the eastern Mediterranean region and North Africa, as well as a latent threat of terrorism in Western Europe led to increasing uncertainty on the demand side. This led not only to changes in the choice of transport modes, but also to a shift in traffic flows. Demand was down for destinations in the eastern Mediterranean region, while the western Mediterranean enjoyed increased numbers. Insufficient capacity for accommodation there led to increased traffic to neighboring countries (for example Austria) and led to a shift away from flights to car, coach and train journeys. Individual destinations outside Europe also benefited from shifts in demand (for example Central America). Overall, **intercontinental traffic** stagnated, however, as demand for incoming travel from the Far East and North America dropped as a consequence of terrorist attacks in Europe.

European traffic (excluding Germany) decreased by 0.7% in the reporting period. **Domestic traffic** posted the highest growth rate, at 0.9%. Frankfurt benefited domestically from transfer passengers bound for Berlin.

Cargo volume grew by 1.8% in 2016 to around 2.1 million metric tons. This cargo volume was noticeably better in the second half of the year at 2.8% compared to the first six months (+0.7%), which reflected the recovery in the global economy that started in the summer. The appreciation of the US$ in the second half the year led to a significantly positive boost for cargo from Frankfurt to the USA following a weak start to the year. In contrast to the previous year, air freight traffic with China grew significantly in 2016.

As a result of the cancellations due to strikes and the trend of using larger aircraft that extended to the autumn, **aircraft movements** were down in 2016. Movements in Frankfurt decreased by 1.1% compared to the previous year with approximately 463 thousand take-offs and landings. In contrast, the **maximum take-off weights** increased slightly and achieved a new record value of just over 29.7 million metric tons (+0.4%).

2016 passenger and cargo development at Frankfurt Airport



Graphic 8

Development outside the Frankfurt site

At **Ljubljana** Airport, passenger numbers in fiscal year 2016 were down by 2.3 % compared to the previous year at around 1.4 million. While there was an increase in the number of passengers on connections to Paris and Belgrade, the volume for connections to and from Istanbul, Zurich, and Brussels declined.

Lima Airport once again recorded strong growth in the number of passengers in fiscal year 2016 of 10.1 % to just over 18.8 million. Both domestic traffic (+10.1 %) and international traffic (+10.2 %) grew in the reporting period. Cargo throughput was around 288 thousand metric tons, which was below the previous year's level (– 4.3 %).

The Bulgarian airports in **Varna** and **Burgas** carried around 4.6 million passengers in the reporting period and thus around 21.5 % more than in the previous year. Both sites benefited from the tense geopolitical situation in Turkey and North Africa. Travelers from Germany, Russia, Poland and the UK in particular favored Bulgaria as a holiday destination.

With just over 19.0 million passengers in fiscal year 2016, **Antalya** Airport posted a decline of 30.9 %. While the number of passengers traveling within Turkey once again increased significantly by 10.4 % to nearly 7.0 million, the number of international passengers fell by 43.2 % to around 12.1 million. The drop was primarily attributed to the lack of travelers coming from Russia and Western Europe.

With just over 5.4 million passengers in fiscal year 2016, the **Hanover** site recorded a slight decrease of 0.8 %. The significant decline in tourist traffic to the eastern Mediterranean region was not completely offset by the switch to alternative holiday destinations.

At just under 13.3 million travelers, passenger traffic at **St. Petersburg** Airport saw a decrease in the past fiscal year of 1.7 % compared to the previous year. Whereas international traffic noticeably decreased by 11.1 % due to the difficult economic and political situation in Russia, national traffic increased by 5.0 %.

Xi'an Airport continued to record dynamic development as passenger numbers increased by 12.2 % to approximately 37.0 million. High-volume domestic traffic rose by 12.0 % to around 35.0 million passengers. International traffic grew by 16.1 % to around 2.0 million passengers.

In the reporting period, **Delhi** Airport achieved significant growth of 21.0 % compared to the previous year with around 55.6 million travelers, in particular due to the strong growth of the Indian economy. Noticeable growth continued to be reported in domestic traffic, with a strong increase of 26.2 %. International passenger numbers increased by 8.8 %. Freight volume also showed a significant rise again (+9.5 %).

Traffic development at the Group sites

Airport	Fraport share in %	Passengers [1]		Cargo (air freight + air mail in m. t.)		Movements	
		2016	Change in %	2016	Change in %	2016	Change in %
Frankfurt	100	60,786,937	–0.4	2,113,594	+1.8	462,885	–1.1
Ljubljana	100	1,404,831	–2.3	10,379	+2.4	32,702	–0.6
Lima	70.01	18,844,534	+10.1	287,826	–4.3	176,864	+6.3
Burgas	60.00	2,878,883	+22.0	10,877	–18.0	20,873	+14.2
Varna	60.00	1,689,595	+20.8	3,293	> 100	14,818	+23.9
Antalya	51.00/50.00 [2]	19,027,504	–30.9	n.a.	n.a.	124,883	–27.1
Hanover	30.00	5,408,814	–0.8	18,935	+8.2	75,711	0.0
St. Petersburg	25.00	13,265,037	–1.7	n.a.	n.a.	133,062	–3.8
Xi’an	24.50	36,996,728	+12.2	233,779	+10.5	290,193	+8.8
Delhi	10.00	55,631,385	+21.0	845,507	+9.5	406,506	+17.7

[1] Commercial traffic only, in + out + transit.
[2] Share of voting rights: 51 %, dividend share: 50 %.

Table 13

Comparison with the forecasted development

Airport	2016	Forecast 2015 [adjustment during the year in 2016]	2015	Change from the previous year in %
Frankfurt	60,786,937	Between approximately 1 % and around 3 % on the previous year [slight decline]	61,032,022	–0.4
Cargo	2,113,594	At around the level of 2015 [slightly above previous year’s level]	2,076,734	+1.8
Ljubljana	1,404,831	Mid single-digit percentage range above 2015 level [mid single-digit percentage range below 2015 level]	1,438,304	–2.3
Lima	18,844,534	≥ 5 % above previous year [high single-digit percentage range above 2015 level]	17,112,536	+10.1
Burgas	2,878,883	Slightly above previous year [low double-digit percentage range above 2015 level]	2,360,320	+22.0
Varna	1,689,595	Slightly above previous year [low double-digit percentage range above 2015 level]	1,398,694	+20.8
Antalya	19,027,504	Clearly negative [almost one third below 2015 level]	27,522,514	–30.9
Hanover	5,408,814	Mid single-digit percentage range above 2015 level	5,452,669	–0.8
St. Petersburg	13,265,037	Clearly negative [mid single-digit range below 2015 level]	13,499,755	–1.7
Xi’an	36,996,728	≥ 5 % above previous year [low double-digit percentage range above 2015 level]	32,970,150	+12.2

Table 14

The explanations for any differences in the comparisons to the forecasts provided for 2015 can be found in the previous chapter “Business Development”.

The Group's Results of Operations

Due to changes in the scope of consolidation, **Group revenue** in fiscal year 2016 was €12.7 million (–0.5 %) below the previous year's figure at €2,586.2 million. Adjusted for changes in the companies included in the consolidation from the sale of shares in FCS and the sale of Air-Transport IT Services, Group revenue increased by €46.2 million (+1.8 %). Positive factors included higher revenue from land sales (2016: €14.5 million compared to 2015: €7.9 million). Beyond Frankfurt, the Group companies Lima, Twin Star, and Fraport USA Inc. in particular contributed approximately €41 million to the growth in revenue. Group revenue included revenue of €19.9 million in connection with the application of IFRIC 12 (previous year: €15.1 million). Negative effects on revenues at the Frankfurt site were due to a slight decline in passenger volume, the loss of the tender to perform security services at Pier B, and weaker retail sales. Net retail revenue per passenger was €3.49 (previous year: €3.62). The reasons for this decline were lower spending behavior by travelers from China, Russia, and Japan as well as the devaluation of various currencies against the euro, which led to a loss of purchasing power. As in previous years, Fraport earned a major portion of its consolidated revenue (more than one third) in the fiscal year through one customer at the Frankfurt site.

Higher **internal work capitalized**, in particular in the Aviation segment, led to an increase in other internal work capitalized from €29.9 million to €34.9 million (+€5.0 million). Due to the compensation payment from the Manila project in the amount of €241.2 million as well as the gain on disposal from the sale of shares in Thalita Trading Ltd. in the amount of €40.1 million, **other operating income** increased significantly. As a result, **total revenue** was €2,954.4 million (+10.3 %).

Operating expenses amounting to €1,900.3 million were €70.0 million higher than in the previous year (+3.8 %). Adjusted for changes to the companies included in the consolidation, operating expenses were up by €130.3 million (+7.4 %). The **cost of materials** rose from €610.4 million to €621.9 million (+1.9 %) mainly due to increases in concession expenses from the Group company Lima (+€11.5 million) based on traffic volumes, higher expenses in connection with increased revenue from land sales (+€4.0 million), and increases in maintenance costs (+€9.8 million) and capital expenditure at Fraport AG which could not be capitalized (+€6.6 million).

At €1,066.7 million, **personnel expenses** increased by 3.9 % (+€40.0 million) in the past fiscal year. This increase was particularly due to provisions created for the program to change the personnel structure amounting to €37.7 million and wage increases at Fraport AG (+€17.1 million). This was partially offset by a decrease in employee numbers and a provision created in the previous year for fire brigade employees' tranisitional pensions (–€10.6 million) at Fraport AG.

In particular, the repayment obligation for the federal guarantees received for investments abroad in connection with the compensation payment from the Manila project estimated to be €42.4 million led to an increase of €18.5 million in **other operating expenses** (+9.6 %). In year-on-year comparison, lower allowances and the creation of provisions had an offsetting effect.

Despite higher operating expenses, the considerable improvement in total revenue – in particular due to the compensation payment from the Manila project and the sale of shares in Thalita Trading Ltd. – led to significant increase in **Group EBITDA** in the past fiscal year. Totaling €1,054.1 million, Group EBITDA exceeded the previous year's figure by €205.3 million (+24.2 %). With regard to Group revenue, this value represented an **EBITDA margin** of 40.8 % (previous year: 32.7 %).

Depreciation and amortization increased by €32.1 million to €360.4 million (+9.8 %), mainly due to the full unscheduled depreciation and amortization of goodwill in FraSec GmbH in the amount of €22.4 million as well as the unscheduled depreciation and amortization of the Boston concession within Fraport USA Inc. amounting to €7.4 million. The reason for the unscheduled depreciation and amortization of FraSec GmbH were the company's lower long-term earnings forecast compared to the previous years. Thanks to the significantly positive development of Group EBITDA, **Group EBIT** showed an increase of €173.2 million to €693.7 million (+33.3 %), despite higher depreciation and amortization.

Despite significantly improved interest result – mostly due to declining interest rates for long-term loans coupled with lower gross debt – the **financial result** deteriorated from –€86.7 million to –€112.3 million (–€25.6 million) in the past fiscal year. The noticeably negative traffic development at the Antalya site (–€45.7 million) led to a significant decline in the result from companies accounted for using the equity method. This was partly offset by a higher contribution from the Xi'an Group company (+€2.5 million). The capitalization of interest expenses relating to construction work affected fiscal year 2016 with a reduction of €18.8 million in interest expenses (previous year: €15.8 million).

As a result, **Group EBT** increased considerably by €147.6 million to €581.4 million (+34.0%). At a tax rate of 31.1% (previous year: 31.5%) and income tax expenses of €181.1 million (previous year: €136.8 million), the **Group result** was €400.3 million (+€103.3 million or +34.8%). This resulted in **basic earnings per share** of €4.07 (+€1.07).

Comparison with the forecasted development

€ million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Revenue	2,586.2	Up to approximately €2.65 billion [up to approximately €2.6 billion]	2,598.9	–12.7	–0.5
Expenses	1,900.3	Slight decrease	1,830.3	+70.0	+3.8
EBITDA	1,054.1	Of between around €850 million and approximately €880 million [from approximately €1,040 million up to approximately €1,080 million]	848.8	+205.3	+24.2
Depreciation and amortization	360.4	Slightly higher	328.3	+32.1	+9.8
EBIT	693.7	Of approximately €520 million up to about €550 million [between approximately €700 million and up to approximately €740 million]	520.5	+173.2	+33.3
Financial result	–112.3	Down by up to approximately €15 million [down by up to approximately €40 million]	–86.7	–25.6	–
EBT	581.4	Between approximately €420 million and approximately €450 million [approximately €570 million to €610 million]	433.8	+147.6	+34.0
Group result	400.3	Approximately in the line with previous year's level or slightly higher [of approximately €400 million up to approximately €440 million]	297.0	+103.3	+34.8
Dividend per share in €	1.50	At least stable	1.35	+0.15	+11.1

Table 15

The explanations for any differences in the comparisons to the forecasts provided for 2015 can be found in the previous chapter "The Group's Results of Operations".

Results of Operations for Segments

Aviation

€ million	2016	2015	Change	Change in %
Revenue	910.2	927.3	–17.1	–1.8
Personnel expenses	326.6	320.9	+5.7	+1.8
EBITDA	217.9	237.5	–19.6	–8.3
EBITDA margin	23.9%	25.6%	–1.7 PP	–
EBIT	70.4	116.3	–45.9	–39.5
Average number of employees	6,048	6,043	+5	+0.1

Table 16

Retail & Real Estate

€ million	2016	2015	Change	Change in %
Revenue	493.9	488.2	+5.7	+1.2
Personnel expenses	53.2	48.6	+4.6	+9.5
EBITDA	368.0	378.8	–10.8	–2.9
EBITDA margin	74.5%	77.6%	–3.1 PP	–
EBIT	283.6	295.1	–11.5	–3.9
Average number of employees	645	624	+21	+3.4

Table 17

In fiscal year 2016, revenue in the Aviation segment decreased from €927.3 million to €910.2 million (–1.8%). Negative effects on revenue resulted from a slight decline in passenger numbers at the Frankfurt site, as well as from the loss of the tender to perform security services at Pier B and lower revenue from the re-allocation of infrastructure costs. This was partially offset by the non-recurrence of one-time effects in the previous year.

Despite the fact that provisions were created for firebrigade employees' transitional pensions in the previous year (–€10.6 million), personnel expenses increased due to the provisions created for the program on changes to the personnel structure in the amount of €9.0 million as well as increased tariffs in fiscal year 2016 by 1.8% to €326.6 million (previous year: €320.9 million). Within the non-staff costs, among other things, increased expenses from capital expenditure that could not be capitalized (+€3.9 million) and provisions created in the previous year together resulted in a slight decrease. Segment EBITDA was accordingly €217.9 million (–8.3%).

Depreciation and amortization increased significantly in year-on-year comparison. This was due to the full unscheduled depreciation and amortization of the goodwill in FraSec GmbH in the amount of €22.4 million. The reason for the unscheduled depreciation and amortization was the company's lower long-term earnings forecast compared to the previous years. As a result, segment EBIT deteriorated significantly by €45.9 million to €70.4 million (–39.5%).

Revenue in the Retail & Real Estate segment increased from €488.2 million to €493.9 million (+1.2%) in fiscal year 2016. Positive factors included, in particular, higher revenue from land sales (2016: €14.5 million compared to 2015: €7.9 million) and the changed presentation of rental income due to changes in the scope of consolidation of the FCS Group company (+€5.6 million). In addition, among other things, the release of allowances on accounts receivable increased other income in the segment (+€8.2 million).

Segment revenue was negatively affected, in particular, by weak retail business (–€8.6 million). Net retail revenue per passenger was €3.49 (previous year: €3.62). The reasons for this decline were lower spending behavior by travelers from China, Russia, and Japan as well as the devaluation of various currencies against the euro, which led to a loss of purchasing power. The significant depreciation of the euro against the Swiss franc created further incentives to buy in the euro area in the previous year.

EBITDA was down by €10.8 million on the previous year, at €368.0 million (–2.9%). This was due to personnel expenses and, in particular, increased employment in the segment, higher tariffs, and the creation of provisions for the personnel restructuring program in the amount of €2.1 million. In addition, higher expenses resulted from increased marketing costs for the online shopping platform (+€3.3 million), from the allocation of infrastructure costs for the Aviation segment, and from increased revenue in connection with land sales (+€4.0 million). Virtually unchanged depreciation and amortization led to an EBIT of €283.6 million (–3.9%).

Ground Handling

€ million	2016	2015	Change	Change in %
Revenue	630.4	673.1	–42.7	–6.3
Personnel expenses	435.7	429.4	+6.3	+1.5
EBITDA	34.7	46.4	–11.7	–25.2
EBITDA margin	5.5 %	6.9 %	–1.4 PP	–
EBIT	–5.5	6.0	–11.5	–
Average number of employees	8,649	9,262	–613	–6.6

Table 18

In fiscal year 2016, revenue from the Ground Handling segment was down €42.7 million on the previous year at €630.4 million (–6.3 %), due in particular to the sale of shares in FCS and the slight decline in passenger traffic at the Frankfurt site. Adjusted for effects from the sale of shares, this segment saw growth in revenue of €11.3 million or 1.8 %. The adjusted increase was caused by a number of factors, including a change in the presentation of personnel expenses as a result of changes in the scope of consolidation of the Group company FCS, as well as slightly higher revenue from infrastructure charges. Despite the decrease in personnel expenses in connection with the sale of shares in FCS in the previous year, personnel expenses rose to €435.7 million due to the creation of provisions for the personnel restructuring program in the amount of €18.7 million as well as higher tariffs for Fraport AG (+€6.7 million). The deconsolidation of FCS also had a significant effect in reducing non-staff costs. Overall, segment EBITDA declined from €46.4 million to €34.7 million (–€11.7 million). EBITDA decreased by €13.1 million after adjustment for the direct negative contribution to EBITDA from FCS in 2015. Segment EBIT was negative at –€5.5 million and deteriorated year on year by €11.5 million. EBIT deteriorated by €14.3 million in comparison with the previous year after adjustment for the direct negative contribution to EBIT from FCS.

External Activities & Services

€ million	2016	2015	Change	Change in %
Revenue	551.7	510.3	+41.4	+8.1
Personnel expenses	251.2	227.8	+23.4	+10.3
EBITDA	433.5	186.1	+247.4	> 100
EBITDA margin	78.6 %	36.5 %	42.1 PP	–
EBIT	345.2	103.1	+242.1	> 100
Average number of employees	4,980	4,791	+189	+3.9

Table 19

In fiscal year 2016, revenue in the External Activities & Services segment increased by €41.4 million to €551.7 million (+8.1 %). Adjusted for effects from the sale of Air-Transport IT Services, this segment saw growth in revenue of €46.3 million or 9.2 %. This growth in revenue was driven by the Group companies Lima (+€27.8 million), Twin Star (+€9.9 million), and Fraport USA Inc. (+€3.2 million). Segment revenue included revenue of €19.9 million in connection with the application of IFRIC 12 (previous year: €15.1 million). The compensation payment from the Manila project in the amount of €241.2 million and the gain on disposal from the sale of shares in Thalita Trading Ltd. in the amount of €40.1 million significantly increased the segment's other income.

Personnel expenses increased by €23.4 million to €251.2 million (+10.3 %), in particular as a result of the creation of provisions for the personnel restructuring program in the amount of €7.9 million as well as in the service units at the Frankfurt site. Higher concession payments in the Group company Lima (+€11.5 million) connected to increased traffic, the repayment obligation for the received federal guarantees for investments abroad in connection with the compensation payment from the Manila project estimated to be €42.4 million, and increased expenses in the service units at the Frankfurt site all led to an increase in non-staff costs for the segment. Expenses of €19.9 million were connected with the application of IFRIC 12 (previous year: €15.1 million).

In total, segment EBITDA posted a significant improvement of €247.4 million to €433.5 million, mainly as a result of the compensation payment from the Manila project and the sale of shares in Thalita Trading Ltd., as well as the positive contributions to earnings from the Group companies Lima and Twin Star. Start-up costs for setting up operations of the Greek regional airports of around €5 million and a gain on disposal from the sale of shares in Air-Transport IT Services in the amount of €8.0 million in fiscal year 2015 had an offsetting effect. With a slight rise in depreciation and amortization due to unscheduled depreciation and amortization of the Boston concession within Fraport USA Inc. in the amount of €7.4 million, segment EBIT was €345.2 million, posting a rise of €242.1 million on the previous year's level. The contributions in the previous year from the sale of the Group company Air-Transport IT Services in April 2015 were €0.3 million for segment EBITDA and €0.1 million for EBIT.

Development of the key Group companies outside of Frankfurt (IFRS values before consolidation including Group adjustments)

Fully consolidated Group companies	Share in %	Revenue in € million [1]			EBITDA in € million			EBIT in € million			Result in € million		
		2016	2015	Δ %	2016	2015	Δ %	2016	2015	Δ %	2016	2015	Δ %
Fraport USA Inc.	100	62.9	59.7	+5.4	12.0	11.8	+1.7	–3.4	3.6	–	–0.6	3.7	–
Ljubljana	100	36.0	34.8	+3.4	14.5	11.7	+23.9	4.4	1.7	> 100	2.0	2.6	–23.1
Lima	70.01	305.7	277.9	+10.0	110.8	100.1	+10.7	92.8	82.0	+13.2	53.5	45.9	+16.6
Twin Star	60	63.8	53.9	+18.4	40.8	32.4	+25.9	29.2	20.9	+39.7	21.3	13.2	+61.4

Group companies accounted for using the equity method	Share in %	Revenue in € million [1]			EBITDA in € million			EBIT in € million			Result in € million		
		2016	2015	Δ %	2016	2015	Δ %	2016	2015	Δ %	2016	2015	Δ %
Antalya [2]	51/50	180.9	301.0	–39.9	141.1	258.3	–45.4	32.5	149.8	–78.3	–32.2	59.2	–
Pulkovo/Thalita	25	194.0	233.1	–16.8	105.7	125.4	–15.7	71.4	87.1	–18.0	–0.8	–8.8	+90.9
Hanover	30	147.6	146.1	+1.0	28.9	28.3	+2.1	8.8	8.1	+8.6	2.8	3.8	–26.3
Xi'an [3]	24.5	213.4	200.7	+6.3	97.1	84.7	+14.6	45.6	36.1	+26.3	30.4	20.5	+48.3

[1] Revenue adjusted by IFRIC 12: Lima 2016: €285.7 million (2015: €263.0 million);
Twin Star 2016: €63.8 million (2015: €53.7 million);
Pulkovo/Thalita 2016: €194.0 million (2015: €208.1 million).
[2] Share of voting rights: 51%, dividend share: 50%.
[3] Figures according to the separate financial statement.

Table 20

In fiscal year 2016, **Fraport USA Inc.** generated revenue of €62.9 million, EBITDA of €12.0 million, EBIT of –€3.4 million and a result of –€0.6 million. While the traffic increases at all sites had a positive effect on revenue and EBITDA, the unscheduled depreciation and amortization of the Boston concession in the amount of €7.4 million had a negative impact on consolidated EBIT and result.

With lower passenger numbers, the Group company **Ljubljana** reported revenue of €36.0 million, EBITDA of €14.5 million, EBIT of €4.4 million and a result of €2.0 million for the past fiscal year.

Helped by strong traffic development, the Group company **Lima** realized significant growth in revenue, EBITDA, EBIT and result in 2016, with increases of €27.8 million, €10.7 million, €10.8 million, and €7.6 million, respectively.

Due to a significantly larger passenger volume, the Group company **Twin Star** posted noticeable growth in revenue, EBITDA, EBIT and result in the high single-digit million € range in the reporting year.

Due to the significantly lower traffic volume in international traffic, the Group company **Antalya** posted a sharp decline in financial figures in 2016. In addition to a decrease in revenue from airport charges, the revenue from the retail business was also below the previous year. The Company's result of –€32.2 million was €91.4 million lower than the previous year's figure.

Adjusted for the recognition of earnings-neutral capacitive capital expenditure in connection with the application of IFRIC 12, the Group company **Pulkovo/Thalita** showed a decrease in revenue from €208.1 million to €194.0 million (–6.8%) in the reporting year due to the decline in passenger numbers and a corresponding drop in international travelers. The EBITDA and EBIT figures were 15.7% and 18.0%, respectively, below the previous year's levels. The result improved from –€8.8 million to –€0.8 million. At €63.1 million, currency translation of financial liabilities had a positive effect in fiscal year 2016 (previous year: €11.8 million).

Despite the slightly negative development of traffic for the Group company **Hanover**, its revenue, EBITDA, and EBIT showed moderate improvement. With an amount of €2.8 million, the result of the company in which Fraport holds a 30 % stake was below the previous year's figure of €3.8 million.

The financial development of the Group company **Xi'an** reflected the positive traffic development in 2016. The company's revenue, EBITDA, and EBIT significantly improved compared to the figures for the previous year. At €30.4 million, the result grew by €9.9 million (+48.3 %). Contrary to the good traffic development, the translation of the Chinese currency into Euro negatively affected the result.

Comparison with the forecasted development

Aviation in € million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Revenue	910.2	At approximately the same as or slightly below the 2015 level	927.3	–17.1	–1.8
EBITDA	217.9	Slightly above 2015 level [significantly below previous year]	237.5	–19.6	–8.3
EBIT	70.4	Slightly better development [significantly below previous year]	116.3	–45.9	–39.5

Retail & Real Estate in € million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Revenue	493.9	Increase of up to €20 million	488.2	+5.7	+1.2
EBITDA	368.0	Flat to slight decrease	378.8	–10.8	–2.9
EBIT	283.6	Flat to slight decrease	295.1	–11.5	–3.9

Ground Handling in € million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Revenue	630.4	Decrease of up to approximately €40 million	673.1	–42.7	–6.3
EBITDA	34.7	Slightly above previous year [significantly above previous year]	46.4	–11.7	–25.2
EBIT	–5.5	Slightly stronger development compared to EBITDA [significantly stronger development]	6.0	–11.5	–

External Activities & Services in € million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Revenue	551.7	Increase of up to approximately 5%	510.3	+41.4	+8.1
EBITDA	433.5	Up to approximately €10 million [increase of up to approximately €250 million]	186.1	+247.4	> 100
EBIT	345.2	Up to approximately €10 million [increase of up to approximately €250 million]	103.1	+242.1	> 100

Table 21

The explanations for any differences in the comparisons to the forecasts provided for 2015 can be found in the previous chapter "Results of Operations for Segments".

Asset and Financial Position

Asset and capital structure

In comparison to the 2015 balance sheet date, **total assets** of the Fraport Group as at December 31, 2016 were close to the previous year's level at €8,872.8 million (+0.3 %).

Non-current assets decreased by 3.0 % in comparison to December 31, 2015 from €7,926.3 million to €7,697.7 million. The reason for the decline was substantially term-related reclassifications of securities from the item "Other financial assets" to the current item "Other receivables and financial assets". The decline in "property, plant, and equipment", was mainly due to a capital expenditure volume that was lower than regular depreciation and amortization. At €1,175.1 million, **current assets** were 21.6 % above the level of the 2015 balance sheet date due to a significant increase in "cash and cash equivalents" by €330.0 million resulting from the gain on disposal from the sale of shares in Thalita Trading Ltd. and the compensation payment from the Manila project.

Despite the distribution of profits for the past fiscal year, **shareholders' equity** rose in 2016 from €3,511.7 million to €3,841.4 million (+8.6 %). The rise was primarily due to the positive Group result. After deducting the "non-controlling interests" item in the amount of €101.1 million and the profit earmarked for distribution of €138.7 million, the **shareholders' equity ratio** reached 40.6 % at December 31, 2016, exceeding the level of December 31, 2015 of 37.4 % by 3.2 percentage points.

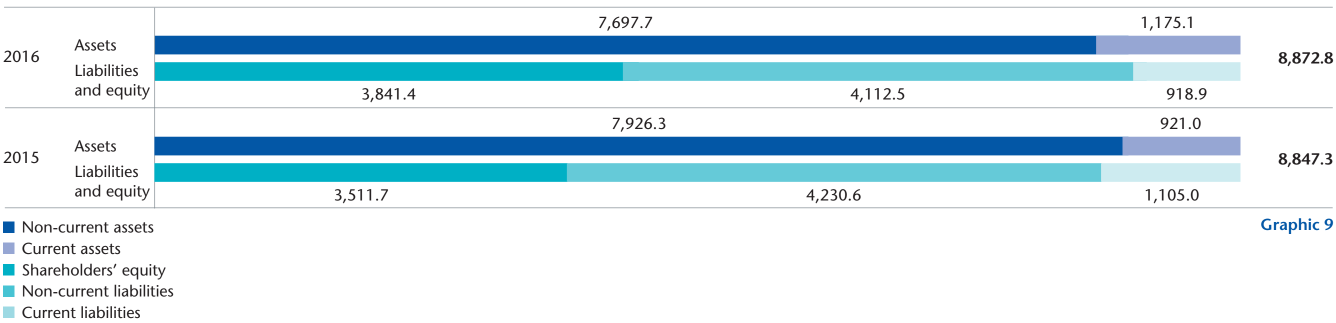
At €4,112.5 million, **non-current liabilities** were €118.1 million below the figure as at the 2015 balance sheet date (–2.9 %). A decrease in "Other provisions" in connection with noise abatement measures and a positive development of the market values of derivatives in the "Other liabilities" item led to this lower figure. **Current liabilities** decreased by €186.1 million to €918.9 million (–20.3 %). This was due, in particular, to a decline in current financial liabilities thanks to loan repayments.

Group's liquidity rose as at December 31, 2016, primarily due to an increase in cash and cash equivalents in connection with the compensation payment from the Manila project, by €204.4 million to €1,247.5 million (previous year: €1,043.1 million). This was contrasted by lower **gross debt** in the amount of €3,603.4 million (previous year: €3,817.4 million), which mainly resulted from repayments of current financial liabilities. This led to a decline in **net financial debt** of €418.4 million to €2,355.9 million (previous year: €2,774.3 million) and a **gearing ratio** of 65.4 % (previous year: 83.8 %), which decreased by 18.4 percentage points, in particular due to the increased shareholders' equity and the drop in net debt.

In the past fiscal year, disposals and acquisitions of companies as well as share increases/reductions have not had a material effects on the development of the asset and capital structure. Changes in inflation rates as well as the fair value of financial instruments also had no significant impact.

Structure of the consolidated financial position as at December 31

€ million



Graphic 9

Additions to non-current assets

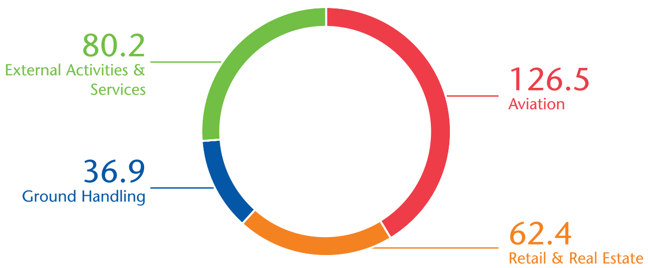
In fiscal year 2016, additions to the non-current assets of the Fraport Group totaled €376.6 million, €33.2 million lower than the comparable figure of the previous year (2015: €409.8 million). Of this amount, €266.9 million was attributed to "Property, plant, and equipment" (2015: €235.3 million), €70.6 million to "Financial assets" (2015: €134.3 million), €0.7 million to "Investment property" (2015: €8.4 million), and €38.4 million to "Other intangible assets" and "Airport operating projects" (2015: €31.8 million). The capitalization of interest expenses relating to construction work amounted to €18.8 million (2015: €15.8 million).

At €254.1 million, the greater part of additions related to Fraport AG (2015: €245.0 million). The focus here was on modernization work as well as capital expenditure in Terminal 3. Additions to financial assets resulted mainly from securities and the positive contribution to the result by the Group company Xi'an, which is accounted for using the equity method.

The additions in property, plant, and equipment, intangible assets and investment property were attributable to the following segments:

Additions by segment

€ million



Graphic 10

Statement of cash flows

At €583.2 million, **cash flow from operating activities** in the past fiscal year was below the previous year's level by €69.0 million (– 10.6 %). The reasons for this decline were mainly higher taxes on income paid compared to the previous year.

At €41.1 million, **cash flow used in investing activities excluding investments in cash deposits and securities** was €203.2 million below the figure for fiscal year 2015. This figure included, in particular, the compensation payment from the Manila project – minus the repayment of the received federal guarantees for investments abroad and the corresponding taxes on income. The cash outflow was also reduced by the gain on disposal from the sale of shares in Thalita Trading Ltd, which was allocated to the "Sale of shares in companies accounted for using the equity method" item, and by the revenue in connection with the sale of shares from the derecognition of the loan. The decline in operating cash flow led correspondingly to a lower **free cash flow** of €301.7 million (previous year: €393.6 million). Taking into consideration the cash outflow and inflow from cash deposits and securities, the Fraport Group posted **cash flow used in investing activities** of €22.2 million in the past fiscal year (previous year: cash outflow of €57.7 million).

At €347.6 million, the **cash flow used in financing activities** was noticeably below the previous year's figure of €541.8 million. The main reason for this decrease was the addition of non-current financial liabilities and lower repayments of financial liabilities in 2016.

Taking into consideration currency-related changes, Fraport recorded cash and cash equivalents in the statement of cash flows of €448.8 million as at December 31, 2016 (previous year: €230.7 million).

In connection with the financing for the Antalya concession, bank deposits of €23.3 million remained subject to drawing restrictions as at the balance sheet date.

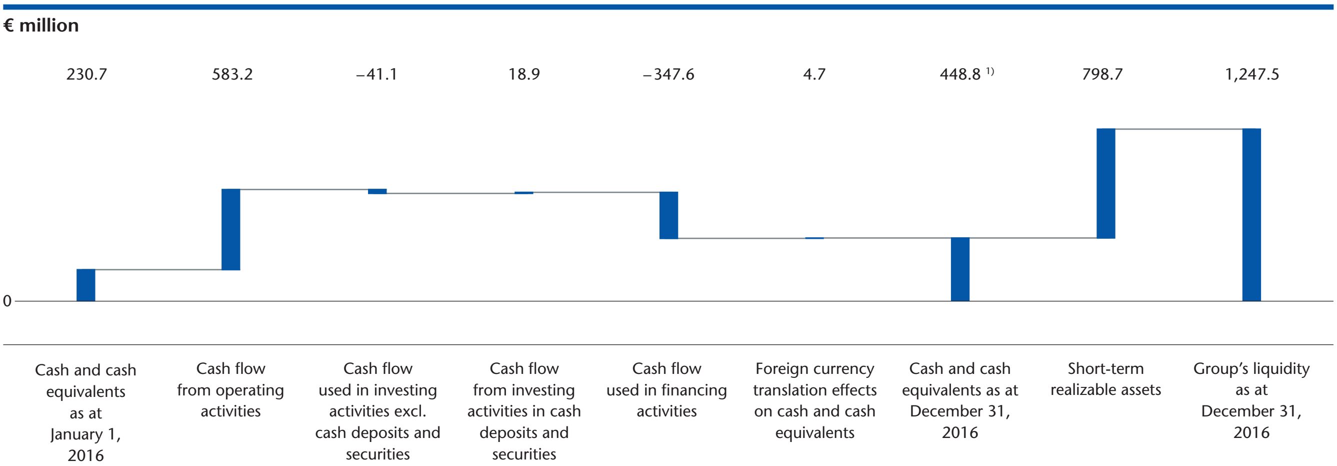
The following table shows a reconciliation to cash and cash equivalents as shown in the consolidated statement of financial position.

Reconciliation to the cash and cash equivalents as at the consolidated statement of financial position

€ million	December 31, 2016	December 31, 2015
Bank and cash balances	208.2	39.8
Time deposits with a remaining term of less than three months	240.6	190.9
Cash and cash equivalents as at the consolidated statement of cash flows	**448.8**	**230.7**
Time deposits with a remaining term of more than three months	263.9	152.0
Restricted cash	23.3	23.3
Cash and cash equivalents as at the consolidated statement of financial position	**736.0**	**406.0**

Table 22

Summary of the statement of cash flows and reconciliation to the Group's liquidity



[1] The difference in the cash and cash equivalents of the consolidated statement of financial position is the result of the time deposits with a remaining term of more than three months, and restricted cash.

Graphic 11

Financing analysis

In 2016, the finance management of Fraport AG continued to pursue balanced funding via the operating cash flow and a diversified debt financing base with a balanced maturity profile. As at the balance sheet date, the Group showed a well-balanced mix of financing resources from bilateral loans (25.8 %), bonds (27.4 %), loan financing from public loan institutions (19.9 %), and promissory note loans (26.9 %). To reduce interest rate risks from borrowing with floating interest rates, interest rate hedging transactions were concluded in some cases. The nominal volume related to this was €755 million at the end of the year and was thus down by €215 million (– 22.2 %). Overall, the financial liabilities had an average remaining term of 4.5 years with an average maturity of 3.8 years. Taking into account interest rate hedging transactions, the floating rate portion of the gross debt of Fraport AG was approximately 23 %, and the fixed portion approximately 77 % (floating rate portion in previous year: approximately 30 %, fixed portion: around 70 %). The cost of debt after hedging measures was 3.1 % (previous year: 3.3 %).

Fully-consolidated Group companies in Germany are usually integrated into the Fraport AG cash pool, so that acquiring separate external funding was not necessary. In fully-consolidated foreign Group companies, funding is primarily carried out through common project-financing arrangements.

The key features of the Group financing instruments with regard to type, maturity, and interest rate structures are presented in the following table:

Financial debt structure

Financing type	Year of origin	Nominal volume in € million	Maturity	Repayment structure	Interest	Interest rate
Promissory note loans	2008	50	2017	end of term	floating	6-month-EURIBOR + margin
	2009	14	2017	end of term	mainly floating	6-month-EURIBOR + margin
	2012	235	2020	end of term	fixed	2.42 %
			2022			2.90 %
			2030			4.00 %
	2012	60	2020	end of term	fixed	2.74 % p. a.
			2022			3.06 % p. a.
	2013	50	2028	end of term	fixed	4.0 % p. a.
	2014	350	2021	end of term	fixed	1.436 % p. a.
	2014	50	2021	end of term	fixed	1.436 % p. a.
	2015	125	2017	end of term	floating	6-month-EURIBOR + margin
Public loans	2009	490	2018 – 2019	ongoing repayment during the term of the loans	floating	6-month-EURIBOR + margin
	2016	200	2026	end of term	fixed	1.18 % p. a.
Bond issue	2009	800	2019	end of term	fixed	5.25 % p. a.
Private placement	2009	150	2029	end of term	fixed	5.875 % p. a.
Bilateral loans	1993 – 2016	891.8	2017 – 2028	mainly end of term	mainly floating	1/3/6/12-month EURIBOR + margin
Project financing (fully consolidated foreign group companies)	2007	98.8 (originally in US$)	2022	ongoing repayments during the term	fixed	6.88 % p. a.

Table 23

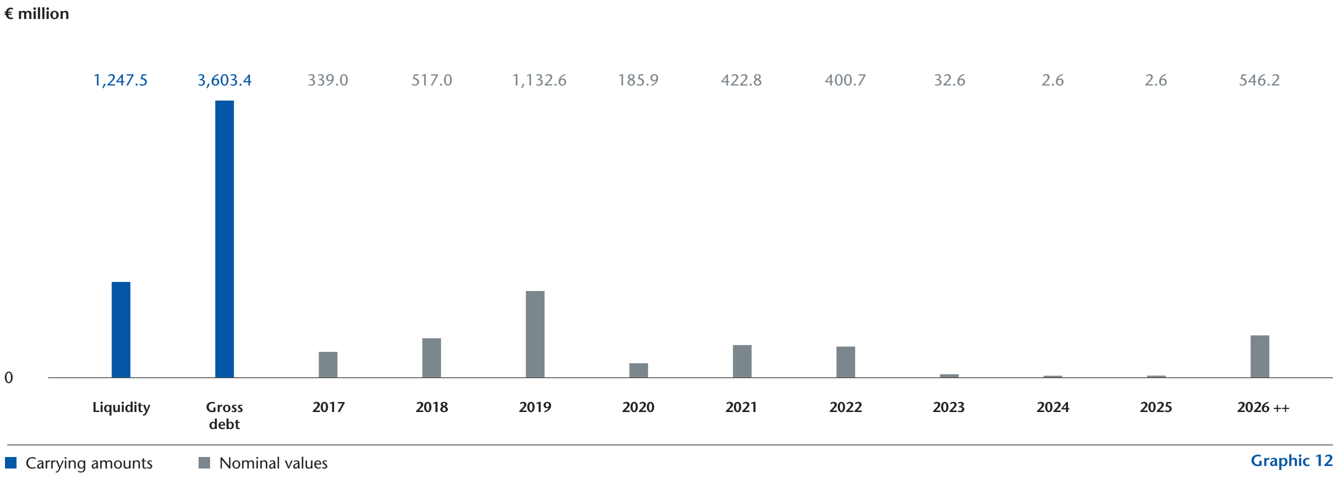
The contractual agreements for the financial liabilities of Fraport AG include two customary non-financial covenants consisting of a negative pledge and a pari passu clause. Only the public loans include, among other things, commonly accepted credit clauses regarding changes in shareholder structure and in the control of the company (so-called change-of-control clause). If these have a proven negative effect on the credit rating of Fraport AG, the creditors have above a certain threshold, the right to call the loans due ahead of time.

Independent project-financing arrangements of fully consolidated foreign Group companies contain a series of credit clauses typical for this type of financing. These clauses include regulations under which certain debt service coverage ratios and control indicators for debt ratio and credit periods must be complied with. Failure to comply with the agreed credit clauses may lead to restrictions on the distribution of dividends and/or to the early redemption of loans or to the additional payment of shareholders’ equity. Compliance with these criteria is examined on an ongoing basis. Regarding the financial indicators, all of the clauses had been complied with as at the balance sheet date 2016.

In connection with the project-financing in Lima, there is also a credit clause under which the transfer of construction land for expanding the airport, laid down in the concession contract, was planned to take place by the Peruvian government to the Group company Lima by December 31, 2015. As the transfer by the state was not fully completed by December 31, 2015, the Group company also did not comply with this credit clause after December 31, 2016. This situation is expected to be remedied in the first half of 2017 through an agreement with the Peruvian government and the land needed for expansion is expected to be transferred in the first half of 2017. As a result, it is expected that the restrictions for capital expenditure and the distribution of dividends in place in the past year will be lifted.

The maturity profile of the Fraport Group's financial debt showed a balanced repayment structure as at the balance sheet date (financial debt in foreign currencies translated as at the balance sheet date rate).

Maturity profile as at December 31, 2016



Graphic 12

Liquidity in the fully consolidated foreign Group companies was €467.1 million (previous year: €329.7 million). As it is partly subject to drawing restrictions – arising from conditions stipulated in the project financing agreements – it is not part of the asset management at Fraport AG.

Liquidity analysis

The strategy of broad diversification of investments in corporate bonds was continued in the 2016 fiscal year. The key characteristics of Fraport AG's investment instruments in terms of type, remaining term, and interest rate structure are presented in the following table:

Asset structure of Fraport AG

Investment type	Market value [1] in € million	Remaining term in years	Interest
Promissory note loans	25	1.6	floating
	11.0	1.6	fixed
Overnight funds	0.0	0.0	fixed
Time deposits	190.0	0.3	fixed
	70	0.0	floating
Bonds	79.3	1.9	floating
	361.2	2.7	fixed
thereof governmental	10.1	0.3	fixed
thereof financials	47.2	1.8	floating
	78.0	1.9	fixed
thereof insurances	6.6	1.2	fixed
thereof industrials	32.2	2.0	floating
	266.5	2.8	fixed
Commercial paper	35	0.3	fixed

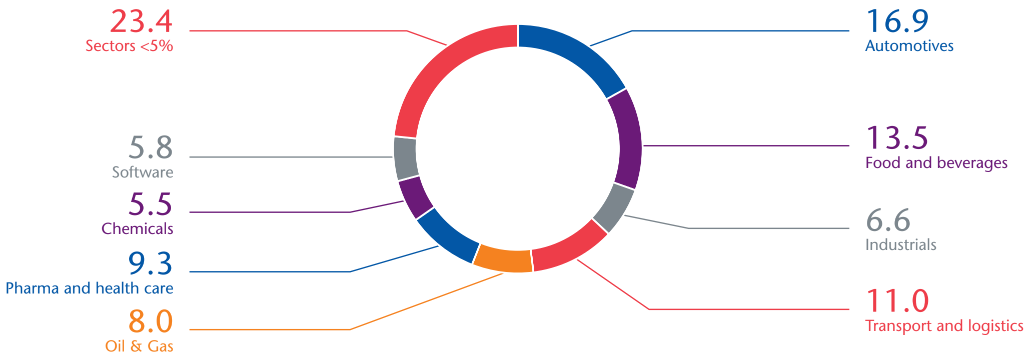
[1] As a result of rounding, there may be discrepancies when summing up.

Table 24

As at December 31, 2016, industrial promissory note loans, industrial bonds, and industrial commercial paper were distributed across the following industry sectors (market value: €369.6 million):

Allocation of industrial assets

in %

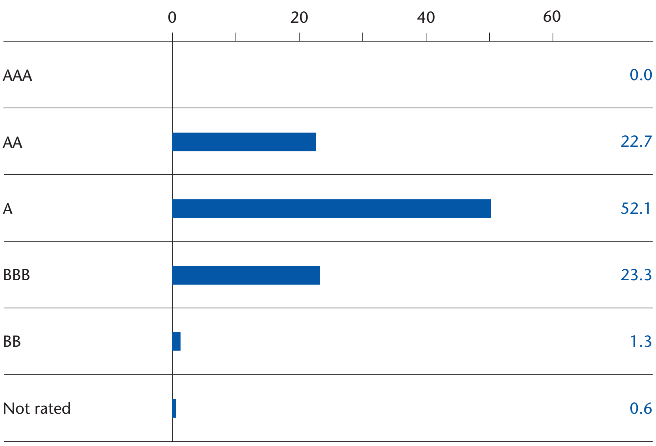


Graphic 13

The ratings of all investments used in asset management are presented in the graphic. Commercial paper are assigned to the long-term rating equivalent of the issuers.

Rating structure of assets

in %



Graphic 14

As at the balance sheet date, there were both rated (99.4 %) and non-rated assets (0.6 %) in the industrial portfolio.

The cost of carry, which is calculated using a (tiered statement) maturity-matching principle, was 0.84 % (€6.4 million) as at December 31, 2016.

Significance of off-balance-sheet financial instruments for the financial situation

Fraport focuses on the products presented in the “Financing analysis” section for financing its activities. Off-balance-sheet financial instruments are of no material significance in Fraport’s financing mix.

Rating

In light of Fraport’s unrestricted access to the capital market at attractive prices, very healthy liquidity supply combined with its comfortable portfolio of free, approved credit lines, there has not been a need for an external rating so far.

Comparison with the forecasted development

€ million	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Capital expenditure	376.6	At about or slightly above previous year	409.8	–33.2	–8.1
Operating cash flow	583.2	Slightly above previous year [significantly above previous year]	652.2	–69.0	–10.6
Free cash flow	301.7	At or below the 2015 level [significantly above previous year]	393.6	–91.9	–23.3
Net debt	2,355.9	Decrease of up to approximately 10% [decrease of up to approximately 15%]	2,774.3	–418.4	–15.1
Gearing ratio in %	65.4	Decrease of up to approximately 10 PP [decrease of up to approximately 15 PP]	83.8	–18.4 PP	–
Group's liquidity	1,247.5	Significant decrease [noticeable rise]	1,043.1	+204.4	+19.6
Shareholders' equity	3,841.4	Noticeably above previous year [significantly more positive]	3,511.7	+329.7	+9.4
Total assets	8,872.8	Decrease	8,847.3	+25.5	+0.3
Shareholders' equity ratio (%)	40.6	Up to approximately 3 to 4 PP above previous year [significantly more positive]	37.4	+3.2 PP	–

Table 25

The explanations for any differences in the comparisons to the forecasts provided for 2015 can be found in the previous chapter "Asset and Financial Position".

Value Management

Development of the value added

€ million	Fraport Group		Aviation		Retail & Real Estate		Ground Handling		External Activities & Services	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Adjusted EBIT [1)]	691.0	569.1	70.4	116.3	283.1	294.7	–3.4	7.0	340.9	151.0
Fraport assets	6,069.2	6,071.0	2,463.9	2,481.0	1,903.1	1,887.5	604.4	608.8	1,097.9	1,093.8
Costs of capital before taxes	522.0	522.1	211.9	213.4	163.7	162.3	52.0	52.4	94.4	94.1
Value added before taxes	169.1	46.9	–141.5	–97.1	119.4	132.3	–55.4	–45.3	246.4	56.9
ROFRA in %	11.4	9.4	2.9	4.7	14.9	15.6	–0.6%	1.2%	31.0	13.8

[1)] Adjusted EBIT = EBIT plus earnings before taxes of the Group companies accounted for using the equity method.

Table 26

In fiscal year 2016, the value added of the Fraport Group of €169.1 million exceeded the value of the previous year by €122.2 million significantly (previous year: €46.9 million). The significant improvement is primarily due to the higher Group EBIT in connection with the sale of shares in Thalita Trading Ltd. and the compensation payment from the Manila project. The value added of the Aviation segment decreased significantly from –€97.1 million to –€141.5 million and continues to remain negative. This decline was principally the result of the full unscheduled amortization and depreciation of goodwill in FraSec GmbH. The value added of the Retail & Real Estate segment dropped slightly due to the decline in segment EBIT from €132.3 million to €119.4 million. The value added of the Ground Handling segment also declined slightly due to the reduction in EBIT from –€45.3 million to –€55.4 million. A substantial element of the noticeable increase in value added of the External Activities & Services segment from €56.9 million to €246.4 million was the significant improvement in segment EBIT connected to the sale of shares in Thalita Trading Ltd. and the compensation payment from the Manila project. The development of earnings for the Group company Antalya, which is accounted for using the equity method, had a negative effect on the segment value added.

The ROFRA of the Fraport Group rose as a result of the positive performance of the External Activities & Services segment from 9.4% to 11.4%.

Comparison with the forecasted development

	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year	Change from the previous year in %
Group valued added	169.1	Approximately the same as previous year or below by approximately €30 million [up to approximately €210 million]	46.9	+122.2	> 100
ROFRA in %	11.4	Similar to the development of value added	9.4	+2.0 PP	–
Value added Aviation	–141.5	Slight improvement [noticeably below 2015 level]	–97.1	–44.4	–
Value added Retail & Real Estate	119.4	Approximately constant or declining	132.3	–13.1	–9.8
Value added Ground Handling	–55.4	Slightly higher [significant improvement]	–45.3	–10.1	–
Value added External Activities & Services	246.4	Between €10 million above and up to €20 million below previous year [around €240 million]	56.9	+189.5	> 100

Table 27

Non-financial Performance Indicators

Customer satisfaction and product quality

Global satisfaction of passengers

The global satisfaction of passengers at the Frankfurt site was 82 % in 2016, two percentage points above the level of the previous year (previous year: 80 %). After reaching 82 % in the first quarter of 2016, global satisfaction remained at 82 % in the second quarter (Q1 2015: 79 %, Q2 2015: 80 %). In the third and fourth quarters (83 % and 82 %, respectively), this high level was maintained and a slight increase was even achieved compared to the previous year (Q3 2015: 82 %, Q4 2015: 81 %). The modernization of the right of way to the arrivals level at Terminal 1 led to a significantly better evaluation from originating passengers compared to the previous year. The product range and the quality of the retail business and terminal infrastructure within the service program "Great to have you here!" also contributed to an improvement in global satisfaction.

At the Antalya site, customer satisfaction was 4.4 percentage points lower than the previous year's figure at 74.0 % (previous year: 78.4 %). In the most recent study, the airport in Lima recorded an unchanged high level of satisfied passengers of 96.0 % (in the previous study: 95.0 %). At the airports in Varna and Burgas, the satisfaction level was in line with the previous year at over 97 %. With a slight decline in passenger volume, the number of complaints in Ljubljana in 2016 was 72 (previous year: 137 complaints).

Punctuality rate

With a punctuality rate of 79.5 % for aircraft movements at Frankfurt Airport in 2016, the picture was similar to the previous year (2015: 80.3 %). The results were adversely affected by strikes and weather. At 83.4 %, the first quarter of the year once again recorded a relatively high punctuality rate (Q1 2015: 81.5 %). In the summer half-year, the high traffic volume was accompanied by a slight drop in punctuality (Q2: 77.8 %, Q3: 78.1 %; previous year Q2: 79.2 %, Q3: 78.8 %). In the last quarter, the punctuality rate was 79.3 %, below the level of the same period in the previous year of 82.4 %.

Baggage connectivity

In the past fiscal year, baggage connectivity at the Frankfurt site was 98.7 % and was therefore 0.1 percentage points below the previous year's figure. In the first quarter of 2016, connectivity rose by 0.4 percentage points (99.1 % compared to 98.7 % in the first quarter of 2015). In the second quarter 2016, the level remained constant at 98.7 % (Q2 2015: 98.7 %). In the third quarter, baggage connectivity was down slightly by 0.3 percentage points compared to the previous year (98.5 % versus 98.8 % in the third quarter of 2015). Also in the fourth quarter, the rate was 98.6 % and thus 0.5 percentage points below the same period in the previous year (99.1 %).

Equipment availability rate

At the start of the past fiscal year, the method of determining the equipment availability rate was adjusted. Previously, the rate was determined on the basis of technical availability; as of 2016 it has been determined on the basis of availability for passengers. There was no retroactive adjustment to the previous year's values. According to the adjusted calculation method, the equipment availability rate in 2016 was 96.7 %. With an average availability of 87.7 %, stoppages due to various construction activities mainly had a negative effect on the availability of the Skyline train in 2016. Without the construction projects, the availability rate would have been 99.8 %.

Appeal as an employer

Employee satisfaction

In the past fiscal year, the average grade for satisfaction by the employees of the Fraport Group was 2.91 and therefore slightly down on the previous year's figure of 2.85. While employee satisfaction improved in seven Group companies, the satisfaction level of the large workforce at Fraport AG fell to 2.90 in year-on-year comparison (previous year: 2.78). The response rate was almost unchanged from the previous year at 49 % (previous year: 48 %).

Employee health and safety management

In the reporting year, there were 510 reportable accidents at work, which represented an overall decline of 49 reportable accidents (previous year: 559). Related to all employees of the Group, this corresponds to a rate per 1,000 employees of 23.9 (previous year: 25.8; as a result of late submissions, there may be changes to the figures).

Comparison with the forecasted development

Indicators	2016	Forecast 2015 [adjustment during the year]	2015	Change from the previous year
Global satisfaction (Frankfurt) in %	82	At least 80 %	80	+2.0 PP
Punctuality rate (Frankfurt) in %	79.5	Approximately unchanged at a high level	80.3	–0.8 PP
Baggage connectivity (Frankfurt) in %	98.7	Better than 98.5 %	98.8	–0.1 PP
Equipment availability rate (Frankfurt) in %	96.7	Significantly above 90 %	–	–
Employee satisfaction	2.91	Stabilize at the level of over 3.0	2.85	–0.06
Rate per 1,000 employees [1]	23.9	Confirmation of the low level of 2015	25.8	–1.9

[1] Figures as at the reporting date December 31, 2016 and December 31, 2015, respectively. As a result of late submissions, there may be changes to the figures.

Table 28

The explanations for any differences in the comparisons to the forecasts provided for 2015 can be found in the previous chapter "Non-financial Performance Indicators".

Employees

Development of employees in the Group

Average number of employees	2016	2015	Change	Change in %
Fraport Group	20,322	20,720	–398	–1.9
thereof Fraport AG	10,487	10,561	–74	–0.7
thereof Group companies	9,835	10,159	–324	–3.2
thereof in Germany	18,333	18,865	–532	–2.8
thereof abroad	1,989	1,855	+134	+7.2

Table 29

Compared with the previous year, the average number of employees (employees excluding apprentices and employees on leave) of the Fraport Group in fiscal year 2016 decreased from 20,720 to 20,322 (–1.9 %). In Germany, there was drop in demand for manpower, particularly in the Group company APS Airport Personal Services (–193 employees), as a result of a slight decrease in passenger volume at the Frankfurt site. Fraport AG also saw a decline in its headcount, which was primarily due to a lower need for temporary workers in the Ground Handling segment (–74 employees). A further reducing effect was the deconsolidation of the Group company FCS in November 2015 (–332 employees). Outside of Germany, headcount climbed in particular due to the increased volume of traffic in the Group company Twin Star (+103 employees) and the first inclusion of the new Group companies in Greece (+40 employees).

With a share of 9.4 %, the rate of employee turnover for permanent employees was slightly below the level of the previous year of 10.1 %. This development was mainly due to the decline in permanent staff numbers and fewer temporary workers in the Ground Handling segment.

Development of employees in the segments

Average number of employees	2016	2015	Change	Change in %
Aviation	6,048	6,043	+5	+0.1
Retail & Real Estate	645	624	+21	+3.4
Ground Handling	8,649	9,262	–613	–6.6
External Activities & Services	4,980	4,791	+189	+3.9

Table 30

While the Aviation segment last fiscal year had a lower number of employees, primarily due to a decline in the number of persons employed at Fraport AG, the slight increase in the Retail & Real Estate segment resulted from higher employment numbers in Fraport AG. In the Ground Handling segment, the number of employees dropped, particularly due to the deconsolidation of the Group company FCS (–332 employees) in November 2015 and due to fewer employees at the Group company APS Airport Personal Service (–193 employees) and in the “Ground Services” strategic business unit (–114 employees). In the External Activities & Services segment, the number of employees increased given the positive traffic development in Bulgaria (+103 employees) and the initial inclusion of the Group companies in Greece (+40 employees).

Development of total employees in the Group

Total employees as at the reporting date	December 31, 2016	December 31, 2015	Change	Change in %
Fraport Group	22,650	23,038	–388	–1.7
thereof Fraport AG	11,164	11,401	–237	–2.1
thereof Group companies	11,486	11,637	–151	–1.3
thereof in Germany	20,555	21,043	–488	–2.3
thereof abroad	2,095	1,995	+100	+5.0

Table 31

Compared with the previous year balance sheet date, the total number of employees (employees including joint ventures, temporary employees, apprentices, and employees on leave) of the Fraport Group as at December 31, 2016 fell from 23,038 to 22,650 (–388 employees). The decrease of 237 employees at Fraport AG was primarily the result of lower employment rates in the Ground Handling segment. The reduction in employment in the Group companies and thus in Germany is also due to the lower headcount at the Group company APS Personal Service (–242 employees). Outside Germany, there was an increase in employment due to the new Group companies in Greece (+159 employees).

Development in personnel structure

Fraport values the diversity of its employees. This diversity helps the Group to better understand the concerns of its customers, develop innovative solutions, and remain competitive in a globalized economy. Diversity management is therefore a central component of its human resources strategy. It is based on a Group agreement that includes the establishment of principles of anti-discrimination, advancement of women into management positions, and diversity. These principles form part of recruitment decisions and training measures.

The percentage of women, one of the key diversity indicators, remained constant at 24.2% in fiscal year 2016 (previous year: 24.2%). At a level of 30.3% (previous year: 29.3%) the percentage of women in the top five management levels exceeded the aforementioned Group-wide percentage of women again in 2016.

Further diversity indicators developed as follows in fiscal year 2016: The average age of the Group’s workforce rose slightly from 42.8 years to 43.5 years. 20.5% (previous year: 20.2%) of employees had foreign citizenship (excluding German citizens with an immigration background). The percentage of persons with major disabilities reached 8.3% on a Group-wide basis (previous year: 7.9%).

Research and Development

At Fraport, promoting innovation is an integral part of the Company's goals and its management principles. The aim is to introduce new technologies and continuously optimize complex processes to meet a wide range of customer demands while staying true to the economic and business requirements. As a services group, Fraport does not conduct research and development in the narrowest sense, but rather it has set up a two-tracked approach to use all its potential: A corporate idea management system brings together employee creativity while innovation management enables the targeted development of projects with external partners (see also chapter "Risk and Opportunities Report" beginning on page 75).

Once again in the past fiscal year, an "ideas day" was organized by the idea management team. Overall, 633 ideas were submitted in the reporting year and 64 ideas implemented (previous year: 807 ideas, 67 implementations). The economic benefits were thus held constant in comparison to the previous year.

Within the scope of its innovation management, Fraport specifically carries out networking with companies in its own value chain as well as "best practice" companies in other sectors. The value added lies in the coordinated cooperation with other companies and scientific institutions in the region. The objective is to support forward-looking logistics projects and technical developments, while making the Frankfurt site even more attractive. In summer 2016, the first six-week Fraport Innovation Challenge was held, with the goal of involving interest groups from outside the airport more strongly in the innovation and idea identification processes.

Environment and Society

At its airport sites, Fraport serves the mobility requirements of the relevant regions and countries. At the same time, flight operations are invariably associated with direct and indirect burdens for local residents and the environment. In this area of conflict, Fraport faces up to its corporate responsibility. To the extent that this is feasible, Fraport ensures that the burden from airport operations is reduced.

The measures that Fraport starts and implements are wide-ranging. In this respect, the company bundles important issues and monitors the measures taken using targets and achievement levels. These issues include, among other things, active and passive noise abatement at the Frankfurt site, climate, nature, and resource protection. Whereas the measures in the area of active noise abatement are implemented by such means as flight noise measurements and the regular determination of those affected by flight noise, in particular noise level ranges, the measures relating to passive noise abatement are calculated for example by the value of the noise abatement measures constructed. The measures in the area of climate change are measured in particular with reference to the carbon emissions of the company. With regard to nature and resource protection, Fraport has set a goal inter alia to provide all environmentally relevant Group companies in which Fraport holds a stake of more than 50 % with a certified environmental management system. In addition, in terms of social responsibility, the so-called value creation statement defines the company's positive contribution to the economic development of the various regions.

Noise abatement

In the interests of enhancing noise reduction, Fraport supported two research projects in the field of active noise abatement at the Frankfurt site in the past fiscal year, which could help to reduce noise: By implementing a Low Noise Augmentation System (LNAS), noise can be reduced in a series of precise actions through the use of dampers and landing gear when approaching the runway. Rerouting flights to avoid densely populated areas has been examined in test flights within the scope of a European project (SESAR-AAL).

In the past fiscal year, Fraport has implemented various further measures for passive noise abatement. Using construction changes, for example, it is possible to reduce noise levels in buildings. At the Frankfurt site, in this context Fraport has extensive statutory obligations for around 86,000 households whose claims are defined by such matters as noise protection areas. In order to support local residents in the determination of their rights and to assist their application, Fraport provides an extensive range of information and services on the Group website www.fraport.com in the section Resposibility. For around 12,000 particularly heavily affected households in the aforementioned area, Fraport AG is legally bound to pay compensation for the limited use of the outdoor living area. These payments have been made on schedule since October 2016.

Climate, nature, and resource protection

To reduce its own CO_2 emissions, Fraport drove forward the replacement and optimization of ventilation systems in Terminal 1 at the Frankfurt site in 2016. Additional energy-saving measures included terminal lighting control depending on usage, the use of LED bulbs in the terminals and parking garages, and the optimization of the 80 km-long baggage conveyor system. The measures relating to the "E-PORT AN" e-mobility project were also developed further in 2016.

Based on preliminary figures, over the past fiscal year the Group parent company emitted around 208,300 metric tons of CO_2 and therefore 4.6 % less than in the previous year. With regard to nature and resource protection, at the end of the past fiscal year 95 % of the fully consolidated environmentally relevant Group companies were certified by an Environmental Management System (EMAS or ISO 14001).

Value generation

Airports are important business locations and contribute directly and indirectly to economic and social value generation. Frankfurt Airport, for example, with more than 80,000 direct employees, is the largest regional place of work in Germany. Additional employment effects are also created in enterprises that are appointed by Fraport for the construction and modernization of airport infrastructures. With a catchment area of around 38 million people in a radius of approximately 200 kilometers and in its role as one of the largest cargo airports in Europe, the Frankfurt site is one of the most important business locations of the country.

In this context, Fraport contributes comprehensively to social value generation. The company's direct value generation includes expenses for personnel, capital expenditure, taxes, interest, and dividends to its shareholders. Over the past fiscal year, the company performance amounted to more than €2.9 billion. The direct value generation amounted to around €2.1 billion. Indirectly the company contributes by such means as the consumption by airport employees and companies located at the airport, which also have their own value generation and in turn also employment effects.

Further information on the social and environmental commitment of Fraport is provided on the company's website www.fraport.com.

Share and Investor Relations

Development of the share 2016

The German equity markets were volatile in 2016. The German DAX index closed at 11,481 points in the reporting period and thus 6.9 % above the closing price in fiscal year 2015. The MDAX recorded a similarly strong increase of 6.8 % to 22,189 points. The positive development of the two indexes was mostly due to a strong second half in 2016. In the first quarter, the German DAX index lost 7.2 %, while the MDAX experienced a slight decline of only 1.8 %. The slump on the German Stock Exchange continued in the second quarter of 2016 (DAX in the second quarter: –2.9 % and MDAX: – 2.7 %). Above all, the expected negative consequences of the UK's decision to leave the EU following the referendum at the end of June 2016 led to a further worsening in mood. On the other hand, the low interest rates and overall slightly favorable economic conditions continued to have a positive impact. In the third quarter, the mood on the stock markets turned to be consistently positive. In particular, the better-than-expected increase in Chinese gross domestic product, which alleviated fears of growth in China at the beginning of the past fiscal year, led to positive reactions on the markets (DAX in the third quarter: +8.6 % and MDAX: +8.8 %). The fourth quarter of 2016 was marked by the decision of the ECB to extend its bond purchase program until the end of 2017 and to maintain interest rates in the Eurozone at a low level in order to ward off excessively low inflation. The price of crude oil stabilized at the end of the year stemming from an agreement on production levels among OPEC countries. These two factors caused the German equity markets to develop positively. The outcome of the US presidential election in November 2016 did not have any noteworthy effect on the German indices, and the DAX improved noticeably by 9.2 % in the fourth quarter of 2016. The MDAX improved slightly by 2.8 %.

Within this demanding market environment, the Fraport share fell slightly with a closing price of €56.17 (previous year: €58.94). After a price drop of 9.6 % in the first quarter of 2016, the share price once again fell significantly by 9.9 % to €48.03 in the second quarter. Similar to the positive development of the German DAX in the third quarter of 2016, the Fraport share – also as a result of the announcement of the sale of shares in the operating company of Pulkovo Airport in July 2016 – rose by 1.4 % to €48.69. Driven by the continued increasingly positive development of the German equity markets in the fourth quarter, the Fraport share also recorded a significant price increase of 15.4 % to €56.17. The business outlook adjusted over the course of the year – in particular due to the compensation payment from the Manila project in October 2016 – strengthened the considerable performance increase of the Fraport share in the last quarter of the past fiscal year. Cumulatively, the decrease in the share price in the course of the 2016 fiscal year therefore amounted to €2.77 (–4.7 %) and, taking into account the dividend payment on May 23, 2016 of €1.35 per share, amounted to €1.42 (–2.4 %).

The Fraport share had a market capitalization of €5.2 billion at the year-end (previous year: €5.4 billion). Based on market capitalization, the share was thus the 23rd largest stock among the 50 MDAX shares (previous year: 18th). Measured by traded stock market turnover (XETRA), the Fraport share was in 30th place (previous year: 40th). With an average of 173,666 shares traded daily, the share's trading volume increased by 14.9% in 2016 (previous year: 151,188).

Fraport share

	2016	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Opening price in €	58.94	48.04	58.94	53.31	48.03	48.69
Closing price in €	56.17	58.94	53.31	48.03	48.69	56.17
Change in € [1]	–2.77	+10.90	–5.63	–5.29	+0.66	+7.49
Change in % [2]	–4.7	+22.7	–9.6	–9.9	+1.4	+15.4
Highest price in € (daily closing price)	58.94	62.30	58.94	53.93	51.40	56.97
Lowest price in € (daily closing price)	45.25	48.04	49.65	45.25	47.29	47.86
Average price in € (daily closing prices)	51.77	56.34	53.69	50.74	49.20	53.55
Average trading volume per day (number)	173,666	151,188	182,568	186,500	139,485	191,221
Market capitalization in € million (quarterly closing price)	5,192	5,443	4,928	4,439	4,500	5,192

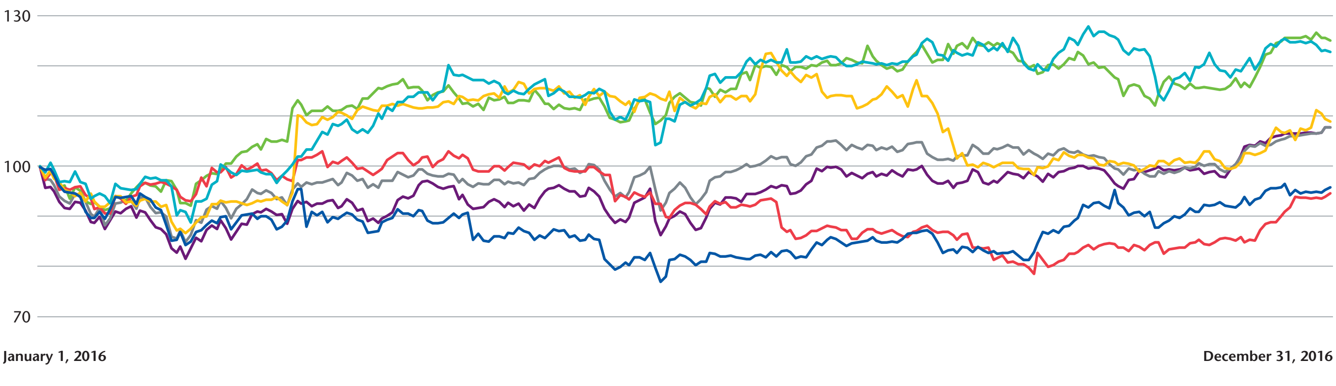
[1] Change including dividends: 2016: –€1.42, 2015: €12.25, Q2 2016: –€3.94.
[2] Change including dividends: 2016: –4.7%, 2015: 25.5 %, Q2 2016: –7.4%.

Table 32

The shares of other stock-exchange listed European airports performed as follows: Aéroports de Paris –6.0%, Vienna Airport +9.5%, Zürich Airport +25.8% and AENA +23.3%.

Development of the Fraport share compared to the market and European competitors

in % (index base 100)



Graphic 15

Source: Bloomberg

Development of the shareholder structure

Fraport was notified of the following changes in shareholder structure in the past fiscal year:

Notification of voting rights pursuant to Section 21 of the German Securities Trading Act (WpHG)

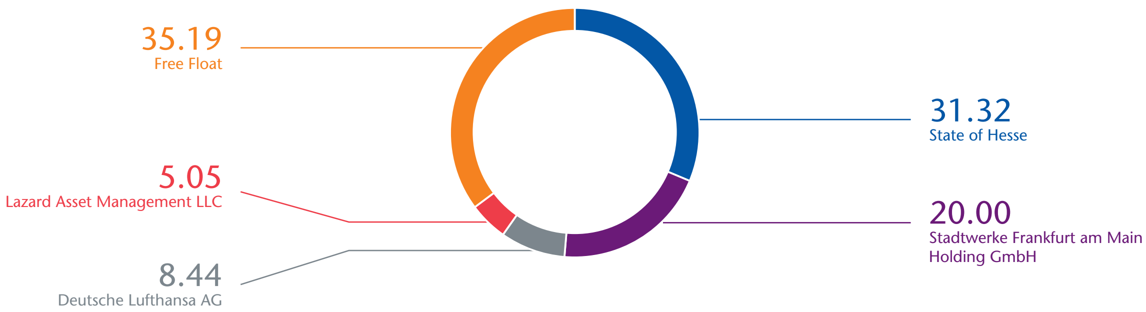
Holders of voting rights	Date of change	Type of change	New share of voting rights
BlackRock, Inc. [1]	January 7, 2016	Fell below the 3 % threshold	2.97 %
BlackRock, Inc. [1]	January 8, 2016	Exceeded the 3 % threshold	3.03 %
BlackRock, Inc. [1]	January 20, 2016	Fell below the 3 % threshold	2.63 %
BlackRock, Inc. [1]	January 22, 2016	Exceeded the 3 % threshold	3.01 %
BlackRock, Inc. [1]	January 25, 2016	Fell below the 3 % threshold	2.92 %
Legg Mason, Inc. [1]	May 31, 2016	Fell below the 3 % threshold	2.83 %
Lazard Asset Management LLC [1]	December 14, 2016	Exceeded the 3 % threshold	5.05 %

[1] All voting rights were allocated pursuant to Section 22 of the WpHG.

Table 33

Shareholder structure as at December 31, 2016 [1]

in %



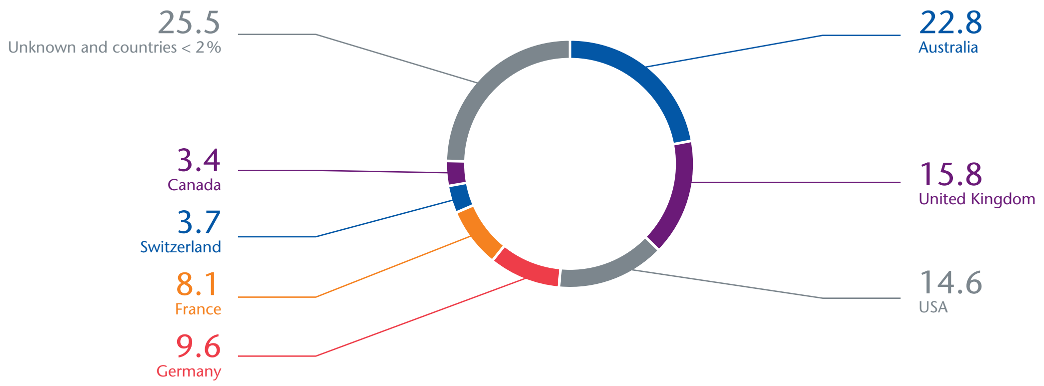
[1] The relative ownership interests were adjusted to the current total number of shares as at December 31, 2016 and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosure. Shares below 3 % are classified under "Free Float".

Graphic 16

To the extent it was known, the proportion of Fraport shares in free float was split across the following countries:

Allocation of free float [1)]

in %



1) Free float = total number of shares as at December 31, 2016 excluding shares held by the State of Hesse, Stadtwerke Frankfurt am Main Holding GmbH, Deutsche Lufthansa AG and also excluding treasury shares. Stakes held via several subsidiaries were not combined.
Source: IPREO.

Graphic 17

Dividend for the 2016 fiscal year (recommendation for the appropriation of profit)

Fraport pursues a consistent dividend policy. The aim is to have shareholders participate appropriately and with a long-term focus on business development. In this context, the Executive Board aims to distribute approximately 40 to 60% of the profit attributable to the shareholders of Fraport AG, where the dividend per share is at least at the level of the previous year.

For fiscal year 2016, the Executive Board intends to propose to the 2017 AGM a dividend increase of €0.15 compared to the previous year of €1.50 per share. Compared to the share closing price in 2016 of €56.17, this would correspond to a dividend yield of 2.7% (previous year: 2.3%). The profit earmarked for distribution of €138.7 million (previous year: €124.7 million) would then equate to a pay-out ratio of 36.9% based on the profit attributable to shareholders of Fraport AG in the Group result of €375.4 million (previous year: 45.1%).

Investor Relations (IR)

Consistent, comprehensive and proactive communication with investors and analysts is of utmost importance to the Fraport IR department. The IR team maintains personal contact with existing and potential investors in the context of road shows, capital market conferences, and meetings at the company's headquarters at Frankfurt Airport. Over the past fiscal year there were also targeted one on one and Group meetings as well as presentations with the company's chief executive officer and chief financial officer. The main topics of discussion in 2016 were once again the current and expected traffic developments at the Group sites, in particular at Antalya Airport, and due to the current situation of Deutsche Lufthansa as the main customer of Frankfurt Airport. The advances in construction of Terminal 3, the development of airport charges at the Frankfurt site in 2017, and the general development of low-cost traffic were also discussed.

Furthermore, the IR team was available by phone or by e-mail for a direct dialog. The analysts' conference on the publication of the 2015 results in March 2016, the AGM in May 2016, three conference calls on the quarterly reports, and the provision of up-to-date information on the IR website www.meet-ir.com rounded off the range of IR services in the past fiscal year.

Annual General Meeting (AGM)

At the last AGM on May 20, 2016, Fraport received a clear majority for all agenda items from its shareholders. The share capital entitled to vote was represented with 79,203,848 ordinary shares and the same number of voting rights (85.73% of the share capital). The detailed voting results as well as further information about the AGM are published on the company website www.fraport.com in the Investor Relations section. The AGM for the 2016 fiscal year will be held on May 23, 2017 at the Jahrhunderthalle in Frankfurt.

Data relevant to the capital market

		2016	2015
Share capital Fraport AG [1]	€ million	924.3	923.9
Total number of shares as at December 31	Number	92,434,419	92,385,076
Number of floating shares [2] as at December 31	Number	92,357,054	92,307,711
Number of floating shares (weighted average of reporting period)	Number	92,337,317	92,289,839
Absolute share of capital stock	per share, in €	10.00	10.00
Annual performance (including dividend)	in %	–2.4	25.5
Beta relative to the MDAX		0.75	0.80
Earnings per share (basic)	in €	4.07	3.00
Earnings per share (diluted)	in €	4.06	2.99
Price-earnings ratio		13.8	19.6
Dividend per share [3]	in €	1.50	1.35
Profit earmarked for distribution	€ million	138.7	124.7
Dividend yield as at December 31 [3]	in %	2.7	2.3

ISIN	DE 000 577 330 3
Security identification number (WKN)	577 330
Reuters ticker code	FRAG.DE
Bloomberg ticker code	FRA GR
Selected indexes	MDAX, FTSE4Good Index, Euronext Vigeo (Eurozone 120), Deutschland Ethik 30 Aktienindex, Ethibel Sustainability Index (ESI) Excellence Europe

[1] Including treasury shares.
[2] Total number of shares as at the balance sheet date, less treasury shares.
[3] Proposed dividend (2016).

Table 34

Events after the Balance Sheet Date

Operational take-over of 14 Greek regional airports

The take-over of the operations of 14 Greek regional airports is expected for around March 2017 after all conditions precedent have been met. The two concession contracts, each relating to the operation of seven Greek regional airports, were already signed on December 14, 2015 by Fraport AG as well as its Greek consortium partner and the Greek privatization fund. An initial one-off fee of €1,234 million will be paid as consideration for the right to operate the Greek airports. Annual minimum concession fees of €22.9 million, adjusted for inflation, have been agreed over the term of the concessions. In addition, the consortium partners are obliged to invest in measures to upgrade and expand the airport infrastructure by 2020. Fraport currently expects an amount of around €400 million here. The concessions fall within the scope of IFRIC 12. Accordingly, the present value of the annual minimum concession payments will be classified as a financial liability. The corresponding amount as well as the initial one-off payment made will be capitalized as acquisition costs of the concessions under investments in airport operating projects and depreciated over the 40-year term of the concessions as scheduled.

Annual concession payment at the Antalya site deferred

For an explanation of the events after the balance sheet date in connection with the project financing of the terminal operator concession in Antalya, see the Group note 23.

New joint venture to further develop the duty free business at the Frankfurt site

Effective January 1, 2017, the retail company Gebr. Heinemann SE & Co. KG and Fraport launched a joint venture "Frankfurt Airport Retail GmbH & Co. KG". The joint venture, in which both partners each hold a 50% participating interest, operates the 27 existing businesses at Frankfurt Airport, the majority thereof under the Heinemann Duty Free and Travel Value brand (see also the "Significant Events" chapter starting on page 48).

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

Outlook Report

General Statement of the Executive Board

For 2017, the Executive Board expects an expansion of the global economy, which will have a positive impact on the development of air traffic in general as well as on the Frankfurt site and the Fraport Group's airports. Correspondingly, the Executive Board forecasts positive operating development for the Group in total. Uncertainties continue to result from political crises and terrorist attacks, which have the ability to impact air traffic at Group airports (see also the "Risk and Opportunities Report" chapter starting on page 75). At the Frankfurt site, the situation in the Ground Handling segment in particular remains challenging and difficult in view of the intense competitive environment. In this respect, the Executive Board has initiated the staff restructuring program in order to improve the cost structure. The Executive Board expects a positive effect from the planned take-over of operations of the 14 Greek regional airports for around March 2017. The financial effects of the Greece site are taken into account in the following outlook.

For the Frankfurt site, in the fiscal year 2017, the Executive Board expects passenger growth of between 2% and 4%. This development is based on the growth of key tourist markets, which is difficult to predict, as well as ongoing uncertainties in connection with potential terrorist attacks and may lead to deviations in the forecast. Apart from the expected growth in traffic, the Executive Board expects higher retail revenue. Exchange rate fluctuations that impact the purchasing power of passengers may additionally have positive or negative effects. The increase in airport charges by an average of 1.9% will also have a positive effect in Frankfurt. Compared to the past fiscal year, the Executive Board forecasts solid operational business development, while the absolute figures will be below the financial figures reported for last year due to the high base in 2016 in connection with the one-off incomes from the sale of shares in Thalita Trading Ltd. as well as the compensation payment as part of the Manila project.

Outside Frankfurt, growth is expected in the financial development of the Lima site due to the assumed positive operational development. The development of the Varna and Burgas, Antalya and St. Petersburg sites is largely determined by the political developments around Russia and the developments in Turkey. For Antalya as well as St. Petersburg, the Executive Board expects to report a recovery in 2017. Possible terrorist attacks in these regions may also influence travel behavior. Growth rates are also expected for the airports in Varna and Burgas as well as the 14 Greek regional airports. The Executive Board is forecasting an overall positive development for the Ljubljana, Hanover and Xi'an sites.

The Executive Board expects a Group result in the range between around €310 million and about €350 million, with a noticeable deterioration in the financial result.

With regard to the asset and financial position, despite ongoing capital expenditure in modernization measures and the progressing construction of Terminal 3 as well as large capital expenditure in airport operating projects in connection with the sites in Greece and Lima, the Executive Board once again expects a significantly positive free cash flow for the fiscal year 2017, which, after deducting the dividend payment, will lead to a reduction in net financial debt and the gearing ratio. The financing of the one-off concession payment in connection with the operational take-over of the 14 Greek regional airports will result in a significant rise in net financial debt as well as a noticeable deterioration in the gearing ratio.

Despite the expected higher indebtedness, the Executive Board continues to assess the Fraport Group's financial situation in the forecast period as stable. As at the date of preparing the consolidated financial statements, the Executive Board does not see any material risks that might jeopardize the Fraport Group as a going concern (see also the "Risk and Opportunities Report" beginning on page 75). Apart from the take-over of the operation of the Greek regional airports, there are no further significant acquisitions or disposals of companies or increases or reductions in shareholdings included in the forecast period.

Risk and Opportunities Report

The Fraport Group has a comprehensive, Group-wide risk and opportunity management system, which makes it possible for Fraport to identify and analyze risks at an early stage, and to control and limit those risks using appropriate measures, as well as to take advantage of opportunities. This results in the early identification of potential risks that could jeopardize the Fraport Group. Fraport regards risks as future developments or events that can have a negative impact on the achievement of operational planning and strategic targets. Opportunities are regarded as future developments or events that can lead to a positive planning deviation or strategic target deviation.

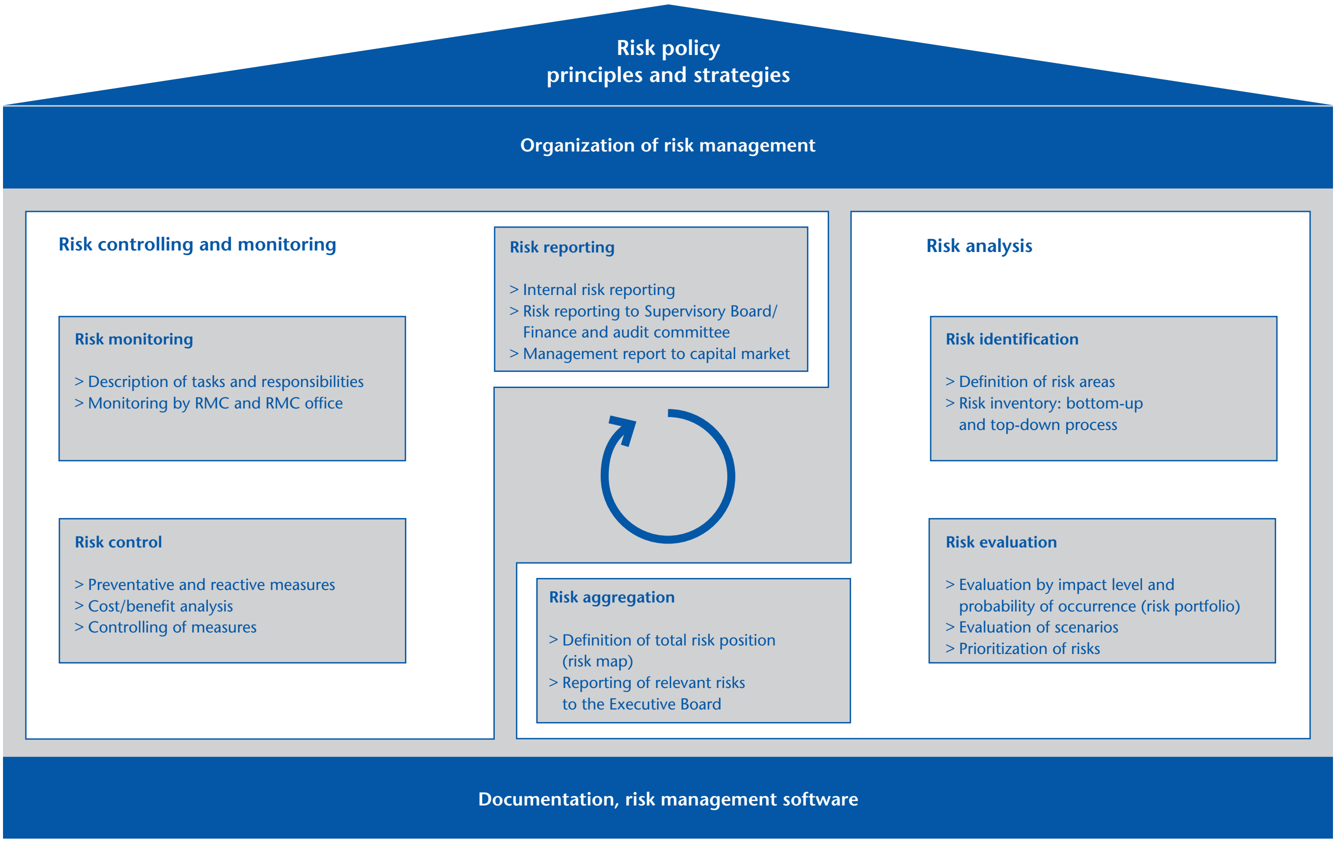
Risk strategy and objectives

Within the further development of Fraport it is always ensured, within the context of the integrated strategy and planning process that the risks associated with the opportunities are in an appropriate relationship to each other. This is ensured through a comprehensive risk and opportunity management, which guarantees that risks and opportunities are identified at an early stage, are evaluated, controlled, and monitored in a standardized manner and are transparently communicated using a systematic reporting.

The following principles are derived from this objective:

1. Already as part of the strategic planning processes and when preparing the long-term business plan, a comparison is made with the opportunities and risk strategy, which results from the anticipated business development. This way, Fraport avoids risks that are not directly related to the original business purpose.
2. The centralized Risk Management unit is responsible for the implementation and further development of the risk management system and links this with the opportunity management process.
3. Risk and opportunity management is a key function of the respective business, service, and central units that are responsible for their business processes; this involves material risks being managed using appropriate measures and being reduced to an acceptable level, as well as actively utilizing opportunities.
4. Through standardized and comprehensive processes, early identification, standardized analysis, centralized control and monitoring, as well as systematic and transparent reporting take place regarding all material risks and opportunities.
5. All employees are encouraged to actively become involved in risk and opportunities management in their area of activity.

The risk management system



Graphic 18

The Fraport Executive Board bears the overall responsibility for an effective risk management system, through which comprehensive and standardized management of all material risks is ensured. In this context, by preparing the development plan, it has also approved the risk strategy and risk objectives for the Group. The Executive Board appoints the Chief Risk Officer and the members of the Risk Management Committee (RMC), approves the rules of procedure for the RMC, and is the addressee for the quarterly reporting of relevance to the Group and ad hoc reports in the risk management system.

The RMC is the highest executive body in the risk management system below the Executive Board and is made up of senior managers from the company's operating and supporting units. The management of the RMC is performed by the Risk Management and Internal Control System department. The management of the RMC is responsible for the organization, maintenance, and further development of the Group-wide risk management and internal control system (ICS), as well as the regular updating and implementation of the risk management and ICS guideline in the Fraport Group. The RMC reports to the Executive Board on a quarterly basis immediately after its meetings.

The risk management system is documented in writing in a policy for Fraport AG and one for the Group companies to be included, and is closely linked to the central ICS and the compliance management system, and is interlinked with them in an integrated system. It follows the "COSO II" (Committee of the Sponsoring Organizations of the Treadway Commission) framework and covers risks in the areas of strategy, operational business, financial reporting, and compliance.

Using a risk-oriented scope procedure, which is to be performed annually, the Risk Management and Internal Control System department determines which Group companies should be included in the standardized ICS procedure. Based on an annually updated analysis, this process records internal risks along the very significant business processes, mitigates them through suitable control activities and/or reduces them to an appropriate level. Based on an annual self-assessment by the responsible departments and Group companies (so-called control self-assessment), the effectiveness of the key process controls is assessed and the results of this effectiveness assessment is then reported to the Executive Board and the Supervisory Board. Linking the risk management system to the ICS creates a more comprehensive transparency regarding the material risks existing in the Group and a closed “risk workflow” is established.

Process-integrated and process-independent monitoring measures form the elements of the internal monitoring systems. The central Group Internal Audit unit is integrated into the internal monitoring system of the Fraport Group with process-independent audit activities.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) has examined the risk early-warning system of Fraport AG within the context of the annual financial statement audit with regard to stock corporation law requirements. It fulfills all of the legal requirements that apply to such a system.

The Supervisory Board of Fraport AG has the function of supervising the effectiveness of the internal control and risk management system in accordance with Section 107 (3) of the AktG. This responsibility is executed by the finance and audit committee of the Supervisory Board.

Risk transfer through the purchase of insurance policies is controlled by the Group company Airport Assekuranz Vermittlungs-GmbH.

The Fraport risk management system only covers risks, not opportunities. However, an opportunities consultation takes place quarterly within the context of the RMC meeting.

Risk management process

The risk management process comprises the following steps. In order to support the entire process, Fraport uses an integrated risk management software solution.

1) Identification and reporting of risks

Risks are identified using various instruments primarily by the operational business, service, and central units of Fraport AG, as well as the Group companies. The risk identification methods used range from market and competition analysis, to the evaluation of customer surveys, information about suppliers and institutions, right through to monitoring risk indicators from the regulatory, economic, and political environment. Division Managers are responsible for the accuracy of the information received from their units that is processed in the risk management system. They are obligated to constantly monitor and manage risk areas, and report on all risks in their divisions and their integrated investments to the Risk Management and Internal Control System department on a quarterly basis. Outside of regular quarterly reporting, newly identified material risks must be immediately reported on an ad hoc basis.

2) Evaluation of risks

The systematic evaluation of risks determines the impact and probability of occurrence of the identified risks, and makes it possible to estimate the extent to which the individual risks can jeopardize the objectives and strategy of the Fraport Group, or which risks will most likely, due to their nature, are able to jeopardize the company as a going concern. For this purpose, the financial impact (quantitative assessment or – if this is not possible – grouping into the relevant impact levels) and its probability of occurrence is ascertained by the responsible business, service, and central units (= risk owners). The reference basis is always the rolling 24-month period. However, this does not mean that risk owners risks only analyze and evaluate from a short-term perspective; possible infrastructural risks are in particular monitored in accordance with their long-term impact. During the evaluation process, the potential impact (= impact level) is divided into four categories: “low”, “medium”, “high” and “very high”. The impact level is evaluated according to how the risks impact the relevant detection variable (EBIT, financial result, or liquidity). Furthermore, qualitative factors, which could be important for Fraport’s reputation and which also determine the risks, are also included in the analysis. The probability of occurrence for individual risks is also divided into four categories: “unlikely”, “possible”, “likely” and “very likely”. The risk level (“low”, “moderate”, “considerable” and “substantial”) arises from the combination of impact level and probability of occurrence.

The risk evaluation is conservative, i.e., the greatest possible impact for Fraport is assessed. A distinction is made between a gross evaluation and a net evaluation. The gross risk is the greatest possible negative (financial) impact prior to risk-minimizing measures. The net risk represents the expected residual (financial) impact after initiation or implementation of risk-minimizing measures. The risk assessment in this report only reflects the net risk.

3) Risk control

Risk owners are tasked with developing and implementing suitable measures to minimize and control risk. In addition, general strategies must be developed to deal with the identified risks. These strategies include risk avoidance, risk reduction with a view to minimizing the (financial) impact or the probability of occurrence, transfer of risk to a third party (for example, through the purchase of insurance policies), or risk acceptance. The decision regarding the implementation of the relevant strategy and/or measures also considers the costs in relation to the effectiveness of potential risk-minimizing measures. Here, the Risk Management and Internal Control System department works closely with the risk owners in order to monitor the progress of countermeasures and to evaluate their effectiveness from a Group perspective.

4) Risk aggregation and reporting

Integrated risk management aims to ensure a transparent presentation of the Fraport Group's risk situation. For this, the Risk Management and Internal Control System department consolidates and aggregates the quarterly risk reports from the divisions and Group companies as required and provides these to the RMC for assessing the risk situation using a "risk map". Risks are reported to the Executive Board when they are classified as "considerable" or "substantial" on the basis of their net risk according to systematic evaluation standards used Group-wide.

In the event of very significant changes to previously reported risks or newly identified "substantial" risks, reporting also takes place outside of the regular quarterly reporting as ad hoc reporting.

Twice a year, the Executive Board reports the "considerable" ("amber") and "substantial" ("red") risks, including their changes, to the Supervisory Board with a focus on the finance and audit committee of the Supervisory Board. The following graphic shows the addressees of the risk reporting, depending on the net evaluation of the risks:

Reporting matrix

Probability of occurrence				
very likely > 80%	Strategic business units, service and central units/ Group companies	Finance and audit committee/ Executive Board, RMC	Management report, finance and audit committee/Executive Board RMC	Management report, finance and audit committee/Executive Board RMC
likely > 50%–80%	Strategic business units, service and central units/ Group companies	RMC	Management report, finance and audit committee/Executive Board RMC	Management report, finance and audit committee/Executive Board RMC
possible > 20%–50%	Strategic business units, service and central units/ Group companies	RMC	Finance and audit committee/ Executive Board, RMC	Management report, finance and audit committee/Executive Board RMC
unlikely ≤ 20%	Strategic business units, service and central units/ Group companies	Strategic business units, service and central units/ Group companies	RMC	Finance and audit committee/ Executive Board, RMC
	low ≤ €3 million	medium > €3–10 million	high > €10–20 million	very high > €20 million

Level of financial impact

Graphic 19

This process ensures the early detection of risks that could jeopardize the Fraport Group as a going concern.

An integral component of Fraport's risk management system is also monitoring financial risks, whereby the presentation of financial instruments overall and, in particular, hedging transactions in accounting is monitored and controlled. This process is described in the financial risks section ("Risk report"). At Fraport, this process represents a subsection of the accounting-related internal control system.

Further development of the risk management system in 2016

An e-learning module on the topic of risk management has been developed, which was rolled-out in the fourth quarter of 2016 for Fraport AG and selected Group companies. This is intended to contribute to further embedding the risk culture in the Group.

Accounting-related internal control system in accordance with Section 315 (2) no. 5 of the HGB

In terms of the Group accounting process, Fraport regards the internal control and risk management system as a process that is embedded in the Group-wide internal control and risk management system. Fraport's Group accounting system covers the processing of business transactions; records for the documentation of assets and liabilities; and processes for the consolidation of the separate financial statements of parent/subsidiary companies, for the inclusion of joint ventures, and associated companies, and for recording the required information for the disclosures in the Group notes and Group management report. The company applies principles, processes, and measures aimed at safeguarding the effectiveness and compliance of the Group's accounting system, which Fraport designed to conform to "COSO" standards, in an effort to ensure that the recognition, measurement, and presentation of assets and liabilities is in line with the legal guidelines and the principles of proper accounting.

Group accounting at Fraport is generally organized on a local basis. The reconciliation of the local separate financial statements of the parent company and subsidiaries, joint ventures and associated companies (commercial balance sheet I) to the separate financial statements prepared in accordance with Group-wide accounting and valuation methods (commercial balance sheet II) is decentralized at the respective companies. In individual cases, the bookkeeping and preparation of financial statements for Group companies at the Frankfurt site is carried out by the accountants of the Group parent company Fraport AG within the framework of service agreements. In so doing, separation on an organizational and system level of the accounting of the parent company Fraport AG is ensured. To ensure consistent Group-wide accounting and evaluation, Fraport has developed a policy on IFRS Group accounting principles, on the basis of which the companies included in the consolidated financial statements perform the reconciliation of Commercial balance sheet I to Commercial balance sheet II. The effectiveness of the Group accounting process and its compliance with the relevant policies are confirmed by the companies included in the consolidated financial statements within the framework of an internal statement of completeness.

The SAP BPC system is primarily used for the accounting-related Group reporting process between the companies included in the consolidated financial statements and the Group parent company, Fraport AG. The financial statements to be consolidated are recognized in this system, as is required information for tax accruals and for the Group notes. Access authorization on the level of the consolidated companies is awarded and administered by Fraport on the basis of a user authorization concept. Group reporting in SAP BPC is adapted by Group Accounting on a regular basis to the changes in accounting-relevant legal regulations. A Group chart of accounts in the SAP BPC system is set up and administered by Group Accounting.

Accounting-related internal controls are, as far as possible, carried out within the SAP BPC system. Manual application and monitoring controls, especially regarding completeness and quality of the reported data, are carried out in the context of the operating accounting processes in Group Accounting.

Quality assurance is carried out by Fraport Group Accounting for complex accounting issues or fundamental questions, as well as at local companies included in the consolidated financial statements.

The consolidated financial statements are prepared by Fraport AG Group Accounting. The reporting process for the consolidated financial statements is laid down in a schedule detailing each individual step, including deadlines and responsibilities. Group Accounting monitors progress, reporting deadlines, and the completeness of the Group reporting process.

In the run-up to the preparation of the consolidated financial statements, a Group questionnaire is sent to all companies included in the consolidated financial statements in order to identify any issues relevant to the accounting process in good time. The consolidated companies are also questioned about any events after the balance sheet date so that these can be completely recorded.

Capital, liabilities, expenses, and income are consolidated and information relevant to segment reporting is processed in the SAP BPC system. Prior to consolidating liabilities, internal balances are reconciled. Capital consolidation, including the updating of the valuation of investments in companies accounted for using the equity method, the elimination of intercompany profits and losses, and the preparation of the statement of cash flows, and of the statement of changes in equity are mainly carried out manually with the help of the system. Deferred and accrued taxes are calculated and recognized by Group Accounting in coordination with the Group Tax department.

Group policies, which are available to all consolidated companies, ensure that consolidation processes and the reconciliation of internal balances are carried out properly.

Valuations in connection with assets and liabilities from the acquisition or sale of shares in companies are generally measured on the basis of an external value analysis prepared by experts (e.g., calculation of acquisition costs or purchase price allocation).

The Group notes are prepared by Group Accounting as part of the consolidated financial statement process. Once the Group notes have been drawn up, the information given in them is verified by central or local departments, where required.

The central units Finance and Investor Relations, as well as Corporate Compliance, Risk Management, and Values Management, are generally responsible for preparing the Group management report. They consolidate the information provided by the relevant departments. Consolidated information is then verified by the relevant departments in turn.

The Group parent company Fraport AG prepares its own separate financial statements in accordance with German commercial and stock market regulations. Fraport AG has developed an HGB accounting policy to ensure that its accounts are prepared consistently and in accordance with the principles of proper accounting.

Accounting at the Group parent company Fraport AG is, as far as possible, kept local through sub-ledgers (for creditors, debtors, asset accounting, treasury, accounting of local departments). During the preparation of financial statements, the general ledger/accounting creates any closing entries in the general ledger, which cannot be entered by local departments. The general ledger also performs internal controls in the framework of preparation of financial statements for important local accounting processes.

In order to ensure standardized procedures, important operational processes of the sub-ledgers and general ledger have been documented (including policies, process descriptions, manuals, and guidelines). The effectiveness and compliance of the sub-ledger processes with the relevant policies are verified by the responsible departments, which issue an internal declaration of completeness.

The Group parent company Fraport AG uses the SAP R3 system for its accounting. Accounting-related internal controls are carried out, where possible, in the SAP R3 system. Manual application and monitoring controls are carried out during the operational accounting processes in the sub-ledgers and also during the preparation of the financial statements by the general ledger.

Functions in the departments involved in the accounting process are separated on a system, personnel, and organizational level. A SAP authorization concept is used for issuing and administering access authorization for accounting-related systems.

The aim of the controls carried out within the framework of accounting is to ensure completeness, correctness, existence, ownership, and presentation of the assets and liabilities, and items in the income statement recorded in the accounting process.

During the preparation of the financial statements by the general ledger, subsequent, and mainly manual monitoring controls are carried out for the purpose of ensuring the completeness and correctness of items recognized in the sub-ledgers. Preventative, system-aided controls and a four-eyes principle are implemented as subsequent controls of closing entries in order to achieve the purposes of the monitoring mentioned.

In order to ensure that all financial statements are complete, the Group parent company Fraport AG has implemented a contract management process that evaluates contracts recognized in the financial statements to obtain a complete and correct view of all facts relevant to the accounting process. In addition, the head of Group Accounting is a member of the RMC. As a result it is generally ensured that issues identified during the risk management process are assessed for their effect on the financial statements and reported in accounting, if applicable. The contract management and risk management processes are both regulated in a separate policy.

A special implemented process monitors risks associated with the recognition of financial instruments in the accounting system, particularly hedging transactions.

The process for preparing the financial statements of the Group parent Fraport AG is laid down in a schedule detailing each individual step, including deadlines and responsibilities. Group Accounting monitors the progress and schedule system-assisted.

The major steps in the financial statement process are the closing of the sub-ledgers, which in the case of the accounts receivable accounting process includes the valuation of receivables, i.e., the creation of allowances. In asset accounting, the closed sub-ledger reflects scheduled depreciation and amortization and impairment losses on property, plant, and equipment. The Treasury department is responsible for the operational processes of its own sub-ledger (including cash pooling) and for providing the information required for recognizing financial instruments in the general ledger.

After the closing of the sub-ledgers, the general ledger/accounting of Fraport AG carries out the necessary closing entries, which also includes carrying out subsequent manual monitoring controls. This mainly relates to the items other provisions and personnel provisions, financial assets and instruments, shareholders' equity and expense, and income accruals. The tax department calculates and posts taxes on income, and performs manual application and monitoring controls.

Fraport regularly uses external service providers within the framework of the preparation of the annual financial statements for evaluating provisions, mainly personnel provisions, as well as financial instruments and assets.

The Internal Auditing department regularly assesses major sub-processes of the accounting process, including accounting-related internal controls.

Business risks

The risks that could have a material effect on the business activities or on the asset, financial, and earnings position and/or reputation of Fraport are explained in the following description. In this description, they are aggregated more intensively than when used for internal control in some cases; however, the risks are classified according to the same risk categories (strategic risks, operating risks, financial risks and compliance risks) that are used in the internal risk management reporting system. Unless specified otherwise, the risks described relate to all segments to varying extents (Aviation, Retail & Real Estate, Ground Handling, and External Activities & Services). Selected, non-substantial risks are indicated on a voluntary basis in order to provide a comprehensive view of the risk situation.

Fraport AG is the parent company of the Fraport Group and comprises all of the described segments. Therefore it is also – directly or indirectly – subject to the risks described.

The following overview table briefly illustrates the changes in risk compared to the previous year. This is followed by a comprehensive description of the risks.

Risk overview

Risk	Probability of occurrence		Level of financial impact		Risk level		Seite
Strategic risks							
Macroeconomic risks	possible	→	very high	→	substantial	→	82
Market, competitive and regulatory risks	possible	→	very high	→	substantial	→	82
Drainage for the parallel runway system	possible	→	very high	→	substantial	→	83
Risks in connection with the airport expansion	unlikely	→	very high	→	considerable	→	83
Financial risks							
Interest rate risks (cumulative)	unlikely	→	high	→	moderate	→	84
Foreign Currency risks	possible	→	high	→	considerable	→	84
Credit risks	unlikely	↓	low	→	low	→	84
Other price risks	unlikely	→	low	→	low	→	85
Legal and compliance risks							
Compliance breaches	unlikely	→	high	→	moderate	→	85
Manila project (overall)	unlikely [1]		medium	↓	low	↓	85
Operating risks							
Risks from capital expenditure projects	possible	→	very high	→	substantial	→	86
Risks from investments and projects							
…Lima expansion	possible	→	very high	→	substantial	→	87
…Sanctions against Turkey and their consequences	unlikely	↓	very high	→	considerable	↓	87
…Political development in Russia	unlikely	→	very high	→	considerable	→	88
Personnel risks – additional provision ZVK	possible	→	very high	→	substantial	→	88
Risks of exeptional incidents	unlikely	→	very high	→	considerable	→	89
IT risks	unlikely	→	high	→	moderate	→	89

[1] The 2015 risk and opportunities report did not indicate the probability of occurrence so as not to influence the result of the relevant process.

Table 35

↑ higher than previous year → unchanged from previous year ↓ lower than previous year

Strategic risks

Macroeconomic risks

Further expansion of the global economy is expected for 2017 (see also the “Business Outlook” chapter beginning on page 93). Nevertheless, the risks that could arise from the economic and financial policy conditions remain unchanged. A renewed flare-up in the European debt crisis, weaknesses in the EU and the euro area due to diverging interests and disagreements between the member states as well as due to new government constellations and changed security situations could retard or stop the slight upwards trend in Europe. The economic effects of the intended withdrawal of Great Britain also remain to be seen. Global economic development could be negatively affected by the aforementioned factors, while protectionist tendencies between major economic areas and economic or geopolitical crises could also have negative consequences for growth. The negative consequences for global and regional air traffic development, including Fraport, would also be considerable.

The risks currently existing in China (constrained growth as a result of structural change), Japan (recession), and Russia (continuing sanctions and a fall in earnings due to the drop in the price of oil) as well as in various emerging countries could have a dampening effect on the global economy and, as a result, on Germany’s export-based economy, which would also affect Fraport’s airport business. At the same time, crude oil price shocks due to an increasingly unstable geopolitical situation in the Middle East and North Africa would also have a dampening effect on economic development. Resulting jet fuel price rises would have negative impact on the development of the services on offer.

A further deterioration of the crises in Syria and the Ukraine could rekindle the old East-West conflict. The consequences would include global uncertainty as well as tangible trade barriers that would hamper growth.

And finally, the direction of the USA’s future economic, foreign and security policy since the Presidential elections are clouded by uncertainty. Risks for the global economy are associated with the USA’s potential transition to greater protectionism in the trade policy: This could place a strain on global trade.

If the economic risks were realized, this would have a negative impact on the development of air traffic, with negative consequences for Fraport’s asset, financial, and earnings position. For this reason, Fraport closely monitors the development of supply and demand in air traffic so that reasonable countermeasures can be introduced if required. In the personnel area, Fraport has agreements with the employee representative body (such as time accounts) in order to be able to intervene with countermeasures to a certain extent.

As an international air traffic hub, Frankfurt Airport benefited in the past from the fact that it was possible to compensate for the effects of crises in a relatively short time. However, experiences with the most recent crises could indicate that it may take increasingly long to return to the pre-crisis growth path. Furthermore, structural changes in business travel (e.g. further reduction in the number of business trips) could have a direct or indirect impact on Fraport’s business. Furthermore, currency rate fluctuations, unemployment, and changes in consumer behavior insofar they influence passengers’ shopping habits can also impact the earnings of the Fraport Group in the retail business. The buildings and areas that Fraport currently lets are mainly used by airlines or companies whose business largely depends on the development of air traffic at Frankfurt Airport. This sector of the real estate business is therefore not directly tied to general real estate market development.

Given the difficult situation described, Fraport estimates the potential impact level of the macroeconomic factors as “very high” overall. The probability that negative macroeconomic developments could have this kind of an impact on Fraport’s asset, financial, and earnings position is assessed as being “possible”.

Market, competitive and regulatory risks

In addition to an attractive infrastructure, the success of a world airport is dependent on its airline customer structure and the associated global and dense route network, the fleet structure and the fares offered by the airlines.

Subdued global economic development and the increasing competitive pressure in all transport sectors have led to consolidations and also some insolvencies in the past, which also cannot be ruled out in future. Changes to the alliance systems and the continuous expansion of low-cost traffic modify the customer and supply structure, also associated with the reorientation of the offer to other airport sites. Often, changes do not occur smoothly, rather there are strikes by employees, which may damage the Frankfurt Airport through flight cancellations or cancellations of feeder traffic. Moreover, the establishment or the development of existing hub systems in the Middle East may lead to a shift in the global flow of transfer passengers as a result of huge increases in offerings, to the disadvantage of the Frankfurt site (and therefore for Fraport).

Furthermore, due to the increasing market and competitive pressure, the potential risk also exists that future capital costs from planned capital expenditure may only be capable of being priced into the achievable charges to a limited extent.

Political and regulatory decisions at a regional, national, and European level have a partial impact on the market, and therefore competition in the form of taxes, fees, and regulations, such as the aviation tax, the EU emissions trading, the CO_2 regulations, noise protection requirements (the Hessian state government is postulating an upper noise limit), and bans on nighttime flights. There is therefore the risk of airlines using alternative sites and routes outside Frankfurt in the medium term if restrictions are tightened. More medium- to long-term risks in the form of a weaker competitive advantage among European airlines and consequently among European airports cannot be ruled out.

As once again shown in 2015 and 2016, terrorist attacks (France, Belgium, Germany) and the development of trouble spots, such as in the Ukraine, Syria or Turkey, can also be extremely damaging for passenger flows to these destinations. This resulted in a reluctance to travel in outgoing as well as incoming tourism in Germany, which particularly affected Frankfurt as a hub. Further attacks appear likely and would reinforce this reluctance to travel. In addition, restricted opportunities to fly over trouble spots or flight bans between states may lead to further limitations on services supplied.

Fraport counters these risks through continuous market monitoring for prompt identification of potential changes with negative consequences for the business, but also through balanced, needs-based expansion planning. In view of the dynamic market environment, Fraport assesses the potential impact (impact level) of these risks as “very high” and the probability of occurrence as “possible”. The business planning assumes growth of between 2 % and 4 % for the passenger numbers at the Frankfurt site in 2017. The number of attacks in Europe has led to a significant slowdown in passenger development in the medium-term.

Capital expenditure of up to €300 million for a state-of-the-art drainage system for the parallel runway system could be necessary in connection with the operation of Runway West and the existing parallel takeoff and landing runway system depending on the results of investigations due to the expected official order. On August 18, 2014, a water order was imposed for the Runway West area. A state-of-the-art drainage system must be implemented for the part of Runway West south of the tunnel. For the northern section, the deicing fluids and their degradation products measured in the winter of 2015/2016 and the announcement of a hearing for a water order during the first quarter of 2017, it is likely that a qualified drainage will become necessary.

The existing order does not contain any conditions for the realization of a state-of-the-art drainage for the parallel runway system. However, there is fundamentally a risk that, if deicing fluids are detected in the groundwater also in connection with the parallel runway system, the higher water authorities will call for a state-of-the-art drainage system and impose a corresponding water order. The impact level is assessed as “very high”, the risk level as “substantial” and the probability of occurrence of the risk as “possible”.

Risks in connection with the airport expansion

With its appellate decision, issued on April 4, 2012, the German Federal Administrative High Court essentially confirmed that the zoning decision and thus the airport expansion complied with legal requirements in several test cases. Insofar as it objected to the night flight policy, the HMWEVL, as the responsible zoning authority, adapted the zoning decision on May 29, 2012, imposing a complete ban on all scheduled flights between 11 p.m. and 5 a.m., and for the hours immediately before and after the night flight ban, from 10 p.m. to 11 p.m. and from 5 a.m. to 6 a.m., the number of aircraft movements was limited to an annual average of 133 takeoffs and landings per night.

There is the risk that the existing night flight ban will have a long-term negative impact on the conditions for the development of the site.

If additional restrictions of airport operation, demanded in some cases in the political discussion, were implemented into law, a further weakening of the competitive position of Frankfurt Airport could result, which – depending on the configuration – would have a considerable impact on traffic volume, as well as traffic structure, at the Frankfurt site. However, it must be considered that these restrictions (for example, extended night flight ban, maximum noise limits) would have to overcome high legal hurdles.

The aforementioned rulings by the German Federal Administrative High Court mean that legal recourse in the test cases is now concluded. However, it is impossible to completely exclude the possibility of residual legal risks to the airport expansion in light, inter alia, of possible appeals to the European Court of Justice and/or European Court of Human Rights, as well as the still outstanding decisions in the non-test-case proceedings, which are now being continued. Fraport counters these risks through comprehensively following the proceedings, in legal and technical aspects. In a significant non-test case (Municipality of Flörsheim vs. the State of Hesse) and as a result in further non-test cases, the cases heard were rejected in the first instance. Furthermore, Fraport is committed to active noise protection and noise research.

The total volume of capital expenditure in the airport expansion so far has increased to approximately €2,581 million as at December 31, 2016 due to the advancing building and contract award activity, as well as the capital expenditure to be made due to the supplemental planning zoning decisions dated April 30, 2013 (noise protection for commercial property), May 10, 2013, and May 26, 2014 (protection requirements regarding wake turbulences).

In view of the initiated and upcoming measures (for example, comprehensive roof reinforcement program, particularly in the municipalities of Raunheim and Flörsheim) and the evaluation of the legal situation, Fraport estimates the probability of occurrence of the risk of a rescission of the zoning decision regarding the expansion of Frankfurt Airport as being "unlikely". However, if the risk was realized, the impact (impact level) of the risk would be "very high".

Financial risks

"Risk report" according to Section 315 (2) no. 2 of the HGB

With regard to its financial position accounts and planned transactions, Fraport is, in particular, subject to credit risks, interest rate and currency exchange risks, and other price risks. Fraport covers interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount and/or by using derivative financial instruments to hedge the business transactions. The scope, responsibilities, and controls for the use of derivatives are stipulated in a binding internal policy. The existence of a risk that needs to be hedged is the prerequisite for using derivatives. Derivatives are not used for trading or speculative purposes. To control the risk positions, simulations are regularly carried out by Risk Controlling using various worst-case and market scenarios. The Chief Financial Officer is regularly informed about the results. The Fraport AG Treasury department is responsible for efficient market risk management. Generally, only risks that affect the Group's cash flows are managed. There can only be open derivative positions in connection with hedging transactions in which the underlying transaction is canceled or is not carried out as planned.

Interest rate risks arise in particular from the capital requirements for capital expenditure and from existing floating interest rate financial liabilities and assets. Fraport assesses the probability of occurrence of this risk as being "unlikely" and the potential impact (impact level) as "medium". As part of the interest rate risk management policy, in order to limit the interest rate risk for the majority of the debt financing, interest derivatives were concluded and financing was concluded with fixed-interest rate agreements. Following the commitment to these interest rate-hedging positions, there is still a risk that the market interest rate level will decrease and as a result there will be a negative market value of the interest rate-hedging instruments or that a negative value will be intensified. These changes can have an impact on the result, within the income statement, or also on the shareholders' equity, depending on the classification of the derivative. Fraport assesses the probability of occurrence of the risk as being "unlikely" and the potential impact (impact level) as "medium".

Foreign currency risks mainly arise from financing in foreign currencies and from planned revenue that is not covered by expenses in matching currencies. Such risks are hedged, to the extent necessary, either through ongoing sale of these currencies or by entering into currency forward transactions. Due to the hedging that has taken place or is planned, Fraport assesses the probability of occurrence of foreign currency risks as "possible" and their possible financial impact (impact level) as "high".

Credit risks for Fraport stem, on the one hand, from primary financial instruments. Such risks arise, for example, upon the purchase of securities in the framework of asset management and comprise the default risk of the issuer. On the other hand, credit risks arise in connection with derivative financial instruments with a positive fair value and the risk that the counterparty will not be able to meet the obligations that are advantageous for Fraport. This risk is generally countered by using financial assets and concluding derivatives only with issuers and counterparties who have a rating of at least "BBB–". If the credit rating is downgraded below "BBB–" during the asset's holding period or the term of the derivative, a decision is made on a case-by-case basis on the further course of action with the asset or derivative, taking into account the remaining term.

As of the beginning of 2013, investments in bonds without ratings have also been possible in individual cases, within narrowly defined limits. The counterparty's issuer and issue ratings are regularly monitored. In addition, ongoing reporting regarding the counterparties is monitored. Moreover, the upper limits are continually adjusted to the credit-rating development and where necessary reduced, and financial assets are diversified further under risk considerations. In consideration of the previously described measures, Fraport classifies the potential financial impact (impact level) of credit risks as "low" and their probability of occurrence as "unlikely".

Other price risks result from the fair value measurement of financial assets. This, however, does not immediately affect cash flow. Financial assets with a fixed term are assumed to be subject to temporary market fluctuations that reverse automatically by the end of the products' maturities, since a repayment in the full nominal amount is expected. Even without specific measures, Fraport assesses the probability of occurrence of other price risks as "unlikely", and the impact level as "low".

Regarding further information about the nature of risks arising from the use of financial instruments and the impact of risks from open risk positions in the context of financial instruments, see note 46 in the Group notes.

Other financial risks

Risks for Fraport's asset, financial, and earnings position may arise from the current financial market situation and its effects on the overall economy, particularly on liquidity and future possible bank lending practices. As a countermeasure, Fraport continues to pursue a "prefinancing" strategy, thereby securing funding for items such as upcoming capital expenditure and repayments. The capital from this strategic liquidity reserve is still available.

Legal risks and compliance risks

As a Group that operates internationally, Fraport is subject to numerous national and international laws and regulations, as well as their amendments, through which the future business success of Fraport could be negatively influenced. In addition to the industry-specific regulations of air traffic law, planning and environmental law, and safety-related regulations, the general provisions of capital market law, anti-trust, data protection law, and employment law are also of material importance. The Legal Affairs departments of Fraport and its Group companies keep abreast of the legal developments, including the relevant case law, inform the affected business units about changes, and are actively involved in limiting any resulting risks.

Furthermore, the risk exists that bodies and/or employees may violate laws, internal policies, or standards of good corporate management that are recognized by Fraport. These include the risk of fraud, misrepresentation or manipulation of financial data or bribery and corruption, with the consequence that Fraport could suffer asset losses and/or reputational damage. Fraport is proactively working to counter these potential risks through the establishment and expansion of a Group-wide compliance organization, adopted in the Group compliance management system policy, and the implementation of a compliance program, inter alia through the code of conduct that is binding for all employees, their training, and constant further development of the central ICS. In addition to this, Fraport has implemented various whistle-blower systems, which employees and external parties can turn to confidentially and anonymously. In addition, a regular review is made of the applicable policies for whether they are current and appropriate. All policies adopted by the Executive Board are freely accessible to all employees via the intranet. Furthermore, Fraport documents important business processes to create transparency, and promotes the implementation of suitable control mechanisms. In view of the previously described effective compliance structures, the probability of occurrence of a compliance violation with a "high" potential impact (impact level) is assessed as being "unlikely".

Manila project (segment External Activities & Services)

The investment in Manila, the capital of the Philippines, to build and operate an airport terminal (NAIA IPT3 project) was written off completely in the financial statements for the year ended December 31, 2002. The ongoing material risks and legal disputes in relation to the project are described in the following.

In the case of Fraport against the Republic of the Philippines at the International Centre for Settlement of Investment Disputes (ICSID), following the court of arbitration's declaration in its decision of December 10, 2014 that it was not competent, Fraport continued to pursue claims for compensation via the local project company Philippine International Air Terminals Co., Inc. (PIATCO), in which Fraport held a share.

Based on the rulings of the Supreme Court of the Philippines from September 8, 2015 and April 19, 2016, PIATCO received compensation payments for the terminal project in Manila. From these payments, PIATCO transferred payments amounting to around US$ 270 million to Fraport. In addition, a mutual waiver of further claims was agreed between PIATCO and Fraport so that risks are no longer associated with these proceedings. From the amount received, Fraport is required to pay an expected amount of €42.4 million to the German government for the payment received in the fiscal year 2008 in connection with a federal guarantee for investments abroad (GKA).

As reported in previous years, proceedings are still pending against some individuals from the area of the Fraport Group due to a suspected breach of the "Anti-Dummy Law" or due to alleged defamation, for which the court decision on the termination of the proceedings is not yet final and no decision has yet been reached on a common dismissal application by the complainant and the defendant. Declarations of exemption were then provided to affected persons.

The probabilities of occurrence of the indicated risks with regard to the Manila involvement are currently assessed as “unlikely” due to the positive course of proceedings. However, if all of the risks were realized, the impact would be “medium”.

All of the legal risks described are counteracted by Fraport appointing experienced law firms with its representation.

Other legal risks

Tax risks affecting the tax items in Fraport’s statement of financial position and income statement can arise from changes to tax law and case law, and from different interpretations of existing tax law. Thus, there is the risk of back tax payments in connection with tax audits that are still to be carried out, which might be accounted for as tax provisions on the basis of probability considerations.

To minimize tax risks, internal controls have been established in the Tax department in order to recognize tax risks in good time as well as to check and value known risks. Risk-minimizing measures are agreed between the Tax department and the responsible departments or Group companies.

Operating risks

Risks from capital expenditure projects

Fraport’s capital expenditure plan covers a period of ten years and is subject to various risks. Increases in construction costs, suppliers going out of business, changes in planning figures, or weather-related delays could, for example, all lead to extra costs. These risks are assessed by means of the clustering and weighting of the individual construction investments in three phases. In this respect, Fraport differentiates between projects in conception (requested), projects in planning, and projects in implementation. A Fraport-specific percentage that represents the risk assessment is applied to the construction investments as divided in this manner. Project-specific monitoring measures are implemented so that these potential risks can be confronted appropriately thus ensuring that cost-reducing countermeasures can be introduced early on.

Fraport estimates the potential damage will reach up to €300 million (impact level “very high”) and, taking the project-related monitoring measures into account, the probability of the risk materializing as “likely”.

Risks from airport expansion south

Airport Expansion South is also subject to the risks typical for large construction projects described before. To this extent, the various risks for this project described before also apply. Due to the long duration of such specific large infrastructure projects, further risk positions arise in relation to external influences from the public, the environment, politics, crises or customer/market developments, technological changes, engineering practices or other legal requirements.

The project risk for further airport expansion, particularly Terminal 3, is defined as “overall deviation of current cost forecasts from the approved capital expenditure program” and its impact on cash flow. As at the balance sheet date, none of the risks mentioned with respect to their impact level and/or probability of occurrence are discernible for Airport Expansion South.

Risks from investments and projects (External Activities & Services segment)

Investment companies and airport operating projects, like Fraport AG at the Frankfurt site itself, are subject to general economic and company-specific risks as well as industry-specific market risks. In addition, there are general political risks at individual sites abroad.

In principle, Fraport's investments outside of the Frankfurt site can be distinguished from one another as either capital-intensive capital expenditure, such as the acquisition of long-term concessions or the acquisition of shares in airports, or as business models with no capital investment or only a small amount, such as the conclusion of service contracts (management contracts). Here, Fraport is also active in countries, such as China, Russia and Turkey, which can hold higher risks for investors than is the case for capital expenditure in Germany. These risks typically include country, market, and foreign exchange risks, which can lead to a significant impairment of the future earnings outlook, right up to a total loss of the investment. Furthermore, there is a risk that concessions acquired whose terms end and which are put out to tender as scheduled may not be won again, contrary to Fraport's assumptions.

For reasons of bidding strategy, as well as risk minimization, Fraport often works in cooperation with a local partner who has experience with the relevant typical national regulations and customs. Within the context of major investments and depending on the project conditions, Fraport frequently employs project financing that allows no recourse or only limited recourse to Fraport AG as the capital provider. These types of project financing, which are also referred to as non-recourse or limited-recourse, are used here for risk reduction. Notwithstanding this, the subscribed shareholders' equity of the relevant project company and shareholder loans granted by Fraport are exposed to a default risk. In order to minimize these risks, Fraport uses investment protection insurances, wherever possible and economically reasonable.

Risks in connection with the existing airport operating projects, which are generally long-term, arise primarily in connection with the estimation of the future development of air traffic and consumer behavior by passengers. A possible lack of growth and/or downturn in air traffic could have a significant negative effect on the earnings development of concessionary companies, which could also result in "substantial" risks to project financing or the capital invested. Unforeseen official interventions in the tariff, tax, and levy structure of the airports to the detriment of the airport operators can also cause risks. Additional risks, such as delays in connection with the construction of airport infrastructure, which as a rule adheres to a contractually stipulated schedule, may also implicitly occur from this.

For the Jorge Chávez Airport in Lima, Peru, operated by Lima Airport Partners (LAP), various risks currently exist regarding the planned expansion of the airport: The construction of the tunnel has now been completed. The land transfer by the government to LAP is expected to take place in the first half of 2017. Deviations regarding the expansion costs and/or the timetable can be classified as "possible" and would – if they occur – result in a presumably "very high" impact level. To adequately counteract the risk, LAP is continuing to optimize the terminal expansion project.

Fraport operates the passenger buildings at Antalya Airport in Turkey in cooperation with a Turkish partner.

Tourism is a main pillar of the Turkish economy. In view of terrorist attacks, particularly against military and police establishments but also against public institutions and at political demonstrations (almost exclusively in the urban centers of Istanbul and Ankara), political unrest and the current state of emergency, and conflicts in the border area with Iraq and Syria, security measures in Turkey are at a very high level throughout the country. To this extent there continues to be a latent risk of terrorist activity in all parts of Turkey.

With effect from the third quarter of 2016, the sanctions imposed on Turkey by Russia, which had a significantly negative impact on traffic development in charter traffic during 2016, were lifted. Primarily as a result of this, a recovery effect is expected for 2017, while passenger numbers are expected to be well below the values in the past. In addition, the latent risk of terrorist activities as well as the current domestic and foreign policy tensions were the key reasons behind a drop in European passengers in 2016.

The risk, which was reported in the third quarter of 2016, and which describes the possibility of incomplete compliance with the obligations regulated in the financing contract between Antalya and the financing banks, is assessed as an "unlikely" scenario with "very high" negative consequences on the 2016 balance sheet date and for the period under review. While fundamental agreement exists with the grantors on the deferral of the annual concession payment for 2017 until July 2019 as well as with the financing banks to use the liquidity provided for the concession payment for operating purposes, this agreement is subject to the condition precedent that the Turkish Cabinet must approve the deferment of payment by April 15, 2017. If this is not provided, the agreement with the banks would retrospectively lapse. The resulting breach of contract could be remedied through further negotiations with the banks or, potentially, an additional payment of shareholder funds.

In February 2017, the cabinet approved the deferral of the concession payment intended for January 2017, but brought the due date forward to June 2018. As a result, the approval issued by the banks lapsed with retroactive effect from December 31, 2016 (see also Group note 23). The management of the Antalya company is already in talks with the banks regarding possible solutions. In light of this, the Executive Board's assessment of the risk is unchanged.

Although it appears unlikely on the reporting date, the unstable situation in Turkey and the resulting difficulties in forecasting traffic could lead to a deterioration in the financial situation in the future.

Fraport held 35.5 % in Northern Capital Gateway, the operating company of St. Petersburg Airport, through Thalita Trading Ltd., Cyprus. With effect from October 21, 2016, Fraport concluded the sale of 10.5 % of the shares in Thalita Trading Ltd. and of a loan made to Thalita Trading Ltd. to the Qatar Investment Authority. Fraport AG will retain its role as airport operator. Due to the political development and the continuing uncertainty on how the relationship between Russia and, in particular, the USA and Europe will develop, uncertainties continue to exist in Fraport's involvement in this area. Direct measures that could be taken against foreign investors would, at least in the short term, result for Fraport in a weakening of the Group company in St. Petersburg. This "unlikely" risk would potentially result in a "very high" impact level for Fraport.

Fraport AG guarantees and sureties exist on the basis of existing contracts between Fraport AG, its Group companies, and various principals. The drawing of such collateral by the contractor is classified as "possible", depending on the circumstances of the respective project. If such a risk occurs, up to a "medium" impact level must currently be expected.

Personnel risks

Fraport intends to continue utilizing the growth in global air traffic to create sustainable and attractive jobs at all Group sites. Fraport is aware that the current demographic shift will intensify the competition for high-quality professionals and managers, particularly at the Frankfurt site. This relates to the acquisition of new professionals and managers, as well as retaining existing employees. In order to deal with this risk adequately, Fraport has taken measures in the fields of qualification, commitment, and work satisfaction. In the qualification field, airport-specific and universal qualification programs for employees and managers, trainee programs, and short and medium-term assignments are offered at foreign sites. In the commitment field, Fraport offers attractive company benefits, the participation of employees in the company's success, and concrete measures for good work-life balance. In the work satisfaction field, the training and sensitization of the managers to the reduction and minimization of work and health risks play an important role. In addition, comprehensive employee surveys are conducted every year in all Group companies with a substantial workforce. They provide Fraport with important insights and opportunities to improve the working environment on all operational levels. At the same time, Fraport has established an attractive, voluntary program for staff restructuring for its employees. In particular, the focus has been placed on the operating units, starting with the ground services at the Frankfurt site, which place a high demand on personnel. Long-term employees are being offered options such as partial retirement, early retirement, part-time hours, or an exit with severance pay. The program was initiated to support the staff restructuring and improve the overall cost structure of the personnel expenses, especially in the personnel-intensive business areas within the Group. On the basis of the initiated measures, the potential impact (impact level) of the risk is assessed as "low" and the probability of occurrence as "possible".

For the purpose of granting a company pension under the statutory insurance scheme based on collective bargaining agreement, Fraport AG is a member of the Zusatzversorgungskasse in Wiesbaden (ZVK). This is currently structured – as with the statutory insurance scheme – as a solidarity model. In view of the demographic development, the ZVK has the problem that the current levies are not sufficient to finance the benefits in the long term. Therefore, a so-called "restructuring fee" is now being collected in addition to the levies. Furthermore, the ZVK's solidarity model envisages that personnel who leave are replaced by new levy payers. If the requirement for work performance declines, in addition to the demographic development, the number of employees for whom levies and restructuring charges are paid will fall. Because of this, the funding shortfall will grow continuously in the company pension plan. Therefore, it cannot be ruled out that the ZVK could charge further compensation amounts in order to cover the growing compensation funding shortfall. The parties to the collective agreements have now also addressed the problem and agreed on countermeasures in the current collective agreement for 2016 and 2017. From mid-2016, both the employer's contribution as well as the employee contribution will each be raised by 0.2 to 0.4 percentage points. The aim is to respond to the increasing financing requirement for the company pension plan.

In view of the high complexity of the issue and unclarified legal questions, a precise assessment of the potential financing impact (impact level) is not currently possible; the probability of occurrence is assessed as “possible”. However, if the risk was realized, its impact would be “very high”.

Risks of exeptional incidents

Operations in Frankfurt and other Group airports may be impaired by local events such as accidents, terrorist attacks, fires, or technical malfunctions, as well as events that influence the operation of national and international air traffic (such as natural disasters, extreme weather conditions, armed conflicts, and epidemics).

Fraport has taken a series of measures in order to minimize or counteract such negative effects. In order to protect the IT infrastructure and the critical operating systems from significant negative effects, Fraport and the other Group airports have developed plans for maintaining critical business and operating processes (business continuity and emergency teams), as well as the restoration of the IT services. Furthermore, a central crisis team is established in Frankfurt which carries out all of the necessary processes airport-wide in the event of emergencies. In order to verify the adequacy of these plans and measures to continuously improve them, malfunction scenarios are set up and exercises are carried out on a regular basis.

In addition to these preventative measures, Fraport AG’s insurance protection covers the risks that are usually insurable at airport companies. It particularly includes loss events that result from the loss of or damage to assets, including resulting business interruptions, as well as the statutory third-party liability of Fraport AG from all business capacities, legal situations, and activities in relation to the operation of Frankfurt Airport, as well as all additional risks that are conventional or necessary in the business or industry, as well as in the operation. Insurance protection regularly also covers the risks from terrorism regarding property and third-party liability. Fraport AG and the domestic Group companies, in which an interest of at least 50% is held, are covered against risks of environmental damage from potential accidents, for statutory and public-law claims.

Foreign Group companies generally cover the aforementioned risks using separate local insurance policies.

If one of the described risks were to occur, this could have a “very high” financial impact (impact level) – in spite of possible insurance protection – depending on the seriousness. This assessment takes account of far-reaching consequences for the Fraport business, for example, from natural disasters or terrorist attacks. As such unusual disruptions tend to be rare, Fraport assesses the probability of occurrence as “unlikely”.

IT risks

All of Fraport’s important business and operating processes require IT systems and IT components. A serious system failure or material loss of data could lead to serious business disruptions and security risks. In addition to this, attacks by viruses and hackers could lead to system failure and ultimately to the loss of business-critical and/or confidential data. All of the IT systems of critical importance to the company are configured redundantly and are optionally housed at separate sites. The possibility of residual risks resulting from the architecture and operation of the IT facilities cannot be completely ruled out due to their nature.

Due to the ongoing development of new technologies and the constantly increasing global threat of cyberattacks, there is an underlying risk potential for IT systems. Fraport takes account of this situation with active and preventative IT security management, which, equipped with modern security tools, particularly focuses on Fraport AG’s business-critical IT systems and their availability. The requirements for IT security are specified and compliance with these requirements is reviewed in the IT security policy and security guidelines that must be followed throughout the company. Furthermore, compliance with data protection regulations is ensured. In addition to this, residual risks from failures that occur, are, in as far as economically reasonable, additionally covered by the general property, terror, and business interruption insurance, and by specific IT insurance policies.

IT systems are highly important to all of Fraport’s business and operational processes. Despite the preventative and proactive measures introduced, the potential effects (impact level) of an IT failure lasting several hours are assessed as “high” in at least one scenario and the probability of occurrence as “unlikely”.

Opportunities report

The opportunity management system

The opportunity management system of the Fraport Group has the aim of identifying and evaluating opportunities at the earliest possible stage and initiating appropriate measures so that opportunities are taken and lead to commercial success. Opportunities should be assessed for existing business, as well as from new business fields.

The identification and recording of opportunities is undertaken by the operating units/segments and the supporting Group units throughout the year, within the context of the company's operational control and the annual revolving medium-term planning process. While the short-term result monitoring is aimed at opportunities that mainly relate to the current fiscal year, the medium-term planning process focuses on opportunities that are of strategic importance for the Group.

Within the context of the planning process, Fraport assesses market and competitive analyses, as well as environmental scenarios and deals with the orientation of the product and service portfolio, the cost drivers, and the critical success factors of the industry. Furthermore, Fraport monitors the identifiable trends at its competitors, customers – such as airlines, passengers, and tenants – as well as in businesses outside of the industry, which have an impact on air traffic in general and the operation of airports in particular. Fraport aims to further develop and expand the value-creating business fields that are already part of its operations. Furthermore, Fraport invests in business fields and business ideas in which the company can establish sufficient expertise in order to operate these to create value over the long term.

In addition to the opportunity management by the strategic business units and the Group's central units, Fraport also uses the expertise of the entire workforce. With a variety of instruments, Fraport aims to identify opportunities developed by employees. This includes traditional Group ideas management as well as the establishment of Smart Data and innovation labs, the implementation of innovation competitions as well as the continuous development of various knowledge exchange platforms.

In general, Fraport aims for a balanced relationship between opportunities and risks, where its aim is to increase the added value for customers and shareholders by analyzing and using new market potential and opportunities.

If it is likely that the opportunities will occur, they have been included in the 2017 forecast and respectively, in the medium-term plan. Therefore, the following section concentrates on future developments or events that may lead to a positive deviation from the outlook and medium-term plan for Fraport.

Unless specified otherwise, the opportunities described relate to all segments to varying extents (Aviation, Retail & Real Estate, Ground Handling, and External Activities & Services).

Fraport AG is the parent company of the Fraport Group and comprises all of the described segments. Therefore it is also – directly or indirectly – subject to the opportunities described.

Overall economic opportunities

The international financial crisis led to a considerable slowdown in demand for transport. Airlines, which were strongly impacted by this in some cases, reacted to the excess capacities and financial imbalance with consolidation measures, which led, inter alia, to a significant reduction of service supplies and lower volumes at the airports in general, as well as in Frankfurt.

Experience with the growth cycles has shown that temporary market turbulence can generally only interrupt the upward development of global air traffic for a period of time. The possibility of a degree of dragging out of the volume expectations cannot be ruled out; however, catch-up effects after times of crisis are conceivable. A close correlation between economic and air traffic growth continues to exist, so that upturn and recovery phases in the economy result in growth in air traffic. Once the consequences of the financial crisis have finally been overcome, this could be reflected in a strong upturn.

The global economy reported dynamic growth overall in 2016, however, growth was below the level recorded for 2015. For 2017, the economic research institutes expect higher growth compared to the level reported in 2016. The economic areas of the USA and Europe, which are particularly important for the hub operation in Frankfurt, will record moderate growth in 2017, while the USA is expected to be well above the level reported in 2016. It remains possible that the fiscal measures of low interest rates together with increasing confidence will take hold and lead to a rapid and strong upturn in Europe and the USA. While Great Britain's withdrawal from the EU will dampen economic growth in the next few years, the devalued British pound could stimulate tourism in England. A relocation of transfer traffic from Great Britain to Frankfurt is also conceivable if parts of Great Britain's traffic rights cease to apply. Growth in global trade was slightly weaker in 2016. Generally higher growth is expected in 2017, which could have a positive impact on the handled cargo volume. The high regional diversification of German exports means that the German economy is also resistant towards negative development in individual target markets, which makes air freight in Frankfurt robust.

The historically cheap crude oil prices in place since the fall of 2014 are relieving the pressure on the international and national economy, including the air traffic sector and households and are encouraging travel. A continuing weak Euro could make European goods cheaper internationally and thus create a positive stimulus for exports from which Frankfurt Airport as a handling location could particularly benefit. The economic conditions could – in conjunction with an improved financial situation of the established airlines – end the consolidation in the airline industry more quickly, stop route reductions, create new airline services, and exceed the expected traffic forecasts that still tend to be conservative.

IATA assumes global passenger growth of 5.1 % for 2017, based on revenue passenger kilometers (RPK), and a growth rate of 4.0 % for Europe. These growth rates bear witness to the dynamic development of the air traffic industry. In a long-term context, the annual growth of passenger kilometers globally is higher than economic growth, meaning that the chance of significant growth in traffic also exists for 2017. The business planning for 2017 also assumes between 2 % and 4 % growth in passenger numbers for Frankfurt, albeit below the global growth level as a consequence of weaker demand due to terrorism. On the offer side, growth momentum could arise from the new low-cost connections.

Largely independent of the current economic situation, the international integration of the globalized world economy continues to increase. There is no foreseeable change in the trend of purchasing, production, and sales being distributed across the entire globe. Only shifts in production sites are discernible. For example, China is starting a structural change away from the "workshop of the world" to a service-oriented economy. While protectionist topics were addressed during the US election campaign, possible negative effects on US foreign trade could even be over-compensated by higher American demand due to fiscally stimulated increase in demand.

Global air traffic in particular provides the key infrastructure required for continuing the internationalization of the global economy. This trend is supported by development in various developing and emerging countries with lasting, favorable growth potential. The rise in the standard of living in these countries is key to the disproportionately high growth of air traffic, not least because groundside transport infrastructure is often underdeveloped in these areas. Compared to Central Europe and North America, economic development in these countries was far less impacted by the financial and economic crisis. However, some emerging markets that depend on commodity exports recently exhibited dips in growth. The recession in Brazil appears to be gradually abating.

As an international airport operator that is represented in virtually all parts of the world, Fraport can take advantage of this regionally varied growth potential and balance out geopolitical risks through investments and management contracts. Also in future, Fraport will continue to expand selectively and on a success-orientated basis in international business. This can compensate certain signs of saturation in the demand for air traffic in western countries, which also affect the Frankfurt site.

Opportunities in corporate strategy

Political conditions

The discontinuation of regulatory measures that distort competition, such as the aviation tax and a competition-neutral approach, such as with the CO_2 regulation or emissions trading, can result in increased traffic.

Further development of the Group strategy

The new Group mission statement introduced at the end of 2015 reflects Fraport's intention to develop the Group from an infrastructure provider to Europe's premium service-oriented airport operator. The strategic objectives associated with the new mission statement take account of Fraport's aim for the sustainable development of existing growth potentials. Moreover, the new mission statement intends to promote a cultural shift amongst employees towards increased customer focus, cooperation and cost awareness. It opens up significant opportunities for the successful economic development of the Group in the coming years.

The implementation of the refined Group strategy results in the following key growth drivers for Fraport:

Growth in air traffic at the site

Through the completion of Runway Northwest, Fraport has managed to create sufficient airside capacities at the Frankfurt site in the last few years as the basis for dynamic passenger growth. Fraport also wants to ensure and continue to increase the appeal of the Frankfurt site for network carriers on the land side. As a result, the airport's infrastructure will continue to be adapted to customer requirements. A high-quality premium product, which enables convenient and rapid transfers, has already been established in areas A and B (West) for the German carrier Lufthansa and its Star Alliance partners. Fraport will develop this even further in close cooperation with the airlines in order to continue to meet the company's claim to be a leading hub airport in Europe.

Besides the traditional hub traffic, in particular, the point-to-point connections in the low-cost sector are displaying dynamic growth rates in European air traffic. Fraport is looking to increase its participation in this growth in the future in order to develop additional passenger potentials for the Frankfurt Airport. In some cases, the requirements of low-cost airlines in relation to the airport infrastructure and operating services differ significantly from the needs of full-service airlines. Fraport is therefore intensively focused on developing a demand-driven product offer for airlines in the low-cost segment and coordinating this with potential customers.

The construction work for the new Terminal 3 began with the official ground-breaking ceremony on October 5, 2015. With the new terminal, Fraport also has the potential to participate in the worldwide growth in air traffic in the medium and long term. The inauguration of the first construction phase with a capacity of up to 14 million passengers per year is planned for 2023.

Development of the retail business

Extending and modernizing the retail, food and beverage, and service areas in the terminals, in particular on the airside, continue to be central elements for increasing retail revenue. In the medium term, the focus is on implementing innovative shopping concepts in potential existing areas. The development is supported by culture-specific, sales-promoting measures and a more strongly individualized approach to customers, particularly passengers with especially high purchasing power. In view of this, Fraport is intensively analyzing the buying behavior of passengers. Fraport is also monitoring general trends in the retail sector in order to derive future new business opportunities for the company. The aim is to offer a tailored shopping and service offer to the customer along their entire travel chain, thus increasing customer satisfaction. At the same time, the opportunities available in an increasingly digitizing world are used, for example through developing innovative multichannel offers for the customer in addition to bricks-and-mortar retail.

Expansion of the Airport City

Around the world, hub airports are developing into airport cities. Fraport recognized this trend at an early stage and identified sites that are worth consideration for real estate development and marketing. For instance, Fraport is intensively developing and marketing attractive commercial space in direct proximity to Frankfurt Airport (such as the Mönchhof site or Gateway Gardens). Other projects are the Taubengrund commercial area and the expansion of CargoCity South to meet the high demand for additional logistics space at the Frankfurt site. Depending on the particular project, Fraport decides if and to what extent it will participate in the real estate development.

Growth outside the Frankfurt site

At the end of 2016, Fraport was represented at 14 airports worldwide. In addition to Frankfurt, five further international airports are operated or managed by Group companies in which Fraport AG holds an interest of at least 50 %. The Group rounds out its direct investment portfolio with four minority-owned airports. The take-over of the airport operations at 14 Greek regional airports by Fraport Greece is planned for around March 2017. The term of the concession for the operation of these airports amounts to 40 years.

In addition to this portfolio, Fraport holds all the shares in the US company Fraport USA Inc., which is in turn the sole owner of Airmall USA Holdings Inc. (Airmall). Airmall markets commercial areas within the scope of master concessions at Baltimore, Pittsburgh, Cleveland, and Boston airports in North America with an annual total volume of just over 70 million passengers. In 2017, Airmall will also be responsible for the retail area management in Terminal 5 JFK Airport, New York.

At the Hong Kong International Airport, Tradeport Hong Kong Ltd. manages a cutting-edge freight center. Fraport holds an 18.75 % share in this company.

A total of 30 airport sites will directly represent the Fraport know-how in 2017. The clear aim is to further increase the result from the external business in the next few years.

Opportunities in conjunction with organizational and process-related improvements

A continuous optimization of key business processes and constant cost control are of essential importance for ensuring stable profitability and capital returns. Fraport holds the view that the possibilities for further optimization of the cost structures within the Group are not yet fully utilized. The functions of corporate management include continuously investigating the organization to determine how it can be structured more effectively and efficiently. Case-by-case projects are initiated to use the identified optimization potential (such as the lean management initiative). Through this continuous process, it shall be possible to achieve additional earnings potential over and above the forecasts.

Opportunities for improving the processes not only result from within the Group, but also in cooperation with customers and suppliers. Therefore, Fraport also aims to review the processes at these intersections on a regular basis and leverage further potential, which will have a positive impact on the corporate result and the quality delivered.

Overall, Fraport regards the potential impact of the organizational and process-related improvements as being very significant for the Group's future development. Therefore, Fraport has focused specifically on setting additional impulses here during the past fiscal year. Here, specific challenges of an integrated business model in the Group, as well as the importance of the Group in terms of social and regional policy need also to be taken into account.

Financial opportunities

Favorable changes on the financial markets

Favorable exchange rate and interest developments can have a positive impact on the Group's financial result. Exchange rate effects from the conversion of results that are not denominated in € into the functional currency of the Group, the €, can have a positive impact on the Group's financial result. Overall, Fraport holds the view that advantageous changes on the financial markets could have a "material" impact and, in view of the volatility of the financial markets and the exchange rate developments, Fraport regards it as "possible" to profit from it.

Overall assessment of the opportunities and risks by the company management

Fraport consolidates and aggregates all of the risks and opportunities reported by the various company units and Group companies that are reported within the context of the quarterly risk analysis process. Furthermore, the Group's risks and opportunities are regularly discussed and assessed at Executive Board level and within the context of the regular planning process. They have not materially changed overall in comparison to the previous year. In the opinion of the Executive Board, the risks described before are not of a nature, individually or in their entirety, that might jeopardize the company as a going concern in consideration of their respective risks of occurrence and their financial impact, as well as in view of the stable balance sheet structure and anticipated business development. The Executive Board continues to be optimistic that the Group's financial strength forms a solid basis for future business development and provides the necessary resources to effectively pursue and utilize opportunities that present themselves to the Group.

Business Outlook

Information about reporting

The business outlook is based on the assumption that the domestic and international economy and air traffic will not be impaired by external shocks such as terrorist attacks, wars, epidemics, natural catastrophes, or renewed turbulences on the financial markets. Moreover, statements concerning the anticipated asset, financial, and earnings position reflect the accounting standards to be applied in the EU at the start of the 2017 fiscal year. No material effects on the asset, financial, and earnings position will result from amendments of the accounting standards.

Risks and opportunities that do not form part of the business outlook and may lead to significant negative or positive changes to the forecasted developments can be found in the chapter entitled "Risk and Opportunities Report" starting on page 75.

Forecasted situation of the Group for 2017

Development of structure

The planned operational take-over of the 14 Greek regional airports for around March 2017 will result in a new significant Group site ("Greece"). The site will have a material impact on the Group's asset, financial, and earnings position. The Executive Board does not expect any further changes to the Group structure in the fiscal year 2017 that will have a significant impact on the asset, financial, and earnings position.

Development of strategy

As described in the "Strategy" chapter on page 28, the new mission statement was transposed into a developed strategy. This will be rolled out in the individual segments and Group companies in 2017. The Executive Board does not anticipate any material effects on the structure of the Fraport Group or impacts on the future asset, financial, and earnings position from the change.

Development of control

Compared with the fiscal year 2016, the Executive Board does not expect any fundamental changes in 2017 in the financial and non-financial performance indicators that are used to control the Group and derived from the strategy. For the fiscal year 2017, for the first time a WACC specifically defined by the regulating bodies has been applied and used exclusively for calculating the airport charges. As a result, a WACC of 6.7 % (before taxes) has been defined. In addition, the Fraport assets not included in depreciation and amortization, in particular, assets under construction, will be fully recognized at full costs (previous year: at cost/2). The Executive Board does not expect any fundamental changes to the strategic focus of finance management in 2017.

Forecasted economic and industry-specific conditions for 2017

Development of the economic conditions

The global economic environment remains exposed to risks, but financial and economic institutes continue to forecast an expansion in the global economy for 2017. Following global economic growth of approximately 3.1 % in 2016, an increase of 2.7 % to 3.4 % is expected for the fiscal year 2017. Global trade will rise by up to 3.8 %, according to current forecasts. Growth in the economy and trade will provide generally positive momentum for passenger numbers. Experts are of the opinion that the expansive monetary policy pursued by central banks, which was extended into 2016, is slowly coming to an end. With regard to the € to US$ exchange rate, it is assumed that the slight depreciation trend will continue and that it may reach parity perspectively. The oil price has come off its lows and the agreement to restrict output within OPEC in November led to a slight price rise. However, this is limited, as fracking methods provide additional production capacities. Overall, the consistently low oil price leads to low costs for airlines, which keeps ticket prices down and is therefore a positive driver of passenger development.

In 2017, the US market, which is important for Frankfurt, is expected to record positive development (forecast GDP of about 2.3 %). While only moderate growth is anticipated in Japan the rises in emerging countries are again expected to significantly exceed those for industrial countries. Growth in China is likely to weaken slightly. As before, only a recovery and not a clear upturn is anticipated in the euro area, which will continue to be burdened with political uncertainty. After achieving growth of 1.9 % in 2016, economic growth of approximately 1.1 % to 1.5 % is forecast for fiscal year 2017. For Germany, many forecasts continue to expect growth below the level of the past year (2016: +1.9 %). Holiday shifts and the lack of a leap day mean that there will be fewer working days in 2017, which will have an impact on the development of GDP. The mainstay of the economy will be government and private consumption. However, there has been a slight improvement in the outlook for exports.

The following growth rates are expected for the countries with significant Group sites: Slovenia +1.8 %, Peru +4.1 %, Greece +2.8 %, Bulgaria +2.8 %, Turkey +3.0 %, Russia +1.1 %, and China +6.5 %.

Sources: OECD (February 2016), IMF (January 2017, October 2016), Deutsche Bank Research (January 2017), DekaBank (January 2017), German Federal Statistical Office (January 2017), ifo institute (December 2016).

Development of the legal environment

At the time the consolidated annual financial statements were prepared, the Executive Board saw no changes in the legal environment in the fiscal year 2017 that will have significant effects on the Fraport Group.

Development of the global aviation market

Based on the expected development of economic conditions, and taking into account the financial situation of the airlines, IATA anticipates global passenger growth of 5.1 % in 2017, based on revenue passenger kilometers (RPK). Regionally IATA anticipates the following growth rates (also based on RPK): Europe: 4.0 %, North America: 2.5 %, Asia-Pacific: 7.0 %, Latin America: 4.0 %, Middle East: 9.0 %, and Africa: 4.5 %. Globally, cargo is expected to grow by 3.3 %. With regard to global passenger numbers, ACI expects growth of 5.7 % in 2017.

On the basis of the German airports, the German Airports Association (ADV) forecasts solid passenger growth of 3.1 % despite international crises and strikes. ADV also expects an increase of 2.8 % in the area of cargo.

Source: IATA "Airline Industry Economic Performance" (December 2016), ACI (December 2016), ADV Forecast (December 2016).

Forecasted business development for 2017

Taking economic and industry-specific conditions into account, the currently hard to predict development of core tourist markets as a result of terrorist attacks, and continued uncertainties in connection with potential strikes, the Executive Board expects a growth rate of between 2 % and 4 % for passenger traffic at the **Frankfurt** site for the fiscal year 2017. A slight recovery in market demand has been observed since the start of the winter flight schedule. In addition, base effects due to the strikes in the fiscal year 2016 could have a positive impact on passenger development. The new incentive program for passenger growth in Frankfurt will also promote airline offers. While the slightly favorable economic environment will continue to have a positive impact on passenger business, uncertainties continue to result from political crises and airlines' short-term yield and capacity management. With regard to the handled **cargo tonnage**, in 2017, the Executive Board expects a moderate increase from 2016. The reason for this is the positive growth in both the global economy as well as in global trade. By contrast, the lack of a leap day will have a negative impact on passenger as well as cargo development.

Since the economic and political development of Russia remains hard to predict, and because of the political and terrorist incidents in Turkey in fiscal year 2016, the traffic prospects of the **St. Petersburg** and **Antalya** airports continue to face great uncertainty. Yet, the current assessment by the Executive Board for the **St. Petersburg** airport forecasts a slight recovery in passenger traffic. For the **Antalya** airport, a recovery in the low double-digit percentage range is expected compared to 2016. For 2017, it is expected that the lifting of sanctions by Russia and the resumption of charter traffic in Turkey, as well as slightly more positive demand from Western Europe may have a positive effect. The airports in **Varna** and **Burgas** will also develop positively, although at a lower growth rate than reported the previous year. The Executive Board expects growth in the single-digit percentage range for both Bulgarian airports in 2017. Based on the positive economic assumptions and tourist forecasts, significant growth in the high single-digit percentage range is expected at the **Lima** airport for the fiscal year 2017. The positive trend from last years will continue at the **Xi'an** site. Growth in the medium single-digit percentage range is expected for 2017. For the **Ljubljana** site, the Executive Board is forecasting a rise in traffic in the middle single-digit percentage range. For the **14 Greek regional airports**, the Executive Board expects a rise in passenger numbers of over 5 % in 2017.

Forecasted results of operations for 2017

The expected traffic growth at the Frankfurt site will have a positive impact on the Fraport Group's revenue development in 2017. The increase in airport charges in particular will have a revenue-increasing effect over and above the traffic development. In addition, the forecasted passenger growth will have a positive effect on revenue in the retail business. The key effects on revenue of around €200 million will be the planned take-over of the operation of the Greek airports for around March 2017. Moreover, the development of the Group companies Lima, Twin Star, Fraport USA Inc., and Ljubljana is expected to be positive. The financial development of the Group companies Lima and Fraport USA Inc. will additionally be influenced by exchange rate effects in connection with the translation of the revenue denominated in US$ into the Group currency. The Executive Board therefore expects **Group revenue** of up to about €2.9 billion. This takes account of higher capacitive capital expenditure in connection with the application of IFRIC 12 in the Group companies Greece and Lima of around €100 million.

The elimination of the one-off income in connection with the sale of shares in Thalita Trading Ltd. as well as the compensation payment from the Manila project will result in a significant reduction in other operating income in 2017.

Adjusted for the recognition of capacitive capital expenditure, the Executive Board is anticipating non-staff and personnel expenses to remain virtually unchanged in 2017. In personnel expenses, the provisions for the personnel restructuring program formed in the previous year will be eliminated and will start to take effect. The take-over of the operation of the Greek airports as well as the increasing tariffs at the Frankfurt site will have an offsetting effect. In non-staff costs, a rise in material costs is expected also due to the Greece site. In the Lima Group company, higher traffic-related concession payments are also expected. Other operating expenses are expected to fall. This is primarily due to the repayment obligations of the GKA from the Manila project resulting in a one-off increase in the other operating expenses in the fiscal year 2016.

Overall, the Executive Board expects **Group EBITDA** of between around €980 million and approximately €1,020 million for the fiscal year 2017. The fall compared to the previous year is primarily due to the elimination of the one-off income in connection with the sale of shares in Thalita Trading Ltd. as well as the compensation payment from the Manila project. Despite the unscheduled depreciation and amortization in the fiscal year 2016, the Executive Board expects slightly higher **depreciation and amortization** in the fiscal year 2017, primarily due to the capitalization of the concessions associated with the take-over of operations of the Greek airports. As a result, a **Group EBIT** of about €610 million to around €650 million is forecasted.

While conditions remain difficult to forecast, the Executive Board expects a noticeable deterioration in the **financial result**. This development is primarily due to the take-over of the operation of the Greek airports. The result takes account of interest expenses, primarily to finance the one-off concession payment, of up to €40 million. Moreover, non-cash interest expenses will arise from the compounding of the annual fixed concession fees, which will amount to about €40 million. The positive traffic development expected for the Antalya site will lead to a rise in the result from companies accounted for using the equity method. In this case, the Executive Board notes that uncertainties remain with regard to the traffic development and the underlying recovery.

The expected development of Group EBIT and the declining forecast for the financial result will lead to a **Group EBT** of between approximately €450 million and about €490 million. The Executive Board expects a **Group result** in the range between around €310 million and about €350 million.

The take-over of the operations of the Greek regional airports is planned for around March 2017 and taken into account in the aforementioned forecast figures. Depending on the date of the take-over, the forecast figures for Group EBITDA, EBIT and EBT and the Group result could be at the lower end of or slightly below the expected ranges.

Despite the elimination of the aforementioned one-off effects in 2016, a lower WACC before taxes compared to the previous year of 6.7% is expected in 2017 to result in **Group value added** at the same level as the previous year or slightly higher. The **ROFRA** will be slightly below the level reported in the previous year.

In view of the long-term positive outlook for earnings, the Executive Board intends to hold the **dividend** per share stable at €1.50 for the fiscal year 2017.

Forecasted segment development for 2017

The assumed passenger growth at the Frankfurt site will have a positive impact on the **Aviation** segment's revenue development in 2017. The increase in airport charges in particular will have a revenue-increasing effect over and above the traffic development. In consideration of the incentive program, the Executive Board therefore expects growth in revenue of over 2% in the Aviation segment.

On the expense side, the Executive Board forecasts a decrease. The reason for this will, among other things, be the absence of base effects in connection with the creation of provisions in the fiscal year 2016. This will lead to a segment EBITDA noticeably above the level reported in 2016. The segment EBIT will be well above the previous year's level, with declining depreciation and amortization due to the elimination of the full unscheduled depreciation and amortization of the goodwill of the FraSec GmbH Group company. The value added of the segment will also benefit from the noticeable improvement of the segment EBIT, but remain in negative territory.

The **Retail & Real Estate** segment will also benefit from the positive passenger outlook at the Frankfurt site in 2017, which will primarily impact revenue in the Retail division. While rental incomes will rise, the Executive Board forecasts the revenue from sales of land to be lower than the previous year. Overall, the Executive Board expects a slight increase in revenue. Due to the lower other income as well as a fall in personnel expenses, segment EBITDA and EBIT are forecast to be slightly above the previous year's value. Beyond the planned development of revenue, currency rate effects can have both positive and negative effects on the purchasing power of passengers. The lower WACC will lead to an improvement in the segment value added in 2017 in the middle double-digit million € range.

The assumed growth in traffic will lead to a slight rise in revenue in the **Ground Handling** segment in 2017. In connection with the positive underlying operating development and, in particular, the lower personnel expenses as a result of the provision formed for the staff restructuring program in 2016, the Executive Board expects a segment EBITDA well above the previous year. Assuming constant depreciation and amortization, the Executive Board expects segment EBIT to rise noticeably. Correspondingly, the segment value added will be above the value for 2016, but remain in negative territory.

In connection with the expected positive business development of the Group companies Lima, Twin Star, Fraport USA Inc. and Ljubljana as well as the take-over of the operations of the Greek airports, which will amount to around €200 million, the Executive Board expects revenue of up to about €800 million in the **External Activities & Services** segment in 2017. This also takes account of higher capacitive capital expenditure in connection with the application of IFRIC 12 in the Group companies Greece and Lima of around €100 million. The financial development of the Group companies Lima and Fraport USA Inc. will additionally be influenced by exchange rate effects in connection with the translation of the revenue denominated in US$ into the Group currency. Due to the lower other income, which was primarily the result of the sale of shares in Thalita Trading Ltd. as well as the compensation payment in connection with the Manila project in the fiscal year 2016, the Executive Board expects a fall in segment EBITDA to around €330 million and segment EBIT to around €210 million. The EBITDA and EBIT contribution by the Group company Greece is estimated to amount to about €100 million and around €60 million respectively. The significantly lower segment EBIT compared to the previous year as a result of the aforementioned one-off effects will lead to a significant reduction in the segment value added, although this will remain in positive territory.

Forecasted asset and financial position for 2017

In 2017, the Executive Board expects **capital expenditure** in property, plant, and equipment at the Frankfurt site to remain at or slightly above the level reported the previous year. The reason for the possible increase will particularly be the progressing construction activity on Terminal 3 in Frankfurt. The Executive Board forecasts capital expenditure in airport operating projects in 2017 to be well above the level of the fiscal year 2016. This relates to the Greece and Lima sites. The Executive Board expects **operating cash flow** to be noticeably the previous year. The reasons for this are the higher operating contributions from Frankfurt and Greece as well as the lower payments for taxes on income. The Executive Board forecasts **free cash flow** to remain at or slightly below the level reported in the previous year.

Net financial debt as well as the **gearing ratio** will rise significantly due to the one-off payment in connection with the take-over of the 14 Greek regional airports. The Executive Board estimates the rise in net financial debt as a result of the transaction up to €1.1 billion. This will be counteracted by the aforementioned positive free cash flow so that the Executive Board expects an increase in net financial debt of about €900 million in the current fiscal year. The scheduled repayment of loans, the dividend distribution as well as the financing of the one-off payment in connection with Greece will also lead to a significant fall in the **Group's liquidity** in the fiscal year 2017. This does not take account of a rise in liquidity from possible refinancing measures. The **Group shareholders' equity** on the 2017 balance sheet date is expected to be about 10% higher than the value reported at the end of fiscal year 2016. The **shareholders' equity ratio** is forecast to be slightly below the level reported on the 2016 balance sheet date due to the significant rise in total assets in connection with the take-over of the 14 Greek regional airports, depending on possible refinancing measures.

Forecasted non-financial performance indicators for 2017

In the area of **customer satisfaction** and **product quality**, the Executive Board continues to expect global passenger satisfaction of at least 80% at the Frankfurt site as well as continued high customer satisfaction figures at the Group sites with a Fraport share of at least 50%. The Executive Board expects the punctuality rate to remain at approximately the same high level, and for baggage connectivity to continue to be better than 98.5%. The Executive Board continues to expect a value significantly above 90% for the equipment availability rate.

In the field of **appeal as an employer** – despite continuing uncertain economic conditions – the Executive Board is aiming for employee satisfaction to remain at a level of better than 3.0 in 2017. In addition, the Executive Board expects confirmation of the rate per 1,000 employees at the low level of the fiscal year 2016.

Frankfurt/Main, February 28, 2017

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte	Giesen
Müller	Dr. Zieschang

Where the statements made in this document relate to the future rather than the past, they are based on a number of assumptions about future events and are subject to a number of uncertainties and other factors, many of which are beyond the control of Fraport AG Frankfurt Airport Services Worldwide and which could have the effect that the actual results will differ materially from these statements. These factors include, but are not limited to, the competitive environment in deregulated markets, regulatory changes, the success of business operations, and a substantial deterioration in basic economic conditions in the markets in which Fraport AG Frankfurt Airport Services Worldwide and its Group companies operate. Readers are cautioned not to rely to an inappropriately large extent on statements made about the future.

Consolidated Financial Statements for the 2016 Fiscal Year

Consolidated Income Statement

€ million	Notes	2016	2015
Revenue	(5)	**2,586.2**	**2,598.9**
Change in work-in-process	(6)	0.4	0.5
Other internal work capitalized	(7)	34.9	29.9
Other operating income	(8)	332.9	49.8
Total revenue		**2,954.4**	**2,679.1**
Cost of materials	(9)	–621.9	–610.4
Personnel expenses	(10)	–1,066.7	–1,026.7
Depreciation and amortization	(11)	–360.4	–328.3
Other operating expenses	(12)	–211.7	–193.2
Operating result		**693.7**	**520.5**
Interest income	(13)	32.0	30.6
Interest expenses	(13)	–138.9	–156.2
Result from companies accounted for using the equity method	(14)	–4.6	37.6
Other financial result	(15)	–0.8	1.3
Financial result		**–112.3**	**–86.7**
Result from ordinary operations		**581.4**	**433.8**
Taxes on income	(16)	–181.1	–136.8
Group result		**400.3**	**297.0**
thereof profit attributable to non-controlling interests		24.9	20.5
thereof profit attributable to shareholders of Fraport AG		375.4	276.5
Earnings per €10 share in €	(17)		
basic		4.07	3.00
diluted		4.06	2.99
EBIT (= operating result)		**693.7**	**520.5**
EBITDA (= EBIT + depreciation and amortization)		**1,054.1**	**848.8**

Table 36

Consolidated Statement of Comprehensive Income

€ million	2016	2015
Group result	**400.3**	**297.0**
Remeasurements of defined benefit pension plans	–1.9	2.9
(Deferred taxes related to those items	0.6	–0.4)
Expenses of companies accounted for using the equity method	0.4	0.0
(Deferred taxes related to those items	–0.1	0.0)
Items that will not be reclassified subsequently to profit or loss	**–1.0**	**2.5**
Fair value changes of derivatives		
Changes directly recognized in equity	–4.3	–5.3
realized gains (+)/losses (–)	–31.4	–37.6
	27.1	**32.3**
(Deferred taxes related to those items	–8.4	–10.0)
Fair value changes of financial assets available for sale		
Changes recognized directly in equity	13.4	9.0
realized gains (+)/losses (–)	0.4	0.0
	13.0	**9.0**
(Deferred taxes related to those items	0.1	2.1)
Currency translation of foreign subsidiaries		
Changes recognized directly in equity	7.0	18.1
realized gains (+)/losses (–)	0.0	0.5
	7.0	**17.6**
Income and expenses from companies accounted for using the equity method directly recognized in equity		
Changes recognized directly in equity	1.9	12.1
realized gains (+)/losses (–)	–12.9	0.0
	14.8	**12.1**
(Deferred taxes related to those items	–1.0	–1.2)
Items that will be reclassified subsequently to profit or loss	**52.6**	**61.9**
Other result after deferred taxes	**51.6**	**64.4**
Comprehensive income	**451.9**	**361.4**
thereof attributable to non-controlling interests	26.8	23.2
thereof attributable to shareholders of Fraport AG	425.1	338.2

Table 37

Consolidated Statement of Financial Position as at December 31, 2016

Assets

€ million	Notes	December 31, 2016	December 31, 2015
Non-current assets			
Goodwill	(18)	19.3	41.7
Investments in airport operating projects	(19)	516.1	500.9
Other intangible assets	(20)	146.7	161.2
Property, plant, and equipment	(21)	5,954.2	6,045.4
Investment property	(22)	79.6	74.5
Investments in companies accounted for using the equity method	(23)	209.7	237.6
Other financial assets	(24)	561.7	659.2
Other receivables and financial assets	(25)	173.3	167.0
Income tax receivables	(26)	0.2	5.4
Deferred tax assets	(27)	36.9	33.4
		7,697.7	**7,926.3**
Current assets			
Inventories	(28)	37.9	42.8
Trade accounts receivable	(29)	129.6	154.0
Other receivables and financial assets	(25)	259.7	310.8
Income tax receivables	(26)	11.9	7.4
Cash and cash equivalents	(30)	736.0	406.0
		1,175.1	**921.0**
Total		**8,872.8**	**8,847.3**

Liabilities and equity

€ million	Notes	December 31, 2016	December 31, 2015
Shareholders' equity			
Issued capital	(31)	923.6	923.1
Capital reserve	(31)	596.3	594.3
Revenue reserves	(31)	2,220.4	1,919.9
Equity attributable to shareholders of Fraport AG	(31)	3,740.3	3,437.3
Non-controlling interests	(32)	101.1	74.4
		3,841.4	**3,511.7**
Non-current liabilities			
Financial liabilities	(33)	3,236.9	3,273.8
Trade accounts payable	(34)	41.8	42.5
Other liabilities	(35)	408.0	447.7
Deferred tax liabilities	(36)	173.6	172.2
Provisions for pensions and similar obligations	(37)	33.2	30.7
Provisions for income taxes	(38)	71.8	62.1
Other provisions	(39)	147.2	201.6
		4,112.5	**4,230.6**
Current liabilities			
Financial liabilities	(33)	366.5	543.6
Trade accounts payable	(34)	146.7	143.1
Other liabilities	(35)	145.7	129.4
Provisions for income taxes	(38)	42.9	56.0
Other provisions	(39)	217.1	232.9
		918.9	**1,105.0**
Total		**8,872.8**	**8,847.3**

Table 38

Consolidated Statement of Cash Flows

€ million	Notes	2016	2015
Profit attributable to shareholders of Fraport AG		**375.4**	**276.5**
Profit attributable to non-controlling interests		24.9	20.5
Adjustments for			
taxes on income (not including Manila)	(16)	112.9	136.8
Depreciation and amortization	(11)	360.4	328.3
Interest result	(13)	106.9	125.6
Gains/losses from disposals of non-current assets		–31.4	–2.8
Others		–8.9	5.8
Earnings effect of the Manila project	(1)		
Compensation payment		–241.2	
Refund GKA		34.1	
Refund GKA (change to provisions)		8.3	
Reclassified currency differences		9.2	
Taxes on income		68.2	
		–121.4	
Changes in the measurement of companies accounted for using the equity method	(14)	4.6	–37.6
Changes in inventories	(28)	4.9	0.9
Changes in receivables and financial assets	(25), (29)	12.6	12.3
Changes in liabilities	(34–35)	–10.0	–15.3
Changes in provisions	(36–39)	–21.0	–6.3
Operating activities		**809.9**	**844.7**
Financial activities			
Interest paid		–113.8	–131.3
Interest received		10.9	16.0
Paid taxes on income (not including Manila)		–123.8	–77.2
Cash flow from operating activities	**(42)**	**583.2**	**652.2**
Investments in airport operating projects	(19)	–32.2	–16.1
Capital expenditure for other intangible assets	(20)	–6.2	–15.7
Capital expenditure for property, plant, and equipment	(21)	–266.9	–247.1
Capital expenditure for “Investment property”	(22)	–0.7	–10.2
Capital expenditure in companies accounted for using the equity method		0.0	–2.0
Sale of consolidated subsidiaries		0.0	9.7
Sale of shares in companies accounted for using the equity method	(2)	40.1	0.0
Dividends from companies accounted for using the equity method	(23)	24.5	32.5
Revenue from disposals and repayments of loans to investments		57.1	0.0
Proceeds from disposal of non-current assets		4.3	4.6
Payments for the Manila project	(1)		
Compensation payment		241.2	
Refund GKA		–34.1	
Taxes on income		–68.2	
		138.9	
Cash flow used in investing activities excluding investments in cash deposits and securities		**– 41.1**	**–244.3**
Financial investments in securities and promissory note loans	(24)	–129.8	–312.8
Proceeds from disposal of securities and promissory note loans		260.6	441.4
Decrease in time deposits with a term of more than three months	(30)	–111.9	58.0
Cash flow used in investing activities	**(42)**	**–22.2**	**–57.7**
Dividends paid to shareholders of Fraport AG	(31)	–124.6	–124.6
Dividends paid to non-controlling interests		–5.7	–8.9
Capital increase	(31)	2.5	2.4
Capital contributions for non-controlling interests		5.6	0.0
Acquisition of non-controlling interests		0.0	–4.2
Cash inflow from long-term financial liabilities	(33)	295.0	125.0
Repayment of non-current financial liabilities		–513.7	–561.1
Changes in current financial liabilities		–6.7	29.6
Cash flow used in financing activities	**(42)**	**–347.6**	**–541.8**
Change in cash and cash equivalents		**213.4**	**52.7**
Cash and cash equivalents as at January 1		230.7	167.8
Foreign currency translation effects on cash and cash equivalents		4.7	10.2
Cash and cash equivalents as at December 31	**(30), (42)**	**448.8**	**230.7**

Table 39

Consolidated Statement of Changes in Equity

€ million	Notes	Issued capital	Capital reserve
As at January 1, 2016		**923.1**	**594.3**
Foreign currency translation effects		–	–
Income and expenses from companies accounted for using the equity method directly recognized in equity		–	–
Remeasurement of defined benefit plans		–	–
Fair value changes of financial assets available for sale		–	–
Fair value changes of derivatives		–	–
Other result		**0.0**	**0.0**
Issue of shares for employee investment plan		0.5	2.0
Distributions		–	–
Group result		–	–
Capital contributions to the Airports of Greece companies		–	–
As at December 31, 2016	(31), (32)	**923.6**	**596.3**
As at January 1, 2015		**922.7**	**592.3**
Foreign currency translation effects		–	–
Income and expenses from companies accounted for using the equity method directly recognized in equity		–	–
Remeasurement of defined benefit plans		–	–
Fair value changes of financial assets available for sale		–	–
Fair value changes of derivatives		–	–
Other result		**0.0**	**0.0**
Issue of shares for employee investment plan		0.4	2.0
Distributions		–	–
Group result		–	–
Transactions with non-controlling interests		–	–
Consolidation activities/other changes		–	–
As at December 31, 2015	(31), (32)	**923.1**	**594.3**

Revenue reserves	Foreign currency reserve	Financial instruments	Revenue reserves (total)	Equity attributable to shareholders of Fraport AG	Non-controlling interests	Shareholders' equity (total)
1,886.4	**47.7**	**–14.2**	**1,919.9**	**3,437.3**	**74.4**	**3,511.7**
–	5.1	–	5.1	5.1	1.9	**7.0**
0.3	6.1	7.7	14.1	14.1	–	**14.1**
–1.3	–	–	–1.3	–1.3	–	**–1.3**
–	–	13.1	13.1	13.1	–	**13.1**
–		18.7	18.7	18.7	–	**18.7**
–1.0	**11.2**	**39.5**	**49.7**	**49.7**	**1.9**	**51.6**
–	–	–	–	2.5	–	**2.5**
–124.6	–	–	–124.6	–124.6	–5.7	**–130.3**
375.4	–	–	375.4	375.4	24.9	**400.3**
–	–	–	–	–	5.6	**5.6**
2,136.2	**58.9**	**25.3**	**2,220.4**	**3,740.3**	**101.1**	**3,841.4**
1,731.8	**26.6**	**–52.3**	**1,706.1**	**3,221.1**	**64.9**	**3,286.0**
–	14.9	–	14.9	14.9	2.7	**17.6**
	6.2	4.7	10.9	10.9	–	**10.9**
2.5	–	–	2.5	2.5	–	**2.5**
–	–	11.1	11.1	11.1	–	**11.1**
–		22.3	22.3	22.3	–	**22.3**
2.5	**21.1**	**38.1**	**61.7**	**61.7**	**2.7**	**64.4**
–	–	–	–	2.4	–	**2.4**
–124.6	–	–	–124.6	–124.6	–8.9	**–133.5**
276.5	–	–	276.5	276.5	20.5	**297.0**
–	–	–	–	–	–4.7	**–4.7**
0.2	–	–	0.2	0.2	–0.1	**0.1**
1,886.4	**47.7**	**–14.2**	**1,919.9**	**3,437.3**	**74.4**	**3,511.7**

Table 40

Consolidated Statement of Changes in Non-current Assets

(Note 18 to 22)

€ million	Goodwill	Investments in airport operating projects	Other intangible assets
Acquisition/production costs			
As at January 1, 2016	**132.3**	**715.4**	**261.4**
Foreign currency translation effects		15.0	1.3
Additions		32.2	6.2
Disposals			–3.8
Reclassifications			3.6
As at December 31, 2016	**132.3**	**762.6**	**268.7**
Accumulated depreciation and amortization			
As at January 1, 2016	**90.6**	**214.5**	**100.2**
Foreign currency translation effects		6.1	0.7
Additions		25.9	17.5
Impairment losses	**22.4**		7.4
Disposals			–3.8
Reclassifications			
As at December 31, 2016	**113.0**	**246.5**	**122.0**
Residual carrying amounts			
As at December 31, 2016	**19.3**	**516.1**	**146.7**
Acquisition/production costs			
As at January 1, 2015	**138.3**	**651.2**	**243.2**
Foreign currency translation effects		47.8	4.6
Additions		16.1	15.7
Disposals		0.3	–0.2
Reclassifications			3.9
Changes in the scope of consolidation	**–6.0**		–5.8
As at December 31, 2015	**132.3**	**715.4**	**261.4**
Accumulated depreciation and amortization			
As at January 1, 2015	**96.6**	**172.0**	**86.1**
Foreign currency translation effects		16.4	0.2
Additions		25.8	16.9
Impairment losses			
Disposals		0.3	–0.2
Reclassifications			
Changes in the scope of consolidation	**–6.0**		–2.8
As at December 31, 2015	**90.6**	**214.5**	**100.2**
Residual carrying amounts			
As at December 31, 2015	**41.7**	**500.9**	**161.2**

Land, land rights, and buildings, including buildings on leased lands	Technical equipment and machinery	Other equipment, operating, and office equipment	Construction in progress	Property, plant, and equipment (total)	Investment property
6,039.0	3,175.9	425.6	638.5	10,279.0	82.3
		1.1		1.1	
52.0	32.7	39.9	142.3	266.9	0.7
−7.0	−52.2	−19.0	−7.9	−86.1	−0.1
45.3	−40.9	5.7	−72.8	−62.7	5.7
6,129.3	3,115.5	453.3	700.1	10,398.2	88.6
2,469.9	1,499.0	263.6	1.1	4,233.6	7.8
		0.2		0.2	
151.6	98.0	36.4		286.0	1.2
				0.0	
−5.6	−49.7	−18.3		−73.6	
−2.4	0.2			−2.2	
2,613.5	1,547.5	281.9	1.1	4,444.0	9.0
3,515.8	1,568.0	171.4	699.0	5,954.2	79.6
6,014.1	3,175.6	408.5	567.2	10,165.4	69.7
		3.9		3.9	
38.9	32.8	31.1	132.5	235.3	8.4
−26.9	−35.1	−17.9	−8.6	−88.5	−0.2
26.7	15.4	2.0	−52.4	−8.3	4.4
−13.8	−12.8	−2.0	−0.2	−28.8	
6,039.0	3,175.9	425.6	638.5	10,279.0	82.3
2,347.8	1,439.7	249.1	1.1	4,037.7	6.7
		1.1		1.1	
151.2	99.2	32.0		282.4	1.1
1.1	1.0			2.1	
−25.4	−29.1	−17.3		−71.8	
				0.0	
−4.8	−11.8	−1.3		−17.9	
2,469.9	1,499.0	263.6	1.1	4,233.6	7.8
3,569.1	1,676.9	162.0	637.4	6,045.4	74.5

Table 41

Segment Reporting

(Note 41)

€ million		Aviation	Retail & Real Estate	Ground Handling	External Activities & Services	Reconciliation	Group
Revenue	2016	910.2	493.9	630.4	551.7		**2,586.2**
	2015	927.3	488.2	673.1	510.3		**2,598.9**
Other income	2016	28.7	24.9	12.5	302.1		**368.2**
	2015	32.8	16.7	12.0	18.7		**80.2**
Income with third parties	**2016**	**938.9**	**518.8**	**642.9**	**853.8**	**–**	**2,954.4**
	2015	**960.1**	**504.9**	**685.1**	**529.0**	**–**	**2,679.1**
Inter-segment income	2016	85.6	218.5	46.8	381.0	–731.9	–
	2015	80.4	236.7	46.1	367.0	–730.2	–
Total income	**2016**	**1,024.5**	**737.3**	**689.7**	**1,234.8**	**–731.9**	**2,954.4**
	2015	**1,040.5**	**741.6**	**731.2**	**896.0**	**–730.2**	**2,679.1**
Segment result EBIT	**2016**	**70.4**	**283.6**	**–5.5**	**345.2**	**0.0**	**693.7**
	2015	**116.3**	**295.1**	**6.0**	**103.1**	**0.0**	**520.5**
Depreciation and amortization of segment assets	2016	147.5	84.4	40.2	88.3	–	**360.4**
	2015	121.2	83.7	40.4	83.0	–	**328.3**
EBITDA	**2016**	**217.9**	**368.0**	**34.7**	**433.5**	**–**	**1,054.1**
	2015	**237.5**	**378.8**	**46.4**	**186.1**	**–**	**848.8**
Share of result from companies accounted for using the equity method	2016	0.0	–0.4	1.1	–5.3	–	**–4.6**
	2015	0.0	–0.3	0.7	37.2	–	**37.6**
Income from investments	2016	0.0	0.0	0.0	0.0	–	**0.0**
	2015	0.0	0.0	0.1	0.0	–	**0.1**
Carrying amounts of segment assets	December 31, 2016	3,807.5	2,412.8	618.7	1,984.8	49.0	**8,872.8**
	December 31, 2015	3,853.8	2,414.8	620.4	1,912.1	46.2	**8,847.3**
Segment liabilities	December 31, 2016	2,405.9	1,378.0	354.8	604.4	288.3	**5,031.4**
	December 31, 2015	2,575.7	1,478.4	370.9	620.3	290.3	**5,335.6**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, goodwill, intangible assets, and investment property	2016	126.5	62.4	36.9	80.2	–	**306.0**
	2015	88.5	63.7	39.5	83.8	–	**275.5**
Other considerable non-cash effective expenses	2016	93.4	53.2	15.3	8.9	–	**170.8**
	2015	68.1	43.9	13.2	6.4	–	**131.6**
Investments in companies accounted for using the equity method	December 31, 2016	0.0	3.4	17.7	188.6	–	**209.7**
	December 31, 2015	0.0	3.7	17.4	216.5	–	**237.6**

Table 42

Geographical information

€ million		Germany	Rest of Europe	Asia	Rest of World	Reconciliation	Group
Revenue	2016	2,084.0	108.7	21.9	371.6		**2,586.2**
	2015	2,131.3	98.5	18.5	350.6		**2,598.9**
Other income	2016	111.2	8.8	247.4	0.8		**368.2**
	2015	68.9	0.9	0.9	9.5		**80.2**
Income with third parties	**2016**	**2,195.2**	**117.5**	**269.3**	**372.4**	–	**2,954.4**
	2015	**2,200.2**	**99.4**	**19.4**	**360.1**	–	**2,679.1**
Carrying amounts of segment assets	December 31, 2016	7,065.8	879.6	309.8	568.6	49.0	**8,872.8**
	December 31, 2015	7,144.7	821.4	319.1	515.9	46.2	**8,847.3**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, intangible assets, and investment property	2016	259.1	25.2	0.0	21.7	–	**306.0**
	2015	250.1	10.0	0.0	15.4	–	**275.5**

Table 43

Group Notes for the 2016 Fiscal Year

Notes to the Consolidation and Accounting Policies

1 Basis for the Preparation of the Consolidated Financial Statements

Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (hereinafter: Fraport AG), is a global airport operator and its main business focus is the operation of Frankfurt Main airport, one of Europe's most important air transport hubs. Fraport AG is headquartered at Frankfurt Airport. Fraport AG is registered in the Frankfurt am Main District Court, Department B, under number 7042.

Fraport AG has prepared its consolidated financial statements as at December 31, 2016 in accordance with the standards issued by the International Accounting Standards Board (IASB).

We have applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements and the interpretations about them issued by the International Financial Reporting Committee (IFRS, IC) as adopted in the European Union (EU), in force on the balance sheet date, completely and without any restriction in accounting, measurement, and disclosure in the 2016 consolidated financial statements. Pursuant to Section 315a (1) of the German Commercial Code (HGB), these notes to the financial statements contain the supplementary disclosures according to Sections 313, 314 HGB.

As a capital market-oriented parent company of the Fraport Group, Fraport AG must prepare its consolidated financial statements in accordance with IFRS, pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the Council dated July 19, 2002 (new version dated April 9, 2008) on the application of international accounting standards.

The consolidated income statement is prepared according to the nature of expenditure method.

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

The business activities and the organization of the Fraport Group are presented in the management report.

The consolidated financial statements of Fraport AG for the 2016 fiscal year were approved for publication by the Executive Board on February 28, 2017. The Supervisory Board approve the consolidated financial statements in its meeting on March 15, 2017.

Effect of results in connection with compensation payments for the terminal project at Manila Airport

In connection with the terminal project at Manila Airport and the associated depreciation and amortization, and allowances on shares accounted for using the equity method, loans, and, in particular, other receivables of €413.4 million recognized in the years 2000 to 2002, in October 2016, Fraport AG received a compensation payment of US$268.7 million (€241.2 million at time of payment) from the PIATCO project company. The payment is the result of an agreement between Fraport AG and PIATCO's Philippine shareholders and project partners of October 11, 2016, according to which Fraport and the other parties will waive any further outstanding claims against each other from the project. This waiver also applies in relation to the respective committee members, officers, and employees of the parties and includes Fraport's waiver of the shares in the Philippine investments.

The compensation payment was reported in other operating income. The expense from the original repayment obligation in connection with the compensation payment for a payment in connection with a federal guarantee for investments abroad (GKA) of €42.4 million, received in 2008, was reported in other operating expenses accordingly. Effects of the foreign currency valuation of the Philippine companies, which were reported in foreign currency reserves in previous years, were classified as “other investments” as a result of the disposal, and shares which have been fully written off since 2002 are reported as realized foreign exchange losses in the financial result.

The effects of the compensation payment on the consolidated financial statements are illustrated in the following overview:

Impact of the compensation payment from the Manila project

In € million	Consolidated financial statements	thereof Manila effect	Consolidated financial statements without Manila effect
Other operating income	332.9	241.2	91.7
Other operating expenses	–211.7	–42.4	–169.3
EBITDA	1,054.1	198.8	855.3
EBIT/Operating result	693.7	198.8	494.9
Other financial result	–0.8	–9.2	8.4
EBT/Result from ordinary operations	581.4	189.6	391.8
Taxes on income	–181.1	–68.2	–112.9
Group result	400.3	121.4	278.9

Table 44

The incoming and outgoing payments in connection with the compensation (including directly attributable income tax payments) were assigned to cash flow used in investing activities due to the original investments in the terminal operator project.

2 Companies included in the Consolidation and Balance Sheet Date

Companies included in the Consolidation and Balance Sheet Date

Fraport AG and all subsidiaries are included in the consolidated financial statements in full. Joint ventures and associated companies are accounted for in the consolidated financial statements using the equity method.

Companies controlled by Fraport AG are considered to be subsidiaries. A company is controlled by Fraport AG if Fraport AG holds decision-making power on the basis of voting or other rights allowing it to determine the significant activities of the affiliated company, participates in positive or negative variable returns from the affiliated company, and is able to affect these returns through its decision-making power.

Inclusion in the consolidated financial statements commences on the date when control is obtained.

A joint arrangement applies if the Fraport Group makes joint decisions on operations on the basis of a contractual agreement with third parties. Joint management is exercised if decisions on significant activities require the unanimous agreement of all parties. A joint arrangement is either a joint operation or a joint venture. For all joint arrangements in the Fraport Group, the partners have a share in the net assets of a jointly managed, legally independent company; these are therefore joint ventures.

Associated companies are Fraport investments in which Fraport AG is able to exercise major influence on financial and business policies.

The annual financial statements of the companies included in the consolidated financial statements are prepared on the basis of shared accounting and valuation principles.

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

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements changed as follows during the 2016 fiscal year:

Companies included in consolidation

	Germany	Other countries	Total
Fraport AG	**1**	**0**	**1**
Fully consolidated subsidiaries			
December 31, 2015	**24**	**24**	**48**
Additions	2	2	**4**
Disposals	0	–2	**–2**
December 31, 2016	**26**	**24**	**50**
Companies accounted for using the equity method			
Joint ventures			
December 31, 2015	6	5	**11**
Additions	2	0	**2**
Disposals	0	–1	**–1**
December 31, 2016	**8**	**4**	**12**
Associated companies			
December 31, 2015	4	3	**7**
Additions	0	0	**0**
Disposals	0	0	**0**
December 31, 2016	**4**	**3**	**7**
Companies consolidated including companies accounted for using the equity method on December 31, 2015	35	32	**67**
Companies consolidated including companies accounted for using the equity method on December 31, 2016	**39**	**31**	**70**

Table 45

Additions to the fully consolidated subsidiaries related to the companies Fraport Ausbau Süd GmbH, Frankfurt am Main, Fraport Malta Investment Ltd., St. Julians/Malta, Fraport Bulgaria EAD, Sofia/Bulgaria, and Flughafen Parken GmbH, Frankfurt am Main, as well as, for the joint ventures, M-Port Verwaltungs GmbH, Neu Isenburg, and M-Port GmbH & Co. KG, Neu Isenburg.

Fraport Ausbau Süd GmbH was founded as a subsidiary of Fraport AG on August 4, 2016 with the objective of the organizational bundling of functions and activities as part of the project management in order to implement the expansion, in particular, of the Terminal 3 construction project, independently, quickly and successfully. The company will commence operations in 2017.

Fraport Malta Investment Ltd. was founded on October 31, 2016 as a wholly owned subsidiary of Fraport AG for the purpose of preparing the bids for future tenders and acquisitions of other investments and concessions. To participate in the tender for the concession at Sofia Airport, on December 23, 2016, Fraport Malta Investment acquired all shares in the company previously founded under Bulgarian law, Fraport Bulgaria EAD, Sofia/Bulgaria.

Flughafen Parken GmbH was founded on December 21, 2016. In future, the new company will, in particular, sell and market parking spaces to airports via an online platform. Fraport AG initially took over 100% (€25.0 thousand) of the capital shares. Other participating airports can invest in the company.

For the purpose of further project development on the Mönchhof site, on July 21, 2016, two additional Fraport Real Estate Mönchhof GmbH & Co. KG joint ventures were founded, each with a capital share of 50%, M-Port Verwaltungs GmbH and M-Port GmbH & Co. KG.

In the fiscal year, the inactive companies Fraport Frankfurt Airport Services Worldwide (Greece) Monoprosopi EPE, Athens/Greece (wholly owned subsidiary of Fraport AG), AIRWAYMALL Inc., Wilmington/USA (wholly owned subsidiary of Fraport USA Inc.), and Fraport IC Ictas Havalimani Yer Hizmetleri Anonim Sirketi, Antalya/Turkey (50% joint venture with Antalya Havalimani Uluslararasi Terminal Isletmeciligi AS.) were removed from the companies included in the consolidation as a consequence of liquidation.

The effects of all first-time consolidations and deconsolidations on the Fraport consolidated financial statements in the year under review were insignificant.

With effect from October 21, 2016, Fraport AG sold 10.5 % of the capital shares and the Fraport Malta Business shares in an existing loan and interest receivable from the associated company Thalita Trading Ltd. The sale of the capital shares resulted in net income of €40.1 million. In addition, under the financial result on other items, currency differences of –€0.3 million and cash flow hedge reserves of –€3.4 million reported in shareholders' equity on a pro rata basis without affecting profit or loss, were reclassified as part of the valuation according to the equity method. The loan and interest receivables were sold at a carrying amount totaling €51.1 million. The remaining 25 % of the capital shares in Thalita Trading Ltd. continue to be reported in the Fraport consolidated financial statements according to the equity method.

Fraport AG holds a 52% capital share of the company N*ICE Aircraft Services & Support GmbH, Frankfurt am Main. The company is included in the consolidated financial statements as a joint venture according to the equity method due to contractually agreed joint management.

Operational services GmbH & Co. KG, Frankfurt am Main, in which Fraport holds 50% of the shares, is recognized according to the equity method as an associated company based on the contractual arrangements.

The full list of the shareholding pursuant to Section 313 (2) HGB is shown under note 56 of the Notes to the consolidated financial statements.

Disclosure of interests in subsidiaries

The following table shows summarized financial information for the companies Lima and Twin Star, from which the Fraport Group has substantial non-controlling interests. Lima Airport Partners S.R.L., Lima, operates Lima International Airport in Peru. Fraport Twin Star Airport Management AD, Varna, operates Varna and Burgas airports in Bulgaria. Further information on both companies is contained in note 48.

Disclosure of interests in subsidiaries

€ million		Lima		Twin Star
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Participation quota, non-controlling interests	**29.99%**	**29.99%**	**40.00%**	**40.00%**
Non-current assets	372.7	346.0	192.5	198.0
Current assets	172.0	124.6	28.2	25.8
Non-current liabilities	268.2	272.4	85.8	91.8
Current liabilities	89.3	81.1	37.3	44.7
Shareholders' equity/net assets	**187.2**	**117.1**	**97.6**	**87.3**
Carrying amount, non-controlling interests	56.1	35.1	39.1	34.9
	2016	**2015**	**2016**	**2015**
Revenue	305.7	277.9	63.8	53.9
Result after taxes	53.5	46.3	21.3	13.3
Other result	6.3	8.8	0.0	0.0
Comprehensive income	**59.8**	**55.1**	**21.3**	**13.3**
Proportion of non-controlling interests in comprehensive income	17.9	16.5	8.5	5.3
Cash flow from operating activities	71.8	65.6	31.0	24.3
Cash flow used in investing activities	–19.7	–14.6	–6.1	–5.3
Cash flow used in financing activities	–11.8	–30.6	–23.3	–18.3
Change in cash and cash equivalents	**40.3**	**20.4**	**1.6**	**0.7**
Cash and cash equivalents as at January 1	111.8	81.9	20.5	19.8
Foreign currency translation effects on cash and cash equivalents	3.5	9.5	0.0	0.0
Cash and cash equivalents as at December 31	155.6	111.8	22.1	20.5
Dividends to non-controlling interests	0.0	5.5	4.4	2.4

Table 46

All subsidiaries are fully consolidated in the Fraport consolidated financial statements. The capital shares in the subsidiaries directly held by Fraport AG as a parent company do not differ from the proportion of voting rights held. There are no preferred shares in the subsidiaries.

For possible restrictions in connection with project financing for the airport operator concession in Lima, please refer to the statements in note 46.

3 Consolidation Principles

Capital consolidation of all business combinations follows the purchase method.

All identifiable acquired assets and the acquired liabilities, including contingent liabilities, are recorded at fair value on the acquisition date. The acquisition costs for company acquisitions correspond to the fair value of the transferred assets and liabilities. Incidental acquisition costs are recorded as expenses as they are incurred. Conditional purchase price payments are recorded at fair value on the acquisition date. Subsequent changes in the fair value of a conditional consideration, which is deemed to be an asset or a liability, will be recognized either through profit or loss or as a change in other income. Non-controlling interests are valued at fair value or the corresponding proportion of the identifiable net assets of the acquired company. In the case of step-by-step company acquisitions, the shares already held in the acquired company are revalued through profit or loss at fair value on the date that control is obtained.

Goodwill is recorded insofar as the sum of the consideration that is transferred, the amount of all non-controlling interests in the acquired company and any equity that was previously held and revalued on the acquisition date is higher than the balance of the acquired and revalued identifiable assets and the revalued acquired liabilities. If the comparison results in a lower amount, a net income on acquisition at a price below the fair value is recorded after the assigned values are reviewed.

Joint ventures and associated companies are accounted for in the consolidated financial statements using the equity method. Initial measurements of companies accounted for using the equity method are carried out at fair value at the time of acquisition, similarly to capital consolidation for subsidiaries. Subsequent changes in the shareholders' equity and the updating of the difference from initial valuation change the amount accounted for at equity.

Intercompany profits and losses on trade accounts payable between companies included in the consolidated financial statements were minimal.

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

Currency translation

Annual financial statements of companies outside Germany denominated in foreign currencies are translated on the basis of the functional currency concept in accordance with IAS 21. The assets and liabilities of the consolidated companies are translated at the exchange rate on the balance sheet date and shareholders' equity at the historical exchange rate, whereas, for the purpose of simplification, the expenses and income are translated at average exchange rates, since the companies are financially, economically, and organizationally independent. Foreign currency translation differences are included directly in equity without affecting profit or loss.

The following material exchange rates were used for the currency translation:

Exchange rates

Unit/Currency in €	Exchange rate December 31, 2016	Average exchange rate 2016	Exchange rate December 31, 2015	Average exchange rate 2015
1 US Dollar (US$)	0.9470	0.9034	0.9181	0.9013
1 Turkish New Lira (TRY)	0.2683	0.2991	0.3143	0.3305
1 Renminbi Yuan (CNY)	0.1359	0.1360	0.1398	0.1434
1 Hong Kong Dollar (HKD)	0.1221	0.1164	0.1184	0.1163
1 Peruvian Nuevo Sol (PEN)	0.2820	0.2677	0.2689	0.2829
100 Russian Rubles (RUB)	1.5463	1.3487	1.2434	1.4690

Table 47

Business transactions in foreign currencies are accounted at the exchange rate on the date of the business transaction. Measurement of the resulting assets and liabilities that are nominally bound in the foreign currency as at the balance sheet date takes place at the exchange rate as at the balance sheet date. Translation differences are generally recorded through profit or loss.

4 Accounting Principles

Uniform accounting measurement policies

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

The consolidated financial statements are drafted on the basis of historic acquisition and production costs. Particular exceptions include financial assets available for sale and derivative financial instruments.

Recognition of income and expenses

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

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

Traffic charges for the provision of the airport infrastructure are divided into those subject to regulation (according to Section 19b (1) of the German Air Traffic Act [LuftVG]), which include, among others, landing and take-off charges, including noise components and emission charges, parking charges, passenger and security charges, and other charges not subject to regulation, such as ground handling services and ground handling infrastructure.

In addition, the Fraport Group mainly generates revenue from revenue-based payments, renting, parking, sale of land, and security services. Revenue from renting is recorded using the straight-line method over the term of the lease. Revenue from revenue-based payments is recorded appropriate to the period based on the revenue generated. Revenue from sales of land is realized after transfer of the opportunities and risks.

In the context of the airport operating projects outside of Germany (see also note 48), income and expenses from the operation of airport infrastructure and the provision of construction and expansion services are generated.

Revenue from the operation of airport infrastructure is recognized in accordance with IAS 18 when the services has been rendered, when it is reasonably probable that an economic benefit will be received, and that this benefit can be quantified reliably.

Income and expenses from the provision of construction and expansion services are recorded pursuant to IAS 11. The order costs are expensed as incurred pursuant to IAS 11.32, since the result of production orders cannot be estimated reliably. Proceeds from production are recorded in the amount of the incurred order costs expected to be recovered.

Interest income is recorded using the effective interest rate method.

Goodwill

After the initial recognition of goodwill acquired in the course of a business merger, it is measured at acquisition costs less any cumulative impairment losses.

For the purpose of impairment testing, goodwill acquired in the course of a business merger is assigned to the cash-generating units of the Group since the acquisition date. Goodwill impairment testing is performed by comparing the recoverable amount of a cash-generating unit to its carrying amount, including goodwill. The recoverable amount corresponds to the higher amount of the fair value less costs to sell and the value in use. Essentially, in the Fraport Group the value in use based on a company valuation model (discounted cash flow method) is used to calculate the recoverable amount. All goodwill items are tested for impairment at least once a year in December in accordance with IAS 36.88–99. In the event of an impairment, an impairment loss is recognized. Goodwill is not written up when the reasons for impairment are eliminated. Goodwill is not subject to regular depreciation and amortization.

Investments in airport operating projects

To allow for better transparency, investments in airport operating projects are presented separately. These consist of concessions for the operation of airports in Varna and Burgas (Bulgaria) and Lima (Peru) acquired within the scope of service concession agreements (see also note 48). The concession agreements for the operation of the airports fall under the application of IFRIC 12.17 and are recognized according to the intangible asset model, since Fraport receives the right in each case to impose a charge on airport users in exchange for the obligation to pay concession fees and provide construction and expansion services. The contractual obligations to pay concession fees that are not variable, but contractually fixed in amount, are recorded as financial liabilities. These liabilities are initially recognized at fair value using a risk-adjusted discount rate. Airport operation rights received as consideration are recorded as intangible assets at the same amount and reported under investments in airport operating projects. The rights received as consideration for construction and expansion services are recognized at the cost of production for the period in which the production costs are incurred. Revenue and expenses from construction and expansion services are generally recorded pursuant to IFRIC 12.14 and in accordance with IAS 11. Borrowing costs are capitalized as part of the costs of acquisition if the requirements (see “Borrowing costs”) are fulfilled. Provisions for maintenance measures are formed if maintenance obligations of specified amounts arise from the concession agreements. Costs for ongoing, scheduled maintenance measures are therefore recognized as current expenses of the period.

The recognized financial liabilities are subsequently measured at amortized cost using the effective interest method. Subsequent measurement of the capitalized rights is at the cost of acquisition or production less cumulative regular depreciation and amortization over the term of the concessions.

Impairment losses are recognized in accordance with IAS 36, where necessary.

Other intangible assets

Acquired intangible assets (IAS 38) are recognized at acquisition cost. Their useful life is limited. They are amortized over their useful lives using straight-line depreciation and amortization. Where necessary, impairment losses are recognized in accordance with IAS 36. If the recoverable amount of the asset later exceeds the carrying amount after an impairment loss has been recognized, the asset is written up to a maximum of the recoverable amount. The write-up through profit or loss is limited to the amortized carrying amount that would have resulted if no impairment losses had been recognized in the past.

Development costs for internally generated intangible assets are capitalized at manufacturing cost when it is probable that the manufacture of these assets will generate future economic benefits for the company and the costs can be measured reliably. The manufacturing costs cover all costs directly attributable to the manufacturing process. If the conditions for capitalization are not met, the expenses are recognized in the income statement in the year in which they are incurred. Internally generated intangible assets are amortized over their useful lives using the straight-line method.

Borrowing costs of other intangible assets that constitute qualifying assets are recognized (see “Borrowing costs”).

Property, plant, and equipment

Property, plant, and equipment (IAS 16) are recognized at the cost of acquisition or production less straight-line depreciation and amortization and any impairment losses pursuant to IAS 36, where applicable. If the recoverable amount of the asset later exceeds the carrying amount after an impairment loss has been recognized pursuant to IAS 36, the asset is written up to a maximum of the recoverable amount. The write-up through profit or loss is limited to the amortized carrying amount that would have resulted if no impairment loss had been recognized in the past. Subsequent acquisition costs are capitalized. Production costs essentially include all direct costs including appropriate overheads. Borrowing costs of property, plant, and equipment that constitute qualifying assets are recognized (see “Borrowing costs”).

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

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

Investment property

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

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

Investment property is measured initially at the cost of acquisition or production. Subsequent measurement is at the cost of acquisition or production less regular straight-line depreciation and amortization and impairment losses according to IAS 36 where applicable. Borrowing costs of investment properties that constitute qualifying assets are capitalized (see “Borrowing costs”).

Borrowing costs

Borrowing costs (IAS 23) that relate to the acquisition, construction, or production of a qualifying asset are required to be capitalized as part of the acquisition/production cost of such assets. Due to the scope of Fraport's capital expenditure, qualifying assets are determined on the basis of planned investment measures. If the volume of the planned measures at Fraport AG exceeds €25 million and if the construction period is more than one year, all assets produced as part of the measure are recognized as qualifying assets. Interest, financing charges in respect of finance leases, and currency differences are included in borrowing costs to the extent that they are regarded as an adjustment to interest costs. Each Group company defines its own individual criteria for what constitutes the presence of qualifying assets.

Regular depreciation and amortization

Regular depreciation and amortization is carried out on the basis of estimated useful technical and economic life. It takes place fundamentally on a Group-wide basis according to the straight-line method. The data on expected useful life also includes the useful lifespans of individual components.

The following useful lifespans are taken as a basis:

Regular depreciation and amortization

in years	
Investments in airport operating projects	30–35
Other concession and operator rights	4–39
Software and other intangible assets	1–30
Buildings (structural sections)	3–80
Technical buildings	20–40
Building equipment	12–38
Ground equipment	3–99
Flight operating areas	
Takeoff/landing runways	7–99
Aprons	20–99
Taxiway bridges	80
Taxiways	20–99
Other technical equipment and machinery	2–33
Vehicles (including special vehicles)	2–25
Other equipment, operating, and office equipment	2–25

Table 48

The expected useful life of investment property corresponds to the expected useful life of the property, which is part of property, plant, and equipment.

Impairment losses pursuant to IAS 36

Impairment losses on assets are recognized pursuant to IAS 36. Assets are tested for impairment if there are indications of an impairment loss. An impairment test is carried out annually for existing goodwill. Impairment losses are recorded if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash inflows and outflows from the use and subsequent disposal of the asset.

Since it is not generally possible in the Fraport Group to allocate cash flows to individual assets, cash-generating units are formed and the existing goodwill is allocated to them. A cash-generating unit is defined as the smallest identifiable group of assets that generates separate cash inflows and outflows.

Regardless of indicators for possible impairment losses, assets are subject to an annual impairment test pursuant to IAS 36.

Generally, the value in use is calculated as the recoverable amount. The value in use is determined by the entity through application of the discounted cash flow method.

Determination of the future cash flows of the cash-generating units is based on the planning figures. The value in use is generally determined based on the future cash flows estimated on the basis of the current planning figures for the years between 2017 to 2021 as approved by the Executive Board and in effect at the time the impairment tests are made (in December of the year under review), and on the basis of the current long-term plans up to 2025 or over the respective contractual periods in the case of investments in airport operating projects and other concession and operator rights. These forecasts are based on past experience and the expected market performance. A growth rate of between 1.0% and 2.0% (previous year: 0.0% to 2.0%) based on the planning assumptions is taken into account in the perpetual annuity. The discount factor was a country-specific, weighted average cost of capital (WACC) after taxes of between 5.1% and 9.9% (previous year: 5.4% to 8.82%).

Leases

Agreements that transfer the right to use a specific asset for a specified period of time in exchange for compensation are deemed to be leases. Fraport is both a lessor and a lessee. A decision as to whether economic ownership is assigned to the lessor (operating lease) or the lessee (finance lease) is made based on which party bears the opportunities and risks associated with the respective leased asset.

Finance lease

If economic ownership can be attributed to the Fraport Group as lessee, the lease is capitalized at the inception of the lease at the present value of the minimum lease payments plus any incidental costs that are paid or at the fair value of the lease object if this value is lower. This asset is depreciated straight-line over its useful life or the lease term, if this is shorter. Impairment losses are recorded against the carrying amount of the capitalized leased asset. If economic ownership cannot be attributed to the Fraport Group as the lessor, a receivable equivalent to the present value of the lease payments is recognized.

Operating lease

If economic ownership of the leased assets remains with the lessor and Fraport AG assumes the role of the lessee, lease payments are recognized on a straight-line basis over the lease term. If Fraport assumes the role of the lessor, leased assets are capitalized at the cost of acquisition or production and regularly depreciated and amortized on a straight-line basis. Lease revenue is generally recognized on a linear straight-line over the lease term.

Investments in companies accounted for using the equity method

Investments in joint ventures and associated companies are recognized at the pro rata share of equity, including goodwill. Impairment losses are recorded if the recoverable amount is lower than the carrying amount. The investments are tested for impairment annually.

Other financial assets

Other financial assets include securities, loans with a remaining term of more than one year, and other investments. Other financial assets are recognized at fair value on the settlement date, i.e. at the time the asset is created or transferred, plus transaction costs. Non-current low-interest or interest-free loans are recognized at their present value.

The subsequent valuation of financial assets depends on the respective category pursuant to IAS 39 (see note 40).

Securities are allocated to the “available for sale” category. Securities exclusively comprise debt instruments. Subsequent measurement is at fair value, taking into account the effective interest method, where changes in value are included directly in shareholders’ equity without affecting profit or loss.

Loans are assigned to the “loans and receivables” category. These financial instruments are subsequently measured at amortized cost of acquisition using the effective interest method.

Other investments are allocated to the “available for sale” category. They are recognized at fair value as long as they can be reliably calculated, and the gains or losses are included directly in shareholders’ equity without affecting profit or loss.

When deciding whether to dispose of a financial asset as a result of a contractual amendment, quantitative and qualitative criteria are taken into account.

Other receivables and financial assets

Other receivables and financial assets mainly consist of trade accounts receivable, receivables from banks, other financial and non-financial receivables, as well as derivatives and marketable securities with a remaining term of less than one year. These assets are recognized on the settlement date, i.e. at the time the asset is created or economic ownership is transferred, at fair value plus transaction costs.

Trade accounts receivable, accounts receivable from banks, and all other financial receivables with fixed or ascertainable payments that are not listed in an active market are assigned to the “loans and receivables” category. Subsequent measurement is carried out at amortized cost of acquisition, based on the effective interest method. Receivables in foreign currencies are translated at the exchange rate on the balance sheet date.

Securities are allocated to the “available for sale” category. Securities largely comprise debt instruments. The financial debt instruments are measured at fair value, according to the effective interest method. Changes of value are included directly in shareholders’ equity without affecting profit or loss.

Impairment losses of financial assets

On each balance sheet date, the carrying amounts of financial assets which are not measured at fair value through profit or loss are assessed to see whether there is any objective evidence (such as considerable financial difficulties of the debtor, high probability of insolvency proceedings against the debtor, or a permanent decline of the fair value below amortized cost) that the asset may be impaired.

In general, impairment losses are recognized through profit or loss by directly reducing the carrying amount of the financial asset. The impairment loss of trade accounts receivable is recognized in an item-by-item allowance account through profit or loss.

If there is an indication in subsequent periods that the reasons for an impairment loss no longer exist, a write-up is recognized through profit or loss. If an already impaired receivable is designated as non-recoverable, the asset is derecognized.

Impairments of equity instruments in the “available for sale” category are recognized through profit or loss if there is a prolonged decline in fair value below cost of acquisition. If in subsequent periods, as a result of events that took place after the date of recognition of the impairment, the fair value has objectively increased, reversals of impairment losses must be carried out in the corresponding amount and recognized directly in equity.

Inventories

Inventories include work-in-process, raw materials, consumables, supplies, and property held for sale within the ordinary course of business.

Work-in-process, raw materials, consumables, and supplies are measured at the lower of acquisition or production cost or net realizable value. Acquisition or production costs are generally calculated using the average cost method. Production costs include direct costs and adequate overheads.

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

The subsequent production cost required for land development is estimated for the entire marketable land area on the basis of specific cost unit rates for individual development measures. Depending on the land sales recognized in the respective year under review, the development costs are allocated on a pro rata basis to the remaining land area to be sold. Net realizable value is the estimated selling price less the costs incurred until the time of sale, and discounted over the planned selling period.

External reports on the fair value of the land being sold, as well as information about previous land sales, form the basis for the calculation of the estimated selling price.

Where the inventories constitute qualifying assets, the borrowing costs are capitalized.

If a write-down made in previous periods is no longer necessary, a write-up is recognized.

Cash and cash equivalents

Cash and cash equivalents basically include cash, cash accounts, and short-term cash deposits with banks maturing in three months or less. Cash deposits with banks with a maturity of more than three months from the time of acquisition are recorded in this item if their values do not fluctuate significantly and they can be liquidated at any time without deduction for risk. Cash and cash equivalents are recognized at nominal value. Cash in foreign currencies is translated at the exchange rate on the balance sheet date.

Non-current assets held for sale

Non-current assets held for sale are recognized at either the carrying amount or at fair value less costs to sell, whichever is the lower amount.

Accounting of taxes on income

Taxes on income are recognized using the liability method pursuant to IAS 12. All tax expenses and refunds directly related to income are recorded as taxes on income. These also include withholding taxes, penalties, and interest on retroactively assessed taxes from the date it appears probable that a reduction of taxes will be denied.

Current taxes are recognized on the date when the liability for taxes on income is incurred.

Deferred taxes are recognized pursuant to IAS 12 using the liability method based on temporary differences on a case by case basis. Deferred taxes are recognized for temporary differences between the IFRS and tax financial positions of the single entities, and differences arising from unused, utilizable loss carry-forwards and consolidation transactions. The recognition of goodwill that is not deductible for tax purposes does not lead to deferred taxes.

If the carrying amount of an asset in the IFRS financial position exceeds its tax base (e.g. non-current assets depreciated on a straight-line basis), and if the difference is temporary, a deferred tax liability is recognized. Pursuant to the IFRS, deferred tax assets are recognized from financial position differences and for carry-forwards of unused tax losses, to the extent that it is probable that taxable profit will be available, against which the unused tax losses and unused tax credits can be utilized.

Deferred taxes are calculated at future tax rates insofar as these have already been legally established and/or the legislative process is largely completed. Changes in deferred taxes on the financial position generally lead to deferred tax income or expense. When transactions resulting in a change to deferred taxes are recorded directly in shareholders' equity without affecting profit or loss, the change to deferred taxes is also included directly in shareholders' equity without affecting profit or loss.

No deferred tax liabilities are recognized for temporary differences in connection with shares in subsidiaries if Fraport can control the timing of the reversal and it is not expected that these differences will reverse in the foreseeable future.

Provisions for pensions and similar obligations

The provisions for pensions relate to defined benefit plans and have been calculated in accordance with IAS 19 under the application of actuarial methods and an interest rate of 1.70 % (previous year: 2.20 %). For the calculation of the interest expense from the defined benefit plans and the income from plan assets, the same interest rate is used as a basis.

Re-measurements resulting from the change in the interest rate or from the difference between actual and computed income from plan assets, for example, are recognized in other comprehensive income (OCI) as non-reclassifiable.

The present value of the defined benefit obligation (DBO) is calculated annually by an independent actuary using the projected unit credit method. The calculation takes place by discounting the future estimated cash outflows with the interest rate from industry bonds of the highest creditworthiness. The industry bonds are denominated in the currency of the distribution amounts and show the relevant maturities of the pension obligations. If benefit claims from the defined benefit plans are covered by plan assets in the form of reinsurance, the fair value of the plan assets is netted with the DBO. Benefit claims that are not covered by plan assets are recognized as pension provisions.

As in the previous year, the calculations did not include salary increases for the active members of the Executive Board. For former members of the Executive Board pensions are valued in accordance with the "Gesetz über die Anpassung von Dienst- und Versorgungsbezügen in Bund und Ländern 2003/2004" (BBVAnpG). The calculation of provisions for pensions was based on the 2005G mortality tables of Professor Heubeck.

The service cost and net interest are recognized in personnel expenses.

With regard to the description of the various plans, see note 37.

Provisions for taxes

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

Other provisions

Provisions represent liabilities that are uncertain with regard to amount and/or maturity. Other provisions are recognized in the amount required to settle the obligations. The amount recognized represents the most probable value.

Provisions are recognized to the extent that there is a current commitment to third parties. In addition, they must be the result of a past event, lead to a future cash outflow, and more likely than not be needed to settle the obligation (IAS 37).

Refund claims toward third parties are capitalized separately from the provisions as "other receivables", provided that their realization is virtually certain.

Non-current provisions with terms of more than one year are discounted at a capital market interest rate with a matching maturity, taking future cost increases into account, provided that the interest effect is material. This especially applies to the provisions for passive noise abatement, which are discounted over a period until 2023 and according to the expected cash outflow dates of matching interest rates up to a maximum of 0.10 % (previous year: 0.89 %).

The provision for partial retirement is recognized pursuant to IAS 19. The recognition of the liability from step-ups starts at the time when Fraport can legally and factually no longer withdraw from the liability. The step-up amounts are added to the liability in installments until the end of the active phase on a pro rata basis. The utilization begins with the passive phase.

Contingent liabilities

Contingent liabilities are possible liabilities that are based on past events, and the existence of which is only confirmed by the occurrence of one or more indeterminate future events that are nonetheless beyond Fraport's control. Furthermore, current obligations may constitute contingent liabilities if the probability of the outflow of resources is not sufficient for a liability to be recognized, or if the extent of the liability cannot be reliably estimated. Contingent liabilities are not recorded in the financial position, but rather shown in the notes.

Liabilities

Financial liabilities, trade accounts payable, and other liabilities are recorded at their fair value upon initial recognition. For current liabilities, this corresponds generally to the nominal value. Non-current low-interest or non- interest-bearing liabilities are carried at their present value at the time of addition less the transaction costs. Liabilities in foreign currencies are translated at the exchange rate on the balance sheet date. Finance lease liabilities are reported at the lower of the present value of the minimum lease payments and the fair value of the leased asset.

Subsequent measurement of financial liabilities is based on the effective interest method at amortized acquisition cost. Each difference between the refund amount and the repayment amount is recorded in the income statement over the term of the contract in question using the effective interest method.

Derivative financial instruments, hedging transactions

The Fraport Group basically uses derivative financial instruments to hedge existing and future interest and exchange rate risks. Derivative financial instruments with positive or negative market values are measured at fair value in accordance with IAS 39. Changes of value on cash flow hedges are recorded in shareholders' equity in the reserve for financial instruments without affecting profit or loss. Corresponding to this, deferred taxes on the fair values of cash flow hedges are also recorded in shareholders' equity without affecting profit or loss. The effectiveness of the cash flow hedges is assessed on a regular basis. Ineffective cash flow hedges are recorded in the income statement through profit or loss under "financial result on other items".

If the criteria for a cash flow hedge are not met, the derivative financial instruments are allocated to the "held for trading" category. In this case, the changes in the fair value and the related deferred taxes are recognized through profit or loss in the income statement. The fair value changes are recorded under "financial result on other items".

Derivative financial instruments are recognized at the trading date.

Treasury shares
Repurchased treasury shares are deducted from the issued capital and the capital reserve.

Stock options
The value of the remuneration within the scope of the annual employee investment plan is not based on the performance of the shares, which means that the employee investment plan does not fall within the scope of application of IFRS 2.

Virtual stock options
Virtual stock options ("Long-Term Incentive Program") have been issued since January 1, 2010 as part of the remuneration for the Executive Board and Senior Managers. They are paid out in cash immediately at the end of the performance period of four years. The measurement of virtual shares is at fair value pursuant to IFRS 2. Up to the end of the performance period, the fair value is re-determined on each reporting date and on the date of performance and is recorded in personnel expenses on a pro rata basis.

Judgment and uncertainty of estimates
The presentation of the asset, financial, and earnings position in the consolidated financial statements depends on accounting and valuation methods as well as assumptions and estimates. The assumptions and estimates made by the management in drawing up the consolidated financial statements are based on the circumstances and assessments on the balance sheet date. Although the management assumes that the assumptions and estimates applied are reasonable, there may be unforeseen changes in these assumptions that could affect the Group's asset, financial, and earnings position.

Balance sheet items for which assumptions and estimates have a significant effect on the reported carrying amount are shown below.

Property, plant, and equipment
Experience, planning, and estimates play a crucial role in determining the useful life of property, plant, and equipment. Carrying amounts and useful lifespans are checked on each reporting date and adjusted as required.

Other financial assets
The valuation of loans included in the other financial assets is based in part on cash flow forecasts.

Accounts receivable
For receivables, the assessment of impairment depends on the probability assessment of future payment defaults.

Taxes on income
Fraport is subject to taxation in various countries. In assessing global income tax receivables and liabilities, estimates sometimes need to be made. The possibility cannot be ruled out that the tax authorities will come to a different tax assessment. The associated uncertainty is accounted for by recognizing uncertain tax receivables and liabilities when they are considered by Fraport to have a probability of occurring of more than 50%. A change to the assessment, for example, as a result of final tax assessments, will have an effect on current and deferred tax items. For uncertain income tax items that have been recognized, the expected tax payment is used as a basis for the best estimate.

Deferred tax assets are recognized if it is probable that future tax benefits can be realized. The actual tax earnings situation in future fiscal years, and therefore the actual usability of deferred tax assets, could differ from the forecasts at the time the deferred tax assets are recognized.

Pension obligations

Material valuation parameters for the valuation of provisions for pensions and similar obligations are the discount factor as well as trend factors (see also note 37).

Other provisions

The valuation of the other provisions is subject to uncertainty with regard to estimations of amount and the time of occurrence of future cash outflows. As a result, changes in the assumptions on which the valuation is based could have a material impact on the asset, financial, and earnings position of the Fraport Group. In connection with legal disputes, Fraport draws on information and estimates provided by the Legal Affairs department and any mandated external lawyers when assessing a possible obligation to recognize provisions and when valuing potential outflows of resources. The existing provisions for passive noise abatement as at December 31, 2016 (€75.5 million; previous year: €122.1 million) and wake turbulences (€17.9 million; previous year: €31.0 million) are substantially dependent with regard to their amounts on the utilization of the underlying programs by the eligible beneficiaries. The existing provisions for compensation in accordance with nature protection laws as at December 31, 2016 (€29.2 million; previous year: €30.2 million) are dependent with regard to their amount on the extent and time of implementation of the environmental compensation measures.

Contingent liabilities

The contingent liabilities are subject to uncertainty with respect to estimations of their amounts and, in particular, the timing of cash outflows. The time of the expected cash outflow is specified if it can be determined sufficiently reliably.

Company acquisitions

When an acquired company is consolidated for the first time, all identifiable assets, liabilities, and contingent liabilities must be recognized at their fair value at the time of acquisition. One of the main estimates relates to the determination of the fair value of these assets and liabilities at the time of acquisition. The measurement is usually based on independent expert reports. Marketable assets are recognized at market or stock exchange prices. If intangible assets are identified, the fair value is usually measured by an independent external expert using appropriate measurement methods which are primarily based on future expected cash flows. These measurements are considerably influenced by assumptions about the developments of future cash flows as well as the applied discount rates. The actual cash flows may differ significantly from the cash flows used as a basis for determining the fair values.

Impairment losses

The impairment test for goodwill and other assets within the scope of IAS 36 is based on assumptions about future developments. Fraport AG carries out these tests annually as well as when there are reasons to believe that goodwill has been impaired. In the case of cash-generating units, the recoverable amount is determined. This corresponds to the higher of fair value less costs to sell and value in use. The measurement of the value in use includes estimates regarding the forecasting and discounting of future cash flows. The underlying assumptions could change on account of unforeseeable events and may therefore impact the asset, financial, and earnings positions.

In connection with the write-down on items of property, plant, and equipment in the Ground Handling segment carried out in 2009 (in the amount of €20.0 million), it may be possible for the underlying assumptions to change in the future. When assessing the impairment of carrying amounts as at December 31, 2016 (€53.0 million) sustained cost savings which will lead to an increase in the average EBITDA margin (without considering one-off effects from the program on changes to the personnel structure – ZV Plus) in the planning period 2017 to 2025 of 10.9 % were taken into account. Should these cost savings not be realized as planned, a significant adjustment of the carrying amounts may be necessary.

Specific estimates or assumptions for individual accounting and valuation methods are explained in the relevant section. These are based on the circumstances and estimates on the balance sheet date, and in this respect also affect the amount of the reported income and expense amounts of the fiscal years shown.

New standards, interpretations, and changes

Of the new standards, interpretations and changes, Fraport generally applies those for which application was mandatory; i.e. those applicable to fiscal years beginning on or before January 1, 2016.

On November 21, 2013, the IASB published changes to IAS 19 “Employee Benefits” under “Defined Benefit Plans: Employee Contributions”. This clarifies how contributions that are paid by employees (or third parties) themselves for the service components are recorded in the accounting by the company issuing the commitment. In the past, with the application of IAS 19 (old version), the nominal amount of employee contributions was frequently deducted from the service cost in the period in which the respective period of service was rendered. This accounting practice can be maintained if the amount of the contributions is independent of the number of years of service. For example, these include amounts that are defined as a fixed percentage rate of annual salary. The amendments to IAS 19 were adopted into European law on January 9, 2015, and, unlike the initial application under IASB (years under review beginning on or after July 1, 2014), are only to be applied in years under review beginning on or after February 1, 2015. Earlier application was permitted. The amendments did not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On December 12, 2013, the IASB published the “Improvements to IFRS 2010–2012”. The changes to “Improvements to IFRS 2010–2012” specifically affect: IFRS 2 regarding the definition of “vesting conditions” and “service conditions” for transactions where services are received as well as the treatment of vesting conditions, IFRS 3 regarding the accounting of conditional purchase price payments for company acquisitions, IFRS 8 regarding notes disclosures in relation to the merger of business segments and regarding the reconciliation of segment assets to Group assets, IAS 16 regarding the proportional adjustment of cumulative depreciation when using the re-measurement method, IAS 24 regarding the definition of “related companies” and its influence on the interpretation of the term “members of management in key positions”, and IAS 38 regarding the proportional adjustment of cumulative depreciation when using the re-measurement method. The “Improvements to IFRS 2010–2012” were accepted into European law on January 9, 2015 and are to be first applied in the reporting periods starting on or after February 1, 2015. The amendments did not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On May 6, 2014, the IASB approved amendments to IFRS 11 “Joint Arrangements”. For the purchase of interests in jointly controlled operations that constitute a business combination as defined by IFRS 3 “Business Combinations”, the provisions and disclosure requirements of IFRS 3 apply. The changes are to be applied prospectively for purchases of interests that take place in the reporting periods starting on or after January 1, 2016. However, no purchases of interests in jointly controlled operations occurred in fiscal year 2016. The amendments to IFRS 11 will not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group for future purchases.

On May 12, 2014, the IASB published amendments to IAS 16 “Property, Plant, and Equipment” and IAS 38 “Intangible Assets”. The changes include guidelines for determining proper depreciation methods for property, plant, and equipment and intangible assets. Accordingly, depreciations and amortizations must reflect the use of the future economic benefit generated by the assets as expected by the company. The amendments were to be applied prospectively to fiscal years starting on or after January 1, 2016. Earlier application was permitted. As the depreciation and amortization methods applied in the Fraport Group comply with the guidelines, this did not result in any changes to the depreciation and amortization methods.

On September 25, 2014, the IASB published the “Improvements to IFRS 2012–2014”. The changes particularly affect clarifications regarding the interpretation of the following standards: IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits”, and IAS 34 “Interim Financial Reporting”. The changes enter into force for fiscal years beginning on or after January 1, 2016; voluntary early application was permitted. The amendments did not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On December 18, 2014, the IASB published changes to IAS 1 "Presentation of Financial Statements". The aim of the changes is to remove non-essential information from IFRS financial statements and to promote the provision of relevant data. Accordingly, non-essential information does not also need to be shown separately if it is explicitly required to be shown by a standard. Furthermore, the changes particularly affect explanations on the aggregation of end-of-year items, the presentation of the result accounted for using the equity method in the statement of comprehensive income, and options for structuring the notes. The changes entered into force for fiscal years beginning on or after January 1, 2016; Voluntary early application was permitted. The amendments did not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

Standards which have not been applied prematurely

For the following new or amended standards and interpretations, which the Fraport Group is not obliged to adopt until future fiscal years, the Fraport Group is currently working on implementing the requirements for initial application. Early application is not planned. At this point in time, Fraport expects the effects on the consolidated financial statements described below.

Standards, interpretations, and amendments published and accepted into European law by the EU Commission

On May 28, 2014, the IASB published the new standard IFRS 15 "Revenue from Contracts with Customers". The objective of the new standard for recognition of revenue is to bring together existing regulations and to set standardized basic principles that are applicable to all sectors and categories of revenue. According to IFRS 15, revenue must be recognized when the company has fulfilled its performance obligation and the customer has received the authority to dispose of the agreed goods and services and is able to draw benefits from them. To determine the time and amount of recognition of revenue, IFRS 15 provides for the application of a five-step model taking in account detailed regulations on the individual levels.

Based on the analyses of the business models and typical customer contracts that exist in the Fraport Group carried out with regard to IFRS 15, the application of the five-step approach provided for in IFRS 15 is not expected to result in any material changes with respect to the time and amount of revenue in the consolidated financial statements.

IFRS 15 will replace IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the associated interpretations. IFRS 15 was adopted under EU law on September 22, 2016, and must be applied for fiscal years starting on or after January 1, 2018. The application date of IFRS 15 in the EU therefore corresponds to the initial application date resolved by the IASB. The early application of IFRS 15 is still permitted.

On July 24, 2014, the IASB published the fourth and final version of the new IFRS 9 "Financial Instruments". The accounting and measurement of financial instruments pursuant to IFRS 9 will supersede IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a standardized approach to categorizing and measuring financial assets on the basis of their cash flow characteristics and of the business models according to which they are managed. In principle, IFRS 9 provides for the following models for debt instruments: "Hold to obtain contractual cash flows", "hold and sell" and "intention to trade".

In future, debt instruments previously assigned to the “loans and receivables” category will be reported in the “hold to obtain contractual cash flows” model. In future, debt instruments assigned to the previous “available for sale” category will be assigned to the “hold and sell” model. These changes have no effect. No debt instruments will be assigned to the “intention to trade” model at Fraport in future. In this respect, there will be no impact on the accounting of debt instruments at Fraport. Material changes to the accounting of valuation adjustments reported in shareholders’ equity arise for other investments previously assigned to the “available for sale” category. In the future, these can no longer be recycled in the income statement when interests are sold. For financial assets, in future, impairments must be reported based on expected losses, rather than not until losses have occurred. These changes are not expected to have a material impact on the consolidated financial statements. The categorization and measurement of financial liabilities essentially remains unchanged, with no material changes. For liabilities designated at fair value, changes to the fair value, provided that they are due to changes in own credit risk, are no longer recorded in the income statement but rather under other comprehensive income. No liabilities are currently designated at fair value in the Fraport Group, so this does not result in any changes. For the recognition of hedge accounting, IFRS 9 contains new regulations geared towards a company’s risk management activities, particularly in relation to the management of non-financial risks. In hedge accounting, the application of IFRS 9 does not have a material impact on the Fraport Group. IFRS 9 was adopted under EU law on November 22, 2016, and must be applied for fiscal years starting on or after January 1, 2018. The early application of IFRS 9 is still permitted.

Standards, interpretations and amendments that have been published, but not yet adopted into European law by the European Commission

On September 11, 2014, the IASB published amendments to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 10 “Consolidated Financial Statements”. The changes relate to the sale or contribution of assets to/in an associated company or joint venture. In future, the net income or loss from such transactions should only be recorded if the assets sold or contributed constitute a business operation for the purposes of IFRS 3. If the assets do not constitute a business operation, only a pro rata recording of results is permitted. The originally intended date of initial application for fiscal years starting on or after January 1, 2016 has been postponed indefinitely by the IASB.

On January 13, 2016 the IASB published the accounting standard IFRS 16 “Leases”. IFRS 16 contains the new rules on accounting for leases and replaces the current IAS 17 with the associated interpretations. In particular, for lessees, all lease payments must be accounted for as financing transactions in future. This means that, in future, the rights and obligations resulting from previous “operating lease” relationships will have to be accounted for as rights of use and lease liabilities. In accordance with IAS 17, the payment obligations from “operating lease” relationships are only indicated in the notes. Due to the changes in the “lessee accounting”, we currently expect an insignificant increase in total assets as a result of the minimum lease payments recognized as assets and liabilities at present value based on future minimum lease payments indicated in note 46. In addition, an insignificant improvement in Group EBITDA of a maximum of the minimum lease payments from operating lease relationships currently specified in the notes (see also note 46) is expected. The EBITDA improvement is due to the future reporting of depreciation and amortization of rights of use and interest expenses from the compounding of the lease liability instead of the former lease expenses in the income statement. The effects of the compounding and depreciation and amortization have not yet been quantified. For the “lessor accounting”, the new regulations according to IFRS 16 essentially correspond to the former IAS 17. Based on previous investigations, the application of IFRS 16 will not have any material impact on the Fraport consolidated financial statements. The new rules are mandatory for fiscal years starting on or after January 1, 2019. Earlier application is permitted provided IFRS 15 is also applied. Acceptance by the EU is currently still outstanding.

On January 19, 2016, the IASB published amendments to IAS 12 “Income taxes - recognition of deferred tax assets for unrealized losses”. Devaluations to a lower market value of debt instruments that are measured at fair value, which result from a change in the market interest rate level, lead to deductible temporary differences. The amendments are to be applied retrospectively to fiscal years starting on or after January 1, 2017. The amendments will not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

As part of the disclosure initiative, on January 29, 2016, the IASB published amendments to IAS 7 “Statement of cash flows”. The objective is to improve information on the company’s debt. Disclosures include: cash changes to the cash flows used in financing activities, exchange rate-related changes, changes from the acquisition and sale of companies, changes to fair values as well as other changes. The amendments apply for fiscal years beginning on or after January 1, 2017; voluntary early application is permitted. No comparative figures for the previous year are required in the year of initial application.

On April 12, 2016, the IASB published clarifications on IFRS 15 “Revenue from contracts with customers”, which relates to the following topics: identifying performance obligations from a contract, classification as a principal versus agent, and revenue from licenses. As with IFRS 15, the changes apply from January 1, 2018, while EU endorsement is expected in 2017.

On June 20, 2016, the IASB published the final amendment to IFRS 2 “Share-based payment”. The amendments particularly relate to the following issues: The measurement of share-based payment transactions with cash settlement, classification of share-based payments subject to withholding tax, and accounting for a change to share-based payment from “cash-settled” to “equity-settled”. The amendments apply for fiscal years beginning on or after January 1, 2018; voluntary early application is permitted. The effects of the amendments are currently still being investigated.

On December 8, 2015, the IASB published the “Improvements to IFRS 2014 – 2016”. The amendments relate to IAS 28, IFRS 12 and IFRS 1. The amendment to IFRS 12 “Disclosure of interests in other entities”, which is of relevance for the Fraport Group, clarifies that the duties of disclosure, with the exception of IFRS 12.B10-B16, also relate to interests in entities that fall within the scope of IFRS 5. The amendments to IFRS 12 apply from January 1, 2017 and amendments to IAS 28 and IFRS 1 apply from January 1, 2018. Earlier application is permitted. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

On December 8, 2016, the IASB published amendments to IAS 40 “Investment property”. The amendment provides clarification on the date from which transfers to or from investment property can take place. The amendment to IAS 40 applies from January 1, 2018. Earlier application is permitted. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

On December 8, 2016, the IFRS IC published a new interpretation of IFRIC 22 “Foreign currency transactions and advance consideration” within the scope of IAS 21 “The effects of changes in foreign exchange rates”. A foreign currency transaction is recorded in the functional currency at the spot price applicable on the day of the transaction. If a company pays or receives multiple advance considerations as part of a transaction, the date of the transaction and the exchange rate must be determined separately for every advance consideration. IFRIC 22 applies from January 1, 2018. Earlier application is permitted. The interpretation will not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

Notes to the Consolidated Income Statement

5 Revenue

Revenue

€ million	2016	2015
Aviation		
Airport charges	755.8	768.9
Security services	112.5	117.5
Other revenue	41.9	40.9
	910.2	**927.3**
Retail & Real Estate		
Real Estate	191.9	183.7
Retail	200.6	209.2
Parking	81.3	81.9
Other revenue	20.1	13.4
	493.9	**488.2**
Ground Handling		
Ground services	315.7	375.8
Infrastructure charges	299.0	297.3
Other revenue	15.7	0.0
	630.4	**673.1**
External Activities & Services	**551.7**	**510.3**
Total	**2,586.2**	**2,598.9**

Table 49

Information on revenue can be found in the management report under the chapter "Results of Operations" as well as the segment reporting (see note 41).

The Retail & Real Estate segment includes income from operating leases from renting terminal areas, offices, buildings, and properties. No purchase options have been agreed upon. When renting retail space, either minimum rents or variable, revenue-related rents apply, depending on the occurrence of contractually defined conditions. Predominantly revenue-related rents are agreed for these areas. Overall, during the fiscal year, revenue-related rent of €163.3 million (previous year: €174.7 million) was reported.

Properties were predominantly rented in the form of assigned hereditary building rights. On the reporting date, the remaining term of hereditary building rights contracts is 46 years on average (previous year: 43 years).

The acquisition and production costs of the leased buildings and land amount to €425.9 million (previous year: €424.3 million). Cumulative depreciation and amortization came to €304.9 million (previous year: €297.6 million), of which depreciation and amortization amounted to €6.7 million for the fiscal year (previous year: €6.4 million).

Revenue in the External Activities & Services segment includes contract revenue from construction and expansion services related to airport operating projects abroad in the amount of €19.9 million (previous year: €15.1 million).

The total amount of future income from minimum lease payments arising from non-cancelable leases (not including subleases) is as follows:

Minimum lease payments

€ million	Remaining term			Total
	< 1 year	1–5 years	> 5 years	2016
Minimum lease payments	96.5	203.6	768.1	1,068.2

€ million	Remaining term			Total
	< 1 year	1–5 years	> 5 years	2015
Minimum lease payments	92.8	187.5	784.2	1,064.5

Table 50

The total future income from minimum lease payments under subleasing arrangements amounted on the reporting date to €101.3 million (previous year: €88.4 million), and is predominantly accounted for by Fraport USA Inc. (External Activities & Services segment), which operates and develops commercial terminal areas at various US airports as part of leasing and concession agreements. Over the fiscal year, payments from subleasing arrangements of €51.7 million (previous year: €43.0 million) were received, which also included revenue-related leases and were predominantly attributable to Fraport USA Inc.

6 Change in Work-in-Process

Change in work-in-process

€ million	2016	2015
Change in work-in-process	0.4	0.5

Table 51

The change in work-in-process relates to land and buildings for sale.

7 Other Internal Work Capitalized

Other internal work capitalized

€ million	2016	2015
Other internal work capitalized	34.9	29.9

Table 52

The other internal work capitalized primarily relates to engineering, planning, and construction services and services of commercial project managers, as well as other performance work. The internal work capitalized primarily arose as part of the expansion program and for the expansion of the existing airport infrastructure at Frankfurt Airport.

8 Other Operating Income

Other operating income

€ million	2016	2015
Compensation payment Manila project (note 1)	241.2	0.0
Net income from the sale of investments in associated companies (note 2)	40.1	0.0
Releases of provisions	21.7	22.4
Releases of allowances	7.2	0.9
Repayment of adjusted shareholder loans	6.0	0.0
Income from compensation payments	1.8	2.3
Releases of special items for investment grants	1.2	1.3
Gains from disposal of non-current assets	0.6	0.6
Income from deconsolidations	0.0	8.0
Others	13.1	14.3
Total	**332.9**	**49.8**

Table 53

The release of provisions mainly relates to current provisions for rebates and refunds, legal disputes as well as personnel-related provisions.

9 Cost of Materials

Cost of materials

€ million	2016	2015
Cost of raw materials, consumables, supplies, and real estate inventories	–96.2	–77.3
Cost of purchased services	–525.7	–533.1
Total	**–621.9**	**–610.4**

Table 54

Among other things, the cost of raw materials, consumables, supplies, and real estate inventories includes the carrying amounts of real estate inventories sold in the fiscal year. The proceeds already realized in this respect are included under revenue in the Retail & Real Estate segment.

In the context of the airport operating projects outside of Germany (see also note 48) the cost of purchased services includes accrued revenue-related concession charges of €144.6 million (previous year: €130.8 million), as well as order costs for construction and expansion services in the amount of €19.9 million (previous year: €15.1 million).

In connection with the Fraport USA Inc. concession agreements for the marketing of retail space, the payments received include minimum lease payments of €22.6 million (previous year: €18.0 million) and conditional lease payments of €15.1 million (previous year: €11.8 million).

10 Personnel Expenses and Number of Employees

Personnel expenses and average number of employees

€ million	2016	2015
Remuneration for staff	–872.2	–832.8
Social security and welfare expenses	–150.2	–150.1
Pension expenses	–44.3	–43.8
Total	**–1,066.7**	**–1,026.7**

Average number of employees	2016	2015
Permanent employees	19,372	19,770
Temporary staff (interns, students, and scholars)	950	950
Total	**20,322**	**20,720**

Table 55

Additions to pension provisions and additions to obligations arising from time-account models are included in personnel expenses.

The rise in personnel expenses during the fiscal year was primarily the result of €37.7 million from the program to develop the personnel structure “Pact for the Future Plus (ZV Plus)” (see Note 37).

11 Depreciation and Amortization

Depreciation and amortization

€ million	2016	2015
Composition of depreciation and amortization		
Goodwill		
non-regular	–22.4	0.0
Investments in airport operating projects		
regular	–25.9	–25.8
Other intangible assets		
regular	–17.5	–16.9
non-regular	–7.4	0.0
Property, plant, and equipment		
regular	–286.0	–282.4
non-regular	0.0	–2.1
Investment property		
regular	–1.2	–1.1
Total	**–360.4**	**–328.3**

Table 56

Regular depreciation and amortization

The useful lives of some assets were re-measured in the year under review, resulting in increased depreciation and amortization of €5.7 million (previous year: €4.6 million) and reduced depreciation and amortization of €5.7 million (previous year: €10.5 million).

Impairment losses pursuant to IAS 36

The non-regular depreciation and amortization of goodwill of €22.4 million reported in the year under review exclusively relates to the goodwill of FraSec Fraport Security Services GmbH, reported in the consolidated statement of financial position. For details on the impairment test, see note 18 and note 4.

The non-regular depreciation and amortization of €7.4 million on other intangible assets relates to the concession rights of Fraport USA Inc. (see also note 4 and note 20).

12 Other Operating Expenses

Other operating expenses

€ million	2016	2015
Rebates for payments received from a federal guarantee for capital contributions (Manila project), note 1	–42.4	0.0
Insurances	–26.1	–25.3
Costs for advertising and representation	–21.1	–19.3
Consulting, legal, and auditing expenses	–18.0	–15.4
Rental and lease expenses	–12.4	–14.1
Other taxes	–6.7	–10.3
Expenses from obligations to environmental and local areas	–6.6	–3.0
Losses from disposal of non-current assets	–5.6	–5.9
Write-downs of trade accounts receivable	–0.9	–11.5
Others	–71.9	–88.4
Total	**–211.7**	**–193.2**

Table 57

Rental and lease expenses include minimum lease payments in the amount of €9.1 million (previous year: €9.5 million) and contingent rental payments of €0.2 million (previous year: €0.3 million).

Among other things, other operating expenses include: travel costs, office supplies, course and seminar fees, entertainment expenses, administration fees, postage, and costs from compensation payments.

The consulting, legal, and auditing expenses include Group auditor fees (disclosed in accordance with Section 314 (1) no. 9 HGB) amounting to €1.8 million, the same level reported for the previous year. They are comprised as follows:

Group auditor fees

€ million	2016		2015	
	Fraport AG	Consolidated companies	Fraport AG	Consolidated companies
Audit services	1.3	0.2	1.4	0.3
Other certification services	0.3	0.0	0.1	0.0
Tax audit services	0.0	0.0	0.0	0.0
Other benefits	0.0	0.0	0.0	0.0
Total	**1.6**	**0.2**	**1.5**	**0.3**

Table 58

13 Interest Income and Interest Expenses

Interest income and interest expenses

€ million	2016	2015
Interest income	32.0	30.6
Interest expenses	–138.9	–156.2

Table 59

Interest income and interest expenses include interest from non-current loans and time deposits as well as interest expenses and interest income from interest cost added back on non-current liabilities, provisions, and non-current assets. The net interest payments of derivative financial instruments as well as interest income from securities are recorded as interest result.

Interest income and interest expenses for financial instruments that are not recognized in income at fair value

€ million	2016	2015
Interest income from financial instruments	26.7	26.9
Interest expenses from financial instruments	–130.6	–151.1

Table 60

14 Result from Companies accounted for Using the Equity Method

The result from companies accounted for using the equity method breaks down as follows:

Result from companies accounted for using the equity method

€ million	2016	2015
Joint ventures	–13.9	30.5
Associated companies	9.3	7.1
Total	**–4.6**	**37.6**

Table 61

15 Other Financial Result

The other financial result breaks down as follows:

Other financial result

€ million	2016	2015
Income		
Foreign currency translation rate gains, unrealized	3.7	2.4
Foreign currency translation rate gains, realized	8.5	3.8
Valuation of derivatives	2.7	7.7
Others	2.8	0.8
Total	**17.7**	**14.7**
Expenses		
Foreign currency translation rate losses, unrealized	–0.8	–8.2
Foreign currency translation rate losses, realized	–14.3	–5.1
Valuation of derivatives	–3.4	0.0
Others	0.0	–0.1
Total	**–18.5**	**–13.4**
Total other financial result	**–0.8**	**1.3**

Table 62

16 Taxes on Income

Income tax expense breaks down as follows:

Taxes on income

€ million	2016	2015
Current taxes on income	–190.3	–131.5
Deferred taxes on income	9.2	–5.3
Total	**–181.1**	**–136.8**

Table 63

Current income tax expense consists of current taxes on income for the year under review (€192.7 million, previous year: €119.5 million) and taxes on income for previous years (–€2.4 million, previous year: €12.0 million).

The tax expenses include corporation and trade income taxes, the solidarity surcharge of the companies in Germany, and comparable taxes on income of the foreign companies. The effective taxes result from the taxable results of the fiscal year and any revisions to previous assessment periods, to which the local tax rates of the respective Group company are applied.

Deferred taxes are generally valued on the basis of the tax rate applicable in the respective country. A combined income tax rate of around 31 % including trade tax has been applied to German companies, just as in the previous year.

Deferred taxes are recognized for all temporary differences between the tax and IFRS financial statements and for the utilizable carry-forwards of unused tax losses.

The probability of the future use of the losses carried forward is decisive for the evaluation of the recoverability of deferred tax assets. This depends on whether future taxable profits will be available in the periods in which the carry-forward of unused tax losses can be utilized. As at December 31, 2016, based on current information the Fraport Group had non-utilizable tax losses carried forward in the amount of €10.0 million (thereof €7.9 million related to trade taxes and €2.1 million to corporation taxes; previous year: €5.0 million, thereof €5.0 million related to trade taxes and €0.0 million to corporation taxes) as well as utilizable tax losses carried forward in the amount €5.9 million (previous year: €0.0 million). Loss carry-forwards that are not expected to be utilizable are due to Fraport Immobilienservice und -entwicklungs GmbH & Co. KG and FraSec Fraport Security Services GmbH and can be carried forward indefinitely. The expected utilizable loss carry-forwards are predominantly the result of Fraport Regional Airports of Greece A S.A. and Fraport Regional Airports of Greece B S.A.

For temporary differences in connection with shares in subsidiaries amounting to €250.5 million (previous year: €186.3 million), no deferred tax liabilities were recognized, as Fraport can control the timing of the reversal and it is not expected that these differences will reverse in the foreseeable future. These potential tax liabilities are, however, limited to 1.55 % of the difference as well as local withholding taxes in the case of future dividend payments from certain foreign subsidiaries.

In addition, deferred taxes result from consolidation measures. Pursuant to IAS 12, no deferred tax is recognized in the context of initial consolidation with respect to goodwill capitalized or any impairment losses of goodwill.

Deferred tax assets and liabilities are netted insofar as these income tax claims and liabilities relate to the same tax authority and to the same taxable entity or a group of different taxable entities that, however, are assessed jointly for income tax purposes.

Deferred taxes resulting from temporary differences between tax financial valuation and assets/liabilities accounted according to IFRS are assigned to the following financial position items:

Allocation of deferred taxes

€ million	2016		2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investments in airport operating projects	0.0	–10.5	0.0	–10.6
Other intangible assets	0.0	–25.8	0.0	–29.3
Property, plant, and equipment	3.0	–217.5	0.5	–210.5
Financial assets	0.3	0.0	0.2	0.0
Accounts receivable and other assets	4.1	–1.3	7.5	–0.9
Provisions for pensions	6.9	0.0	6.2	0.0
Other provisions	36.6	–0.8	27.3	–1.4
Liabilities	57.1	0.0	56.5	–2.1
Financial derivatives	12.4	0.0	21.0	–0.1
Losses carried forward	1.7	0.0	0.0	0.0
Total separate financial statements	**122.1**	**–255.9**	**119.2**	**–254.9**
Offsetting	–85.2	85.2	–85.8	85.8
Consolidation measures	0.0	–2.9	0.0	–3.1
Consolidated Statement of Financial Position	**36.9**	**–173.6**	**33.4**	**–172.2**

Table 64

The vast majority of the deferred tax assets and liabilities result from non-current assets (investments in airport operating projects, other intangible assets, property, plant, and equipment) and non-current liabilities (primarily concession liabilities).

Over the fiscal year, equity-decreasing deferred taxes in the amount of €8.4 million (previous year: €7.9 million) from the change in the fair values of financial derivatives and securities were recognized directly in shareholders' equity without affecting profit or loss. Further equity-increasing deferred taxes resulted primarily from the revaluation of defined benefit plans in the amount of €0.5 million (previous year: equity-decreasing deferred taxes in the amount of €0.4 million).

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

Tax reconciliation

€ million	2016	2015
Earnings before taxes on income	581.4	433.8
Expected tax income/expense [1]	–180.2	–134.5
Tax effects from differences in foreign tax rates	15.2	12.3
Tax credit from tax-free income	11.7	0.0
Taxes on non-deductible operating expenses	–15.7	–1.3
Non-creditable non-German withholding tax	–0.8	–1.6
Permanent differences including non-deductible tax provisions	–5.6	–18.0
Result of companies accounted for using the equity method	–1.4	11.6
Non-utilizable tax losses carried forward	–0.8	0.0
Trade effects and other effects from local taxes	–3.7	–4.5
Others	0.2	–0.8
Taxes on income according to the income statement	**–181.1**	**–136.8**

[1] Expected tax rate around 31%, for corporation tax 15.0% plus solidarity surcharge 5.5% and trade tax of around 15.5% (unchanged from the previous year).

Table 65

The consolidated tax rate for the 2016 fiscal year is 31.2% (previous year: 31.5%).

17 Earnings per Share

Earnings per share

	2016		2015	
	basic	diluted	basic	diluted
Group result attributable to shareholders of Fraport AG in € million	375.4	375.4	276.5	276.5
Weighted number of shares	92,337,317	92,546,302	92,289,839	92,548,167
Earnings per €10 share in €	4.07	4.06	3.00	2.99

Table 66

The basic earnings per share for the 2016 fiscal year were calculated using the weighted average number of floating shares, each corresponding to a €10 share of the capital stock. Due to the capital increase (see note 31), the number of floating shares during the period rose from 92,307,711 to 92,357,054 as at December 31, 2016. With a weighted average number of 92,337,317 shares, the basic earnings per €10 share amounted to €4.07.

As a result of the rights granted to employees to buy shares (authorized capital) within the scope of the employee investment plan, the diluted number of shares amounts to 92,546,302 (weighted average) and the diluted earnings per €10 share are therefore €4.06.

Notes to the Consolidated Financial Position

The composition and development of goodwill, investments in airport operating projects, other intangible assets, property, plant, and equipment, and investment property are shown in the Consolidated Statement of Changes in Non-Current Assets.

18 Goodwill

Goodwill arising from consolidation relates to:

Goodwill Tax reconciliation

€ million	Carrying amount December 31, 2016	Carrying amount December 31, 2015
FraSec	0.0	22.4
Aerodrom Ljubljana	18.0	18.0
Fraport USA	1.0	1.0
Media	0.3	0.3
Total	**19.3**	**41.7**

Table 67

The following table provides an overview of the assumptions incorporated in the main goodwill impairment tests as at December 31, 2016:

Goodwill impairment test

Designation CGU	Carrying amount of goodwill	Discount rate before taxes	Growth rate of perpetual annuity	Average revenue growth in detailed planning period	Average EBITDA margin in detailed planning period	Detailed planning period
Aerodrom Ljubljana	€18.0 million	9.2%	–	5.2%	–	2017 to 2053

Table 68

The parameters used within the scope of the impairment tests are based on the current plan approved by the Executive Board. This takes account of internal empirical values and external economic framework data.

The revenue forecasts used to determine growth assumptions are based, in particular, on expected air traffic trends derived from external market forecasts.

A variation in the discount rate of +0.5 percentage points or growth forecasts of – 0.5 percentage points will not affect the recoverability of the reported goodwill.

The planning period that forms the basis for the CGU FraSec impairment test is subdivided into a plan for 2017 – 2022 approved by the Executive Board and the Supervisory Board and an additional long-term plan up to 2025. The background for the planning period is capacity expansion at Frankfurt Airport. Accordingly the detailed planning period for the free cash flows will be extended until 2025. It is expected that the situation will be stable from this year, which means that subsequently a perpetual annuity can be determined. FraSec currently provides security services, particularly at the Frankfurt site. The significantly lower long-term earnings forecast compared to previous years in the CGU FraSec planning resulted in an impairment of goodwill in the Aviation segment reported in the consolidated statement of financial position with the application of a discount rate of 5.4 % after taxes (previous year: 5.4 %; 8.0 % before taxes). The recoverable amount is based on the CGU's value in use. The impairment was accounted for in depreciation and amortization by reporting a full impairment of goodwill of €22.4 million. Other material non-current assets are not included in the CGU. For fiscal year 2016, FraSec GmbH reports a net loss of €3.1 million (see also note 11).

The planning period on which the impairment test for Ljubljana Aerodrome is based corresponds to the term of the right derived from a long-term land use contract to operate the airport in Ljubljana.

19 Investments in Airport Operating Projects

Investments in airport operating projects

€ million	December 31, 2016	December 31, 2015
Investments in airport operating projects	516.1	500.9

Table 69

Investments in airport operating projects relate to concession rights, which comprise minimum concession payments capitalized due to the application of IFRIC 12 (see also note 4 and note 48) of €288.5 million (previous year: €296.9 million) and incurred capital expenditure of €227.6 million (previous year: €204.0 million). They relate to the terminal operation at the concession airports in Lima at €324.6 million (previous year: €315.8 million) and in Varna and Burgas at €181.2 million (previous year: €185.1 million), and investments relating to future airport operating projects in Greece of €10.3 million (previous year: €0.0 million).

20 Other Intangible Assets

Other intangible assets

€ million	December 31, 2016	December 31, 2015
Other concession and operator rights	89.0	101.5
Software and other intangible assets	57.7	59.7
	146.7	**161.2**

Table 70

The other concession and operator rights include the right derived from an existing, long-term land use contract to operate the airport in Ljubljana (€60.6 million, previous year: €62.8 million) with a remaining term of 37 (previous year: 38) years, and the concession rights shown in the balance sheet of Fraport USA Inc. (€28.4 million, previous year: €38.7 million) in the retail sector with residual terms of up to 13 years (previous year: 14). In the year under review, a Fraport USA Inc. concession right assigned to the "External Activities & Services" segment reported an impairment due to the lower long-term earnings expectations as a result of changed contractual conditions, which leads to recognition of an impairment loss of €7.4 million in depreciation and amortization and a remaining carrying amount of €10.8 million, which corresponds to the value in use. The value in use is measured based on a discount rate of around 6.2 % after taxes (previous year: 6.5 %). The planning period corresponds to the expected contractual period.

The other intangible assets included as at the reporting date contain internally generated intangible assets with residual carrying amounts of €16.4 million (previous year: €12.7 million). The capitalized manufacturing costs are attributable in full to the development phase. The depreciation and amortization is carried out on a straight-line basis taking into account the scheduled useful lives between two and 16 years. Depreciation and amortization in the fiscal year amounted to €1.5 million (previous year: €1.9 million).

21 Property, Plant, and Equipment

Property, Plant, and Equipment

€ million	December 31, 2016	December 31, 2015
Land, land rights, and buildings, including buildings on leased lands	3,515.8	3,569.1
Technical equipment and machinery	1,568.0	1,676.9
Other equipment, operating, and office equipment	171.4	162.0
Construction in progress	699.0	637.4
Total	**5,954.2**	**6,045.4**

Table 71

Additions in the 2016 fiscal year amounted to €266.9 million. Of this, €80.1 million was attributable to projects relating to the capacitive expansion of Frankfurt Airport.

In the fiscal year, property, plant, and equipment was transferred to the "receivables and financial assets" item with residual carrying amounts of €55.6 million. The transferred costs relate to costs for the programs of measures for commercial noise abatement and wake turbulence protection, which will be refinanced via charges with the approval of the 2017 charge table. These costs were previously not able to be refinanced, and were therefore capitalized as acquisition costs in connection with the capacitive expansion.

Borrowing costs were capitalized in the amount of €18.7 million (previous year: €15.7 million). These borrowing costs were used for capital expenditure whose financing could not be clearly classified for the purpose of creating a specific qualifying asset. The cost of debt for general project financing was approximately 4.7 % on average (previous year: approximately 4.5 %). Borrowing costs were mainly incurred for projects relating to the capacitive expansion of Frankfurt Airport.

As in the previous year, no borrowing costs were incurred from concrete project financing.

As at the balance sheet date, property, plant, and equipment with a carrying amount totaling €12.4 million carry mortgages (previous year: €10.3 million).

Assets from finance lease contracts amounting to €18.5 million were recognized in property, plant, and equipment on the balance sheet date (previous year: €23.8 million):

Finance lease contracts (2016)

€ million	Carrying amount January 1, 2016	Additions	Disposals	Depreciation and amortization	Carrying amount December 31, 2016
Land, land rights, and buildings, including buildings on leased lands	10.4	0.0	0.0	2.1	8.3
Technical equipment and machinery	13.3	1.5	0.0	5.4	9.4
Other equipment, operating, and office equipment	0.1	0.9	0.0	0.2	0.8
Total	**23.8**	**2.4**	**0.0**	**7.7**	**18.5**

Table 72

Finance lease contracts (2015)

€ million	Carrying amount January 1, 2015	Additions	Disposals	Depreciation and amortization	Carrying amount December 31, 2015
Land, land rights, and buildings, including buildings on leased lands	20.1	0.0	7.6	2.1	10.4
Technical equipment and machinery	23.8	0.0	3.7	6.8	13.3
Other equipment, operating, and office equipment	0.1	0.1	0.0	0.1	0.1
Total	**44.0**	**0.1**	**11.3**	**9.0**	**23.8**

Table 73

Land, land rights and buildings, including buildings on leased lands, include an energy plant located on the site of Fraport AG. Given the exclusive use by Fraport AG and the existence of a special lease contract, Fraport AG is considered to be the beneficial owner of the plant. The contract expires in 2020.

Technical equipment and machinery includes an IT service agreement for the provision of an IT network on the Frankfurt Airport site and related services. As the network is located on the site of Fraport AG and is of no reasonable commercial use to any other party, Fraport AG is considered to be the beneficial owner. Technical equipment and machinery also includes another IT service agreement for the provision of server and data storage capacities. The computer center required for this purpose is located on the site of Fraport AG, and Fraport AG is the sole recipient of the server and data storage services. Both contracts run until 2018. The quantity of infrastructure supplied for the two aforementioned agreements increased during the fiscal year, so the leases were adjusted accordingly. Additions totaling €0.8 million are accounted for by this.

Of the additions to technical equipment and machinery and operating and office equipment, €1.6 million is attributable to assets in the IT area for which Fraport AG is considered to be the beneficial owner.

22 Investment Property

Investment property includes land and buildings situated in direct vicinity to Frankfurt Airport, which are classified as follows:

Investment property

€ million	Carrying amount December 31, 2016	Carrying amount December 31, 2015	Fair value December 31, 2016	Fair value December 31, 2015
Undeveloped land – Level 2	8.8	3.1	64.8	50.7
Undeveloped land – Level 3	8.8	8.8	10.1	9.9
Developed land – Level 3	62.0	62.6	96.5	96.7
Total	**79.6**	**74.5**	**171.4**	**157.3**

Table 74

The undeveloped land – Level 2 is agricultural land, which is partly located in the bird sanctuary, and undeveloped land in the Kelsterbach district, as well as undeveloped land to the south of the airport. The fair value of the land is calculated internally using the comparative value procedure pursuant to the Real Estate Valuation Regulation of May 19, 2010 (ImmoWertV) applicable in Germany based on the standard ground values published by a committee of experts.

The fair value of the undeveloped land – Level 3 is also calculated internally using the comparative value procedure. The square meter prices of real estate transactions currently being carried out in the same land use area are, however, not observable on the market. The land is in the immediate vicinity of Frankfurt Airport.

The developed land – Level 3 comprises real estate leased for residential purposes from the voluntary purchase program for real estate in Flörsheim in the flight zone of Runway Northwest, commercially leased real estate with low flight altitude in Kelsterbach, and commercially leased properties situated in the south of the airport site. In addition, this class includes commercially used real estate with third-party hereditary building rights.

The fair values in the developed land – Level 3 category are calculated partly using the capitalization of earnings method pursuant to ImmoWertV and partly using the discounted cash flow method by independent assessors. Key input parameters in the capitalization of earnings method include the multiplier, depending on the useful life and property yields, and the underlying annual rent. A perpetual annuity is assumed in the discounted cash flow method. The key input parameters here are the discount rate, the sustainable market rent, the assumed remaining useful life, predicted maintenance costs, and the anticipated development in rents.

The additions in the year under review are mainly attributed to additions to the property in the southern part of the airport site. They consist of already finished and still to be built commercial property that is or is to be leased long term to air freight companies. The reclassifications during the year under review of €5.7 million are fully attributable to undeveloped land in Kelsterbach, for which the development planning process was completed in the year under review.

As at the balance sheet date, the investment property included assets under construction of €1.9 million (previous year: €1.8 million).

For major parts of the investment property, foreseeable restrictions on salability arise from the fact that these areas are located in the immediate vicinity of Runway Northwest.

Lease revenue from investment property during the 2016 fiscal year amounted to €4.5 million (previous year: €4.6 million). The total costs incurred for the maintenance of investment property were €1.9 million (previous year: €1.7 million), of which €0.1 million (previous year: €0.1 million) was incurred for property for which no lease revenue was earned during the fiscal year.

Obligations for the acquisition of investment property amounted to €0.6 million on the balance sheet date (previous year: none).

23 Investments in Companies accounted for Using the Equity Method

Companies that are Group airports outside of Frankfurt are considered to be substantial joint ventures and associated companies in the Fraport Group. This applies to the airports in Antalya, Pulkovo, Hanover, and Xi'an.

Shares in joint ventures

Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi Anonim Sirketi, Antalya/Turkey (franchisee) is a joint venture of Fraport AG and IC Yatirim Holding A.S. that operates the terminals at Antalya Airport as part of the concession agreement of May 22, 2007 with the Turkish airport authority (DHMI franchisor). The concession for the operation of the terminals and thus the right to use all assets listed in the concession agreement runs for a total of 17 years to the end of 2024.

With regard to the authorized use of infrastructure, the company is obligated to perform maintenance and capacity expansions (as required). Distributed over the term of the concession agreement, concession fees of €2.01 billion net must be paid to DHMI. In exchange, the franchisee receives the right to use the existing and future terminal infrastructure to operate the airport and the right to generate revenue from passenger charges paid by the airlines and from other services related to terminal operations. Passenger charges are regulated by the franchisor.

Fraport holds a 51 % interest in the company's share capital, of which 13.36 % is held indirectly through Antalya Havalimani Uluslararasi Terminal Isletmeciligi A.S., though neither party may make a decision unilaterally due to the voting system laid down in the partnership agreement. The division of the variable returns from the company is governed separately in the partnership agreement, according to which both partners are entitled to equal amounts in returns. The company accounts for 50 % according to the equity method on the basis of the division of the dividend rights and the joint management and control. The dividends are for the most part distributed through the non-operating joint venture Fraport IC Ictas Havalimani Isletme Anonim Sirketi, Antalya/Turkey. Since the companies are not listed on a stock exchange, there is no available active market value for the shares.

The following overviews contain summarized IFRS financial position and results data from the Antalya companies accounted for using the equity method (Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi Anonim Sirketi, Antalya/Turkey, and Fraport IC Ictas Havalimani Isletme Anonim Sirketi, Antalya/Turkey).

Financial position data for Antalya

€ million	December 31, 2016	December 31, 2015
Non-current assets	**863.5**	**960.7**
Non-current liabilities	**606.4**	**937.5**
thereof financial liabilities	0.0	257.0
thereof other liabilities (including trade accounts payable)	606.4	680.5
Current assets	**168.2**	**267.1**
thereof cash and cash equivalents	145.6	226.6
thereof other assets	22.6	40.5
Current liabilities	**382.7**	**188.0**
thereof financial liabilities	272.0	74.2
thereof other current liabilities (including trade accounts payable)	110.7	113.8
Net assets	**42.6**	**102.3**
Pro rata share of net assets	21.3	51.2
Goodwill	16.9	16.9
Investment carrying amount	**38.2**	**68.1**

Table 75

Results data for Antalya

€ million	2016	2015
Revenue	180.9	301.0
Regular depreciation and amortization	–108.6	–108.5
Interest income	1.9	3.0
Interest expenses	–68.3	–75.4
Taxes on income	4.5	–16.3
Result after taxes	**–32.2**	**59.2**
Other result	9.8	9.2
Comprehensive income	**–22.4**	**68.4**

Table 76

The reconciliation for the carrying amount in joint ventures recognized in the Group is shown in the following overview:

Reconciliation for carrying amount in joint ventures

€ million	Antalya		Other joint ventures		Total	
	2016	2015	2016	2015	2016	2015
Investment carrying amount as at January 1 (Fraport share)	68.1	64.0	26.4	20.1	94.5	84.1
Share of annual net profit/losses	–11.8	29.6	1.1	0.9	–10.7	30.5
Share of other result	4.9	4.6	0.0	0.0	4.9	4.6
Comprehensive income	**–6.9**	**34.2**	**1.1**	**0.9**	**–5.8**	**35.1**
Dividends	–18.7	–28.9	–0.7	–0.3	–19.4	–29.2
Other adjustments	–4.3	–1.2	0.0	0.0	–4.3	–1.2
Addition and capital increase FCS	0.0	0.0	0	5.7	0.0	5.7
Investment carrying amount as at December 31 (Fraport share)	**38.2**	**68.1**	**26.8**	**26.4**	**65.0**	**94.5**
Unrecorded pro rata results/losses						
in the reporting period			0.4	1.0		
Cumulative			0.0	–0.4		

Table 77

In connection with financing the concession in Antalya, €145.2 million of bank balances are subject to a drawing restriction (previous year: €206.4 million).

With regard to the project financing for the terminal operation concession in Antalya, part of the liquidity available to the operating company serves as a reserve to service debt, as well as to settle the fixed annual concession payment, and is therefore subject to specific disposal restrictions. Various credit clauses exist with regard to the other remaining freely available liquidity. Due to the decrease in traffic in fiscal year 2016, in October 2016, the company applied for the deferment of the concession fee payable in January 2017 of €100.5 million until July 2019 in order to use part of the liquidity available for it to top-up the freely available liquidity for servicing debt in connection with the project financing and comply with the other credit clauses. The application was approved by the Turkish airport authority DHMI in October 2016 subject to the approval of the Turkish government. As a result, the banks consented (waiver letter) to the use of the liquidity available for the payment of the concession fee subject to the condition precedent of the approval by the Turkish government. In February 2017, the Turkish government approved the deferment of the concession payment intended for January 2017, but until June 2018. As a result, the approval issued by the banks lapsed with retroactive effect from December 31, 2016. In this case, the waiver letter issued by the banks essentially requires the company to once again provide the necessary liquidity for the deferred concession payment in full (approximately €45 million), and that it enter into negotiations on remedying the breached credit clauses.

The next steps are currently being coordinated with the banks. For information on the possible risks for the project as a result of the current situation, please refer to the risk and opportunities report in the Group management report starting on page 75 and note 43 on Contingent Liabilities.

There are no further significant restrictions pursuant to IFRS 12.

Investments in associated companies

Thalita Trading Ltd. and its wholly owned subsidiary Northern Capital Gateway LLC (NCG) were founded as companies by Fraport AG, the Russian bank VTB, and the Greek Copelouzos Group. NCG develops and operates Pulkovo Airport (St. Petersburg, Russia) as part of a 30-year concession agreement with the city of St. Petersburg. The company is responsible for the entire airport infrastructure. Fraport AG holds 25.0% (previous year: 35.5% of the shares in Thalita Trading Ltd.

Xi'an Xianyang International Airport Co., Ltd. (Xi'an) was founded by Fraport AG and three additional Chinese companies. The company operates Xi'an International Airport, China. The company's scope of responsibility includes the operation of the terminal including the commercial areas, as well as certain parts of the landside infrastructure. Fraport holds 24.5% of the shares in Xi'an through its subsidiary, Fraport Asia Ltd.

Flughafen Hannover-Langenhagen GmbH operates the airport of Lower Saxony's capital city of Hanover. Fraport AG holds 30% of the shares, while the City of Hanover and the State of Lower Saxony each hold a 35% stake in the company.

NCG, Xi'an, and Hannover are not listed companies. There are no available active market values for the shares.

The following information shows the IFRS financial statements of the material associated companies. Accounting and valuation differences were adjusted to the requirements of the Group.

Summarized financial position

€ million	Thalita/NCG		Xi'an		Hanover	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Share of shareholders' equity	**25.00%**	**35.50%**	**24.50%**	**24.50%**	**30.00%**	**30.00%**
Non-current assets	**792.5**	**718.0**	**688.9**	**736.1**	**336.1**	**335.6**
Non-current liabilities	**1,200.6**	**1,119.6**	**231.7**	**261.7**	**155.0**	**159.2**
thereof financial liabilities	1,131.7	1,063.3	196.8	234.1	124.1	130.8
thereof other liabilities (including trade accounts payable)	68.9	56.3	34.9	27.6	30.9	28.4
Current assets	**194.3**	**128.7**	**210.3**	**178.9**	**10.6**	**12.3**
thereof cash and cash equivalents	137.2	104.9	168.2	138.6	1.1	1.0
thereof other assets	57.1	23.8	42.1	40.3	9.5	11.3
Current liabilities	**94.3**	**86.8**	**150.9**	**140.3**	**54.5**	**53.2**
thereof financial liabilities	41.3	36.1	0.0	0.0	20.4	21.0
thereof other liabilities (including trade accounts payable)	53.0	50.7	150.9	140.3	34.1	32.2
Net assets	**–308.1**	**–359.7**	**516.6**	**513.0**	**137.2**	**135.5**
Pro rata share of net assets	–77.0	–127.7	126.6	125.7	41.2	40.7
Adjustments/accumulated impairments	0.0	0.0	0.0	0.0	–25.7	–25.7
Investment carrying amount	**0.0**	**0.0**	**126.6**	**125.7**	**15.5**	**15.0**

Table 78

Result data

€ million	Thalita/NCG		Xi'an		Hanover	
	2016	2015	2016	2015	2016	2015
Revenue	194.0	233.1	213.4	200.7	147.6	146.1
Regular depreciation and amortization	–34.3	–38.3	–50.8	–48.6	–20.1	–20.2
Interest income	0.0	0.0	4.1	4.2	0.0	0.0
Interest expenses	–112.2	–90.9	–11.3	–15.8	–5.8	–6.2
Taxes on income	–11.1	–6.6	–5.9	–4.0	–1.9	1.0
Result after taxes	**–0.8**	**–8.8**	**30.4**	**20.5**	**2.8**	**3.8**
Other result	–3.4	4.7	0.0	0.0	–1.0	0.3
Comprehensive income	**–4.2**	**–4.1**	**30.4**	**20.5**	**1.8**	**4.1**

Table 79

The reconciliation for the carrying amount in associated companies recognized in the Group is shown in the following overview:

Reconciliation for carrying amounts in associated companies

	Thalita/NCG		Xi'an		Hanover		Other associated companies	
€ million	2016	2015	2016	2015	2016	2015	2016	2015
Investment carrying amount as at January 1 (Fraport share)	**0.0**	**0.0**	**125.7**	**116.8**	**15.0**	**13.8**	**2.4**	**2.2**
Share of annual net profit/losses	0.0	0.0	7.5	5.1	0.8	1.1	0.9	0.9
Share of other result	0.0	0.0	0.0	0.0	–0.3	0.1	0.0	0.0
Currency translation differences	0.0	0.0	–3.4	6.2	0.0	0.0	0.0	0.0
Comprehensive income	**0.0**	**0.0**	**4.1**	**11.3**	**0.5**	**1.2**	**0.9**	**0.9**
Dividends	0.0	0.0	–3.2	–2.4	0.0	0.0	–0.8	–0.8
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Investment carrying amount as at December 31 (Fraport share)	**0.0**	**0.0**	**126.6**	**125.7**	**15.5**	**15.0**	**2.5**	**2.4**
Unrecorded pro rata results/losses								
in the reporting period	–0.2	–3.1						
Cumulative	-75.7	-107.2						

Table 80

The sale of 10.5 % of the shares in Thalita Ltd. (see note 2) and the derecognition of the pro rata losses from the auxiliary calculation resulted in a reduction of unrecognized cumulative losses of €31.7 million.

There are no significant restrictions pursuant to IFRS 12.

24 Other Financial Assets

Other financial assets

€ million	December 31, 2016	December 31, 2015
Available for sale financial assets		
Securities	335.3	408.2
Other investments	104.7	91.8
Loans		
Loans to joint ventures	4.3	4.3
Loans to associated companies	88.2	120.3
Other loans	29.2	34.6
Total	**561.7**	**659.2**

Table 81

In the year under review, investments in securities amounting to €49.8 million (previous year: €90.5 million) were transacted, which were assigned to the "Available for sale" category. Other changes resulted from reclassifications to current other financial assets due to securities of €120.3 million maturing in 2017 (previous year: €220.0 million) and changes arising from valuation of €0.6 million (previous year: €2.6 million).

Investment securities include fund units that have been acquired exclusively for the insolvency protection of credits from the time-account models and partial retirement claims in particular of employees of Fraport AG. In the 2016 fiscal year, fund units were increased by €8.5 million (previous year: €0.9 million). As at the reporting date, acquisition costs amounted to €55.9 million (previous year: €47.5 million). These securities are measured at fair value and credited against the corresponding obligations in the amount of €46.2 million (previous year: €37.3 million) (see also note 40). At year-end, there was an overfunding from fund units of €11.8 million (previous year: €13.7 million).

The change in other investments of the “available for sale” category relates to shares in Delhi International Airport Private Ltd., New Delhi, India, for which there was a newly derived price as fair value in the year under review.

Loans to associated companies related to a loan issued to Thalita Ltd., Cyprus, in previous years (see note 2). The interest receivables arising from the interest accrued according to the effective interest method are reported as non-current receivables from associated companies (see note 25).

25 Non-current and Current Other Receivables and Financial Assets

Non-current and current other receivables and financial assets

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
Accounts receivable from joint ventures	5.4	5.7	**11.1**	5.7	6.8	**12.5**
Accounts receivable from associated companies	0.4	54.6	**55.0**	0.4	56.4	**56.8**
Accounts receivable from other investments	0.0	0	**0.0**	2.1	–	**2.1**
Financial assets available for sale	152.7	–	**152.7**	213.3	–	**213.3**
Refunds from “Passive noise abatement/wake turbulences”	11.8	91.7	**103.5**	11.7	77.0	**88.7**
Other assets	81.3	4.7	**86.0**	68.4	4.6	**73.0**
Accruals	8.1	16.6	**24.7**	9.2	22.2	**31.4**
Total	**259.7**	**173.3**	**433.0**	**310.8**	**167.0**	**477.8**
thereof financial assets	174.9	70.4	**245.3**	263.5	75.9	**339.4**

Table 82

The financial assets in the “available for sale” category include securities with a remaining term of up to one year. The change in the total amount as at December 31, 2016 compared to the previous year results from scheduled reclassifications from the balance sheet item “Other financial assets” of around €120.3 million (previous year: €220.0 million), additions during the year under review of around €70.0 million (previous year: €218.7 million), and disposals of securities that matured in the fiscal year of around €246.4 million (previous year: €423.9 million).

The item “Refunds from passive noise abatement/wake turbulences” includes the expected full reimbursement amount from noise abatement charges from airlines for passive noise abatement and wake turbulences, which was recognized as other assets in compliance with IAS 37.53 in connection with the provisions created for the obligation of Fraport AG to reimburse costs for noise abatement construction measures, expenses from refund claims for reduced utilization of outdoor facilities, and roof reinforcement measures (wake turbulences). The value was determined at the present value of the estimated expenses for reimbursing the costs of noise abatement construction measures and estimated expenses for refund claims for reduced utilization of outdoor facilities.

An amount of €32.0 million was released from the provision during the fiscal year due to an updated cost assessment with regard to noise abatement measures for day and nighttime. The refund claim was reduced accordingly. In addition, during the fiscal year, €55.6 million was reclassified from property, plant, and equipment to the refund claim, as the approval of the 2017 charge table means that the estimated costs for the program of measures for commercial noise abatement and wake turbulence protection can also be refinanced by charges.

The item developed as follows in the fiscal year:

Refunds from "Passive noise abatement/wake turbulences"

€ million	January 1, 2016	Receipts	Disposals	Reclassification	Interest effect	December 31, 2016
Refunds from "Passive noise abatement/ wake turbulences"	88.7	11.6	32.0	55.6	2.8	103.5

Table 83

More information about the corresponding other provisions can be found in note 39. The carrying amount of the refund claim depends on the noise abatement charges actually received, and those expected in the future. The carrying amount of the corresponding provision depends on the actual, and future expected cash outflows for passive noise abatement measures and wake turbulences.

Accounts receivable from associated companies primarily include interest receivables from the interest cost added back pursuant to the effective interest method to the loan to Thalita Ltd. recorded under "Other loans" (see note 24).

The accruals are mainly construction cost subsidies paid by Fraport AG. They are especially paid to public utilities who set up facilities for special requirements of Fraport AG. The utility companies own the utility equipment.

Where applicable, the appropriate allowance is recognized for other financial assets as at the reporting date. As was the case in the previous year, no material allowances were recognized in the year under review. There are no material overdue non-impaired items.

26 Income Tax Receivables

Income tax receivables

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
Income tax receivables	11.9	0.2	**12.1**	7.4	5.4	**12.8**

Table 84

Income tax receivables primarily comprise the corporation tax credit capitalized in fiscal year 2006 and refund claims from the current year/previous years.

On December 12, 2006, the revised Section 37 of the German Corporation Tax Act (KStG) became legally effective in connection with amendments to the law based upon the Act on tax assistance measures for the introduction of the European Company and changes to further tax requirements (SEStEG).

According to Section 37 (4) of the KStG (new version), the corporation tax credit of Fraport AG had to be established for the last time on December 31, 2006. In accordance with Section 37 (5) of the KStG (new version), Fraport AG is entitled to a refund of its corporation tax credit in ten equal annual installments during a payout period from 2008 to 2017. The refund claim arose after the end of December 31, 2006 and is non-interest-bearing. The first installment was refunded in 2008 and is payable on September 30 of each year.

Corporation tax credit totaled €6.0 million as at December 31, 2016 (previous year: €12.2 million), and is discounted at a rate of 3.75 % as in the previous year due to its long-term nature. The present value of this claim to a tax refund amounts to a total of €5.3 million as at the balance sheet date (previous year: €10.5 million). Economically, this refund claim is an overpayment pursuant to IAS 12.12.

27 Deferred Tax Assets

Deferred tax assets

€ million	December 31, 2016	December 31, 2015
Deferred tax assets	36.9	33.4

Table 85

Deferred tax assets are recognized in accordance with IAS 12. Further explanations are provided in note 16 “Taxes on income”.

28 Inventories

Inventories

€ million	December 31, 2016	December 31, 2015
Land and buildings for sale	20.0	24.7
Raw materials, consumables, and supplies	17.2	17.4
Work-in-process/other	0.7	0.7
Total	**37.9**	**42.8**

Table 86

Land and buildings for sale are entirely attributable to the Mönchhof site situated in the immediate vicinity of Frankfurt Airport, which is held for sale.

Based on the ongoing development of the real estate held for sale, €0.7 million was capitalized in the year under review (previous year: €0.9 million). Carrying amount reductions in the amount of €5.4 million (previous year: €2.8 million) were the result of property sale transactions. As was the case the previous year, borrowing costs were capitalized in the amount of €0.1 million. The cost of debt amounted to approximately 0.5 %, as per the previous year.

The net realizable value of the real estate held for sale was calculated using the discounted cash flow method over the remaining planned selling period, with a discount rate adequate for the risk and related to the term of 3.5 % after tax (previous year: 3.1 %). When calculating the discount rate, further discounts were applied in addition to the general sector risk premium, particularly for as yet unknown environmental and selling risks. When calculating the net realizable value, the selling prices of sales which have already taken place and expenses planned for further development and selling are taken into account. As was the case last year, the net realizable values were higher than the carrying amounts.

Additional costs that will be incurred up to the date of sale mainly relate to expenses for the further development of the property held for sale on the Mönchhof site.

Sales of real estate with a carrying amount of around €4.6 million are planned for 2017 (previous year: around €5.9 million). The sale of other land and buildings (€15.4 million) should be realized in 2018 and subsequent years.

Expenses for the maintenance of real estate inventories during the year under review were minor.

Raw materials, consumables, and supplies mainly relate to consumables for the airport operation.

29 Trade Accounts Receivable

Trade accounts receivable

€ million	December 31, 2016	December 31, 2015
From third parties	129.6	154.0

Table 87

For 2016, as at the reporting date, the maximum default risk without taking securities into account equaled the carrying amount of €129.6 million (previous year: €154.0 million). The following table provides information on the extent of the default risk with regard to the non-impaired trade accounts receivable.

Default risk analysis

€ million	Carrying amount	Thereof not overdue or impaired	Thereof in stated term overdue and not impaired		
			< 30 days	30–180 days	> 180 days
December 31, 2016	**129.6**	**102.2**	**13.6**	**6.4**	**7.4**
December 31, 2015	154.0	99.4	30.7	8.8	15.1

Table 88

With regard to trade accounts receivable which are neither impaired nor in default, there is no indication as at the reporting date for 2016 that the debtors will not meet their payment obligations. 26 % (previous year: 30 %) of outstanding accounts receivable are due from two customers.

Cash security in the amount of €6.5 million (previous year: €6.6 million), and non-cash guarantees (mainly loan guarantees) in the nominal amount of €30.8 million (previous year: €27.6 million) were accepted as guarantee for unsettled trade accounts receivable. The guarantees received until the reporting date were neither sold nor passed on as security, and will be returned to the respective debtor after termination of the business relationship. The guarantees received will be used only in the event of the debtor's default.

Allowances for trade accounts receivable developed as follows in the fiscal year:

Allowances

€ million	2016	2015
Balance as at January 1	**57.2**	**49.1**
Allowances included in other operating expenses	0.9	11.5
Revenue-decreasing allowances	2.8	3.5
Release	–7.2	–0.9
Availments	–10.1	–4.1
Changes in the scope of consolidation	0.0	–1.5
Exchange rate differences	0.1	–0.4
Balance as at December 31	**43.7**	**57.2**

Table 89

30 Cash and Cash Equivalents

Cash and cash equivalents

€ million	December 31, 2016	December 31, 2015
Cash in hand, bank balances, and checks	736.0	406.0

Table 90

The bank balances mainly include short-term time deposits as well as overnight deposits.

Cash and cash equivalents include time deposits of €263.9 million (previous year: €152.0 million) with a term of more than three months from the time of acquisition. These funds are not subject to any significant fluctuations in value and can be realized at any time.

In connection with financing the concession in Antalya, €23.3 million of bank balances are subject to a drawing restriction, as in the previous year.

31 Equity Attributable to Shareholders of Fraport AG

Equity attributable to shareholders of Fraport AG

€ million	December 31, 2016	December 31, 2015
Issued capital	923.6	923.1
Capital reserve	596.3	594.3
Revenue reserves	2,220.4	1,919.9
Total	**3,740.3**	**3,437.3**

Table 91

Issued capital

Issued capital (less treasury shares) increased by €0.5 million in fiscal year 2016 and is fully paid up as at the balance sheet date.

This increase relates to the partial use of authorized capital following the capital increase in exchange for cash contributions to issue shares in connection with the employee investment plan.

Number of floating shares and treasury shares

Issued capital consisted of 92,357,054 (previous year: 92,307,711) bearer shares with no-par value, each of which accounts for €10.00 of the capital stock.

Development of floating and treasury shares pursuant to Section 160 of the AktG

	Issued shares	Floating shares	Treasury shares		
				Amount of capital stock	Share in capital stock
	Number	Number	Number	in €	in %
As at January 1, 2016	**92,385,076**	**92,307,711**	**77,365**	**773,650**	**0.0837**
Employee investment plan					
Capital increase	49,343	49,343			
As at December 31, 2016	**92,434,419**	**92,357,054**	**77,365**	**773,650**	**0.0837**

	Issued shares	Floating shares	Treasury shares		
				Amount of capital stock	Share in capital stock
	Number	Number	Number	in €	in %
As at January 1, 2015	**92,342,748**	**92,265,383**	**77,365**	**773,650**	**0.0838**
Employee investment plan					
Capital increase	42,328	42,328			
As at December 31, 2015	**92,385,076**	**92,307,711**	**77,365**	**773,650**	**0.0837**

Table 92

The new shares created under the employee investment plan were issued to the employees at a price of €51.40 each in June 2016.

Authorized capital

Pursuant to Sections 202 et seqq. of the AktG, the Executive Board was authorized by resolution of the AGM held on May 27, 2009 to increase the capital stock by up to €5.5 million on one or more occasions until May 26, 2014 with the approval of the Supervisory Board. It was possible to exclude the statutory subscription rights of the shareholders. At the AGM of May 31, 2013, the existing authorized capital was canceled and new authorized capital of €3.5 million was approved, which can be used for issuing shares to employees of Fraport AG and companies controlled by Fraport AG. The Executive Board is now entitled, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by up to a total of €3.5 million until May 30, 2018, by issuing new shares in return for cash. The statutory subscription rights of the shareholders may be excluded. In 2016, a total of €493,430 of authorized capital was used for issuing shares within the scope of the employee investment plan.

Therefore, €2.1 million of authorized capital remained as at December 31, 2016, which can be used for issuing shares to employees of Fraport AG and companies controlled by Fraport AG. The subscription rights of the shareholders may be excluded.

Contingent capital

A contingent capital increase of €13.9 million was approved according to Sections 192 et seqq. of the AktG at the AGM held on March 14, 2001. The purpose of the contingent capital was expanded at the AGM on June 1, 2005. The contingent capital increase also served to fulfill subscription rights under the approved Fraport Management Stock Options Plan 2005 (MSOP 2005). In connection with the scheduled expiration of the MSOP 2005, the Supervisory Board voided the contingent capital in its meeting of March 16, 2015 and passed a resolution for the deletion without replacement of the passage in this regard in Section 4 (4) of the company statutes.

Capital reserve

The capital reserve contains the premium from the issue of Fraport AG shares. The €2.0 million increase in the capital reserve results from the excess in the issue amount (€41.40 per share) of new shares issued under the employee investment plan (49,343 shares in total).

Revenue reserves

The revenue reserves consist not only of the reserves of Fraport AG (including the statutory reserve of €36.5 million), but also the revenue reserves and retained earnings of the Group companies included in the consolidated financial statements, as well as effects of consolidation adjustments. Furthermore, the revenue reserves include reserves for currency translation differences and financial instruments.

The derivative valuation reserve is –€26.3 million as at the balance sheet date (previous year: –€52.7 million). The reserve for the fair value valuation of financial assets available for sale totals €51.6 million (previous year: €38.5 million).

Pursuant to section 253 (6) sentence 1 of the HGB and in accordance with Section 268 (8) of the HGB, a total of €62.5 million of the shareholders' equity attributable to Fraport AG's shareholders (previous year: €48.4 million) is subject to a distribution block. However, the distribution block did not take effect insofar as sufficient free reserves were available.

The proposed dividend is €1.50 per share (previous year: €1.35 per share)

In the 2016 fiscal year, the AGM of May 20, 2016 decided to pay a dividend of €1.35 per no-par value share entitled to dividend. As in the previous year, the distributed amount was thus €124.6 million.

32 Non-controlling Interests

Non-controlling interests

€ million	December 31, 2016	December 31, 2015
Non-controlling interests (excluding the attributable Group result)	76.2	53.9
Group result attributable to non-controlling interests	24.9	20.5
Total	**101.1**	**74.4**

Table 93

Non-controlling interests related to allocated shareholders' equity and earnings of Fraport Twin Star Airport Management AD, FraCareServices GmbH, Media Frankfurt GmbH, Lima Airport Partners S.R.L., and the Fraport Regional Airports of Greece companies.

33 Non-current and Current Financial Liabilities

Non-current and current financial liabilities

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
Financial liabilities	366.5	3,236.9	**3,603.4**	543.6	3,273.8	**3,817.4**

Table 94

Please refer to the presentation of finance management and the asset and financial position in the Group management report for additional explanations of financial liabilities.

34 Trade Accounts Payable

Trade accounts payable

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
To third parties	146.7	41.8	**188.5**	143.1	42.5	**185.6**

Table 95

Trade accounts payable include liabilities in connection with compensation measures in connection with nature protection law in the amount of €26.4 million (previous year: €27.9 million). The liabilities relate to the contractual obligations to carry out environmental compensation measures based on the finished work to clear the forest south of the airport and near the Runway Northwest, as was necessary for the airport expansion.

35 Non-current and Current Other Liabilities

Non-current and current other liabilities

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
Prepayment for orders	1.8	–	**1.8**	1.9	–	**1.9**
To joint ventures	5.1	–	**5.1**	8.1	–	**8.1**
To associated companies	4.4	–	**4.4**	0.7	–	**0.7**
To investments	0.0	–	**0.0**	3.9	–	**3.9**
Investment grants for non-current assets	1.2	9.6	**10.8**	1.3	10.4	**11.7**
Other accruals	6.1	33.9	**40.0**	7.1	36.4	**43.5**
Liabilities in connection with concession obligations	28.5	256.1	**284.6**	26.4	251.6	**278.0**
Negative fair values of derivative financial instruments	4.6	73.1	**77.7**	4.1	109.4	**113.5**
Other liabilities	94.0	35.3	**129.3**	75.9	39.9	**115.8**
Total	**145.7**	**408.0**	**553.7**	**129.4**	**447.7**	**577.1**
thereof primary financial liabilities	68.4	265.7	**334.1**	75.6	268.3	**343.9**

Table 96

Investment grants for non-current assets include, in particular, investment grants for additional services provided by Fraport AG in the terminals, which are billed to the users thereof. Investment grants related to government grants of €5.4 million (previous year: €6.2 million) and grants from other grant donors of €5.4 million (previous year: €5.5 million). The government grants relate, in particular, to capital expenditure incurred for baggage controls at Frankfurt Airport. The special items are straight-line released according to the useful life of the granted assets.

Other accruals are earnings received and relating to future periods.

The liabilities in connection with concession obligations relate to obligations to pay fixed and variable airport operation concession fees for the airport operating projects in Lima, Varna, and Burgas.

The remaining other liabilities primarily consist of finance lease liabilities, wage and church taxes, outstanding social security contributions, liabilities from accrued interest and liabilities to company employees.

The following lease payments are due from the lease contracts:

Maturity of lease payments

€ million	Remaining term			Total
	up to 1 year	1–5 years	over 5 years	December 31, 2016
Lease payments	10.5	13.0	0.0	**23.5**
Discount amounts	0.9	0.8	0.0	**1.7**
Present value	**9.6**	**12.2**	**0.0**	**21.8**

€ million	Remaining term			Total
	up to 1 year	1–5 years	over 5 years	December 31, 2015
Lease payments	9.4	21.3	0.0	**30.7**
Discount amounts	1.4	1.6	0.0	**3.0**
Present value	**8.0**	**19.7**	**0.0**	**27.7**

Table 97

Discount rates are between 1.00 % and 6.00 % (previous year: 4.9 % and 6.0 %).

36 Deferred Tax Liabilities

Deferred tax liabilities

€ million	December 31, 2016	December 31, 2015
Deferred tax liabilities	173.6	172.2

Table 98

Deferred tax liabilities were recognized in compliance with IAS 12 using the temporary concept. Further explanations of deferred tax liabilities can be found under note 16 “Taxes on income”.

37 Provisions for Pensions and Similar Obligations

Defined benefit plans

Within the Fraport Group, there are pension obligations for the members of the Executive Board of Fraport AG and their surviving dependents as well as obligations for Senior Managers and employees not covered by collective bargaining agreements.

Pension obligations primarily include 17 (previous year: 17) vested pension benefits promised in individual pension commitments to members of the Fraport AG Executive Board and their surviving dependents. A reinsurance was already obtained in 2005 to reduce actuarial risks and protect pension obligations for the former and current (in some cases still active) members of the Executive Board against insolvency. This is a group insurance policy with an annual, constant minimum insurance amount for the entire group. The pension benefits from the reinsurance correspond to the total achievable retirement, occupational disability, and widow’s/widower’s benefits in accordance with the pension commitments. Reinsurance benefits are recognized at the active value reported by the insurance company in the amount of €22.3 million (previous year: €21.3 million), of which €0.8 million (previous year: €0.5 million) is attributable to reserved trust assets. The reinsurance is not traded on an active market. Plan assets are invested in shares, real estate, fixed-interest securities, and other assets. Reinsurance installments of €0.9 million have been paid for 2016 (previous year: €1.0 million) and €0.9 million is expected for the next year (previous year: €1.0 million). The average weighted term of the members of the Executive Board’s defined benefit plans is 16.1 years (previous year: 16.2 years) for pensions with reinsurance and 8.8 years (previous year: 9.0 years) for pensions without reinsurance.

The Executive Board members are entitled to pension benefits and provision for surviving dependents. An Executive Board member is generally entitled to a retirement pension if he or she becomes permanently unable to work or retires from office during the term of, or upon expiry of, his or her employment agreement. If an Executive Board member dies, benefits are paid to his or her surviving dependents. These amount to 60% of the retirement pension for the widower or widow; children entitled to receive benefits receive 12% each. If no widow's pension is paid, the children each receive 20% of the retirement pension.

Upon retirement, income from active employment as well as retirement pension payments from previous or, where applicable, later employment relationships shall be credited against accrued retirement pay up until reaching 60 years of age, insofar as without such credit the total of these emoluments and the retirement pension would exceed 75% of the fixed salary (100% of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended). Effective January 1 of each year, the retirement pensions are adjusted at discretion, taking into account the interests of the former Executive Board member and the company's economic situation. The adjustment obligation is considered to be satisfied if the adjustment does not fall below the increase in the consumer price index for the cost of living for private households in Germany.

The retirement pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 2% up to a limit of 75%, dependent on the duration of time an Executive Board member is appointed.

As at December 31, 2016, Dr. Schulte is entitled to 64.0% of his fixed annual gross salary. Dr. Zieschang is entitled to 48.0% of his fixed annual gross salary as at December 31, 2016.

In the event of occupational disability, the pension rate for Dr. Schulte and Dr. Zieschang amounts to at least 55% of their respective fixed annual gross salaries or of the contractually agreed basis of assessment.

For Executive Board members appointed from 2012 onwards, the pension benefits, provision for surviving dependents, and provision for long-term occupational disability are governed by a separate benefit agreement. This calls for the payment of a one-time pension capital or lifelong retirement pension after the insured event. The pension capital is generated when Fraport AG annually credits 40% of the fixed annual gross salary paid to a pension account. The pension capital accumulated at the end of the previous year pays interest annually at the interest rate used for the valuation of the pension obligations in the German balance sheet of Fraport AG at the end of the previous year pursuant to Section 253 (2) of the HGB, which is at least 3% and at most 6%. This is increased by 1% on January 1 of each year for lifelong retirement payments. No further adjustment is made. If the pension capital reached is less than €600,000 when retirement benefits fall due as a result of long-term occupational disability, Fraport AG will increase it to this amount. In the event of long-term occupational disability within the first five years of their activities performed as members of the Executive Board, it is foreseen that Executive Board members can postpone the receipt of a monthly retirement pension payment by a maximum of five years from the start of the employment contract. Until the postponed start of the pension benefit payments, they will receive a monthly benefit of €2,500. The risk of pension payments in the increase phase and of payments for the increase has been reinsured by an occupational disability insurance policy. The full amount of all income pursuant to the Income Tax Act from employment or self-employment is credited against the retirement pension paid until the end of the month in which the Executive Board member reaches the age of 62.

Survivor benefits for Executive Board members appointed from 2012 onwards are regulated as follows: If there is no prior event giving rise to retirement benefits, the widow or widower receives the pension capital generated so far. If there is no widow or widower entitled to benefits, each half-orphan receives 10 % and each full orphan receives 25 % of the pension capital generated so far as a one-time payment. If the pension capital reached is less than €600,000 upon death, Fraport will increase it to this amount. The payment risk of this increase has been reinsured by a term life insurance policy. If an Executive Board member dies while collecting retirement pensions, the widow or widower is entitled to 60 % of the last retirement pensions paid. Half-orphans receive 10 % and full orphans receive 25 % of the last retirement pensions paid. If there are no surviving dependents as set forth above, the heirs receive a one-time death grant in the amount of €8,000.

Moreover, each member of the Executive Board has entered into a two-year restrictive covenant. During this term, reasonable compensation in the form of an annual gross salary (fixed salary) pursuant to Section 90a of the HGB shall be paid. Part payments shall be made monthly. The compensation shall be generally credited against any retirement pensions owed by Fraport AG, inasmuch as the compensation together with the retirement pensions and other generated income exceeds 100 % of the last fixed salary received.

No other benefits have been promised to Executive Board members should their employment be terminated.

The retirement pension payments entitlement of former Executive Board members is determined by a percentage of a contractually agreed fixed basis of assessment.

For Senior Managers and employees not covered by collective bargaining agreements who joined the company as Senior Managers or employees not covered by collective bargaining agreements after December 31, 1997 or who will join in future, the pension benefits and benefits for surviving dependents on the monthly compensation liable to top-up pension payments, for which contributions are payable, are restricted to the upper limit defined in Section 38 of the ATV-K in the amount of 1.133 times of the payment group 15 level 6 of the collective bargaining agreement for civil servants (TVöD). In addition to said limited pension benefits and benefits for surviving dependents, there exists a supplementary company retirement benefit for these persons. Accordingly, Fraport AG makes an annual contribution in the amount of 13 % of the eligible income as capital components into an individually managed pension account. The period of contribution began on January 1, 1998 for employees who entered into an employment not covered by a collective bargaining agreement before January 1, 2000. Furthermore, this applies to employees who changed from an employment covered by a collective bargaining agreement to one not covered by a collective bargaining agreement after December 31, 1997 or who entered into an employment not covered by a collective bargaining agreement after December 31, 1997, effective as at the time of the change in status. There were 422 benefits (of which 390 vested) as at the end of the year. The present value of the non-vested benefits amounts to €0.2 million (previous year: €0.2 million); the present value of the vested benefits amounted to €9.7 million in the 2016 annual financial statements (previous year: €8.6 million). Future obligations amount to €7.2 million for active employees and €2.7 million for former and retired employees. No significant provision amounts were paid this fiscal year due to the young age structure. The obligations for Senior Managers and employees not covered by collective bargaining agreements had an average weighted term of 9.4 years (previous year: 9.8 years).

Furthermore, senior managers have had the opportunity to participate in an employee-financed company pension scheme (“deferred compensation”) since 1996. The employee contribution is generated through converting a portion that can be chosen freely each year. This portion is converted into an insured sum and is accumulated by Fraport AG and accrues interest. At the end of the fiscal year, there were 14 vested pension commitments totaling €5.1 million (previous year: €4.5 million). Obligations amount to €4.2 million for active employees (previous year: €3.5 million); obligations amount to €0.9 million for former and retired employees (previous year: €1.0 million). The average weighted term of the employee-financed company pension scheme was 6.3 years (previous year: 6.7 years).

The valuation of pension obligations is based on the provisions of IAS 19. The pension obligations as at December 31, 2016 were calculated on the basis of actuarial opinions. Changes to the obligations outlined above were as follows:

Pension obligations (2016)

€ million	Present value of the obligation	Plan assets	Total
As at January 1, 2016	**52.0**	**–21.3**	**30.7**
Service cost			
Current service cost	2.2	0.0	**2.2**
Supplementary service cost	0.0	0.0	**0.0**
Gains and losses on compensation	0.0	0.0	**0.0**
Total service cost	**2.2**	**0.0**	**2.2**
Net interest income/expense			
Interest income and interest expenses	**1.1**	**–0.5**	**0.6**
Remeasurements			
Income on plan assets, excluding interest	0.0	–0.2	**–0.2**
Actuarial gains and losses from changes in demographic assumptions	0.0	0.0	**0.0**
Actuarial gains and losses from the adjustment of the obligation based on experience	0.1	0.0	**0.1**
Actuarial gains and losses from changes in financial assumptions	2.0	0.0	**2.0**
Total remeasurements	**2.1**	**–0.2**	**1.9**
Impacts of exchange rate differences	0.0	0.0	**0.0**
Contributions of the employer to the plan	0.0	–1.0	**–1.0**
Contributions of the employee to the plan	0.0	0.0	**0.0**
Payments from the plan	–1.9	0.7	**–1.2**
Overfunding	0.0	0.0	**0.0**
As at December 31, 2016	**55.5**	**–22.3**	**33.2**

Table 99

Pension obligations (2015)

€ million	Present value of the obligation	Plan assets	Total
As at January 1, 2015	**54.1**	**–20.4**	**33.7**
Service cost			
Current service cost	2.3	0.0	**2.3**
Supplementary service cost	0.0	0.0	**0.0**
Gains and losses on compensation	0.0	0.0	**0.0**
Total service cost	**2.3**	**0.0**	**2.3**
Net interest income/expense			
Interest income and interest expenses	**1.1**	**–0.4**	**0.7**
Remeasurements			
Income on plan assets, excluding interest	0.0	–0.2	**–0.2**
Actuarial gains and losses from changes in demographic assumptions	0.0	0.0	**0.0**
Actuarial gains and losses from the adjustment of the obligation based on experience	–2.1	0.0	**–2.1**
Actuarial gains and losses from changes in financial assumptions	–0.6	0.0	**–0.6**
Total remeasurements	**–2.7**	**–0.2**	**–2.9**
Impacts of exchange rate differences	0.0	0.0	**0.0**
Contributions of the employer to the plan	0.0	–1.0	**–1.0**
Contributions of the employee to the plan	0.0	0.0	**0.0**
Payments from the plan	–2.8	0.7	**–2.1**
Overfunding	0.0	0.0	**0.0**
As at December 31, 2015	**52.0**	**–21.3**	**30.7**

Table 100

Offsetting

Pension obligations are offset against the plan assets reserved for insolvency insurance below:

Offsetting

€ million	2016	2015
Offsetting		
Reconciliation to assets and liabilities recognized in the financial position		
Present value of an obligation funded through a reinsurance/trust assets	25.7	23.8
Fair value of plan assets	–22.3	–21.3
Overfunding (not included in the net liability)/underfunding	3.4	2.5
Present value of an obligation not funded through a reinsurance/trust assets	29.8	28.2
(Net) liabilities recognized in the financial position	**33.2**	**30.7**

Table 101

Significant actuarial assumptions

	2016	2015
Salary trend	0.00 %	0.00 %
Interest rate	1.70 %	2.20 %
Pension growth	1.75 %/2.25 %	2.00 %/2.50 %
Mortality	Reduction by one year	Reduction by one year
Retirement age	Termination of contract period, earliest pensionable age in pension commitments	Termination of contract period, earliest pensionable age in pension commitments

Table 102

The significant actuarial assumptions relate to the pension obligations of the Fraport Group. All pension obligations largely have the same assumptions where the adjustment to pensions is only calculated on pension obligations of the Executive Board members.

Sensitivity analysis

The sensitivity analysis is based on changes in the assumptions while other factors remained constant. In practice, it is unlikely that only one actuarial assumption would change. Changes in actuarial assumptions may correlate with other actuarial assumptions. The method for determining the sensitivity analysis did not change. The pension provision would vary by the following amounts in the event of a change in assumptions:

Sensitivity analysis (December 31, 2016)

€ million	2016	
	Decrease in interest rate by 0.5 %	Increase in interest rate by 0.5 %
Interest rate	3.3	–3.0
	Decrease in pension growth by 0.25 %	Increase in pension growth by 0.25 %
Pension growth	–1.1	1.1
	Reduction by one year	
Mortality [1]	1.4	
	Increase by one year	
Retirement age	0.4	

[1] The obligation would increase for all beneficiaries by €1.4 million as a result of the decrease in mortality of one year.

Table 103

Sensitivity analysis (December 31, 2015)

€ million	2015	
	Decrease in interest rate by 0.5 %	Increase in interest rate by 0.5 %
Interest rate	3.2	–2.9
	Decrease in pension growth by 0.25%	Increase in pension growth by 0.25 %
Pension growth	–1.0	1.0
	Reduction by one year	
Mortality [1]	1.4	
	Increase by one year	
Retirement age	0.3	

[1] The obligation would increase for all beneficiaries by €1.4 million as a result of the decrease in mortality of one year.

Table 104

The retirement age has no influence on the pensions received by members of the Executive Board and was only calculated for other pensions. Due to the structure of the respective pension plans, the salary adjustment has no effect on pension obligations.

In connection with the defined benefit plans, the Group is exposed to the actuarial risks mentioned above as well as the interest rate risk. Due to the liquidity available in the Group, there is no risk with regard to fulfillment of non-reinsured obligations.

Multi-employer plans

Fraport AG has insured its employees for purposes of granting a company pension under the statutory insurance scheme based on a collective bargaining agreement (Altersvorsorge-TV-Kommunal[ATV-K]) with the Zusatzversorgungskasse for local authority and municipal employers in Wiesbaden (ZVK). The contributions are collected based on a pay-as-you-go model. As in the previous year, the contribution rate of the ZVK is 6.6% on compensation liable to top-up pension payments; thereof, the employer pays 5.9%, with the contribution paid by the employee amounting to 0.7%. In addition, a tax-free restructuring fee of 2.3% of the remuneration liable to top-up pension payments is levied by the employer in accordance with Section 63 of the ZVK Statutes (ZVKS). An additional contribution of 9% is paid for some employees included in the statutory social security insurance scheme (generally employees exempted from collective bargaining agreements and Senior Managers) for the consideration subject to ZVK that, according to Section 38 ATV-K, exceeds the upper limit defined in the collective bargaining agreement.

This plan is a multi-employer plan (IAS 19.8), since the companies involved share the risk of the investment and also the biometric risk. Reference is also made to the collective bargaining agreement risks arising from the ZVK insurance in the Risks and Opportunities Report in the management report.

The ZVK insurance is generally to be classified as a defined benefit plan (IAS 19.30). Because there is not sufficient information on the plan and the company also covers the risks of other insuring companies with its contributions (IAS 19.34), only the current contributions are accounted for as if it were a defined contribution plan. Due to its structure, the ZVK does not provide any information to participating companies that would allow the allocation of obligations, plan assets, service costs, and, if applicable, over- or underfunding or the extent of Fraport's participation in the plan. In the consolidated financial statements of Fraport, the consideration of contributions corresponds to defined-contribution pension commitments. Along with the remaining member companies, Fraport AG is obliged to finance accrued obligations not covered by assets as well as future obligations. The precise share of the remaining extent of the obligation cannot be determined. In the event of Fraport AG withdrawing from the multi-employer plan (for example, through terminating the agreement), compensation in the amount of the present value of the obligation at the point of the membership being terminated is to be paid to the ZVK. This amount cannot be determined due to only insufficient information being available. Should the multi-employer plan be dissolved by a resolution of the administrative committee, no share in any possible remaining overfunding will be due to Fraport.

In the fiscal year, €29.8 million (previous year: €29.1 million) was recorded as contributions to defined contribution plans for ZVK. Contributions of €31.4 million are expected for the next fiscal year.

Furthermore, due to statutory provisions, contributions are also made to state-administered pension funds in Germany. The current contributions are shown as expense for the respective year. Employer contributions made by the Fraport Group to state-administered pension funds totaled €69.1 million (previous year: €70.5 million).

38 Non-current and Current Income Tax Provisions

Non-current and current income tax provisions

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2016	up to 1 year	over 1 year	December 31, 2015
Provisions for taxes on income	42.9	71.8	**114.7**	56.0	62.1	**118.1**

Table 105

Tax provisions amounting to €114.7 million (previous year: €118.1 million) were accrued for unassessed corporation tax and trade taxes, as well as for tax audit risks.

39 Non-current and Current Other Provisions

The development in the non-current and current provisions is shown in the following tables:

Non-current and current personnel-related provisions

€ million	January 1, 2016	Use	Release	Additions	December 31, 2016
Personnel	**93.0**	**–65.5**	**–8.1**	**97.9**	**117.3**
thereof non-current	25.1				23.7
thereof current	67.9				93.6

Table 106

A large part of the personnel-related provisions was generated for partial retirement and incentive schemes for the employees of Fraport AG. The partial retirement provisions are recognized pursuant to IAS 19. The credit for partial retirement is offset against the fund units (see also note 24).

In the current fiscal year, Fraport AG adopted a company-wide program to develop the personnel structure, "Future Contract Plus (FC Plus)", and undertook to provide a total volume of around €48 million for measures for personnel structure development. The program includes the instruments of partial retirement, early retirement, part-time models and leaving work with compensation. Taking account of necessary, actuarial valuations, a provision of €37.7 million was formed as at December 31, 2016.

Other provisions

€ million	January 1, 2016	Use	Release	Additions	Interest effect	December 31, 2016
Environment	34.0	–3.0	–0.1	7.6	0.8	**39.3**
Passive noise abatement	122.1	–13.9	–33.9	0.0	1.2	**75.5**
Nature protection law compensation	30.2	–0.1	–1.6	0.0	0.7	**29.2**
Wake turbulences	31.0	–13.2	0.0	0.0	0.1	**17.9**
Others	124.2	–90.9	–13.5	65.3	0.0	**85.1**
Total	**341.5**	**–121.1**	**–49.1**	**72.9**	**2.8**	**247.0**
thereof non-current	176.5					123.5
thereof current	165.0					123.5

Table 107

Releases include releases recognized directly in equity in the amount of €35.5 million which were made in relation to the corresponding asset.

Environmental provisions have been formed largely for probable restructuring costs for the elimination of groundwater contamination on the Frankfurt Airport site in Frankfurt/Main, as well as for environmental pollution in the southern section of the airport. As at December 31, 2016, estimated cash outflows (present value) amount to €5.9 million within one year (previous year: €6.4 million), €18.0 million after one to five years (previous year: €14.5 million), and €15.4 million after five years (previous year: €13.1 million).

The “passive noise abatement” provision includes obligations to refund the passive noise abatement expenses of owners of private and commercial land and obligations to pay outdoor living and commercial area compensation. The obligations result from the planning approval notice made by the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL) on December 18, 2007 in conjunction with the Act for Protection against Aircraft Noise (Aircraft Noise Act), and the planning approval notice of April 30, 2013. In the fiscal year, estimated future cash outflows for compensation for noise abatement costs for day and nighttime and commercial noise abatement were changed on account of new experience. This led overall to a lower present value of the relevant provisions in the amount of €33.9 million (thereof €1.9 million is accounted for by commercial noise abatement). The adjustments to the provisions in the fiscal year were made to a corresponding extent on the asset side. As at December 31, 2016, estimated cash outflows (present value) amount to €28.4 million within one year (previous year: €26.6 million), €41.1 million after one to five years (previous year: €77.3 million), and €6.0 million after five years (previous year: €18.2 million). With approval of the 2017 charge table, the costs for the commercial noise abatement will also be refinanced via charges. There is a corresponding refund claim reported under other accounts receivable for all obligations reported under “passive noise abatement” as at the reporting date (see also note 25). The carrying amount of the refund claim depends on the actually collected, and future expected noise abatement charges. The carrying amount of the corresponding provision depends on the actual, and future expected cash outflows for passive noise abatement measures and wake turbulences.

A provision for environmental protection compensating measures was created in previous years due to the long-term obligation to implement ecological compensating measures resulting from the work performed to clear the land in the southern part of the airport and in the area of Runway Northwest required for the airport expansion. As at December 31, 2016, estimated cash outflows (present value) amount to €0.5 million within one year (previous year: €0.7 million), €8.3 million after one to five years (previous year: €4.8 million), and €20.4 million after five years (previous year: €24.7 million).

The wake turbulence protection program concerns the protection of roofs in the defined entitlement areas to protect against damage to roof cladding due to gusts of wind caused by wake turbulences. The obligations result from the corresponding supplementation decision dated May 10, 2013 and May 26, 2014. As at December 31, 2016, estimated cash outflows (present value) amount to €10.2 million within one year (previous year: €14.4 million), €6.6 million after one to five years (previous year: €14.4 million), and €1.1 million after five years (previous year: €2.2 million). With approval of the 2017 charge table, the costs for wake turbulence protection will also be refinanced via charges. There is a corresponding refund claim for obligations reported under other accounts receivable (see also note 25).

The remaining provisions include provisions for risks arising from renting and other services for which no further information is provided due to disputed facts, provisions for development measures to be carried out in connection with the sale of real estate inventories in the amount of €17.3 million (previous year: €19.8 million) (also see note 28) and provisions relating to legal disputes in the amount of €4.3 million (previous year: €9.4 million). In addition, other provisions include provisions established mainly for rebates, refunds, and claim events. The cash outflows for the other provisions are primarily expected within one year.

40 Financial Instruments

Disclosures on Carrying Amounts and Fair Values

The following tables present the carrying amounts and fair values of the financial instruments as at December 31, 2016, and December 31, 2015, respectively:

Financial instruments as at December 31, 2016

€ million	Measured at amortized costs		Measured at fair value			December 31, 2016
			Recognized in profit or loss			
Measurement category according to IAS 39	Loans and receivables		Held for trading	Available for sale	Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount [1]	Carrying amount [1]	Carrying amount [1]	
Financial assets						
Cash and cash equivalents	736.0	736.0				**736.0**
Trade accounts receivable	129.6	129.6				**129.6**
Other financial receivables and assets	92.6	92.6		152.7		**245.3**
Other financial assets						
Securities				335.3		**335.3**
Other investments				104.7		**104.7**
Loans to joint ventures	4.3	4.3				**4.3**
Loans to associated companies	88.2	88.2				**88.2**
Other loans	29.2	29.2				**29.2**
Total	**1,079.9**	**1,079.9**	**0.0**	**592.7**	**0.0**	**1,672.6**

	Other financial liabilities		Held for trading	IAS 17 liability		Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount [1]	Carrying amount	Fair value	Carrying amount [1]	
Financial liabilities							
Trade accounts payable	188.5	193.4					**193.4**
Other financial liabilities	334.1	479.6					**479.6**
Financial liabilities	3,603.4	3,755.9					**3,755.9**
Liabilities from finance leases				21.8	23.2		**23.2**
Derivative financial liabilities							
Hedging derivative						52.4	**52.4**
Other derivatives			25.4				**25.4**
Total	**4,126.0**	**4,428.9**	**25.4**	**21.8**	**23.2**	**52.4**	**4,529.9**

[1] The carrying amount equals the fair value of the financial instruments.

Table 108

Financial instruments as at December 31, 2015

€ million	Measured at amortized costs		Measured at fair value			December 31, 2015
			Recognized in profit or loss			
Measurement category according to IAS 39	Loans and receivables		Held for trading	Available for sale	Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount [1]	Carrying amount [1]	Carrying amount [1]	
Financial assets						
Cash and cash equivalents	406.0	406.0				**406.0**
Trade accounts receivable	154.0	154.0				**154.0**
Other financial receivables and assets	126.1	126.1		213.3		**339.4**
Other financial assets						
Securities				408.2		**408.2**
Other investments				91.8		**91.8**
Loans to joint ventures	4.3	4.3				**4.3**
Loans to associated companies	120.3	120.3				**120.3**
Other loans	34.6	34.6				**34.6**
Total	**845.3**	**845.3**	**0.0**	**713.3**	**0.0**	**1,558.6**

	Other financial liabilities		Held for trading	IAS 17 liability		Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount [1]	Carrying amount	Fair value	Carrying amount [1]	
Financial liabilities							
Trade accounts payable	185.5	190.3					**190.3**
Other financial liabilities	343.9	438.0					**438.0**
Financial liabilities	3,817.4	3,987.9					**3,987.9**
Liabilities from finance leases				27.7	30.1		**30.1**
Derivative financial liabilities							
Hedging derivative						79.4	**79.4**
Other derivatives			34.1				**34.1**
Total	**4,346.8**	**4,616.2**	**34.1**	**27.7**	**30.1**	**79.4**	**4,759.8**

[1] The carrying amount equals the fair value of the financial instruments.

Table 109

Given the short terms, the carrying amounts of cash and cash equivalents, trade accounts receivable, and current other financial receivables and assets as at the reporting date correspond to the fair value.

The fair values of listed securities are identical to the stock market prices on the reporting date. The valuation of unlisted securities was based on market data applicable on the valuation date using reliable and specialized sources and data providers. The values are determined using established valuation models.

The derivative financial instruments relate to interest rate hedging transactions. The fair values of these financial instruments are determined on the basis of discounted future expected cash flows, using market interest rates corresponding to the terms to maturity.

In order to determine the fair value of financial liabilities, the future expected cash flows are determined and discounted based on the yield curve on the reporting date. The market-driven and maturity-linked risk premium of the respective borrower on the reporting date is added to the cash flows.

Other investments mainly relate to shares in Delhi International Airport Private Ltd. The fair value was determined based on a current bid and taking current foreign currency rates into account.

The fair values of loans to joint ventures and associated companies, as well as other non-current financial assets, are determined as the present value of future cash flows. Discounting was applied using the current maturity-linked interest rate as at the balance sheet date. The fair value of the loan including interest receivables from Thalita is mainly affected by cash flow forecasts and interest rate developments.

The carrying amounts of other loans correspond to the respective fair values. Some of the other loans are subject to a market interest rate, and their carrying amounts therefore represent a reliable valuation for their fair values. Another part of the other loans is reported at present value as at the balance sheet date. The remaining other loans are promissory note loans with a remaining term of less than four years. Due to the lack of an active market, no information is available on the risk premiums of their respective issuers. As the promissory note loans are mainly floating interest rate loans, their carrying amounts were used as the most reliable value for their fair values.

Non-current liabilities are recognized at their present value. Interest rates with similar terms on the date of addition are used as a basis for discounting future cash outflows. To determine fair value, the respective cash outflows are discounted at interest rates with similar terms and with the Fraport credit risk as at the reporting date. The carrying amounts of current liabilities are equal to the fair value. There is a general interest rate risk for fixed-interest loans that are extended at the ends of their terms.

The fair values of financial instruments belong to the following measurement categories of the hierarchy pursuant to IFRS 13 as at December 31, 2016:

Measurement categories pursuant to IFRS 13 (2016)

€ million	December 31, 2016	Level 1	Level 2	Level 3
		Quoted prices	Derived prices	Prices that cannot be derived
Financial assets				
Other financial receivables and financial assets				
Available for sale	**152.7**	152.7	0.0	0.0
Loans and receivables	**92.6**	0.0	38.0	54.6
Other financial assets				
Securities	**335.3**	300.3	35.0	0.0
Other investments	**104.7**	0.0	104.7	0.0
Loans to joint ventures	**4.3**	0.0	4.3	0.0
Loans to associated companies	**88.2**	0.0	0.0	88.2
Other loans	**29.2**	0.0	29.2	0.0
Total	**807.0**	**453.0**	**211.2**	**142.8**
Financial liabilities				
Trade accounts payable	**193.4**	0.0	193.4	0.0
Other financial liabilities	**479.6**	0.0	479.6	0.0
Financial liabilities	**3,755.9**	903.2	2,852.7	0.0
Liabilities from finance leases	**23.2**	0.0	23.2	0.0
Derivative financial liabilities				
Derivatives without hedging relationships	**25.4**	0.0	25.4	0.0
Derivatives with hedging relationships	**52.2**	0.0	52.2	0.0
Total	**4,529.7**	**903.2**	**3,626.5**	**0.0**

Table 110

The fair values of financial instruments belonged to the following measurement categories of the hierarchy pursuant to IFRS 13 as at December 31, 2015:

Measurement categories pursuant to IFRS 13 (2015)

€ million	December 31, 2015	Level 1	Level 2	Level 3
		Quoted prices	Derived prices	Prices that cannot be derived
Financial assets				
Other financial receivables and financial assets				
Available for sale	**213.3**	213.3	0.0	0.0
Loans and receivables	**126.1**	0.0	69.7	56.4
Other financial assets				
Securities	**408.2**	350.3	57.9	0.0
Other investments	**91.8**	0.0	91.8	0.0
Loans to joint ventures	**4.3**	0.0	4.3	0.0
Loans to associated companies	**120.3**	0.0	0.0	120.3
Other loans	**34.6**	0.0	34.6	0.0
Total	**998.6**	**563.6**	**258.3**	**176.7**
Financial liabilities				
Trade accounts payable	**190.3**	0.0	190.3	0.0
Other financial liabilities	**438.0**	0.0	438.0	0.0
Financial liabilities	**3,987.9**	920.2	3,067.7	0.0
Liabilities from finance leases	**30.1**	0.0	30.1	0.0
Derivative financial liabilities				
Derivatives without hedging relationships	**34.1**	0.0	34.1	0.0
Derivatives with hedging relationships	**79.4**	0.0	79.4	0.0
Total	**4,759.8**	**920.2**	**3,839.6**	**0.0**

Table 111

Net results of the measurement categories

€ million	2016	2015
Financial assets		
Loans and receivables	–0.8	–2.5
Available for sale	14.3	11.0
Financial liabilities		
At amortized cost	0.9	–3.3
Held for trading	11.8	7.7

Table 112

The net result consists of changes in fair values recognized through profit or loss, impairment losses and write-ups recognized through profit or loss, exchange rate changes, and gains and losses of disposals.

Interest and dividend income of the category “available for sale” are also included in the computation of the net result. Interest and dividend income of the other categories are not included in the net result disclosed.

In addition to the recognized fair value changes, gains on financial liabilities in the “held for trading” category also include the fair values of two interest rate swaps for which there were no hedged items in the course of the 2016 fiscal year.

Derivative financial instruments

With regard to the items in its statement of financial position and planned transactions, Fraport is, in particular, subject to interest rate and currency exchange risks. Fraport covers interest rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements associated with capital expenditure and from existing floating interest rate financial liabilities and assets. As part of the interest rate risk management policy, interest rate derivatives were concluded in order to limit the interest rate risk arising from financial instruments with floating interest rates and assure planning security.

The Group holds 26 interest rate swaps as at the reporting date (previous year: 35). In connection with two interest-rate swaps (previous year: four) options were sold in the past in order to optimize the financing costs. The value of the options was taken into account in the fair value of the interest rate swaps.

Derivative financial instruments

€ million		Nominal volume		Fair value		Credit risk
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Interest rate swaps	755.0	970.0	–77.8	–113.5	0.0	0.0
thereof hedge accounting	605.0	775.0	–52.4	–79.4	0.0	0.0
thereof trading	150.0	195.0	–25.4	–34.1	0.0	0.0

Table 113

The fair values of the derivative financial instruments are recorded as follows in the statement of financial position:

Fair values of derivative financial instruments

€ million		Other assets		Other liabilities
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Interest rate swaps – cash flow hedges	0.0	0.0	52.4	79.4
Interest rate swaps – trading	0.0	0.0	25.4	34.1

Table 114

22 interest rate swaps (previous year: 29) are already assigned to existing floating interest-bearing liabilities.

A total of 22 interest rate swaps (previous year: 29) are accounted for as cash flow hedges in accordance with IAS 39. Changes in the fair values of these instruments are recorded in a shareholders' equity sub-account without affecting profit or loss. The effectiveness of these cash flow hedges has been verified and is confirmed and documented at regular intervals. Four interest rate swaps (previous year: six) are classified as "held for trading". All changes in value resulting from this classification are recorded through profit or loss.

The payments under the cash flow hedges become due in the following years. This is also the time when the respective hedged item affects profit or loss.

Interest rate swaps (2016 hedge accounting)

€ million			December 31, 2016
Beginning of term	End of term	Nominal volume	Fair value
2007	2017	60.0	–1.6
2008	2018	115.0	–8.8
2009	2017	25.0	–0.5
2009	2019	220.0	–24.9
2010	2017	100.0	–2.2
2010	2020	85.0	–14.4
		605.0	**–52.4**

Table 115

There were the following time periods as at December 31, 2015:

Interest rate swaps (2015 hedge accounting)

€ million			December 31, 2015
Beginning of term	End of term	Nominal volume	Fair value
2006	2016	70.0	–1.4
2007	2017	60.0	–4.2
2008	2018	115.0	–13.2
2009	2016	100.0	–2.0
2009	2017	25.0	–1.7
2009	2019	220.0	–33.0
2010	2017	100.0	–6.9
2010	2020	85.0	–17.0
		775.0	**–79.4**

Table 116

Unrealized losses of €4.3 million were recorded in shareholders' equity from the change in fair value of derivatives in the 2016 fiscal year (previous year: €5.3 million). During the year under review, losses of €31.4 million (previous year: €37.6 million) were transferred from shareholders' equity to the financial result. In addition, ineffectiveness of the interest rate swaps amounting to €0.2 million was recorded through profit and loss (previous year: €0.1 million).

Notes to the Segment Reporting

41 Notes to the Segment Reporting

Segment reporting in the Fraport Group according to IFRS 8 is based on internal reporting to the Executive Board as principle decision-maker and is attached as an appendix to the notes.

The same accounting principles as those used in the consolidated financial statements underlie segment reporting.

The strategic business units of Fraport AG in Frankfurt are clearly assigned to the Aviation, Retail & Real Estate, Ground Handling and External Activities & Services segments. In addition, these segments include Group companies integrated in the business processes at the Frankfurt site.

The Aviation segment incorporates the strategic business units “Airside and Terminal Management, Corporate Safety and Security” and “Airport Security Management” at the Frankfurt site. Furthermore, FraSec Fraport Security Services GmbH and FRA-Vorfeldkontrolle GmbH are assigned to this segment.

The Retail & Real Estate segment consists of the strategic business unit “Retail and Properties”, comprising the retailing activities, parking facility management, and the rental and marketing of real estate at the Frankfurt site. In addition, the Group companies integrated into these activities on the Frankfurt site are allocated to this segment.

The Ground Handling segment combines the “Ground Services” strategic business unit and the Group companies involved in these operations at the Frankfurt site.

The External Activities & Services segment encompasses in aggregate, due to the similarity of the economic criteria, the Group companies that are not integrated in the processes at the Frankfurt site, and Group companies that carry out their business operations outside the Frankfurt site (External Activities). The business operations of these companies consist of the operation of airports outside the Frankfurt site or the provision of airport-related services, and are primarily aimed at the users of airport infrastructure. In subareas, they are subject to country-specific regulatory requirements for the operation of airport infrastructure. In addition, the internal service units Integrated Facility Management, Corporate Infrastructure Management, Airport Expansion South, Information and Telecommunications and their Group companies and the strategic business unit Global Investments and Management are assigned to the segment because they primarily provide internal services for the Fraport Group. Revenue of €58.9 million, EBITDA of €33.2 million and EBIT of €0.1 million result from the internal service units and their investments.

Corporate data at Fraport AG is divided into market-oriented business and service units on the one hand and into central units on the other hand. All the business and service units are allocated clearly to one segment each. The central units are categorized appropriately.

The data about the Group companies that are not integrated in the processes at the Frankfurt site and Group companies that carry out their business operations outside the Frankfurt site are allocated to the External Activities & Services segment during reporting. The Group companies that are integrated in the processes at the Frankfurt site are allocated to the relevant segment according to their business operations.

Inter-segment revenue is primarily generated by the allocation of rent for land, buildings and space, as well as maintenance services and energy supply within Fraport AG. The corresponding assets are allocated to the Retail & Real Estate segment. The relevant units are charged on the basis of the costs incurred, including imputed interest.

Inter-segment income also reflects income that has been generated between the companies included from different segments.

Goodwill from business mergers and the appropriate impairment losses, where applicable, have been allocated clearly to a segment according to this segment structure.

The reconciliation of segment assets/segment liabilities column includes the income tax assets/liabilities (including the deferred tax assets/liabilities) of the Group.

In the additional disclosures "Geographical Information", allocation is according to the current main areas of operation: Germany, rest of Europe, Asia and rest of the world. The figures shown under "Asia" relate mainly to Turkey and the People's Republic of China. The figures shown under "rest of the world" relate mainly to the USA and Peru. The revenue of Lima Airport Partners S.R.L., Lima, Peru, amounted to €305.7million in 2016 (previous year: €277.9 million). The company holds non-current intangible assets in connection with the recognition pursuant to IFRIC 12 of around €312 million as at the balance sheet date.

The fully consolidated companies founded in the fiscal year are Fraport Ausbau Süd GmbH, which was assigned to the Aviation segment, Flughafen Parken GmbH, which was assigned to the Retail & Real Estate segment and Fraport Malta Investment Ltd., which was assigned to the External Activities & Services segment. The joint ventures that were founded in the fiscal year, M-Port Verwaltungs GmbH and M-Port GmbH & Co. KG, are assigned to the Retail & Real Estate segment. All newly founded companies were not yet active in the fiscal year and therefore had no significant effect on the segment reporting.

The disposals of the inactive companies Fraport Frankfurt Airport Services Worldwide (Greece) Monoprosopi EPE, AIRWAYMALL Inc. and Fraport IC Ictas Havalimani Yer Hizmetleri Anonin Sirketi (all in the External Activities & Services segment) had no significant influence on the segment reporting.

Impairment losses on segment assets of the Aviation and External Activities & Services segments were recognized pursuant to IAS 36 in the amounts of €22.4 million and €7.4 million, respectively (see also note 4 and note 11).

Segment assets of the Retail & Real Estate segment include real estate inventories of €20.0 million (previous year: €24.7 million).

During the 2016 fiscal year, revenue of €931.6 million was generated in all four segments from one customer (previous year: €932.1 million). Further explanations about segment reporting can be found in the management report.

Notes to the Consolidated Statement of Cash Flows

42 Notes to the Consolidated Statement of Cash Flows

Cash flow from operating activities

Cash flow from operating activities of €583.2 million (previous year: €652.2 million) resulted in €809.9 million (previous year: €844.7 million) from operating activities, €102.9 million (previous year: €115.3 million) from financial activities, and €123.8 million (previous year: €77.2 million) from cash flow used in taxes on income.

Cash flow from operating activities includes cash outflows for fixed and variable concession payments in connection with the airport operator projects.

Cash flow used in investing activities

Cash flow used in investing activities excluding investments in cash deposits and securities amounted to €41.1 million (previous year: €244.3 million), a decrease of €203.2 million year-on-year. Without taking into account the compensation payment from the Manila project and the sale of the shares in capital, loans and interest receivable in Thalita Trading Ltd. (see also notes 1 and 2), the cash flow used in investing activities would be higher than in the previous year at €271.2 million.

Major capital expenditure on property, plant, and equipment was made as part of the airport expansion program and the extension projects at Frankfurt Airport.

The cash flow used in investing activities includes payments for capacitive capital expenditure in infrastructure in connection with the airport operator projects.

Cash flow used in financing activities

Cash flow used in financing activities of €347.6 million (previous year: €541.8 million) results primarily from the repayment of long-term financial liabilities.

Reconciliation to the cash and cash equivalents as shown in the consolidated statement of financial position

€ million	December 31, 2016	December 31, 2015
Bank and cash balances	208.2	39.8
Time deposits with a remaining term of less than three months	240.6	190.9
Cash and cash equivalents as at the consolidated statement of cash flows	**448.8**	**230.7**
Time deposits with a remaining term of more than three months	263.9	152.0
Restricted cash	23.3	23.3
Cash and cash equivalents as at the consolidated statement of financial position	**736.0**	**406.0**

Table 117

For a presentation of non-cash transactions in connection with the recognition of measures for passive noise abatement and wake turbulences, see notes 25 and 39.

Other Disclosures

43 Contingent Liabilities

Contingent liabilities

€ million	December 31, 2016	December 31, 2015
Guarantees	1.2	3.3
Warranties	196.8	176.0
thereof contract performance guarantees	140.2	129.0
Other contingent liabilities	39.8	30.9
Total	**237.8**	**210.2**

Table 118

The warranties concluded mainly result from the respective contract terms in connection with national and international investment projects.

Alongside performance guarantees, the guarantees mainly include tender guarantees amounting to €19.5 million (previous year: €19.5 million) in connection with tenders for airport operator concessions as well as guarantees assumed by Fraport AG in connection with financing agreements signed by the Antalya operating company amounting to €12.0 million (previous year: €12.0 million) and a guarantee given to the duty-free operator at Antalya Airport amounting to €15.0 million (previous year: €16.9 million).

The performance guarantees amounting to €140.2 million (previous year: €129.0 million) largely related to the following investment companies:

A performance guarantee, excluding recourse against Fraport AG, was signed between GMR Holdings Private Ltd., Fraport AG, and ICICI Bank Ltd. to the amount of €41.9 million (previous year: €41.3 million) to modernize, expand, and operate Delhi Airport (India). If, however, the party to the contract, GMR Holdings Private Ltd., fails to meet its contractual obligations, Fraport AG's liability may not be excluded given the fact that Fraport AG is party to the contract.

Fraport AG assumed a performance guarantee of €35.6 million (previous year: €35.6 million) for the Antalya operating company in connection with the terminal operation at Antalya Airport (Turkey).

The contractual performance of its Group company Fraport USA Inc. is guaranteed to a total of €17.2 million (previous year: €17.2 million) in connection with the operation and development of commercial terminal areas at various US airports.

The contractual performance of its Group company Fraport Twin Star Airport Management AD is guaranteed to the amount of €7.5 million (previous year: €15.0 million) in the context of operating the airports in Varna and Burgas, Bulgaria.

The performance guarantee relating to the concession agreement for the operation of the airport in Lima, Peru, amounted to €15.2 million (previous year: €14.7 million) on the balance sheet date.

As part of the existing management contracts with the General Authority of Civil Aviation, Saudi Arabia, for the airports in Riyadh and Jeddah, Fraport AG has assumed performance guarantees totaling €10.5 million (SAR 41.4 million). The management contracts expired on June 13, 2014. Complete release from liability is still pending as at the reporting date.

The other contingent liabilities include that Fraport AG is held liable to the amount of €10.3 million for rentals payable by Lufthansa Cargo Aktiengesellschaft to ACC Animal Cargo Center Frankfurt GmbH if Lufthansa Cargo Aktiengesellschaft exercises an extraordinary right to terminate the contract (previous year: €10.9 million), contingent liabilities at Lima from tax risks in the amount of €15.2 million (previous year: €12.4 million), as well as at Twin Star from penalties for obligations for capital expenditure in arrears in the amount of €12.0 million (previous year: €7.5 million).

There are contingent liabilities amounting to €53.6 million (previous year: €53.4 million) in connection with investments in joint ventures.

44 Other Financial Obligations

Order commitments for capital expenditure

€ million	December 31, 2016	December 31, 2015
Orders for capital expenditure in property, plant, and equipment and intangible assets	248.3	196.1

Table 119

Order commitments for intangible assets comprise an insignificant portion of the total amount.

Operating leases

€ million	December 31, 2016	December 31, 2015
Rental and lease contracts		
up to 1 year	29.3	25.8
more than 1 up to 5 years	53.1	56.6
more than 5 years	32.8	40.4
Total	**115.2**	**122.8**

Table 120

In addition to order commitments, other financial obligations include future expenses arising from rental and lease contracts. The contracts entered into relate to building and land rental agreements and the lease of equipment. In view of their economic content, the relevant leases qualify as operating leases, i.e. the leased asset is attributable to the lessor.

Other obligations

As at the balance sheet date, there were also other obligations amounting to €74.2 million (previous year: €96.3 million). These relate largely to obligations arising from a long-term heat supply contract (€69.2 million, previous year: €41.9 million) with Mainova AG. The other obligations include €1.0 million (previous year: €1.0 million) of obligations to joint ventures.

Revenue-related concession fees and additional obligations for capital expenditure of unspecified amounts on airport infrastructure have been agreed based on the existing concession agreements related to the operation of the airports in Varna and Burgas, Bulgaria (term until 2041) and Lima, Peru (minimum term until 2031) (see also note 48).

For a description of obligations after fulfillment of the conditions precedent in connection with the take-over of the operating business of the 14 Greek regional airports, please see the description of significant events after the balance sheet date in note 49.

45 Long-Term Incentive Program

The Long-Term Incentive Program (LTIP) for the Executive Board and Senior Managers was introduced effective January 1, 2010.

A certain number of virtual shares (so-called performance shares) is allocated annually depending on certain performance objectives. Target achievement is measured over four years (performance period); payment in cash takes place immediately at the end of the four-year performance period.

The number of virtual shares actually allocated depends on the extent to which two performance targets are met:

> Earnings per share (EPS) (target weighting 70 %)
  This internal performance target is determined by comparing the actual average EPS in the performance period with the weighted average plan EPS at the time of awarding.
> Rank total shareholder return MDAX (TSR) (target weighting 30 %)
  The TSR measures the development of shares over a certain period of time subject to dividends and share price developments. Therefore, it constitutes a market-dependent performance target.

The amount of the actual tranche is limited to 150 % of the target tranche (virtual shares awarded) including any increase in value from share price development. For tranches up to and including 2013, the relevant share price is limited to a maximum of €60.00 per performance share (CAP).

A total of 48,426 virtual shares (previous year: 43,373) were issued in the 2016 fiscal year. A provision for the LTIP in the amount of €7.1 million (previous year: €7.4 million) was reported as at December 31, 2016. The number of vested virtual shares (LTIP 2013) on the reporting date was 68,314 with a value of €3.6 million.

Expense reported in the 2016 fiscal year amounted to €3.0 million (previous year: €3.5 million), thereof €1.6 million (previous year: €1.7 million) attributable to Executive Board members and €1.4 million (previous year: €1.8 million) attributable to Senior Managers of Fraport AG.

Development of the fair values of the virtual shares for the Executive Board and Senior Managers

Tranche All figures in €	Fair value December 31, 2016 Executive Board	Fair value December 31, 2016 Senior Managers	Fair value December 31, 2015 Executive Board	Fair value December 31, 2015 Senior Managers
Fiscal year 2013	53.39	53.03	47.29	44.39
Fiscal year 2014	52.94	51.79	54.21	52.31
Fiscal year 2015	52.02	47.18	53.04	52.84
Fiscal year 2016	50.52	43.39	50.90	50.90

Table 121

On January 1 of the years 2013 to 2016, the Executive Board and Senior Managers in the Fraport Group were each promised a tranche. The tranches for the Executive Board and for Senior Managers differ in the calculation of the extent to which objectives have been reached for the targets in the weighting of the individual years of the performance period.

Virtual share conditions

The virtual shares in the 2016 tranche were issued on January 1, 2016. Their term is four years and thus ends on December 31, 2019.

The payout per virtual share corresponds to the weighted average closing prices of the Fraport share in the XETRA trading system on the first 30 stock market trading days immediately following the last day of the performance period.

Entitlement to the LTIP payment is established by approval by the Supervisory Board of the consolidated financial statements for the last fiscal year of the performance period. Payments are made within one month.

The valuation of the virtual shares takes place on the basis of the fair value per share for a tranche. A Monte Carlo simulation is used to determine the fair value. In this process, the log-normal distributed processes of the Fraport share price are simulated to determine the relevant payment according to the respective performance targets.

The fair value of virtual shares to be measured in the 2013 to 2016 fiscal years was calculated based on the following assumptions:

The basis of the computations on the respective valuation date was a continuous zero interest rate. The interest rates were computed from the interest rate structures of government bonds maturing between one and ten years.

The computation basis for future dividend payments is public estimates made by ten banks. The arithmetic mean of these estimates is taken to determine the dividends.

Historic volatility is used for the calculations. The calculations are based on the daily XETRA closing price for Fraport AG.

The remaining term of the LTIP is used as the time horizon to determine volatility.

46 Risk Management

Fraport is exposed to market price risks mainly due to changes in exchange rates and interest rates. The Group is additionally exposed to credit risks. There are also liquidity risks arising in connection with credit and market price risks or resulting from a worsening of the operating business or disturbances on the financial markets. It is the objective of financial risk management to monitor and limit these risks by means of current operating and finance-related activities. Depending on a risk assessment, selected hedging instruments are used for these purposes. In general, Fraport hedges only those risks that affect the Group's cash flows. Recently concluded derivative financial instruments are used exclusively as hedging instruments; i.e. they are not used for trading purposes.

Reporting to the Executive Board of risk positions is made once per quarter as part of the early risk recognition system. In addition, the Chief Financial Officer receives a current financial report each month with all important financial risk positions. These are also part of the monthly Treasury Committee Meetings (TCM) in which the Chief Financial Officer and representatives of the financial department participate. The processes of risk control and the use of financial instruments, among others, are regulated as part of the Group's financial guidelines. These regulations also include requirements for the unambiguous segregation of functions in respect of operating financial activities, their settlement and accounting, and the controlling of the financial instruments. The guidelines, which are the basis of the risk management processes, aim to limit and control the risks appropriately and monitor them. Both the guidelines and the systems are regularly reviewed and adjusted to current market and product developments.

For further details, please refer to the opportunity and risk reporting in the group management report.

Credit risk

Fraport is subject to default risks from its operating business and certain financial positions. The default risks arising from financial positions are controlled by a broad diversification of counterparties and issuers, as well as regular verification of their credit ratings and the limits derived from this. It is the company's risk policy that financial assets and derivative transactions are in principle only carried out with issuers and counterparties with a credit rating of at least "BBB–". If the credit rating is downgraded to a grade worse than "BBB–" during the asset's holding period or the term of the derivative, a decision will be made on a case-by-case basis on how to deal with the asset or derivative in future, taking into account the remaining term.

The maximum credit risk on the balance sheet date is mainly reflected in the carrying amounts of the assets reported in the financial position. The amount of the debt instruments corresponds to the credit risks of the securities and promissory note loans. The breakdown on the balance sheet date is as follows:

Classification of securities

€ million	December 31, 2016	December 31, 2015
Debt instruments	524.0	637.1

Table 122

Securities and promissory note loans have the following long-term issuer ratings:

Issuer ratings of securities and promissory note loans (2016)

€ million	December 31, 2016
AAA	0.0
AA+	15.6
AA	29.9
AA–	79.7
A+	78.2
A	65.1
A–	80.4
BBB+	93.7
BBB	14.3
BBB–	40.3
BB+	10.0
Not rated	16.8
Total	**524.0**

Table 123

In 2015, the securities and promissory note loans had the following issuer ratings:

Issuer ratings of securities and promissory note loans (2015)

€ million	December 31, 2015
AAA	15.2
AA+	16.2
AA	30.2
AA–	110.2
A+	72.5
A	111.3
A–	115.6
BBB+	90.1
BBB	37.9
BBB–	32.9
Not rated	4.8
Total	**637.1**

Table 124

The credit risk on liquid funds applies solely with regard to banks. Here, current cash deposits are maintained with banks. The banks where liquid funds are deposited have the following long-term issuer ratings:

Issuer ratings of liquid funds (2016)

€ million	December 31, 2016
AAA	0.0
AA+	0.0
AA	0.0
AA–	158.1
A+	50.0
A	287.9
A–	0.1
BBB+	119.1
BBB	87.8
BBB–	0.7
BB+	23.4
BB	0.0
BB–	1.0
CCC+	5.0
Not rated	2.9
Total	**736.0**

Table 125

In 2015, the banks where liquid funds were deposited had the following issuer ratings:

Issuer ratings of liquid funds (2015)

€ million	December 31, 2015
AAA	0.0
AA+	0.0
AA	0.0
AA–	43.7
A+	0.7
A	148.9
A–	13.5
BBB+	97.0
BBB	57.9
BBB–	0.9
BB+	23.7
BB	0.0
BB–	0.3
Not rated	19.4
Total	**406.0**

Table 126

Liquidity risk

Fraport generates financial funds mainly through its operating business and external financing. The funds are primarily used to finance capital expenditure for items of property, plant, and equipment and intangible assets.

The operating cash flow, the available liquid funds (including cash and cash equivalents and current realizable securities and other financial instruments), as well as current and non-current credit lines and loan commitments, give sufficient flexibility to ensure the liquidity of the Fraport Group. As at the balance sheet date, Fraport had unused credit lines amounting to €580.4 million (previous year: €510.5 million) available.

Given the diversity both of the financing sources, and the liquid funds, and financial assets, there is no risk of concentration in the liquidity.

The operating liquidity management comprises a cash concentration process, which, on a daily basis, combines the liquid funds of most of the Group companies headquartered in Germany. This allows optimum control of liquidity surpluses and requirements in line with the needs of individual Group companies. Short and medium-term liquidity management includes the maturities of financial assets and financial liabilities and estimates of the operating cash flow.

The following list of maturities shows how the liability cash flows as at December 31, 2016 influence the Group's future liquidity.

Liquidity profile as at December 31, 2016

€ million	Total	2017	2018	2019–2023	2024–2028	2029 et seqq.
Primary financial instruments						
Financial liabilities	**4,035.0**	425.0	599.2	2,359.3	376.0	275.5
Finance leases	**23.5**	10.5	6.9	6.1	0.0	0.0
Concessions payable	**659.3**	28.5	22.6	118.3	127.7	362.2
Trade accounts payable	**188.5**	146.7	23.0	11.2	7.6	0.0
Other financial liabilities	**39.3**	29.8	0.5	0.2	1.1	7.7
Derivative financial instruments						
Interest rate swaps	**83.1**	30.7	24.6	26.5	1.3	0.0
Thereof trading	**26.3**	6.4	6.1	12.5	1.3	0.0
Thereof hedge accounting	**56.8**	24.3	18.5	14.0	0.0	0.0

Table 127

The liquidity profile as at December 31, 2015 was as follows:

Liquidity profile as at December 31, 2015

€ million	Total	2016	2017	2018–2022	2023–2027	2028 et seqq.
Primary financial instruments						
Financial liabilities	**4,325.5**	604.3	380.1	2,910.5	87.6	343.0
Finance leases	**30.7**	9.4	9.5	11.8	0.0	0.0
Concessions payable	**663.7**	26.4	21.8	113.8	122.7	379.0
Trade accounts payable	**185.5**	143.1	22.8	10.8	7.5	1.3
Other financial liabilities	**62.8**	39.2	0.1	8.7	0.1	14.7
Derivative financial instruments						
Interest rate swaps	**116.5**	39.1	30.5	45.1	1.8	0.0
Thereof trading	**32.1**	7.8	6.8	15.7	1.8	0.0
Thereof hedge accounting	**84.4**	31.3	23.7	29.4	0.0	0.0

Table 128

All financial instruments that are subject to agreements as at the reporting date were included to determine the undiscounted payments. If a contractual partner can release a payment at different points of time, the earliest deadline was taken into account. The respective forward interest rates derived from the interest curve as at the balance sheet date were used to determine the interest payments on primary financial liabilities bearing interest at floating rates and the net payments on derivative financial instruments. The respective forward interest rates were used to determine the interest payments on primary financial liabilities in foreign currency.

Financial liabilities of certain Group companies abroad arising from independent project financing with a nominal value of €98.8 million (previous year: €109.6 million) include numerous credit clauses that are typical for this type of financing. These clauses include regulations under which certain debt service coverage ratios and control indicators for debt ratio and credit periods must be complied with. Failure to comply with the agreed credit clauses may lead to restrictions on the distribution of dividends and/or to the early redemption of loans or to the additional payment of shareholders' equity. Additionally, there are contractually agreed credit clauses for specific earmarked and/or project-related public loans issued by public business development banks and taken out by Fraport AG in the amount of €940 million (previous year: €1,020.0 million). These clauses relate, among other things, to changes in the shareholder structure, and control of the company. If these changes have a proven negative effect on the credit rating of Fraport AG, the creditors have, above a certain threshold, the right to call the loans due ahead of time.

In connection with the project financing (loan, carrying amount: US$104 million) of the airport operator concession in Lima, Peru, there is also a credit clause under which the transfer of construction land for expanding the airport as laid down in the concession agreement was planned by the Peruvian government to the airport operator Lima Airport Partners S.A. (LAP) by December 31, 2015. This transfer constitutes an obligation on the part of the Peruvian government to LAP under the concession agreement for the operation of the airport for the capital, Lima. As the transfer had not been completed on December 31, 2015 and had also not taken place as at December 31, 2016, LAP has not observed the credit clause at the end of December 31, 2016. Until this situation is resolved, LAP is only permitted to issue dividends following the prior agreement of the creditors. There are also investment restrictions.

If LAP formally reports to the Peruvian government the failure to transfer the construction land, this will give LAP the right to terminate the concession agreement if the construction land is not transferred within 90 days. This right of termination would entitle the creditors of the project financing to demand the early repayment of the project financing after an additional period.

LAP is currently in negotiations with the Peruvian government with the aim of resolving the situation.

All other agreed borrowing terms and conditions were met in 2016. There are currently no indications that there will be any failure to comply with the essential agreed borrowing terms and conditions.

Currency risk

The international focus of the Fraport Group makes its operating business, the financial results reported, and the cash flows subject to foreign currency fluctuation risks. Within the Group, foreign currency risks mainly arise from revenue in foreign currencies, that are not covered by expenses in matching currencies. This results in a cash flow risk between foreign currency revenue and functional currency revenue. Only the transaction risks affecting cash flows are actively controlled. These mainly apply between the US Dollar (US$) and the Peruvian Nuevo Sol (PEN). To reduce the foreign currency effects in the operating business, the transaction risk is assessed on an ongoing basis and hedged where necessary by using derivative financial instruments. Entering into financial instrument transactions is the responsibility of the Group companies in close coordination with the Treasury department of Fraport AG. The transaction risks are assessed by means of sensitivity analyses. The calculation rates on which the analyses are based are the result of the mean value for the respective exchange rate in the period under review, less or in addition to a standard deviation. Taking these assumptions as a basis, the result for the period would have been affected in the year under review as follows:

Currency rate sensitivity

Risk in € million	December 31, 2016		December 31, 2015	
	Net income	Loss	Net income	Loss
US$/PEN	0.14	0.15	0.21	0.23

Table 129

Currency effects in connection with the shares in Delhi International Airport Private Ltd. classed as available for sale are recorded under shareholders' equity. A 10% appreciation or depreciation of the Euro against the Indian Rupee (INR) on December 31, 2016 would decrease or increase shareholders' equity by €9.5 million (previous year: €8.3 million).

In addition, there are effects in the Group from the translation of foreign currency assets or liabilities into Euros and/or from the consolidation of Group companies not accounted for in Euros. These translational risks are met as far as possible by applying natural hedging.

Interest rate risk

The Fraport Group is exposed to interest rate risks on a variety of primary and derivative financial assets and liabilities, as well as future planned capital requirements.

In regard to assets and liabilities that are currently held, the objective of refinancing at matching maturities is generally pursued. The interest rate risk arising in the next twelve months is relevant for control. Therefore, it is assessed every quarter and reported to the financial risk committee. Sensitivity analyses are prepared to determine the risk. These show the effects of changes in market interest rates on interest payments, interest income and expenses, other profit or loss portions, and shareholders' equity. Interest rate changes are defined to be the maximum fluctuation of the key interest rate in the past for the respective currency and the respective period of time and/or the maximum fluctuation of the ten year Euro swap rate in the past. Here, the deviation in absolute terms is taken into consideration.

To limit the interest rate risks, derivative financial instruments, such as interest rate swaps and swaptions, are used.

The sensitivity analyses are based on the following assumptions:

Changes in market interest rates of primary financial instruments with fixed interest rates affect profit or loss, or shareholders' equity, only if the instruments are measured at fair value. The sensitivity analysis for these financial instruments assumes a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

The financial instruments measured at amortized acquisition cost with fixed interest rates do not affect the result for the period or the shareholders' equity of the Fraport Group.

Market interest rate changes of primary floating-rate financial instruments that are not designated hedged items in a cash flow hedge of interest rate exposures affect the interest result and are therefore included in the calculation of profit or loss related sensitivities. The respective net financial position for each currency is taken into account in the process. The interest rate sensitivity analysis are based on the following assumptions: in €: 3.25 percentage points; US Dollar (US$): 4.00 percentage points; Turkish Lira (TRY): 10.00 percentage points; Peruvian Nuevo Sol (PEN): 6.70 percentage points; Saudi Riyal (SAR): 3.50 percentage points; Bulgarian Lew (BGN): 5.22 percentage points; Hong Kong Dollar (HKD): 5.25 percentage points. The individual sensitivities are then aggregated to become one profit or loss related sensitivity in €.

Changes in market interest rates of financial instruments which were designated as hedging instruments in an interest rate related cash flow hedge affect shareholders' equity and are therefore included in the equity-related sensitivity computations. The maximum variability is taken to be a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

Changes in market interest rates of interest rate derivatives which are not part of a hedging relationship pursuant to IAS 39 affect the other financial result and are therefore included in the profit or loss related sensitivities. The maximum variability is taken to be a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

Based on the portfolios and the structure of the consolidated statement of financial position as at December 31, 2016 and the assumptions made, the profit or loss related sensitivity is €13.0 million in the event of an increase (decrease) in the market interest rate (previous year: –€0.7 million) on the balance sheet date. This means that the financial result could hypothetically have increased (decreased) by €13.0 million. This hypothetical effect on the result would have resulted from the potential effects of interest rate derivatives of €10.4 million (previous year: €11.1 million) and an increase (decrease) in the interest result from primary floating-rate net financial positions of €2.6 million (previous year: –€11.8 million).

Interest sensitivity on the financial result (169 basis points)

	Interest sensitivity in € million	Thereof from derivative financial instruments	Thereof from primary financial instruments
December 31, 2016	**13.0**	**10.4**	**2.6**
December 31, 2015	–0.7	11.1	–11.8

Table 130

The equity-related sensitivity is €2.0 million (previous year: €8.6 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of €2.0 million.

Assuming a parallel shift in the interest rate curve of 49 basis points (previous year: 58 basis points) over a twelve-month period in the current interest rate environment gives the following result-oriented interest sensitivity:

Interest sensitivity on the financial result in the current interest rate environment

	Interest sensitivity in € million	Thereof from derivative financial instruments	Thereof from primary financial instruments
December 31, 2016	**5.6**	**3.0**	**2.6**
December 31, 2015	–8.0	3.8	–11.8

Table 131

The equity-related sensitivity for 49 basis points (previous year: 58 basis points) is €0.6 million (previous year: €2.9 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of €0.6 million.

Capital management

The Group's objectives with a view to capital management are ensuring the company's continued existence and a sustained increase in the company's value. As a capital market-oriented company with continuing capital expenditure requirements, Fraport monitors the development of its financial debt using ratios, that relate EBITDA to net financial debt and/or interest expense. As long as the company remains within the following margins, Fraport's present view is that there is sufficient access to debt capital sources at reasonable costs.

The components of the control indicators are defined as follows:

Components of the control indicators

Net financial debt	Current financial liabilities
	+ Non-current financial liabilities
	– Liquid funds
	– Current realizable assets in "other financial assets" and "other receivables and financial assets"
EBITDA	Operating result + depreciation and amortization
Interest expense	Interest expense

Table 132

The financial ratios developed as follows in the period under review:

Financial debt ratios

Key figures	Corridor	December 31, 2016	December 31, 2015
Net debt/EBITDA	max. 4–6 x	2.2	3.3
EBITDA/interest expense	min. 3–4 x	7.6	5.4

Table 133

On the basis of a financial institution license, Fraport Malta Business Ltd. finances both companies controlled by Fraport AG and joint ventures and associated companies in the Group. There are minimum capital requirements due to regulatory requirements in connection with the existing financial institution license. In particular, with regard to lending to companies in which Fraport AG directly or indirectly only holds a minority interest, special minimum capital requirements in relation to the amount lent complied with by the company as at the balance sheet date are to be observed per loan. Capital management is performed by the company taking account of the regulatory conditions set by the EU and the Maltese financial supervisory authority. The company has shareholders' equity of €484.4 million as at the balance sheet date.

47 Related Party Disclosures

Relationships with related parties and the State of Hesse

Alongside the Group companies included in the consolidated financial statements, in the context of the course of ordinary business operations, the Group is also related to parties that are not included as well as associated companies and joint ventures, which are parties related to the Group according to IAS 24. Thus, Fraport AG has numerous business relationships with the State of Hesse and the City of Frankfurt and their majority-owned investments. Related companies and authorities with which major business relationships are maintained include Landesbetrieb Hessen-Forst, Mainova AG, and Messe Frankfurt Venue GmbH & Co. KG.

All transactions with related parties have been concluded under conditions customary in the market as with unrelated third parties. The services rendered to authorities are generally based on cost prices. The following table shows the scope of the respective business relationships:

Relationships with related parties and the State of Hesse

€ million		Majority shareholders		Joint ventures	Associated companies	Companies controlled and significantly influenced by majority shareholders
		State of Hesse	Stadtwerke Frankfurt am Main Holding GmbH			
	2016	**0.7**	**0.3**	**41.5**	**8.0**	**5.6**
Revenue	2015	1.6	0.2	12.4	7.4	13.9
	2016	**4.6**	**10.0**	**15.8**	**33.1**	**95.1**
Purchased goods and services	2015	5.9	10.1	17.8	33.6	104.7
	2016	**-0.8**	–	**0.1**	**17.2**	–
Interest	2015	-0.8	–	0.1	14.6	–
	2016	–	–	**11.4**	**60.5**	–
Accounts receivable	2015	–	–	12.5	61.3	0.1
	2016	–	–	**4.3**	**87.2**	–
Loans	2015	–	–	4.2	120.3	–
	2016	**0.1**	**0.5**	**5.1**	**4.6**	**8.5**
Liabilities	2015	–	0.2	8.1	3.2	9.1

Table 134

Regarding contingent liabilities and other financial obligations to joint ventures, please refer to note 43 and note 44. Regarding other obligations to related parties, see note 44.

Relationships with related persons

The Executive Board, Supervisory Board, and their family members are defined as related persons pursuant to IAS 24.

Remuneration for management in key positions in accordance with IAS 24 comprises the remuneration of the active Executive Board and Supervisory Board.

These were compensated as follows:

Remuneration of management

€ million	2016	2015
Salaries and other short-term employee benefits	4.8	4.5
Termination benefits	0.0	0.0
Post-employment benefits	1.1	1.1
Other long-term benefits	0.4	0.4
Share-based remuneration	1.5	1.3
Total	**7.8**	**7.3**

Table 135

Information regarding salaries and other short-term employee benefits for employee representatives on the Supervisory Board exclusively includes remuneration for their Supervisory Board activities. In addition, they receive remuneration customary for the market in the context of their work as employees.

Post-employment benefits include service costs from pension provisions for the active members of the Executive Board.

The benefits granted for the Long-Term Strategy Award (LSA, see also note 53) is accounted for as other long-term employee benefits in fiscal year 2016.

The statement of share-based remuneration includes the granted amount for the Long-Term Incentive Program awarded in the 2016 fiscal year (LTIP, see also note 53).

At the end of the fiscal year, there were outstanding balances for the Executive Board members’ bonuses amounting to €1.3 million (previous year: €1.3 million).

48 Operating Permit and Service Concession Agreements

The following Group companies in the Fraport Group have been granted service concessions or similar permits, which give the public access to important economic and social facilities:

Fraport AG

In agreement with the German Federal Minister of Transport, the Minister of Labor, Economics, and Transport for the State of Hesse approved operations at Frankfurt Main Airport in accordance with Section 7 as amended on August 21, 1936, of the German Air Traffic Act on December 20, 1957. This permit does not expire at any specific time and was last amended by the decision of October 29, 2012 based on the outcome of the planning approval notice for the expansion of the airport, in particular regarding Runway Northwest, taking into account the relevant ruling of the German Federal Administrative High Court.

The right to operate the airport is linked to various obligations that are specified in the permit. According to this, Fraport AG is required, among other things, to keep the airport in good operating condition at all times, to provide and maintain the equipment and signs needed to monitor and control air traffic at the airport, and to guarantee the availability of fire prevention and protection systems that take account of the special operating conditions. The restrictions on night flight traffic that were initially imposed in 1971 and subsequently updated have been tightened by the aforementioned amendment and extension to the permit. Also daytime operational restrictions on aircraft for civil aviation purposes at Frankfurt Main Airport that do not comply with the International Civil Aviation Organization (ICAO) noise protection regulations have been further tightened. Furthermore, there are statutory requirements for passive noise abatement and outdoor living area compensation as a result of the construction work for the airport expansion around Runway Northwest.

The company charges airlines that fly to Frankfurt Airport what are known as “traffic charges” for provision of the transport infrastructure. These traffic charges are broken down into airport charges that require approval and other charges that do not require approval.

> The airport charges that require approval according to Section 19b of the German Air Traffic Law (LuftVG) are divided into takeoff and landing charges, including noise components and emission charges, parking charges, and passenger and security charges, as well as charges for the financing of passive noise abatement measures (noise surcharges). The amount of the charges is specified in a related charge table.

  In the 2016 fiscal year, the charge table approved by the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL) for 2015 and published in the Air Transport Bulletin (NfL) continued to apply. Charges for the financing of passive noise abatement measures (noise surcharges) have been levied since July 1, 2012 (see also note 25). The charge table includes an incentive program for continuous and sustainable passenger growth on routes outside Germany with low-noise aircraft. The refund amounts distinguish between whether the growth is achieved through existing or new airlines and whether the targets are new or existing ones. Airport charges accounted for 36.75 % (previous year: 36.89 %) of Fraport AG’s revenue in the year under review. A subsequent increase in airport charges of 1.9 % from January 1, 2017 was approved by HMWEVL and has come into force.

> The remaining charges not subject to approval are classified as charges for central Ground Services infrastructure facilities and Ground Services charges. In accordance with EU regulations, ground services on the apron were opened up to competition on November 1, 1999 (opened up in practice on April 15, 2000), by issuing a permit to another third-party ground handling company along with Fraport AG. The services in the area of central ground handling infrastructure facilities continue to be excluded from competition (monopoly sector) and are completely segregated from the ground handling services when they are offset with the airlines. Of Fraport AG’s revenue in 2016, 15.17 % was generated by ground handling services (previous year: 15.37 %) and 14.54 % by infrastructure charges (previous year: 14.21%).

Above and beyond the traffic charges, Fraport AG generates revenue essentially from revenue-based payments, renting and parking, and security services. The proceeds from these operations which do not require approval accounted for 33.54 % (previous year: 33.53 %) of Fraport AG’s entire revenue in the year under review.

Fraport Twin Star Airport Management AD

Fraport Twin Star Airport Management AD (franchisee) and the Republic of Bulgaria (franchisor), represented by its Minister of Transport, signed a concession agreement on September 10, 2006, for the operation and management of the Bulgarian airports in Varna and Burgas on the Black Sea.

According to the concession agreement, the franchisee is obligated to render various airport services and to improve services in line with international standards, national laws, and the provisions stipulated in the concession agreement. Moreover, the franchisee has capital expenditure obligations of unspecified amounts for the expansion and a capacity increase of the airports in Varna and Burgas and to maintain the assets ceded for use. In addition, the franchisee pays an annual concession fee of 19.2% of total revenue, at least 19.2% of BGN 57 million (€29.1 million), adjusted for the development of the national inflation rate, to the franchisor. The franchisee paid an additional non-recurring concession fee in the amount of €3.0 million to the franchisor after the agreement was signed. In return, the franchisee receives the right to use the existing and future infrastructure for airport operations and the right to generate revenue, in particular through airport charges (passenger, landing, and parking fees), and for ground handling services. Airport charges are regulated by the franchisor.

The concession agreement started on November 10, 2006, and has a duration of 35 years. There are no options for renewal.

The franchisee is obligated to furnish the franchisor with a performance bond issued by a bank rated BB– or higher, in the annual amount of €15.0 million in the first ten years and in the annual amount of €7.5 million during the remaining term of the agreement.

At the end of the concession term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the franchisor in proper operating condition without receiving any consideration in return.

Lima Airport Partners S.R.L. (LAP)

On February 14, 2001, LAP (franchisee) and the Peruvian government (franchisor), represented by its Minister of Transportation (MTC), signed the concession agreement for Jorge Chavez International Airport on the operation, expansion, maintenance, and use of the Jorge Chavez International Airport in Lima (Peru).

The term of the concession agreement is 30 years. The contract may be renewed for another ten years. Further renewals are possible under certain conditions; the overall concession term must not exceed 60 years, however.

In addition to operating and maintaining the airport infrastructure, the franchisee is obligated vis-a-vis the franchisor to invest at least US$100 million for the remodeling of the airport, in particular the terminal, and to build a second landing runway. The contractual amount of US$100 million has been invested already.

The franchisee is also obligated to pay concession fees. The concession fee is the higher of two amounts: either the contractually fixed minimum payment (basic payment of US$15 million per year, adjusted by US CPI) or 46.511% of total revenue after deduction and transfer to Corpac (Aviation Regulatory Authority) of 50% of landing charges and 20% of the international passenger charges (TUUA). In addition, a regulatory charge of 1% of the same assessment basis is payable. In return, the franchisee receives the right to use the existing and future infrastructure for airport operations and the right to generate revenue, in particular through airport charges (passenger, landing, and parking fees), and for ground handling and other services. Airport charges are regulated by the franchisor.

At the end of the contract term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the franchisor by the franchisee in the contractually defined operational condition. The franchisee has the right to have the residual carrying amount of said infrastructure reimbursed by the franchisor for a limited period of time. This does not apply if the concession agreement is terminated early.

49 Significant Events after the Balance Sheet Date

With effect as of January 1, 2017, Fraport AG acquired 50% of the capital shares of Frankfurt Airport Retail Verwaltungs GmbH and Frankfurt Airport Retail GmbH & Co. KG. The purchase price for the shares in Frankfurt Airport Retail Verwaltungs GmbH and Frankfurt Airport Retail GmbH & Co. KG is €0.5 million plus conditional purchase price components. Frankfurt Airport Retail GmbH & Co. KG will in future, under joint management by Fraport AG and Gebr. Heinemann SE & Co. KG, operate the duty-free business and further retail business at Frankfurt Airport. The company will be included in the Fraport consolidated financial statements using the equity method. With the acquisition of the shares, Fraport AG undertook to make further capital available to Frankfurt Airport Retail GmbH & Co. KG in the form of subordinated shareholder loans of up to €12.0 million. Because the audited financial statements of the companies was not yet available on the date of acquisition, the initial accounting had not yet been concluded on the date of report preparation.

The take-over of the operations of 14 Greek regional airports is expected for around March 2017 after fulfillment of all conditions precedent. The two concession agreements, each for the operation of the seven Greek regional airports, were already signed by Fraport AG and its Greek consortium partner and the Greek privatization fund on December 14, 2015. In return for the right to operate the Greek airports, an initial one-time fee of €1,234 million will be paid. Over the term of the concessions, annual minimum concession payments of €22.9 million per year with an inflation-dependent adjustment are agreed. Furthermore, the consortium partners are obliged to invest in measures to upgrade and expand the airport infrastructure by 2020. Fraport currently expects an amount of around €400 million here. The concessions fall under the application of IFRIC 12. Subsequently, the present value of the annual minimum concession payments is recognized in the balance sheet as a financial liability. The corresponding amount and the initial one-time payment made are capitalized as part of the costs of acquisition of the concessions under investments in airport operating projects and amortized on a systematic basis over the 40-year term of the concessions.

For information on significant events after the balance sheet date in connection with the project financing of the terminal operator concession in Antalya, please refer to note 23.

50 Exemption pursuant to Section 264 (3) of the HGB

The following German subsidiaries claim the exemptions under Section 264 (3) of the HGB for the 2016 fiscal year:

> Airport Assekuranz Vermittlungs-GmbH
> Airport Cater Service GmbH
> Flughafen Kanalreinigungsgesellschaft mbH
> Frankfurter Kanalreinigungsgesellschaft mbH
> Fraport Casa GmbH
> Fraport Passenger Services GmbH
> FRA - Vorfeldkontrolle GmbH

The subsidiary Energy Air GmbH claims the exemptions under Section 264 (3) is of the HGB for the 2016 fiscal year regarding the provisions of the First Subsection (annual financial statements of the corporation and management report) and the Fourth Subsection (disclosure).

51 Information on Investments pursuant to the German Securities Trading Act (WpHG)

Fraport AG received the following notifications pursuant to Section 21 (1) of the WpHG in fiscal year 2016:

BlackRock, Inc, Wilmington, USA, informed us on January 14, 2016, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3% of voting rights on January 7, 2016 and on that day amounted to 2.97% (2,746,379 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on January 14, 2016, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3 % of voting rights on January 8, 2016 and on that day amounted to 3.03 % (2,796,731 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on January 27, 2016, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3 % of voting rights on January 20, 2016 and on that day amounted to 2.63 % (2,425,674 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on January 28, 2016, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3 % of voting rights on January 22, 2016 and on that day amounted to 3.01 % (2,779,425 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on January 29, 2016, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3 % of voting rights on January 25, 2016 and on that day amounted to 2.92 % (2,693,918 voting rights).

Legg Mason, Inc, Baltimore, USA, informed us on June 7, 2016 in accordance with Section 21 (1) of the WpHG that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3 % of voting rights on May 31, 2016 and on that day amounted to 2.826 % (2,612,499 voting rights).

Lazard Asset Management LCC, New York, USA, informed us on December 15, 2016 in accordance with Section 21 (1) of the WpHG that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3 % of voting rights on December 14, 2016 and on that day amounted to 5.05 % (4,672,021 voting rights).

As at December 31, 2016, the shareholder structure of Fraport AG was as follows:

The total voting rights in Fraport AG held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH calculated in accordance with Section 22 (2) of the WpHG amounted to 51.32 % as at December 31, 2016. They were attributed as follows: State of Hesse 31.32 % and Stadtwerke Frankfurt am Main Holding GmbH 20.00 %.

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

According to the last official report in accordance with the WpHG or disclosures by individual shareholders, the other voting rights in Fraport AG were attributable as follows (as at December 31, 2016): Deutsche Lufthansa AG 8.44 % and Lazard Asset Management LLC 5.05 %. The relative ownership interests were adjusted to the current total number of shares as at the balance sheet date and may therefore differ from the figures given at the time of reporting or from the respective shareholders’ own disclosures.

There are no reports for the remaining 35.19 % (free float).

52 Statement Issued by the Executive Board and the Supervisory Board of Fraport AG pursuant to Section 161 of the AktG

On December 12, 2016, the Executive Board and the Supervisory Board of Fraport AG issued the Statement of Compliance with the Corporate Governance Code pursuant to Section 161 of the AktG and made it available to the public on a permanent basis on the company website www.fraport.com under the header “Investor Relations” in the “Corporate Governance” section.

53 Information Concerning the Executive Board, Supervisory Board, and Economic Advisory Board

Remuneration of the Executive Board and Supervisory Board in fiscal year 2016

The essential features of the remuneration system, and the information on the individualized remuneration of the Executive Board and the Supervisory Board, are shown in the remuneration report. The remuneration report is part of the management report.

Total remuneration of the Executive Board amounted to €5,805.6 thousand (previous year: €5,409.5 thousand) plus service costs for pensions of €1,089.5 thousand (previous year: €1,122.6 thousand).

As part of the Long-Term Strategy Award (LSA), each Executive Board member is promised a prospective financial reward for one fiscal year, the first being in 2010 for the fiscal year 2013. After three fiscal years have expired (the fiscal year in question and the two following years), the extent to which the targets have been met is determined and the actual payment is calculated based on these results. The paid amount can exceed or fall below the prospective amount but is capped at 125 % of the amount originally stated. Performance targets are customer satisfaction, sustained employee development, and share performance. All three targets are equally important under the LSA. Total obligations as part of the LSA amounted to €535 thousand as at December 31, 2016 (previous year: €509 thousand). The fair values of the LSA for Dr. Schulte amounted to €70.6 thousand as at the balance sheet date December 31, 2016 for the 2014 tranche (previous year: €93.4 thousand), €106.6 thousand each for the 2015 tranche (previous year: €122.0 thousand), and €103.8 thousand for the 2016 tranche. The fair values of the LSA for Ms. Giesen, Mr. Müller, and Dr. Zieschang amounted to €40.5 thousand each as at December 31, 2016 for the 2014 tranche (previous year: €63.2 thousand), €75.8 thousand each for the 2015 tranche (previous year: €90.3 thousand) and €72.8 thousand for the 2016 tranche.

The Executive Board received short-term remuneration components of €2,430.5 thousand for the fiscal year 2016 (previous year: €2,339.4 thousand). In addition, long-term remuneration components were allocated with an issue fair value of €1,504.2 thousand (2016 LTIP tranche) and €390.0 thousand (2016 LSA tranche) as part of the LTIP and LSA programs (previous year for the 2015 LTIP tranche: €1,215.3 thousand, 2015 LSA tranche: €390.0 thousand).

All active members of the Supervisory Board received a total remuneration of €902 thousand in the 2016 fiscal year (previous year: €889 thousand).

No loans or advances were granted to members of the Executive Board or the Supervisory Board in the fiscal year.

Former Executive Board members and their surviving dependents received €1,612 thousand (previous year: €1,732 thousand). The pension obligations towards active members of the Executive Board as at the balance sheet date were €12,056 thousand (previous year: €10,088 thousand) and towards former Executive Board members and their surviving dependents €24,949 thousand (previous year: €25,341 thousand).

The information concerning the members of the Executive Board and Supervisory Board is presented in note 54 and note 55.

Remuneration of the Economic Advisory Board in the 2016 fiscal year

In the 2016 fiscal year, aggregate remuneration of the Economic Advisory Board amounted to €109.3 thousand (previous year: €97.0 thousand).

Notifications pursuant to Article 19 of the Market Abuse Regulation (MAR) and Section 15a of the WpHG

Pursuant to Article 19 of the MAR (replaces the previous regulation in Section 15a of the WpHG, which was repealed, from June 2, 2016), members of the Executive Board and Supervisory Board of Fraport AG are required to disclose transactions with shares of Fraport AG or any related financial instruments to the company and the German Federal Financial Supervisory Authority (BaFin) within three business days. This also applies to persons who are closely related to members of the Executive Board and Supervisory Board as defined in Article 19 of the MAR or Section 15a (3) of the WpHG. These transactions have been published by Fraport AG in accordance with the deadlines under Article 19 of the MAR and Section 15a of the WpHG.

54 Executive Board

Mandates of the Executive Board

Members of the Executive Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Chairman of the Executive Board **Dr. Stefan Schulte**	**Chairman of the Supervisory Board:** > Fraport Ausbau Süd GmbH (from August 8, 2016) **Member of the Supervisory Board:** > Deutsche Post AG **Chairman of the Board of Group companies:** > President of the Board of Directors Fraport Regional Airports of Greece (A S.A., B S.A., Management Company S.A.; from March 15, 2016)
Executive Director Operations **Anke Giesen**	**Member of the Supervisory Board:** > AXA Konzern AG (from May 19, 2016) > Fraport Ausbau Süd GmbH (from August 8, 2016)
Executive Director Labor Relations **Michael Müller**	**Chairman of the Supervisory Board:** > FraSec Fraport Security Services GmbH **Member of the Supervisory Board:** > Fraport Ausbau Süd GmbH (from August 8, 2016) **Member of the Shareholders' Meeting:** > Airport Cater Service GmbH > Medical Airport Service GmbH > Terminal for Kids gGmbH
Executive Director Controlling & Finance **Dr. Matthias Zieschang**	**Vice-Chairman of the Supervisory Board:** > Shanghai Frankfurt Airport Consulting Services Co., Ltd. (until June 2016) **Member of the Supervisory Board:** > Fraport Ausbau Süd GmbH (from August 8, 2016) > Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi Anonim Sirketi (until August 10, 2016) > Flughafen Hannover-Langenhagen GmbH **Member of the Board of Group companies:** > Member of the Board of Directors Fraport Regional Airports of Greece (A S.A., B S.A., Management Company S.A.; from March 15, 2016) **Member of the Shareholders' Meeting:** > Flughafen Hannover-Langenhagen GmbH **Member of the Administrative Board:** > Frankfurter Sparkasse

Table 136

55 Supervisory Board

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Chairman of the Supervisory Board **Karlheinz Weimar** Former Finance Minister of the State of Hesse (Remuneration 2016: €64,600; 2015: €63,000)	**Member of the University Council:** > University of Frankfurt am Main **Member of the Board of Trustees:** > Institute for Law and Finance **Member of the Administrative Board:** > Krankenhausgesellschaft St. Vincenz mbh Limburg (from November 1, 2016)
Vice-Chairman **Gerold Schaub** ver.di Hessen (Remuneration 2016: €57,350; 2015: €54,150)	**Vice-Chairman of the Supervisory Board:** > LSG Lufthansa Service Holding AG > FraGround Fraport Ground Services GmbH > LSG Sky Chefs Frankfurt ZD GmbH
Claudia Amier Chairperson of the Works Council (Remuneration 2016: €59,750; 2015: €58,150)	**Member of the Supervisory Board:** > operational Services GmbH & Co. KG (from November 25, 2016)
Devrim Arslan Chairman of the Works Council of FraGround Fraport Ground Services GmbH (Remuneration 2016: €41,300; 2015: €40,500)	**Member of the Supervisory Board:** > FraGround Fraport Ground Services GmbH

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Uwe Becker Mayor and City Treasurer of the City of Frankfurt am Main (Remuneration 2016: €40,500; 2015: €41,300)	**Membership in mandatory control bodies:** > Stadtwerke Verkehrsgesellschaft Frankfurt am Main mbH (Chairman) > ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH (until August 29, 2016) > Frankfurter Aufbau-Aktiengesellschaft (until August 29, 2016) > Mainova AG (Chairman) > Messe Frankfurt GmbH > Stadtwerke Frankfurt am Main Holding GmbH > Süwag Energie AG **Membership in comparable control bodies:** > Hafenbetriebe der Stadt Frankfurt am Main > Kommunale Kinder-, Jugend- und Familienhilfe Frankfurt/Main > Marktbetriebe der Stadt Frankfurt am Main > Stadtentwässerung Frankfurt am Main > Kita Frankfurt > Städtische Kliniken Frankfurt am Main-Höchst > Volkshochschule Frankfurt am Main > Dom Römer GmbH (Vice Chairman) > Gas-Union GmbH (Chairman) > Gateway Gardens Projektentwicklungs-GmbH > Nassauische Sparkasse > Kliniken Frankfurt-Main-Taunus GmbH > Sportpark Stadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH > Tourismus- und Congress GmbH Frankfurt am Main > Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH > Zentrale Errichtungsgesellschaft mit beschränkter Haftung > RMA Rhein-Main Abfall GmbH > RTW Planungsgesellschaft mbH (from August 29, 2016) **Chairman of the Supervisory Board:** > Frankfurt Ticket RheinMain GmbH (until August 29, 2016)
Hakan Cicek Member of the Works Council relieved of duty (Remuneration 2016: €36,300; 2015: €35,500)	
Kathrin Dahnke Member of the Executive Board at Wilh. Wehrhahn KG (Remuneration 2016: €37,100; 2015: €36,300)	**Member of the Supervisory Board (wholly owned subsidiaries of Wilh. Wehrhahn KG):** > Bank11 für Privatkunden und Handel GmbH > abcbank GmbH **Chairperson of the Supervisory Board:** > ZWILLING J.A. Henckels AG **Vice-Chairperson of the Supervisory Board:** > Basalt-Actien-Gesellschaft **Member of the Supervisory Board:** > B.Braun Melsungen AG (from March 22, 2016) **Member of the Administrative Board (wholly owned subsidiary of Wilh. Wehrhahn KG):** > abcfinance GmbH **Member of the Executive Board (wholly owned subsidiary of Wilh. Wehrhahn KG):** > Wehrhahn Industrieholding AG

Table 137

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Peter Feldmann Lord Mayor of the City of Frankfurt am Main (Remuneration 2016: €38,100; 2015: €39,700)	**Chairman of the Supervisory Board:** > ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH > Messe Frankfurt GmbH > Stadtwerke Frankfurt am Main Holding GmbH > KEG Konversions-Grundstücksentwicklungs-Gesellschaft mbH (from November 24, 2016) **Membership in Supervisory Boards and comparable control bodies of business enterprises:** > Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH (Chairman) > Dom Römer GmbH (Chairman) (from June 24, 2016) > FrankfurtRheinMain GmbH International Marketing of the Region (Chairman) > Gas Union GmbH > Gemeinnützige Kulturfonds Frankfurt RheinMain GmbH (from July 1, 2016 until August 29, 2016) > HFM Managementgesellschaft für Hafen und Markt mbH (from July 15, 2016 until August 29, 2016) > Historische Villa Metzler gGmbH (from July 1, 2016 until August 29, 2016) > House of Logistics & Mobility GmbH (from July 25, 2016 until August 29, 2016) > KEG Konversions-Grundstücksentwicklungs-Gesellschaft mbH (from June 24, 2016 until November 23, 2016) > Kulturgesellschaft Bergen-Enkheim mbH (from July 1, 2016 until August 29, 2016) > Kulturregion Frankfurt RheinMain-gGmbH (from July 1, 2016 until August 29, 2016) > Künstlerhaus Mousonturm Frankfurt am Main GmbH (from July 1, 2016 until August 29, 2016) > MuseumsBausteine Frankfurt GmbH (from July 1, 2016 until August 29, 2016) > Nassauische Heimstätte Wohnungsbau- und Entwicklungsgesellschaft mbH (Vice Chairman) > Rhein-Main-Verkehrsverbund GmbH (Chairman) > SAALBAU Betriebsgesellschaft mbH (from July 1, 2016 until August 29, 2016) > Schirn Kunsthalle Frankfurt am Main GmbH (Chairman) > Städtische Bühnen Frankfurt am Main GmbH (from July 1, 2016 until August 29, 2016) > The Forsythe Company gGmbH (from July 1, 2016 until August 29, 2016) > Tourismus- und Congress GmbH Frankfurt am Main (Chairman) > Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH (Chairman) (until September 1, 2016) > Landesbank Hessen Thüringen (Helaba) (acting member) **Member of the Advisory Board:** > Thüga AG
Peter Gerber Chairman of the Executive Board of Lufthansa Cargo AG (Remuneration 2016: €27,300; 2015: €27,300)	**Chairman of the Supervisory Board:** > Lufthansa Cityline GmbH (until February 1, 2016) **Member of the Supervisory Board:** > Albatros Versicherungsdienste GmbH **Member of the Executive Board:** > Bundesvereinigung Logistik e.V. (from May 31, 2016) > Bundesverband der Deutschen Fluggesellschaften (from June 29, 2016) **Presidium membership:** > Bundesverband der Deutschen Luftverkehrswirtschaft e.V. (from July 7, 2016)
Dr. Margarete Haase Member of the Executive Board of DEUTZ AG (Remuneration 2016: €68,600; 2015: €67,000)	**Membership in comparable control bodies pursuant to Section 125 of the AktG:** > DEUTZ (Dalian) Engine Co. Ltd. > Deutz Engines (Shandong) Co. Ltd. (Chairperson) > Deutz Engines (China) Ltd. Co. (Chairperson) (until December 28, 2015) **Member of the Supervisory Board:** > ZF Friedrichshafen AG
Frank-Peter Kaufmann Member of the Hessian State Parliament (Remuneration 2016: €49,300; 2015: €46,900)	**Member of the Supervisory Board:** > Hessische Staatsweingüter Kloster Eberbach GmbH Eltville
Lothar Klemm Former Hessian State Minister (Remuneration 2016: €58,150; 2015: €58,150)	**Chairman of the Supervisory Board:** > Dietz AG **Chairman of the Executive Board:** > Förderverein für integrierte Verkehrssysteme (Darmstadt)

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Dr. Roland Krieg Head of the service unit Information and Telecommunication (Remuneration 2016: €37,900; 2015: €37,900)	**Chairman of the Supervisory Board:** > AirIT Services AG > operational services GmbH & Co. KG (until July 8, 2016) **Member of the Supervisory Board:** > FraSec Fraport Security Services GmbH **Member of the Shareholders' Meeting:** > AirITSystems GmbH > operational services GmbH & Co. KG (until July 8, 2016)
Michael Odenwald State Secretary of the German Federal Ministry for Transport and Digital Infrastructure (Remuneration 2016: €33,900; 2015: €33,900)	**Chairman of the Supervisory Board:** > DFS Deutsche Flugsicherung GmbH (until April 21, 2016) **Member of the Supervisory Board:** > Deutsche Bahn AG > DB Mobility Logistics AG (until January 1, 2016)
Mehmet Özdemir Member of the Works Council (Remuneration 2016: €36,300; 2015: €35,500)	
Arno Prangenberg Auditor, tax consultant (Remuneration 2016: €36,300; 2015: €37,900)	
Hans-Jürgen Schmidt First State Vice-Chairman komba gewerkschaft Hessen (Remuneration 2016: €37,900; 2015: €37,900)	
Werner Schmidt Vice-Chairman of the Group Works Council (until March 30, 2016) (Remuneration 2016: €46,100; 2015: €44,500)	**Chairman of the Executive Board:** > Arbeitsgemeinschaft unabhängiger Flughafenbeschäftigter (AUF e. V.) **Vice-Chairman of the Executive Board:** > komba gewerkschaft, Kreisverband Flughafen Frankfurt/Main **Member of the Supervisory Board:** > FraSec Fraport Security Services GmbH
Edgar Stejskal Chairman of the Group Works Council (Remuneration 2016: €50,900; 2015: €49,300)	**Member of the Supervisory Board:** > Airmail Center Frankfurt GmbH
Prof Dr. Katja Windt President Jacobs University Bremen gGmbH (Remuneration 2016: €44,500; 2015: €43,700)	**Member of the Executive Board:** > Bundesvereinigung Logistik (BVL) e.V. **Member of the Supervisory Board:** > Deutsche Post AG

Table 137

56 Disclosures of Shareholding According to Section 313 (2) of the HGB

Subsidiaries

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
Aerodrom Ljubljana,d.o.o. Zgornji Brnik/Slovenia	**2016**	**100**	**212,256**	**1,270**
	2015	100	217,759	3,267
Afriport S.A., Luxembourg/Luxembourg	**2016**	**100**	**31**	**–1,555** [1]
	2015	100	1,586	–6 [1]
AirIT Services AG, Lautzenhausen	**2016**	**100**	**2,704**	**450**
	2015	100	2,504	363
AIRMALL Boston Inc., Boston/USA	**2016**	**100**	**20,175**	**–2,102**
	2015	100	21,697	1,400
AIRMALL Cleveland Inc., Cleveland/USA	**2016**	**100**	**4,075**	**–319**
	2015	100	4,275	259
AIRMALL Maryland Inc., Maryland/USA	**2016**	**100**	**21,677**	**1,046**
	2015	100	19,953	719
AIRMALL Pittsburgh Inc., Pittsburgh/USA	**2016**	**100**	**11,727**	**750**
	2015	100	10,608	761
AIRMALL Inc., Pittsburgh/USA	**2016**	**100**	**–625**	**65**
	2015	100	–672	183
AIRMALL USA Inc., Pittsburgh/USA	**2016**	**100**	**–3,105**	**–1,180**
	2015	100	–1,812	–1,371
Airport Assekuranz Vermittlungs-GmbH, Frankfurt am Main	**2016**	**100**	**162,593**	**1,917** [2]
	2015	100	162,606	8,801
Airport Cater Service GmbH, Frankfurt am Main	**2016**	**100**	**26**	**90** [2]
	2015	100	26	90 [2]
Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anonim Sirketi, Istanbul/Turkey	**2016**	**100**	**48,918**	**5,972** [3]
	2015	100	51,027	7,823 [3]
Daport S.A., Dakar/Senegal	**2016**	**100**	**445**	**–23** [1]
	2015	100	467	–46 [1]
Energy Air GmbH, Frankfurt am Main	**2016**	**100**	**52**	**4,278** [2]
	2015	100	2,340	2,288
Flughafen Kanalreinigungsgesellschaft mbH, Kelsterbach	**2016**	**100**	**22**	**282** [2]
	2015	100	22	–3
Flughafen Parken GmbH, Frankfurt am Main	**2016**	**100**	**25**	**0** [4]
FraCareServices GmbH, Frankfurt am Main	**2016**	**51**	**1,283**	**140**
	2015	51	1,251	108
FraGround Fraport Ground Services GmbH, Frankfurt am Main (previously: APS Airport Personal Service)	**2016**	**100**	**1,479**	**22**
	2015	100	1,412	595
Frankfurter Kanalreinigungsgesellschaft mbH, Kelsterbach	**2016**	**100**	**25**	**72** [2]
	2015	100	25	0
Fraport Asia Ltd., Hong Kong/China	**2016**	**100**	**113,039**	**2,700**
	2015	100	110,805	2,050
Fraport Ausbau Süd GmbH, Frankfurt am Main	**2016**	**100**	**23**	**–2** [4]
Fraport Beteiligungsgesellschaft mbH, Neu-Isenburg	**2016**	**100**	**71**	**–2**
	2015	100	73	–1
Fraport Beteiligungs-Holding GmbH, Kelsterbach	**2016**	**100**	**74**	**–1**
	2015	100	75	0
Fraport Bulgaria EAD, Sofia/Bulgaria	**2016**	**100**	**6**	**0** [4]
Fraport Casa GmbH, Neu-Isenburg	**2016**	**100**	**42,031**	**1,330** [2]
	2015	100	42,785	754
Fraport Casa Commercial GmbH, Neu-Isenburg	**2016**	**100**	**3,161**	**–33**
	2015	100	3,195	–24
Fraport Immobilienservice und -entwicklungs GmbH & Co. KG, Frankfurt am Main	**2016**	**100**	**11,638**	**10,238** [2] [5]
	2015	100	11,538	4,483 [2] [5]

Subsidiaries

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2016	**100**	**484,436**	**9,278**
Fraport Malta Business Services Ltd., St. Julians/Malta	2015	100	466,446	2,829
Fraport Malta Investment Ltd., St. Julians/Malta	**2016**	**100**	**45**	**0** 4)
	2016	**100**	**498,176**	**13,467**
Fraport Malta Ltd., St. Julians/Malta	2015	100	470,748	4,061
	2016	**100**	**26**	**1**
Fraport Objekt Mönchhof GmbH, Frankfurt am Main	2015	100	26	1
	2016	**100**	**27**	**1**
Fraport Objekte 162 163 GmbH, Frankfurt am Main	2015	100	26	1
	2016	**99.99**	**0**	**0** 1)
Fraport (Philippines) Services, Inc., Manila/Philippines	2015	99.99	–3,822	0 1)
	2016	**100**	**486**	**170**
Fraport Peru S.A.C., Lima/Peru	2015	100	1,068	914
	2016	**100**	**350**	**878** 2)
Fraport Passenger Services GmbH, Frankfurt am Main	2015	100	804	454
	2016	**100**	**4,437**	**7,948** 2)5)
Fraport Real Estate Mönchhof GmbH & Co. KG, Frankfurt am Main	2015	100	4,286	2,582 2) 5)
	2016	**100**	**34**	**2**
Fraport Real Estate Verwaltungs GmbH, Frankfurt am Main	2015	100	32	2
	2016	**100**	**6,068**	**2,772** 2) 5)
Fraport Real Estate 162 163 GmbH & Co. KG, Frankfurt am Main	2015	100	5,745	2,402 2) 5)
	2016	**72**	**7,927**	**–1,972**
Fraport Regional Airports of Greece A S.A. Athens/Greece	2015	72	4,954	–70
	2016	**72**	**7,976**	**–1,934**
Fraport Regional Airports of Greece B S.A. Athens/Greece	2015	72	4,965	–59
Fraport Regional Airports of Greece Management Company S.A. Athens/Greece	**2016**	**72**	**16**	**–12**
	2015	72	22	–2
Fraport Saudi Arabia for Airport Management and Development Services Company Ltd., Riyadh/Saudi Arabia	**2016**	**100**	**7,696**	**–316** 1)
	2015	100	7,782	–1,230 1)
	2016	**60**	**97,700**	**21,291**
Fraport Twin Star Airport Management AD, Varna/Bulgaria	2015	60	87,319	13,210
	2016	**100**	**3,936**	**–65**
Fraport USA Inc., Pittsburgh/USA (previously: AMU Holdings Inc.)	2015	100	3,882	186
	2016	**100**	**7,373**	**–3,025**
FraSec Fraport Security Services GmbH, Frankfurt am Main	2015	100	11,098	1,920
	2016	**100**	**123**	**–7** 2)
FRA - Vorfeldkontrolle GmbH, Kelsterbach	2015	100	361	247
GCS Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG, Frankfurt am Main	**2016**	**100**	**1,910**	**724** 5)
	2015	100	2,298	1,152 5)
	2016	**70.01**	**177,174**	**53,887**
Lima Airport Partners S.R.L., Lima/Peru	2015	70.01	117,012	46,289
	2016	**51**	**7,197**	**2,113**
Media Frankfurt GmbH, Frankfurt am Main	2015	51	7,603	2,536
VCS Verwaltungsgesellschaft für Cleaning Service mbH, Frankfurt am Main	**2016**	**100**	**42**	**1**
	2015	100	41	1

Table 138

Joint ventures

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
AirITSystems GmbH, Hanover	**2016**	**50**	**3,521**	**720**
	2015	50	3,703	808
FCS Frankfurt Cargo Services GmbH, Frankfurt am Main	**2016**	**49**	**11,034**	**320**
	2015	49	10,996	–3,704
Fraport IC Ictas Havalimani Isletme Anonim Sirketi, Antalya/Turkey	**2016**	**51/50**	**24,170**	**835** 6)
	2015	51/50	59,734	78,867 6)
Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi Anonim Sirketi, Antalya/Turkey	**2016**	**51/50**	**–28,815**	**–23,591** 6)
	2015	51/51	–14,895	67,754 6)
Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	**2016**	**33.33**	**2,022**	**–852**
	2015	33.33	2,874	–544
Medical Airport Service GmbH, Kelsterbach	**2016**	**50**	**9,185**	**1,789**
	2015	50	8,101	1,652
Multi Park II Mönchhof GmbH, Walldorf (Baden)	**2016**	**50**	**129**	**33**
	2015	50	71	21
M-Port GmbH & Co. KG, Neu Isenburg	**2016**	**50**	**24**	**–1** 4)
M-Port Verwaltungs GmbH, Neu Isenburg	**2016**	**50**	**155**	**–20** 4)
N*ICE Aircraft Services & Support GmbH, Frankfurt am Main	**2016**	**52**	**17,891**	**113**
	2015	52	17,778	–852
Pantares Tradeport Asia Ltd., Hong Kong/China	**2016**	**50**	**11,684**	**1,748**
	2015	50	11,727	1,876
Shanghai Frankfurt Airport Consulting Services Co., Ltd., Shanghai/China	**2016**	**50**	**376**	**10**
	2015	50	376	9

Table 139

Associated companies

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
Aerodrom Portoroz,d.o.o. Secovlje/Slovenia	**2016**	**30.46**	**3,191**	**0**
	2015	30.46	3,192	0
Airmail Center Frankfurt GmbH, Frankfurt am Main	**2016**	**40**	**4,763**	**1,313**
	2015	40	4,850	1,614
ASG Airport Service Gesellschaft mbH, Frankfurt am Main	**2016**	**49**	**1083**	**823**
	2015	49	763	503
Flughafen Hannover-Langenhagen GmbH, Hanover	**2016**	**30**	**137,194**	**2,818**
	2015	30	135,453	3,820
operational services GmbH & Co. KG, Frankfurt am Main	**2016**	**50**	**33,584**	**14,853**
	2015	50	27,839	9,562
Xi'an Xianyang International Airport Co., Ltd., Xianyang City/China	**2016**	**24.5**	**516,721**	**30,427**
	2015	24.5	513,006	20,503
Thalita Trading Ltd., Lakatamia/Cyprus; Northern Capital Gateway LLC, St. Petersburg/Russia	**2016**	**25**	**–308,100**	**–818**
	2015	35.5	–359,711	–8,802

Table 140

Other investments

Name and registered office		Shareholding in %	Shareholders' equity (according to local regulation) in € thousand	Result (according to local regulation) in € thousand
	2016	**10**	**295,362**	**70,440** [7]
Delhi International Airport Private Ltd., New Delhi/India	2015	10	236,842	32,065 [7]
	2016	**13.51**	**0**	**0** [1]
Gateways for India Airports Private Ltd., Bangalore/India	2015	13.51	0	0 [1]
	2016	**20**	**0**	**0** [1,8,9]
Ineuropa Handling Alicante, U.T.E., Madrid/Spain	2007	20	–575	–786 [1,9,10]
	2016	**20**	**0**	**0** [1,8,9]
Ineuropa Handling Madrid, U.T.E., Madrid/Spain	2007	20	–1,282	–2,604 [1,9,10]
	2016	**20**	**0**	**0** [1,8,9]
Ineuropa Handling Mallorca, U.T.E., Madrid/Spain	2007	20	871	270 [1,9,10]
	2016	**20**	**0**	**0** [1,8,9]
Ineuropa Handling Teneriffa, U.T.E., Madrid/Spain	2007	20	1,642	–762 [1,9,10]
Perishable-Center Verwaltungs-GmbH Zentrum für verderbliche Güter Frankfurt, Frankfurt am Main	**2016**	**10**	**0**	**0** [10]
	2015	10	1,527	491

Table 141

[1] Company inactive or in liquidation.
[2] IFRS result before result transfer.
[3] 0.01% of the shares are held by natural persons.
[4] Company founded in 2016.
[5] In the shareholders' equity of commercial partnerships, capital shares as well as shares in profit and loss of the limited partners are recognized (according to IAS 32, these represent debt).
[6] 51% capital shares, 50% dividend rights.
[7] Fiscal year of the company ends on March 31.
[8] There is no influence on financial and business policies.
[9] Shareholders' equity has been largely or wholly repaid.
[10] Current financial statements not yet available.

Frankfurt/Main, February 28, 2017

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Responsibility Statement

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the asset, financial, and earnings position and profit or loss of the Group. Furthermore, the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, February 28, 2017

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Auditor's Report

We have audited the consolidated financial statements prepared by the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt/Main, comprising the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 28, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm
German Public Auditor

Thomas Noll
German Public Auditor

Seven-Year Overview [1)]

Consolidated income statement

€ million	2016	2015	2014	2013	2012	2011	2010
Revenue	**2,586.2**	**2,598.9**	**2,394.6**	**2,375.7**	**2,442.0**	**2,371.2**	**2,194.6**
Change in work-in-process	0.4	0.5	0.6	0.6	0.5	0.4	0.4
Other internal work capitalized	34.9	29.9	28.3	32.3	44.0	40.3	36.9
Other operating income	332.9	49.8	42.5	32.5	55.8	40.9	52.1
Total revenue	**2,954.4**	**2,679.1**	**2,466.0**	**2,441.1**	**2,542.3**	**2,452.8**	**2,284.0**
Cost of materials	–621.9	–610.4	–533.3	–595.2	–558.1	–541.1	–491.1
Personnel expenses	–1,066.7	–1,026.7	–970.4	–928.9	–942.9	–906.3	–880.4
Other operating expenses	–211.7	–193.2	–172.2	–184.1	–192.6	–203.1	–201.9
EBITDA	**1,054.1**	**848.8**	**790.1**	**732.9**	**848.7**	**802.3**	**710.6**
Depreciation and amortization	–360.4	–328.3	–307.3	–294.3	–352.7	–305.7	–279.7
Operating result/EBIT	**693.7**	**520.5**	**482.8**	**438.6**	**496.0**	**496.6**	**430.9**
Interest result	–106.9	–125.6	–141.1	–136.0	–174.1	–144.4	–137.7
Result from companies accounted for using the equity method	–4.6	37.6	43.5	18.5	11.7	11.5	7.0
Other financial result	–0.8	1.3	–10.5	10.4	30.5	–16.4	–21.5
Financial result	**–112.3**	**–86.7**	**–108.1**	**–107.1**	**–131.9**	**–149.3**	**–152.2**
Result from ordinary operations/EBT	**581.4**	**433.8**	**374.7**	**331.5**	**364.1**	**347.3**	**278.7**
Taxes on income	–181.1	–136.8	–122.9	–95.8	–112.6	–96.5	–7.2
Group result	**400.3**	**297.0**	**251.8**	**235.7**	**251.5**	**250.8**	**271.5**
thereof profit attributable to non-controlling interests	24.9	20.5	17.1	14.7	13.3	10.4	8.6
thereof profit attributable to shareholders of Fraport AG	**375.4**	**276.5**	**234.7**	**221.0**	**238.2**	**240.4**	**262.9**
Earnings per €10 share in € (basic)	**4.07**	**3.00**	**2.54**	**2.40**	**2.59**	**2.62**	**2.86**
Earnings per €10 share in € (diluted)	**4.06**	**2.99**	**2.54**	**2.39**	**2.58**	**2.60**	**2.85**

Key figures	2016	2015	2014	2013	2012	2011	2010
EBITDA margin in %	40.8	32.7	33.0	30.8	34.8	33.8	32.4
EBIT margin in %	26.8	20.0	20.2	18.5	20.3	20.9	19.6
Return on revenue in %	22.5	16.7	15.6	14.0	14.9	14.6	12.7
Fraport assets in € million	6,069.2	6,071.0	5,830.5	5,061.7	5,152.3	4,447.3	4,019.7
ROFRA in %	11.4	9.4	9.2	8.7	9.6	11.2	10.7
Year-end closing price of the Fraport share in €	56.17	58.94	48.04	54.39	43.94	38.00	47.16
Dividend per share in €	1.50 [2)]	1.35	1.35	1.25	1.25	1.25	1.25

Financial position key figures	Balance at Dec. 31, 2016	Balance at Dec. 31, 2015	Balance at Dec. 31, 2014	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010
Profit earmarked for distribution in € million	138.7	124.7	124.7	115.4	115.5	115.4	115.6
Net financial debt in € million	2,355.9	2,774.3	3,012.8	2,870.6	2,934.5	2,647.0	2,024.4
Capital employed in € million	5,957.5	6,086.9	6,109.2	5,808.3	5,731.5	5,362.1	4,626.9
Gearing ratio in %	65.4	83.8	97.3	97.7	104.9	97.5	77.8
Debt-to-equity ratio in %	26.6	31.4	33.4	32.6	30.4	28.7	22.1
Dynamic debt ratio in %	404.0	425.4	595.2	632.0	530.7	427.8	356.7
Working capital in € million	840.9	606.0	626.6	797.6	1,057.8	977.6	1,878.4

[1)] Due to new accounting policies, and shifts in Group definitions, figures reported in previous years may differ.
Retroactive adjustment of all previous-year figures wasn't carried out.
[2)] Proposed dividend.

Consolidated statement of financial position

€ million	Balance at Dec. 31, 2016	Balance at Dec. 31, 2015	Balance at Dec. 31, 2014	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010
Goodwill	19.3	41.7	41.7	22.7	38.6	38.6	38.6
Investments in airport operating projects	516.1	500.9	479.2	458.1	1,031.2	1,067.1	1,073.4
Other intangible assets	146.7	161.2	157.1	51.1	44.2	43.6	32.4
Property, plant, and equipment	5,954.2	6,045.4	6,127.7	5,962.3	5,927.3	5,643.8	5,013.3
Investment property	79.6	74.5	63.0	47.7	34.4	74.6	34.0
Investments in companies accounted for using the equity method	209.7	237.6	216.9	194.9	136.6	138.0	97.1
Other financial assets	561.7	659.2	773.3	728.6	742.7	648.6	394.6
Other receivables and financial assets	173.3	167.0	181.1	172.2	117.1	33.5	20.9
Income tax receivables	0.2	5.4	10.2	20.3	19.5	29.6	29.6
Deferred tax assets	36.9	33.4	31.1	27.9	49.2	48.2	43.1
Non-current assets	**7,967.7**	**7,926.3**	**8,081.3**	**7,685.8**	**8,140.8**	**7,765.6**	**6,777.0**
Inventories	37.9	42.8	43.7	42.3	77.7	81.4	77.9
Trade accounts receivable	129.6	154.0	174.7	174.4	180.0	163.9	178.3
Other receivables and financial assets	259.7	310.8	297.6	426.4	385.2	280.2	319.2
Income tax receivables	11.9	7.4	7.7	1.0	35.0	6.2	5.5
Cash and cash equivalents	736.0	406.0	401.1	486.9	821.9	927.1	1,812.6
Non-current assets held for sale	–	–	7.1	–	–	–	–
Current assets	**1,175.1**	**921.0**	**931.9**	**1,131.0**	**1,499.8**	**1,458.8**	**2,393.5**
Issued capital	923.6	923.1	922.7	922.1	921.3	918.8	918.4
Capital reserve	596.3	594.3	592.3	590.2	588.0	584.7	582.0
Revenue reserves	2,220.4	1,919.9	1,706.1	1,540.8	1,403.2	1,327.0	1,217.7
Equity attributable to shareholders of Fraport AG	3,740.3	3,437.3	3,221.1	3,053.1	2,912.5	2,830.5	2,718.1
Non-controlling interests	101.1	74.4	64.9	45.7	35.7	29.4	21.2
Shareholders' equity	**3,841.4**	**3,511.7**	**3,286.0**	**3,098.8**	**2,948.2**	**2,859.9**	**2,739.3**
Financial liabilities	3,236.9	3,273.8	3,874.3	3,948.1	4,401.0	4,034.0	4,256.6
Trade accounts payable	41.8	42.5	47.1	50.8	64.4	64.9	60.0
Other liabilities	408.0	447.7	497.5	491.7	1,006.4	1,001.0	949.2
Deferred tax liabilities	173.6	172.2	158.7	107.2	102.5	110.8	105.5
Provisions for pensions and similar obligations	33.2	30.7	33.7	26.7	27.4	22.9	22.1
Provisions for income taxes	71.8	62.1	68.8	54.1	80.2	68.1	68.0
Other provisions	147.2	201.6	228.0	223.9	211.2	201.8	147.0
Non-current liabilities	**4,112.5**	**4,230.6**	**4,908.1**	**4,902.5**	**5,893.1**	**5,503.5**	**5,608.4**
Financial liabilities	366.5	543.6	318.1	290.6	196.6	219.9	151.8
Trade accounts payable	146.7	143.1	134.5	159.6	214.4	228.9	274.6
Other liabilities	145.7	129.4	123.7	123.0	163.2	187.4	180.5
Provisions for income taxes	42.9	56.0	14.7	7.7	5.3	2.4	12.9
Other provisions	217.1	232.9	223.8	234.6	219.8	222.4	203.0
Liabilities in the context of non-current assets held for sale	–	–	4.3	–	–	–	–
Current liabilities	**918.9**	**1,105.0**	**819.1**	**815.5**	**799.3**	**861.0**	**822.8**
Total assets	**8,872.8**	**8,847.3**	**9,013.2**	**8,816.8**	**9,640.6**	**9,224.4**	**9,170.5**

Change over the previous year in %	Balance at Dec. 31, 2016	Balance at Dec. 31, 2015	Balance at Dec. 31, 2014	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010
Non-current assets	–2.9	–1.9	5.1	–5.6	4.8	14.6	6.7
Shareholders' equity (less non-controlling interests and profit earmarked for distribution)	8.7	7.0	5.4	5.0	3.0	4.3	7.1
Share of total assets in %							
Non-current assets	86.8	89.6	89.7	87.2	84.4	84.2	73.9
Shareholders' equity ratio	40.6	37.4	34.4	33.3	29.0	29.4	28.4

Table 142

List of Graphics and Tables

List of Graphics

Group Management Report

List of Tables

Cover

To Our Shareholders

Group Management Report

Consolidated Financial Statements

Glossary

Annual performance of the Fraport share
(Year-end closing price of the Fraport share + dividend per share)/ previous year-end closing price

Capital employed
Net financial debt + shareholders' equity [1]

Debt-to-equity ratio
Net financial debt/total assets

Dividend yield
Dividend per share/year-end closing price of the share

Dynamic debt ratio
Net financial debt/cash flow from operating activities

Earnings per share (EPS)
Profit attributable to shareholders of Fraport AG/ weighted number of shares

EBIT
Abbreviation for: earnings before interest and taxes

EBIT margin
EBIT/revenue

EBITDA
Abbreviation for: earnings before interest, taxes, depreciation, and amortization

EBITDA margin
EBITDA/revenue

EBT
Abbreviation for: earnings before taxes

EURIBOR
Abbreviation for: European Interbank Offered Rate = Interest rate used by European banks when trading fixed-term deposits with each other. It is one of the most important reference interest rates, among European bonds, bearing floating interest payments.

Fraport assets
Capital required for operations = Goodwill + other intangible assets at cost/2 + investments in airport operating projects at cost/2 + property, plant, and equipment at cost/2 + carrying amounts of investments accounted for using the equity method + inventories + trade accounts receivable – current trade accounts payable

[1] Shareholders' equity less non-controlling interests and profit earmarked for distribution.

Free cash flow
Cash flow from operating activities + dividends from companies accounted for using the equity method – capital expenditure in property, plant, and equipment – investment property – capital expenditure for other intangible assets – investments in airport operating projects (excluding payments to acquire Group companies and concessions) – capital expenditure in investments accounted for using the equity method

Gearing ratio
Net financial debt/shareholders' equity [1]

Liquidity
Cash and cash equivalents (as at financial position) + short-term realizable items in "other financial assets" and "other receivables and financial assets"

Market capitalization
Year-end closing price of the Fraport share × number of shares

Net financial debt
Non-current financial liabilities + current financial liabilities – liquidity

Operating expenses
Material expenses + personnel expenses + other operating expenses

Price-earnings ratio
Year-end closing price of the Fraport share/earnings per share (basic)

Rate per 1,000 employees
Reportable accidents at work × 1,000/average number of employees (including apprentices and former employees)

Return on revenue
EBT/revenue

Return on shareholders' equity
Profit attributable to shareholders of Fraport AG/shareholders' equity [1]

ROCE
Abbreviation for: return on capital employed = EBIT/capital employed

ROFRA
Abbreviation for: return on Fraport assets = EBIT/Fraport assets

Shareholders' equity ratio
Shareholders' equity [1]/total assets

Total employees
Employees of Fraport AG, subsidiaries, and joint ventures as at the balance sheet date (including temporary staff, apprentices, and employees on leave)

Working capital
Current assets – trade accounts payable – other current liabilities

Financial Calendar 2017

Tuesday, May 9, 2017
Interim Release Q1 2017
Online publication, conference call with analysts and investors

Tuesday, May 23, 2017
Annual General Meeting 2017
Frankfurt am Main, Jahrhunderthalle

Monday, May 29, 2017
Dividend payment

Thursday, August 3, 2017
Interim Report Q2/6M 2017
Online publication, conference call with analysts and investors

Thursday, November 2, 2017
Interim Release Q3/9M 2017
Online publication, conference call with analysts and investors

Traffic Calendar 2017

(Online publication)

Wednesday, April 12, 2017
March 2017/Q1 2017

Thursday, May 11, 2017
April 2017

Tuesday, June 13, 2017
May 2017

Wednesday, July 12, 2017
June 2017/6M 2017

Thursday, August 10, 2017
July 2017

Tuesday, September 12, 2017
August 2017

Thursday, October 12, 2017
September 2017/9M 2017

Friday, November 10, 2017
October 2017

Tuesday, December 12, 2017
November 2017

Monday, January 15, 2018
December 2017

Imprint

Publisher
Fraport AG
Frankfurt Airport Services Worldwide
60547 Frankfurt am Main
Germany
Telephone: +49 (0)1806 3724636 [1)]
Website: www.fraport.com

[1)] 20 cents (€) per call from a German landline; maximum of 60 cents (€) per call from a German cell phone.

Contact Investor Relations
Stefan J. Rüter
Head of Finance and Investor Relations
Telephone: + 49 69 690-74840
Fax: + 49 69 690-74843
Website: www.meet-ir.com
E-mail: investor.relations@fraport.de

Concept and Design
heureka GmbH, Essen

Photography
Michael Gernhuber, Essen

Publication Date
March 17, 2017

Editorial Deadline
February 28, 2017

Disclaimer
In case of any uncertainties which arise due to errors in translation, the German version of the Annual Report is the binding one.

Rounding
The use of rounded amounts and percentages means slight discrepancies may occur due to commercial rounding.

Fraport AG
Frankfurt Airport Services Worldwide
Finance & Investor Relations
60547 Frankfurt am Main

www.fraport.de