Annual Report 2017

Gute Reise! We make it happen

About this report
Gute Reise! We make it happen

Fraport has been operating under a new mission statement for two years now. Processes and infrastructure are focused on our customers having a “gute Reise”, a good trip. We’ve stated our objective in no uncertain terms: We operate airports for our customers with worldwide success, and offer associated services. We create the conditions needed for international interconnectedness, economic development and prosperity. In doing so, we want to offer our partners a platform for their business model, and be an economic force and job engine in the respective regions as well as an attractive employer and responsible partner.

The cover photo once again touches on our slogan. Airports around the world are fascinating places, and Frankfurt Airport is no exception. Not only visitors and passengers but also Fraport employees are fascinated – each in his own way – by various impressions. A feeling of the diversity on the apron is shown on the cover photo of the 2017 Annual Report.

Financial performance indicators

€ million	2017	2016	Change in %
Revenue	2,934.8	2,586.2	+13.5
Revenue adjusted by IFRIC 12	2,893.1	2,566.3	+12.7
EBITDA	1,003.2	1,054.1	–4.8
EBIT	643.0	693.7	–7.3
EBT	506.1	581.4	–13.0
Group result	359.7	400.3	–10.1
Profit attributable to shareholders of Fraport AG	330.2	375.4	–12.0
Earnings per share (basic) (€)[1]	3.57	4.07	–12.3
Year-end closing price of the Fraport share (€)	91.86	56.17	+63.5
Dividend per share (€)	1.50	1.50	0.0
Operating cash flow	790.7	583.2	+35.6
Free cash flow	393.1	301.7	+30.3
Total assets	10,832.4	8,872.8	+22.1
Shareholders’ equity	4,028.7	3,841.4	+4.9
Group liquidity	1,018.6	1,247.5	–18.3
Net financial debt	3,512.4	2,355.9	+49.1
Return on revenue (%)	17.2	22.5	–
Return on shareholders’ equity (%)	8.9	10.4	–
EBITDA margin (%)	34.2	40.8	–
EBIT margin (%)	21.9	26.8	–
ROCE (%)	8.9	11.6	–
ROFRA (%)	10.0	11.4	–
Gearing ratio (%)	94.2	65.4	–

Non-financial performance indicators

	2017	2016	Change
Global satisfaction (Frankfurt) (%)	85	82	+3 PP
Baggage connectivity (Frankfurt) (%)	98.5	98.7	–0.2 PP
Employee satisfaction	2.87	2.91	+0.04
Women in management positions (%)	28.0	30.5	–2.5 PP
Sickness rate (%)	7.5	7.9	–0.4 PP
CO_2 emissions (m.t.)	209,668	228,389	18,721

Employees

	2017	2016	Change in %
Average number of employees	20,673	20,322	+1.7
Total employees as at the balance sheet date	24,598	22,650	+8.6

[1] Proposed dividend (2017).

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To Our Shareholders

Letter of the CEO

Dear Shareholders,

In the past fiscal year, your company achieved a very good result. With over 64.5 million passengers, your Frankfurt Airport grew by more than six percent, setting a new record. We also served a significantly greater number of passengers at all Group airports compared to the previous year. With the addition of the two Brazilian airports as well as the successful take-over of 14 Greek airports in the past year, we were also able to continue to expand our international portfolio. As a result, we have made good progress in our goal to continuously increase the result contribution of our international business activities.

At the same time, growth at Frankfurt Airport presents us with the challenge of creating the capacities necessary for it in good time. In Terminals 1 and 2, we are intensively working with our partners on measures to improve processes and capacities. The most important aspects for meeting the challenge of increasing passenger numbers during peak hours are security checks as well as passport controls for entry into and departure from the country. Customer satisfaction once again increased, with 85% of our passengers stating that they were satisfied with the travel process as a whole. This new record is certainly proof of our excellent performance and the great commitment of our airport employees and partners.

In particular, we are creating capacity for 14 million additional passengers in Frankfurt with the construction of Terminal 3, which should commence operations in 2023 with piers H and J. The construction of this terminal is on schedule. In order to be prepared for the anticipated passenger growth as well as offering our customers even better and more tailored services, the schedule for the construction of pier G with an annual capacity of four to five million passengers will also be brought forward. The building application for pier G was submitted last year, and construction work is set to start in the second half of 2018.

As you, our esteemed shareholders, can see, we are in a good position in Frankfurt to meet future traffic demands despite the currently robust traffic growth. Developing capacities based on demand while at the same time keeping customer satisfaction at a high level are the challenges that we set ourselves both in Frankfurt and at our airports internationally. For example, after taking over the Greek airports, we immediately started implementing important modernization measures as well as efficient processes to noticeably improve the travel experience for our guests from all over the world. The next step will include extensions to and new constructions of terminal facilities, including more attractive services and shopping.

Our experience shows that well-managed airports prove themselves to be true engines of economic growth in their respective regions. The best example of this can be seen at our airport in Lima. One of the most successful airports in our portfolio, “Jorge Chávez International Airport” has achieved consistently high growth rates and a high level of customer satisfaction, while receiving numerous awards. For this reason, we will build an additional runway as well as a new passenger terminal at the airport. This is the only way we can meet the growing traffic volume in Lima, and continue to steadily improve the range of high-level offerings and services for passengers.

Our commitment to the issues of active noise abatement and noise reduction shows that growth and responsibility are not mutually exclusive. These continue to have a high priority. Together with our partners such as Deutsche Flugsicherung, Deutsche Lufthansa, and other players from politics and the industry, in the past year we have improved our role of international pioneer in noise absence at the Frankfurt site. Frankfurt is now the first hub airport worldwide that is equipped with state-of-the-art navigation technology on all runways and supports an approach procedure that allows for noise reduction in the areas most affected by the landing approaches. We have taken these and additional measures in a conscious effort to shoulder our corporate responsibility.

In line with the growth in traffic volume, Fraport was also very successful from a financial standpoint in fiscal year 2017. We achieved our objectives and have consistently built on the positive development of recent years. At the Group level, your company generated EBITDA of 1,003 million Euros and EBIT of 643 million Euros. The Group result amounted to nearly 360 million Euros. Lima and Fraport Greece, which together achieved EBITDA of more than 237 million Euros, contributed to this positive financial development. Fraport shares reached an all-time high several times last year and closed significantly higher at the end of the year at 91.86 Euros.

You, our esteemed shareholders, should of course also benefit from this positive development. The Executive Board and the Supervisory Board will therefore submit a proposal to the AGM to maintain the dividend at the level of last year's increase and once again distribute a dividend of 1.50 Euros per share for fiscal year 2017. The employees of Fraport AG will also receive a profit-sharing bonus and thus participate in the positive development of the company.

In this respect and on behalf of my colleagues on the Executive Board, I would like to thank our employees across the entire Group, who now number over 24,500. It is due to their efforts and performance that we have achieved such a positive result despite the challenges we face.

After encouraging gains in 2017, we expect continued strong growth for the 2018 fiscal year. At the Frankfurt site, we expect passenger numbers to be in the range of approximately 67 to 68.5 million. We also expect an overall positive development at our international airports. In particular, the airports in Antalya, Lima, and Xi'an should once again exhibit a high growth trend. At the two Brazilian airports in Fortaleza and Porto Alegre as well as the 14 Greek regional airports, we expect growth in the mid-single-digit percentage range. With regard to the development of our key financial performance indicators, we expect Group EBITDA of between around €1,080 million and approximately €1,110 million, Group EBIT of about €690 million to around €720 million. We forecast the Group result to lie in a range between around €400 million and about €430 million.

The financial outlook for the 2018 fiscal year also includes the two Brazilian airports "Pinto Martins" in Fortaleza and "Salgado Filho" in Porto Alegre. The take-over of these airports on January 2nd of this year is an important step in the further expansion of our international business. These airports welcomed nearly 14 million passengers in total in 2017, an increase of 4.4 percent compared to the previous year. Drawing on our expertise, we will significantly develop both airports also for the benefit of the country. For our customers, whether airlines or passengers, we will expand terminal capacity and improve processes and services as well as add attractive retail and food & beverage offerings.

Dear shareholders, we have set the right course in recent years in order to be able to make your company more successful and sustainable in international competition. I would like to warmly thank you for your confidence in us.

I hope you will enjoy reading our 2017 Annual Report and look forward to welcoming you to this year's AGM on May 29, 2018 in the Jahrhunderthalle in Frankfurt/Main.

I would also like to point out a new feature in this annual report. According to the CSR Directive Implementation Act, the publication of a "Combined Separate Non-Financial Report" is now mandatory starting in the 2017 fiscal year. You will find this report and more information about it in the chapter "To our shareholders".

Sincerely yours,

Stefan Schulte

The Fraport Executive Board

(from left to right)

Michael Müller
Executive Director Labor Relations
Born in 1957
Appointed until September 30, 2022

Anke Giesen
Executive Director Operations
Born in 1963
Appointed until December 31, 2022

(from left to right)

Dr. Stefan Schulte
Chairman of the Executive Board
Born in 1960
Appointed until August 31, 2019

Dr. Matthias Zieschang
Executive Director Controlling and Finance
Born in 1961
Appointed until March 31, 2022

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 2017. The Supervisory Board regularly obtained 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 decisions 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.

All members of the Supervisory Board participated in more than half of the meetings of the Supervisory Board and of 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 and the business development of important airlines for the Frankfurt site were the subject of regular discussions by the Supervisory Board.

The Supervisory Board also covered the progress in the expansion in the south of the Airport site on an ongoing basis. In particular, the developments, opportunities, and risks in the individual expansion programs and the respective pending measures and decisions were discussed. Furthermore, the Supervisory Board focused on the expected traffic development and the resulting early completion of Pier G.

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

- In 2017, the Supervisory Board also consistently obtained information on the various measures and initiatives to improve active and passive noise abatement at Frankfurt Airport. The agreement concluded at the end of the year on implementing an upper noise limit played a particular role in this respect. Furthermore, at its December meeting, the Supervisory Board was also informed by a representative of German air traffic control of the assessment of a Point Merge departure procedure for Frankfurt and its associated difficulties.

- More detailed reports were once more 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.
- Another ongoing topic in the reporting was the efforts to further improve the service quality in all areas. In this context, the various measures in the existing terminal facilities to improve passenger satisfaction were reported and their positive results welcomed. Various approaches for the increased assumption of management responsibility at security control points at the Frankfurt site were analyzed in 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 covered, inter alia, the progress of the take-over process with regard to the Greek regional airports based on the concession agreement concluded on December 14, 2015 and the effects of the political developments with regard to Russia and Turkey.
- In addition, the Supervisory Board dealt with the financial statements and management reports of the company and the Group as at December 31, 2016, the agenda and the included resolution proposals for the Annual General Meeting (AGM) on May 23, 2017, as well as the 2016 Annual Report. Furthermore, the Supervisory Board again decided to propose to the AGM that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as the auditor for fiscal year 2017.
- The Supervisory Board also discussed the results of the external review of the suitability of the remuneration for the Executive and Supervisory Boards.

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

- As part of two special meetings on March 6 and March 13, 2017, the Supervisory Board agreed to the binding submission of tenders for the concessions to operate Brazilian airports in Fortaleza and Porto Alegre. Subsequently, it was pleased to note the acceptance into the public privatization process and the take-over of operations on January 2, 2018.
- Following appropriate prior consultation in the executive committee, on March 15, 2017 the Supervisory Board approved the re-appointment of Ms. Giesen as a member of the Executive Board of Fraport AG for a further five years.
- Also on March 15, 2017 the Supervisory Board adopted the agenda for the ordinary Annual General Meeting on May 23, 2017 and, in this respect, also approved the proposal for the closing of control and profit transfer agreements with two further Group companies.
- On June 26, 2017 the Supervisory Board, after successfully developing the project, granted its approval to sell a plot on the Gateway Gardens land.
- In connection with the implementation of the CSR Directive, the Supervisory Board decided on the separate review of the CSR reporting by an external auditor on September 15, 2017.
- On December 11, 2017 the Supervisory Board approved the application for a consultancy and operating contract at Newark Airport (USA).
- Likewise, on December 11, 2017 the Supervisory Board also approved the 2018 Business Plan.

As part of its strategy session in mid-September 2017, the Supervisory Board initially focused on the development of international investments. Looking to the future, trends, innovations, and their relevance for Fraport were then determined. The main topic was, however, the consideration of market developments and the strategic direction of the Frankfurt site. In particular, the point of view illustrated by a keynote speech by the main client, Lufthansa, was considered and the resulting challenges were discussed.

Work of the committees

The Supervisory Board continued its successful work with the committees it had formed to increase efficiency and to prepare for the Supervisory Board meetings. In individual appropriate cases and in accordance with law, decision-making powers of the Supervisory Board were 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 company’s website at www.fraport.com/corporategovernance.

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 2017 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 2018 Business Plan of Fraport AG (prepared in accordance with the German Commercial Code, HGB) and the 2018 Group Plan (prepared in accordance with IFRS). Furthermore, the committee dealt with the awarding of the audit mandate to the auditor and made a proposal to the plenum for the election of the auditor for fiscal year 2017. 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 fiscal year 2013, it was proposed to the plenum again to recommend PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to the AGM as auditor for fiscal year 2017. Furthermore, with regard to the review of the CSR reporting, the recommendation of the Supervisory Board was in favor of this auditing company.

Further focal points of the discussions were asset and liability management as well as the regular supplementary reports in accordance with Section 90 of the German Stock Corporation Act (AktG) to the consolidated financial statements and/or the consolidated interim releases and the half year report. 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 2017 were again the further business development of the investment business and capital expenditure with particular focus on expanding the Frankfurt site. During four regular meetings and one extraordinary meeting, the committee, inter alia, discussed in depth the preparation of the Supervisory Board decisions on the submission of tenders in Brazil, the sale of the plot on the Gateway Gardens land, and the application for a consultancy and operating agreement at Newark Airport.

The focus of attention also regularly turned to both the existing global investments and 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 Slovenian Group airport in Ljubljana on site at the end of August 2017. Finally, the committee assisted with the capital expenditure at the Frankfurt site and worked in depth on the planning of capital expenditures in the context of the 2018 Business Plan.

The **human resources committee** met four times in fiscal year 2017 and regularly discussed the human resources situation in the Group. In addition to the current issues of tariffs, the focus of the discussion was also put on the reaction to the new Temporary Employment Act (AÜG), the planned measures in executive skill development and the development of secondments and returnees. Furthermore, a program for changes to the personnel structure and health management with particular focus on the development of the operational sickness rate were the subject of discussion.

The **executive committee** met twice during the reporting period. It dealt with Executive Board matters and remuneration issues arising in the 2017 fiscal year. In this context, it also made arrangements for the re-appointment of Ms. Giesen as a member of the Executive Board for a further five year period.

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 2017 fiscal year.

Nor was it necessary to convene the **mediation committee** in accordance with the German Co-Determination Act in fiscal year 2017.

Corporate Governance and statements of compliance

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

In light of the fact that the Regierungskommission Deutscher Corporate Governance Kodex (commission responsible for the German Corporate Governance Code) decided on a few material changes to the GCGC and amended the Code in accordance with legislative changes on February 7, 2017, after no changes had been made in the previous year, the Fraport Code was amended accordingly on June 26, 2017.

Ultimately, based on the relevant resolution of the Supervisory Board of September 18, 2015, the implementation of the recommendation to set a company-specific limit for the term of membership of the Supervisory Board was waived. As a consequence, the relevant non-conformance once again had to be explained and justified in the 2017 statement of compliance.

In 2017, the Supervisory Board performed its regular efficiency audit by means of self-evaluation based on an internal survey. The results were discussed in depth at 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 11, 2017, are provided in the "Joint statement on corporate governance and corporate governance report" starting on page 16. The Fraport Code and the current and past statements of compliance can also be found on the company's website at www.fraport.com/corporategovernance.

Conflicts of interest and their treatment

There were no conflicts of interest in fiscal year 2017.

Annual and consolidated financial statements

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as at December 31, 2017, as well as the management report of Fraport AG, the 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 Annual General Meeting of May 23, 2017.

The separate 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. Furthermore, the German legal regulations to be applied in addition to Section 315e (1) HGB in the preparation of the consolidated financial statements and the Group management report were applied. The individual financial statements and the management report, as well as the consolidated financial statements and the Group management report were audited by the auditors. 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 GmbH Wirtschaftsprüfungsgesellschaft and the financial statements were available to all members of the Supervisory Board, and were comprehensively dealt with in the accounting meeting of the Supervisory Board on March 15, 2018 in the presence of the auditor, who reported on the significant results of its audit and was 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. A focal point of this reporting was the key audit matters described in the auditor's report. 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 annual 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 of the Executive Board, which is also included in the management report:

"The Executive Board declares that under the circumstances known to us at the time, 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 March 15, 2018 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 of the Executive Board regarding the relationships with affiliated companies provided at the end of the report and included in the management report.

Audit of the non-financial reporting

As part of the implementation of the CSR Directive Implementation Act, the Supervisory Board was also for the first time responsible for reviewing the content of the combined separate non-financial report. As preparation for the audit, the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, was commissioned to prepare a voluntary audit of the combined separate non-financial report with limited assurance.

At the meeting of the Supervisory Board to discuss the financial statements on March 15, 2018, the auditor, in addition to the results of its audit of the financial report, also reported on the significant results of its audit of the combined separate non-financial report and, in this regard, was available for additional questions and information.

Ultimately, the Supervisory Board reached the positive audit result that the combined separate non-financial report complies with the requirements under commercial law.

Personnel particulars

The composition of the Executive Board and Supervisory Board remained unchanged compared to the previous year in 2017.

With regard to the successful fiscal year 2017, the Supervisory Board would like to thank the Executive Board and the company's employees for the commitment they have shown.

Frankfurt am Main, March 15, 2018

Karlheinz Weimar
(Chairman of the Supervisory Board)

Joint Statement of 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 289f of the German Commercial Code (HGB) for Fraport AG as well as for the Fraport Group (Fraport AG and fully consolidated Group companies, hereinafter referred to as "Fraport") as part of a joint statement on corporate governance pursuant to Sections 315d and 289a of the HGB in conjunction with Section 289f of the HGB, 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 long-term economic enhancement 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 6 of the HGB, the following information pursuant to Sections 289f (2) and (5) and 315d of the HGB has been included by the auditor in the audit of the annual financial statements only to the extent that the auditor verified whether the information was actually given.

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

As a publicly listed corporation headquartered in Germany, corporate governance at Fraport AG primarily orients itself to 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.

Statement of compliance with the GCGC of December 11, 2017

The Executive Board and the Supervisory Board last issued the following statement of compliance under Section 161 of the AktG on December 11, 2017:

"The last annual statement of compliance was issued on December 12, 2016. Since then, Fraport AG has complied with the recommendations made by the Government Commission on the German Corporate Governance Code in the versions dated May 5, 2015 ("GCGC 2015") and February 7, 2017 ("GCGC 2017") with the exception of the recommendations set forth in Section 5.4.1 (2) sentence 2 of the GCGC 2015 and Section 5.4.1 (2) sentence 2 of the GCGC 2017 with regard to the specification of a regular limit of length of membership in the Supervisory Board. With the exception of this recommendation, Fraport AG will also in future comply with the recommendations listed in the current version of the German Corporate Governance Code of February 7, 2017.

Grounds:
Section 5.4.1 (2) sentence 1 of the GCGC 2015 and Section 5.4.1 (2) sentence 2 of the GCGC 2017 contain, 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/corporategovernance.

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 2017 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.

Disclosures on other corporate management practices

Beyond the statutory provisions, Fraport utilizes the following 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 defines the substantial 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 June 26, 2017). The Fraport Corporate Governance Code can be accessed at the company's website at www.fraport.com/corporategovernance.

Compliance

Fraport understands the term "compliance" to mean compliance with laws and internal regulations. In 2003, Fraport 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 offering 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 recent years, the Executive Board has implemented the essential minimum requirements of the CMS in both the national and international Group companies.

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 is at the heart of this commitment. Conduct standards substantiate the value-based compliance of Fraport AG and assist employees in complying with existing laws and internal regulations

The supplier code, updated in fiscal year 2016, 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 an active partner in the region, Fraport AG supports sporting, social, and cultural associations and institutions. In addition, Fraport AG has always been dedicated to making a contribution to reduce flight noise exposure at the Frankfurt site and believes it has a responsibility to adequately take into account environmental requirements that stem from operating the airport. This particularly includes protection of the climate and nature, as well as the responsible use of resources. At the Group airports, noise and environmental protection measures are managed and implemented according to the local requirements.

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 and professional expertise of employees. This is how Fraport ensures the quality of its services in all Group companies.

Further information is available in the “2017 Compact” report and on the company’s website at www.fraport.com/responsibility.

Structure and functioning of the Executive Board and Supervisory Board

For Fraport, a responsible and transparent corporate management and control structure is the cornerstone for creating value and trust. In accordance with the statutory provisions, 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). The Executive Board manages Fraport AG, the Supervisory Board monitors 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. In addition, its work is based on the rules of procedure, which have been approved by the Supervisory Board. 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 schedule of the remuneration is provided in the remuneration report in the Group management 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 vote, 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 2017) 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 schedule of its remuneration is provided in the remuneration report in the Group management 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.-Ing. Katja Windt	Edgar Stejskal

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 2017	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 financial statements 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.-Ing. 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.-Ing. 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	Chairman of the 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

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.

Defining targets for the proportion of women on the Supervisory Board, Executive Board, and the two levels below the Executive Board

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. The targets for the proportion of women on the Executive Board and the two levels below the Executive Board as well as the deadlines for reaching these targets must be determined based on this law. In principle, the targets for the proportion of women on the Supervisory Board must also be determined; however, this does not apply if there is already a fixed gender ratio for the Supervisory Board, as is the case at Fraport AG.

Targets for the Executive Board

The Supervisory Board sets the targets for the proportion of women on the Executive Board in accordance with Section 111 (5) of the AktG and Section 5.1.2 (1) of the GCGC.

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

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

The Executive Board sets the targets for the proportion of women at the two levels below the Executive Board in accordance with Section 76 (4) of the AktG and 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 2017, the proportion of women in the first management level amounted to 24.0 % and 28.0 % in the second management level.

Gender ratio on the Supervisory Board

After the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector" came into force on May 1, 2015, the statutory gender ratios of a minimum of 30% women and 30% men on the Supervisory Board must be complied with (Section 96 (2) of the AktG, Section 5.4.1 (3) of the GCGC) as part of the new elections and postings to 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 composition of the Supervisory Board; diversity concept for the Supervisory Board and Executive Board

On June 27, 2016, in accordance with Section 5.4.1 of the GCGC and Section 289f (2) of the HGB, the Supervisory Board adopted its specific targets for its composition as well as a competency profile for the overall board. The targets for the composition of the Supervisory Board and the competency profile for the overall board (including the diversity concept) are as follows:

“The objective is that the Supervisory Board should be composed in such a way that it ensures the competent control and support of the company’s Executive Board by the Supervisory Board. It should be taken into account that the Supervisory Board as a collective body has the overall knowledge, skills, and professional experience required to properly perform its tasks. It cannot be expected that each individual member of the Supervisory Board possesses the required knowledge and experience to the fullest extent; however, there should be at least one competent member of the Board for each aspect of the Supervisory Board’s activities to ensure that the Board's members together represent a comprehensive range of knowledge and experience. These should include, inter alia, an understanding of the relevant market environment, financial and commercial experience, and a strong commitment to the region.

In addition, each member of the Supervisory Board should be expected to have a certain level of essential general knowledge and experience that is appropriate to the nature, extent, and complexity of the business activities, and the risk structure of an international company such as Fraport AG.

In adherence to the age limits set by the Supervisory Board in Section 5.4.1 (2) of the Fraport Code, candidates should be put forward who are able to perform the duties of a member of a supervisory board of an international company and safeguard the reputation of Fraport AG through their integrity, motivation, availability and personality. The principles of diversity and the proportion of women and men based on the statutory provisions should be taken into account when nominating candidates for the Board. In addition, the Supervisory Board should have at least three independent members.”

Concerning the extent to which this policy has been implemented, it can be stated that the current Supervisory Board, whose members offer a wide range of economic, political, and corporate expertise, already has the knowledge, skills, and experience required to properly perform its duties.

In addition, the Supervisory Board has both a sufficient number of members with international experience and an adequate number of members with a strong regional connection, as some of them hold seats in local and regional governments.

With regard to diversity, the Supervisory Board had already updated the target it established in the fiscal year for the proportion of women on the Board: “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 currently still comprises three female and seven male shareholder representatives and one female and nine male employee representatives.

Regarding the Board’s objective of having at least three independent shareholder representatives within the meaning of Section 5.4.2 of the GCGC, the Supervisory Board currently has as its members Kathrin Dahnke, Dr Margarete Haase and Prof. Katja Windt, which means that is has reached its goal of having three independent shareholder representatives.

In the future, the nomination committee and the Supervisory Board will also adequately take into account this objective for the composition of the Supervisory Board when presenting candidates for election to the Supervisory Board at the Annual General Meeting.

In addition, in accordance with the recommendation in Section 5.4.1 (5) of the GCGC, they will in future check with the respective candidate that he or she can contribute the time expected.

The Supervisory Board also takes diversity into account regarding the composition of the Executive Board (Section 5.1.2 (1) sentence 2 of the GCGC). Given the identified qualifications and long-term contractual commitments of the current members of the Executive Board, the Supervisory Board does not yet pursue a diversity concept for the Executive Board.

Further information

Remuneration of the Executive Board and the Supervisory Board

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 314 (1) number 6 of the HGB and Section 315a (2) of the HGB, and Sections 4.2.5 and 5.4.6 (3) of the GCGC.

Acquisition or disposal of company shares (directors' dealings)

Pursuant to Section 19 of the Market Abuse Regulation (MAR), 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 opportunity 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 opportunity management system. The structure of the risk and opportunity 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 interim 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, and of the internal auditing system as well as the audit of accounts 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 315e (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 2017 this was PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC"), which is thus auditing Fraport for the fifth year in a row. The confirmation of independence required in accordance with Section 7.2.1 (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 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 and 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 management and corporate governance report on March 16, 2018 on www.fraport.com/corporategovernance.

Combined Separate Non-financial Report

Description of Business Model

The Fraport Group, with Frankfurt Airport and its international Group companies, is one of the leading global airport operating companies. The range of the Group includes all services of the aviation and terminal operations as well as associated services. Passenger traffic at all Group airports plays a substantial role in the Group's revenue and earnings development.

In contrast to time-limited airport operating models, the Fraport Group parent company, Fraport AG, wholly owns and operates Frankfurt Airport with no time limits. With more than 10,200 employees, Fraport AG, which has been stock exchange-listed since 2001, is also the biggest single company of the Group, which has more than 20,600 employees. Including the Frankfurt site, Fraport was also active at 29 further airports through Group companies at the time of preparing the consolidated financial statements. More information on the business model, the competitive position, and the Group structure can be found in the "Situation of the Group" section of the Group management report starting on page 46, as well as in the Fraport AG management report in the section "Situation of the Fraport AG".

About This Report

This combined separate non-financial report describes, in accordance with the CSR Directive Implementation Act, the activities of the Fraport Group (Fraport AG and all fully consolidated Group companies, hereinafter: "Fraport") as well as the Fraport parent company (hereinafter: "Fraport AG"). It is identified whether the remarks refer to the Fraport Group or to Fraport AG.

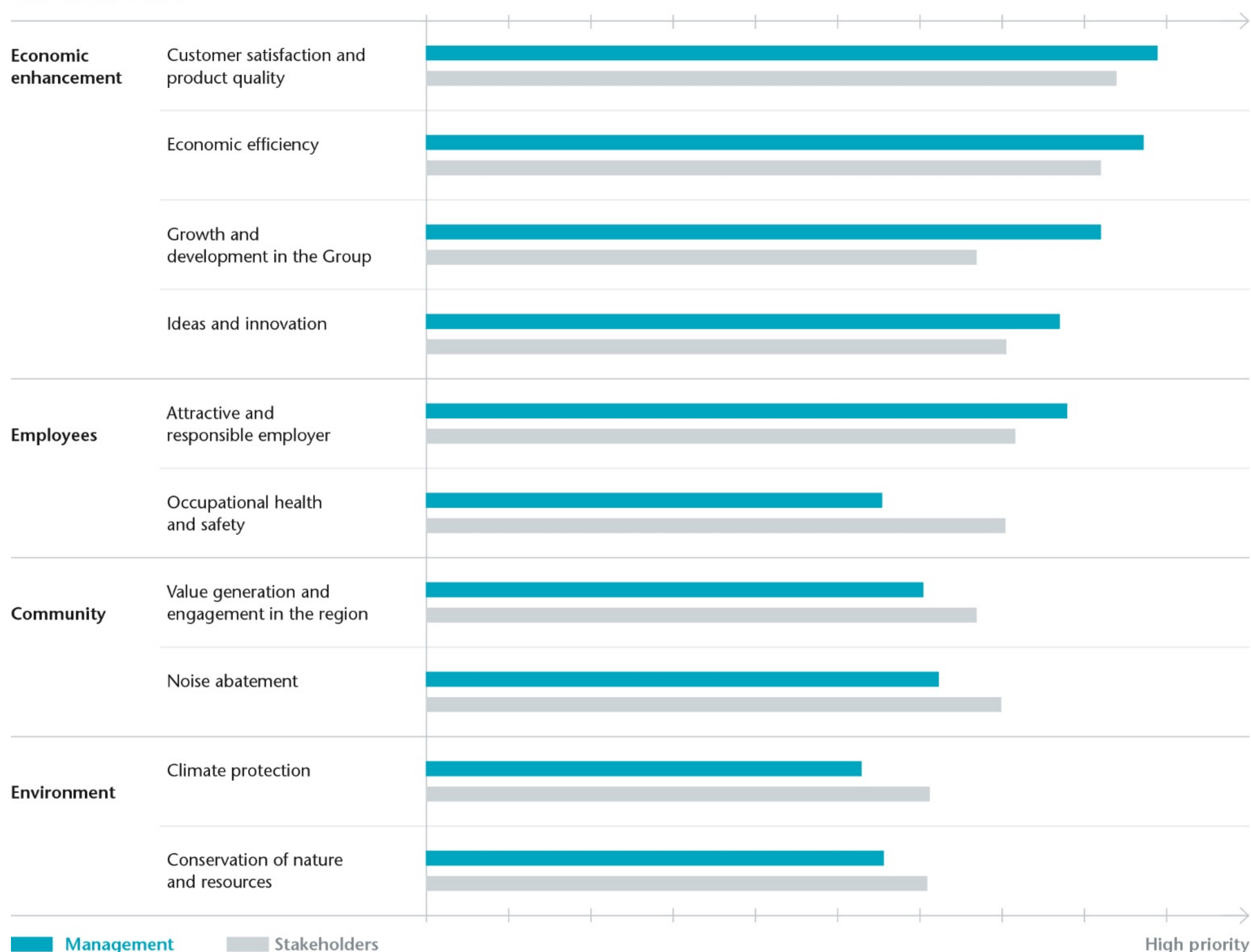
Derivation of materiality

In fiscal year 2017, Fraport began implementing its Group strategy developed based on the mission statement implemented in 2015/2016. The mission statement encompasses the Group goals "Growth in Frankfurt and internationally", "Service-oriented provider", "Economically successful through to optimal cooperation", "Learning organization" and "Fairness and recognition for partners and neighbors". The vision of establishing Fraport as Europe's top airport operator and also to set global standards forms the basis of the Group strategy.

Based on these Group goals, the Executive Board has defined six key non-financial performance indicators in accordance with Section 315 (3) of the HGB in conjunction with section 289 (3) of the HGB. These are Global passenger satisfaction and baggage connectivity, employee satisfaction, women in management positions, sickness rate, and CO_2 emissions. These performance indicators are also included in the Group management report in the chapters "Control", "Non-financial performance indicators" and "Business Outlook" starting on page 58, as well as in the correspondent sections of the Fraport AG management report starting.

The materiality matrix pursuant to the requirements of the Global Reporting Initiative framework used by Fraport is the result of a systematic exchange with internal and external stakeholders. First, the relevant areas of activity were identified, focusing on issues that can be recorded using targets and measurable performance indicators. Fraport's management and representatives of the most important stakeholders (analysts, shareholders, employee representatives, employees, airlines, local residents living near airports, business partners, NGOs, passengers, politicians and authorities, foundations, associations, science) confirmed the relevance of ten areas of activity for the company's sustainability in an online survey. Both groups were also asked to prioritize the areas of activity. As the term "area of activity" implies, the greatest need for action is in relation to the issues deemed most important. The matrix was most recently reviewed and confirmed as up-to-date by the Executive Board in 2017.

Materiality matrix



In accordance with Section 289c (3) HGB, the scope of the reportable non-financial aspects is based on a two-step materiality assessment. Material aspects are those that are relevant to an understanding of Fraport's business development, business performance and situation as well as to an understanding of the effects of Fraport's business activities on non-financial aspects.

Taking the aforementioned commercial requirements into account, the key areas of activity identified according to materiality matrix have been attributed to non-financial aspects in accordance with Section 289c (2) of the HGB as follows: The aspect of "Employee-related matters" corresponds to the "Employees" dimension in the materiality matrix and is divided into the issues "Attractive and responsible employer" and "Occupational health and safety". The aspect of "Social matters" corresponds to the dimension "Society" with the issues "Value added and commitment in the region" as well as "Noise abatement", and the aspect of "Environmental matters" corresponds to the dimension "Environment" with the issues "Climate protection" and "Nature and resource protection".

The aspects not contained in the materiality matrix based on GRI, "Respect for Human Rights" and "Anti-corruption and Bribery Matters", were not included in the stakeholder survey, since they form the basis of Fraport's business activities. In this respect, they are nevertheless essential aspects in the meaning of the HGB and are therefore reported below.

Beyond these reportable non-financial aspects, Fraport has also identified “customer satisfaction and product quality” as an additional aspect. The crossover aspect “Supply and Subcontracting Chain” is not an individual aspect, but deals with all reportable information in connection with the non-financial aspects in a separate chapter.

The financial matters are not directly part of this report, but can be found in the Group management report in the section “Economic Report” beginning on page 75, as well as in the correspondent section of the Fraport AG management report. This concerns the areas of activity “Economic efficiency”, “Growth and development in the Group”, “Ideas and innovation”, and “Value creation”.

Use of frameworks

The combined separate non-financial report is based on the requirements of the Global Reporting Initiative (GRI) 4.0. The materiality matrix and the text on the aspects “Respect for Human Rights”, “Anti-corruption and Bribery Matters”, “Customer Satisfaction and Product Quality”, “Employee-related Matters”, and “Environmental Matters “ and Social Matters” were prepared in reference to the requirements of the GRI. The GRI Report of the Fraport Group for fiscal year 2017 will be available on May 3, 2018 at www.fraport.com/responsibility. References to information beyond the scope of the Group management report and consolidated financial statements are additional information and do not form part of this combined separate non-financial report.

Identification of risks

Fraport defines the risks associated with the combined separate non-financial report as future developments or events that may negatively affect non-financial aspects. The risk evaluation is conservative, i.e., the greatest possible adverse 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 impact of the risk prior to countermeasures. The net risk represents the expected residual impact after initiation or implementation of countermeasures. The risk assessment in this report reflects the net risk.

To identify these risks, the risk management system described in the section “Risk and Opportunities Report” of the Group management report on page 105 and in the Fraport AG management report has been expanded and linked to a corresponding analysis of the risks that have or will have potential negative effects on the non-financial aspects.

For fiscal year 2017, there were no additional reportable risks for the Fraport Group and Fraport AG in connection with the non-financial aspects, which are necessary to understand the business activities, business performance, the situation of the corporation as well as the impact of their activities on the non-financial aspects, beyond the material risks already listed in the Group’s “Risk and Opportunities Report” on page 105 as well as Fraport AG’s “Risk and Opportunities Report”.

Consideration of the supply and subcontracting chain specific to the business model

Unlike manufacturing companies, Fraport’s management does not focus on the supply chain, but on the quality of the services offered and the functionality of the infrastructure required for this. Irrespective of this, it is crucial that business partners and suppliers are selected carefully. The Group companies each have their own procurement management.

In Germany, Fraport AG compels business partners and suppliers to comply with its Supplier Code of Conduct as part of its General Terms and Conditions (AGB). The Supplier Code of Conduct details how to treat employees correctly, including compliance with human rights, environmental and climate protection, and integrity in the course of business, for example the prohibition of corruption and bribery. A violation of this code may result in the termination of the business relationship. A contractual penalty may be imposed and a claim for lump-sum damages may be raised in the event of antitrust violations and serious misconduct. Business partners and suppliers must also undertake to observe these principles in dealings with their own suppliers.

Fraport AG undertakes to focus on sustainability criteria when purchasing products and services. In addition, the company was one of the first in Hesse to sign a target agreement initiated by the Hessian Ministry of the Environment, Climate Protection, Agriculture and Consumer Protection in 2016. Consequently, social and ecological criteria are considered in purchasing decisions in addition to economic criteria.

Fraport AG has a heterogeneous requirement structure. Its requirements range from architectural services to the construction of entire buildings and maintenance of such buildings, from office materials to IT services and aircraft push-backs. More than 68% (approximately €663 million) of Fraport AG's order volume of approximately €972 million was awarded to companies in the Rhine-Main area in 2017.

Fraport AG had around 2,950 active suppliers and service providers in 2017. Around 98% of the order volume was awarded to suppliers and service providers based in Germany, approximately 1% to those based in the EU and about 1% to those based in the US and Switzerland. As there are comparable legal standards in these countries, in particular in relation to respect for human rights (see page 29) and anti-corruption and bribery matters (see page 30), the first level of Fraport AG's supply chain is not deemed critical. Although orders with business partners and suppliers based outside the aforementioned countries seem insignificant in relation to the total order volume, of which they make up less than one percent, business relationships with suppliers from risk countries, known as the "Primary Impact Countries" (in accordance with the FTSE4Good Index), in particular require particular care. For this reason, an examination of the first level of the supply chain by contractors' country of origin is an essential part of regular monthly reporting for the "Central Purchasing, Construction Contracts" central unit.

If contracts for product groups that include suppliers or service providers from risk countries are to be put out to tender and awarded, the potential contractors will be reviewed depending on the order value. This also applies to orders for work clothes, for example. The location of production sites is periodically checked. If a business relationship is started with a supplier from one of these countries, sanction lists are extensively checked in advance. Sanction lists are official lists of people, groups or organizations subject to economic or legal restrictions. If there are irregularities, further checks are planned which may result in the withdrawal of an order.

A separate procurement process via the Group company Fraport Ausbau Süd was defined for the Expansion South project, in particular Terminal 3 at Frankfurt, due to the size and complexity of the project. By submitting an offer in this procurement process, building companies are obliged to comply with all requirements in the Posted Workers Act (Arbeitnehmer-Entsendegesetz, AEntG) and the Minimum Wage Act (Mindestlohngesetz, MiLoG), to make contributions to the collective bargaining parties' joint facilities, and also to only engage subcontractors or other third parties that meet these requirements. The Fraport Supplier Code of Conduct also forms part of any agreement.

A due diligence review process was defined for purchases made for the construction of Terminal 3, which has since been carried out depending on the order value. In addition to mandatory checking of sanction lists and company information, this includes extensive research online on potential business partners before business relationships are started.

Fraport AG's four largest suppliers by order volume are service companies in which Fraport AG has a stake. These are the Group companies FraSec, FraGround, FraCareServices, and GCS. This concerns among others Ground Services, Security, Cleaning Services, and IT Services. As fully consolidated Group companies, they must adopt the Code of Conduct for employees and are also obliged to comply with the Group Compliance Management System (CMS) policy. These guidelines include instructions to make the Supplier Code of Conduct part of the General Terms and Conditions and to use it insofar as this is possible for the Group companies pursuant to national law. If such inclusion in the General Terms and Conditions is not possible, or is only possible if the Supplier Code of Conduct is modified, the local management shall inform the department dealing with compliance at Fraport AG. Fraport AG's fifth-largest supplier, Arbeitsgemeinschaft Baugrube T3, is not part of the Fraport Group and is engaged by the Group company Fraport Ausbau Süd. It is subject to the award conditions described above.

The international Group companies must also comply with all components of the Group CMS policy. This applies in particular to large construction projects such as the new terminal at Lima Airport. In that project, compliance with the Fraport Supplier Code of Conduct is a mandatory part of the tender for the general contractor.

Correlations with the financial statements

The reportable correlations with the Group management report and the consolidated financial statements as well as the Fraport AG management report and financial statements are explained at the end of each respective non-financial aspect.

Voluntary external audit

The combined separate non-financial report has been economically audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft according to ISAE 3000 (revised) with limited assurance. An unqualified auditor's opinion can be found on page 42.

Respect for Human Rights

The Fraport Group has undertaken to comply with the most important internationally recognized codes of conduct – the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the Core Labor Standards of the International Labor Organization (ILO). In accordance with the values in the Fraport Code of Conduct, Fraport intends to operate in a socially, economically and ecologically sustainable manner. This responsibility is defined in the Code of Conduct for all employees. The same values are contained in the Fraport Supplier Code of Conduct. Fraport expects its suppliers and service providers to comply with the same standards.

Fraport rejects any form of forced or child labor. Among other things, the minimum age permitting full-time employment in compliance with the relevant national regulations is observed within the Fraport Group. The Code of Conduct and the Group Compliance Management System (CMS) policy are available to all employees on the internal information portals. In the course of semi-annual compliance reporting, the Executive Board is notified about the activities of the department dealing with compliance at the Fraport AG and the status of measures.

The certified electronic whistleblower system (BKMS® System) is an important tool for preventing and uncovering violations. Fraport has also engaged an external lawyer to act as ombudswoman for all of the Group's employees as well as customers, suppliers, and other business partners. Her job is to receive, legally review and forward information about unlawful conduct that damages the company. An internal representative is also available to employees in Germany.

Regulations on working hours and complaints mechanisms, for example, are implemented in large financing projects, some of which are also demanded by external lenders. The Environmental and Social Action Plan (ESAP), which requires the implementation of a human resource policy as well as a management and a monitoring system, is, for example, a prerequisite for the financing of Fraport Greece (see the section "Notes on Reporting" in the Group management report). The plan applies not only to Fraport's employees, but also to suppliers and subcontractors. The ESAP also regulates the conditions for employees along the supply chain in order to prevent, for example, suppliers from employing refugees under inappropriate working conditions.

Fraport supports the police where possible in pursuing and combating international human trafficking – for example at Frankfurt Airport by providing video material in certain justified cases. Before any data is exchanged, the relevant data protection officers are asked to review the data and approve the transfer. Furthermore, technical security systems were installed in cooperation with the German Federal Police and the German Customs Office. One example of this are ID card locks that prevent repeated use of the same ID card on doors within a short period of time. Wherever possible, check points for staff between Schengen and non-Schengen areas will be installed in close proximity to a border inspection post. In addition, there are clear guidelines for all ID card holders in the airport user regulations and the identification regulations as well as rules for abuse thereof up to the withdrawing of ID cards or access permissions.

The aforementioned organizational concepts for identifying and reporting irregularities ensures that the Executive Board gains direct knowledge of any cases of human rights violations. During the period under review, there were no complaints related to human rights submitted to Fraport AG and the Group companies by way of the formal organizational complaint mechanisms.

Anti-Corruption and Bribery Matters

The basis of ensuring legal and compliant behavior in the Fraport Group as well as at Fraport AG is the corporate culture as it has been laid out, in particular, in the code of conduct for employees. The Code of Conduct applicable to all employees worldwide takes into account the United Nations' anti-corruption conventions and is based on the ten Global Compact principles, the OECD guidelines, and the ILO Core Labor Standards. It covers corruption prevention and antitrust law, among other things. The Executive Board is expressly committed to these principles as well as the zero tolerance principle, in particular in respect to corruption and violations of antitrust and competition law. This Code of Conduct is a key part of the Compliance Management System (CMS) for the Group companies and of Fraport AG's CMS. The comprehensive analysis of compliance risks forms an important part of the CMS. There is a focus on anti-corruption and antitrust and competition law.

The value-based corporate culture is the basis of the stable further development of the CMS. The CMS is designed to be preventive and should enable Fraport employees to become aware of compliance risks and violations at an early stage and respond to them appropriately. For Fraport AG, the Executive Board has expressly committed to this value-based compliance. With the Group-wide Code of Conduct as well as various communication measures, the Executive Board supports the Managing Directors and their managers within the Group to meet their responsibility to continuously implement the compliance targets.

Conduct standards flesh out Fraport AG's value-based compliance and help employees to adhere to existing laws and internal company rules. To prevent accusations of bribery, it clearly describes – using examples – in what form it is acceptable to give or receive gifts, benefits and invitations.

Compliance due diligence is a standard process in Fraport AG's strategic business unit Global Investments and Management, meaning that significant compliance aspects, such as reviews of business partners on the topics of corruption, price fixing, and fraud, are taken into account for each capital expenditure project and for consulting services. The obligation for all fully consolidated Group companies to adopt the Group CMS policy also ensures that the Fraport standards for the CMS are implemented in the relevant Group companies.

Semi-annual compliance reports inform the Executive Board about the activities of the department dealing with compliance of Fraport AG and the status of measures to combat corruption. The Code of Conduct and the Compliance Guidelines are available to all employees on the internal information portals. The certified electronic whistleblower system (BKMS® System), which is used to report conduct damaging the company, is an important tool for preventing or uncovering violations. Fraport has also appointed an external lawyer as an ombudswoman. She is a trusting contact for all of the Fraport Group's employees as well as customers, suppliers, and other business partners and also receives information on corruption issues. An internal ombudsperson is also available to employees in Germany.

Fraport has taken preventative corruption measures among others for the foreign Group companies in accordance with the CPI (Corruption Perceptions Index) issued by Transparency International. Here, the focus is on compliance risk analysis, which mainly looks at corruption risks. The analysis also considers risks resulting from fraud and competition law. Measures to prevent corruption are derived by the Group companies on this basis. These include, for example, training measures, reviews of business partners, and documentation of compliance-related processes.

Within the scope of large financing projects, measures against corruption and bribery are implemented in the Group companies, in part as stipulated by external lenders. This is, for example, also the case in the "Environmental and Social Action Plan", as a precondition for the financing of Fraport Greece. The plan applies not only to Fraport's employees, but also to suppliers and subcontractors.

The aforementioned organizational concepts for identifying and reporting irregularities ensure that the Executive Board gains direct knowledge of any cases of corruption and bribery. In fiscal year 2017, there were no agreement with any business partner terminated due to allegations of corruption.

Customer Satisfaction and Product Quality

The customer comes first for Fraport. This is also reflected by the mission statement, “Gute Reise! We make it happen.” The aim of the strategy is to establish itself as Europe’s best airport operator and also to set global standards. This ensures the development of the company’s value and competitiveness in the long term. The target is to win over the main customers, i.e. passengers, airlines, the freight community, and retail concessionaires, with attractive offers and the best service. Fraport works closely with the Federal Police in particular to ensure that security and passport control processes are efficient and that a high volume of passengers is handled in sufficient time.

Passenger satisfaction is considered the main indicator for all customers, and this is therefore the most important criterion for service quality. Global satisfaction describes passengers’ satisfaction with the services offered and the overall service at Frankfurt Airport. Fraport is committed to the target of maintaining and increasing customer satisfaction continuously. Despite the expected temporary overload of terminal infrastructure due to traffic growth in the next few years, Fraport AG aims for a target of at least 80% global satisfaction at Frankfurt Airport. With the inauguration of the Pier G, passenger satisfaction should be at least 82.5% as of 2021. From 2025, Fraport AG’s target is 85% based on the capacity increase from Terminal 3.

In Frankfurt, passenger satisfaction is mainly recorded using surveys. The global satisfaction of passengers at the Frankfurt site was 85% in 2017, three percentage points above the level of the previous year (previous year: 82%), setting a new historical record. This value of 85% was reached in all four quarters (previous year: Q1 81%, Q2 82%, Q3 83%, and Q4 82%). Numerous service and infrastructure measures had a very positive impact on individual satisfaction criteria. For example, more than three out of four respondents evaluated opportunities to pass the time until departure as very good or good. With 85% passenger satisfaction in terms of cleanliness of the terminal, Frankfurt Airport could improve significantly in this area of great importance to customers.

Also, the strategic relevance of global satisfaction is made clear by considering it as part of Executive Board remuneration (see also the chapter entitled “Remuneration Report” starting on page 67 of the Group management report and of the management report of Fraport AG).

Passenger satisfaction is important for international Group companies, too. The fully consolidated Group airports that are operated through concession agreements (see also the “Situation of the Group” section of the Group management report, starting on page 46) are contractually obliged to carry out surveys on passenger satisfaction. In order to guarantee service quality while passenger numbers increase, and to meet passengers’ and airlines’ increasing requirements, Fraport is planning, for example, to construct a new terminal and a second runway for Lima Airport. Passenger satisfaction is measured at the different sites using various key figures (see also the “Non-financial Performance Indicators” section of the Group management report, starting on page 95). Where appropriate, this system of collecting data is to be harmonized in the medium term.

Frankfurt Airport, the site with the most passengers, is in particular the focus in the Group portfolio. The following will therefore discuss the service quality management implemented at that site.

“Great to have you here!” is the name of the service program launched in 2010, which has been able to increase passenger satisfaction at Frankfurt Airport significantly. The service program was further developed at the start of 2014 with the aim of offering passengers a better and more tailored service. As part of five sub-initiatives, directions and signposting, ambience and comfort, and the range of relaxation, work and entertainment options on offer in the terminals were all significantly improved. At the same time, employees undergo systematic training in direct passenger contact in a separate program, in order to further improve hospitality and service orientation at Frankfurt Airport.

Deutsche Lufthansa, the security companies working at Frankfurt, retail concessionaires, Deutsche Bahn, and others have also been directly exchanging ideas on service, hospitality, and customer satisfaction in the Service Quality Committee since 2016. The first important milestone was the definition and approval of the Service Guidelines for FRA. In these guidelines, the partners reiterate their desire and their joint responsibility to strengthen the Frankfurt site and to further develop service quality and trusting cooperation. The target is to ensure that common passengers, customers, and guests keep a good impression of Frankfurt Airport in addition to improving overall satisfaction, the willingness to recommend us, satisfaction with the hospitality, and improving the sense of security.

Fraport AG's Executive Board is informed in quarterly reports about the most important passenger satisfaction indicators and involved in decision-making processes. The Executive Board also adopts annual target levels for the most important passenger satisfaction criteria. These levels are authoritative for all relevant business units and in some cases for service providers. Improvement measures are primarily set out in the service program "Great to have you here!", employee training, and other infrastructure projects.

The reliable loading of luggage for departing flights and the fast delivery of luggage to the baggage claim for arriving flights have a major impact on customer satisfaction. The baggage connectivity figure provides information about the percentage of baggage at Frankfurt Airport that is loaded on time in relation to the total departing baggage. A high level of connectivity proves the good quality of baggage processes, which is one of the main responsibilities of Ground Services. This is particularly important because Frankfurt has a high proportion of transfer baggage with a transfer share of more than 55%. The target is to achieve baggage connectivity in the long term of more than 98.5%. This key figure has been stable at a high level since 2012. In the past fiscal year, baggage connectivity at Frankfurt Airport amounted to 98.5% and was therefore just on target, but 0.2 percentage points lower than in the previous year. In particular, flights that were not always on time, weather conditions, and an IT malfunction in December had an impact on the on-time loading of baggage. In order to stabilize connectivity at its current high level in the future coupled with increasing number of baggage items, Fraport is constantly working on optimization measures that are closely coordinated with airlines within the scope of regular performance discussions.

The Executive Board is informed about the development of baggage connectivity on a monthly basis. The division manager receives daily reports so that in the event of a decline in performance short-term countermeasures can be taken to restore the quality. Twice a year, Fraport AG holds a Committee meeting with all airlines on the use of the infrastructure and presents any quality assurance measures if necessary. As the main customer at Frankfurt Airport, Deutsche Lufthansa receives a monthly report as per agreement.

Other parameters for measuring and increasing customer satisfaction and service quality at Frankfurt Airport include quality audits by the consultancy Skytrax. Frankfurt Airport was ranked 10th in 2017 in the annual ranking of the top 100 airports worldwide, based on online passenger surveys. As recently as 2007, Frankfurt Airport placed 94th.

Further details can be found in the Group and Fraport AG's management report under "Control" beginning on page 58 and "Non-financial Performance Indicators" beginning on page 95.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2017
Customer satisfaction and product quality	We want to maintain and improve our customer satisfaction.	Global passenger satisfaction	>80 %[1]	2021	Fraport AG	85 %
		Baggage connectivity	>98.5 %	2018	Fraport AG	98,5 %

[1] Target from 2021 forward: 82.5%, from 2025: 85%.

Employee-related Matters

Fraport AG has a long tradition as a company with a social and a partnership-based approach. Group-wide, Fraport aims to remain competitive at all sites and in all areas and thereby secure jobs with fair and just working conditions. This involves providing fair wages and salaries, and a package of benefits that goes beyond pay. Fraport offers a high level of job security, good working conditions based on collective bargaining agreements, career and personal development options, and a highly developed corporate ethic.

The Fraport Policy forms the overarching structure for all commitments and topic-specific codes of the Group. Pursuant to responsible corporate governance, Fraport has made a commitment to comply with internationally recognized standards of conduct, such as those defined in the principles of the UN Global Compact, the OECD guidelines, and the ILO Core Labor Standards. In 2013, Fraport published its own Code of Conduct to anchor these principles even more firmly within the company. This code commits employees to compliance with these fundamental principles.

Fraport Group has over 20,600 employees. Given the growing challenges, such as increasing international competition in the aviation industry and passengers' and airlines' increasing demands, and the continuous focus of the Group on earnings, the aim is to organize the personnel structure in such a way that this competitive pressure can be withstood. Employees' personal and professional skills are boosted Group-wide by training measures. This allows Fraport to ensure a high service quality.

Fraport AG offered its employees an attractive, voluntary personnel restructuring program in fiscal year 2016 in order to keep labor-intensive business fields in the Group and to improve marketability and competitiveness. The program was initiated to support the foreseeable staff restructuring required and to improve the overall cost structure of personnel expenses. The program focused in particular on the operational areas at Frankfurt Airport, especially the labor-intensive Ground Services. Employees can voluntarily choose available options such as partial retirement, early retirement, part-time arrangements, or resignation with severance pay. By using the Group structures, new jobs that offer fair remuneration and individual development opportunities were also created in the Group companies in particular. In this way, Fraport takes account of the fundamental change and increased competitive pressure in the aviation industry.

Provisions in the amount of €37.7 million were formed for the entire package of measures as at December 31, 2016. €19.8 million of these provision were allocated in fiscal year 2017, and due to individual shifts within the packages of measures new provisions in the amount of €9.4 million were formed. At Fraport AG, the amount of €44.0 million was set up as provision for the package of measures in 2016, of which €19.8 million were allocated in fiscal year 2017. Due to the shifts of individual measures, provisions amounting to €2.6 million were formed in 2017. Therefore, the Fraport Group held provisions in the amount of €27.3 million and Fraport AG held provisions amounting to €26.8 million as at December 31, 2017 (see Group management report in the section “Economic Report” beginning on page 75 and Group Notes, note 39 as well as Fraport AG's Note 9).

The fundamental importance of the human resources strategy is taken into account by the three key non-financial performance indicators of employee satisfaction, women in management positions, and sickness rate. The Executive Director Labor Relations is informed at quarterly meetings with the HR managers of the Group companies of the development of these key figures at the Frankfurt site.

Attractive and responsible employer

As an attractive and responsible employer, Fraport aims to provide good working conditions and high levels of employee satisfaction. This figure is calculated annually by surveying employees of Fraport AG and the Group companies. All Group companies in Frankfurt with a high demand for personnel as well as the Group companies Fraport Slovenija and Twin Star took part in the survey in 2017. In future, the survey will be expanded to all other key Group companies. The strategic relevance of employee satisfaction is also clear given as it is taken into account in the Executive Board's remuneration (see also the “Remuneration report” section of the Group management report beginning on page 67).

The figure is calculated based on nine satisfaction elements and shows improvement potential in the detailed analyses. Fraport aims to stabilize and continuously improve employee satisfaction in the long term to better than 3.0 Group-wide (index value based on the German school grading system). The average grade for satisfaction by the employees of the Fraport Group was at 2.87 in fiscal year 2017, and therefore slightly below the previous year's figure of 2.91. At Fraport AG, the figure should be better than in the previous year. The figure in 2017 was 2.88 (previous year: 2.90). Fraport has stepped up its recruitment activities in operations to meet challenges such as the tangible impact of demographic change at many airport sites and the increased burden on operational employees due to the growth in traffic.

As a responsible employer, Fraport respects and promotes personal diversity and attaches great importance to ensuring that this is reflected in the way employees interact with each other. Diversity is a key goal for Fraport that the Group systematically tackles as part of its diversity management. As far back as 2007 Fraport published its "Diversity charter" – a company initiative to promote diversity in companies and institutions. The Group company agreement "Conduct of Partnership, Diversity and Equality in the Workplace" formed the platform for principles such as freedom from discrimination and equal opportunities. The company agreement includes explicit definitions of values as well as specific internal regulations and structures. From an organizational perspective, responsibility for diversity is assigned to the Executive Director Labor Relations with corresponding resources.

Fraport places particular focus on promoting women in management positions at the two levels directly below the Executive Board as well as at the respective management levels at the German Group companies. For reporting purposes, executives who report directly to the Executive Board are categorized as level 1. Executives who report to this first level of leadership are categorized as level 2. Regarding the Group companies in Germany, the levels of management are categorized based on comparable positions at Fraport AG. This corresponds to the objectives in the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector" (FüPoG). The target is to increase the proportion of women in management positions in Germany at both levels to 30% by 2021. Fraport respects national laws and does not want to impose any quotas based on German law at the foreign Group companies.

In 2017, the proportion of women in management positions in Germany was 28.0% (previous year: 30.5%). In fiscal year 2017, the proportion of women in management positions in Fraport AG was 27.1% (previous year: 29.2%). The slight decline of the ratio is due to organizational changes and vacant executive positions as at December 31, 2017 that were previously held by women.

Measures to this end include programs where experienced managers within the company act as mentors for women with particular potential. For example, they help them to develop their network and position in the Group. Dialog events with Executive Board members are also planned in this context. For job vacancies, suitable female candidates are also actively approached at the same time that advertisements are published. In principle, it should be possible to offer management roles with reduced working hours at least temporarily. Succession planning should increasingly make use of the findings of the company's Potential Assessment Center and development meetings for positions within departments and across departments. This also includes pointing out systematic development and career paths to suitable female candidates.

Occupational health and safety

Occupational health management in the Fraport Group has always focused on preserving the health, performance and therefore productivity of employees in the long term. With its preventive nature, Fraport contributes to maintaining employee performance and prevents work-related health risks. Employees are regularly informed about health-maintaining measures and conduct and their workplaces are ergonomically designed in the operational and administrative areas.

Fraport AG's multi-award-winning occupational health management initiates a wide range of health-promoting activities and measures with various focal points. In 2017, for example, cooperation with gyms made it possible for employees to exercise close to their place of residence. Those who exercise regularly are rewarded with a contribution to membership fees. For 2018, a "Fitbox" with suggestions for improving your own health, a thank-you campaign for employees that have not been absent from work and the expansion of supplementary occupational health insurance are planned for all employees in Germany. From an organizational perspective, responsibility for health management is assigned to the Executive Director Labor Relations with corresponding resources.

The effects of demographic change in the Group and the increase in the average age of employees contribute, among other things, to a continuous linear increase in the number of illnesses. However, high levels of absenteeism, especially in the operational units and Group companies in Germany, cannot be attributed only to health issues, workload and age-related effects. It can be seen that absenteeism in the operational areas decreases significantly on public holidays, which leads to the conclusion that there are motivation-related absences, as these working days are compensated by special bonuses. A Group-wide communication campaign was launched in 2017 as a countermeasure. For managers, new ways to evaluate sick leave and trainings – also with regard to labor law – were developed and executed. Discussions in individual teams will follow in order to derive and implement group or individual measures.

Fraport evaluates the effectiveness of the measures by continuously analyzing the sickness rate, among other things. The calculation excluding absences beyond sick pay (extended sick leave) primarily reflects the development of short- and medium-term illnesses.

Fraport focuses on limiting or reversing the sickness rate, which is increasing due to seasonal and age-related absences, among other things. The target is to have a maximum rate of 7.2% in both the Group and at Fraport AG by 2025.

In 2017, the sickness rate in the Group was 7.5% (previous year: 7.9%), and it improved particularly at Fraport AG and the Group companies FraSec and FraGround, which both have a large number of employees. The sickness rate deteriorated, however, slightly at the Group companies Fraport Slovenija and FraCareServices. At Fraport AG, the sickness rate improved from 7.7% to 7.6%. In the security division, which has a large number of staff, the sickness rate decreased significantly, while it worsened slightly in the Strategic Business Unit Ground Services.

A strong prevention culture means that, in addition to health management, occupational safety is systematically integrated into the company’s processes and structures as well. Accident prevention not only serves personal safety, but is also of great importance from an economic point of view, for example if ground-handling equipment is damaged. Strengthening the personal responsibility of all employees and, in particular, the management is a top priority. Comprehensive measures to guarantee high occupational safety standards are required, for example, when handling hazardous materials, in Ground Services’ handling processes, in maintenance, in internal transport and traffic, and during infrastructure construction activities.

Driver safety training is offered to employees whose work involves driving. There are special occupational safety seminars for managers, for example on transferring obligations of the business operator. Targeted and temporary measures and projects are intended above all to raise employees’ awareness of safe conduct in operational areas. For example, the project “Mindful through ‘18” is on the agenda of Fraport AG’s Ground Services for 2018.

In accordance with the Occupational Safety Act, Fraport has implemented an occupational safety unit under the Executive Director Labor Relations, which advises and supports departments in the further development of occupational safety. The key principles for the Group companies can be found in the Occupational Safety Management Manual. They are to be implemented independently by the Managing Directors. These specifications are described in a separate manual for Fraport AG.

Fraport measures the effectiveness of occupational safety measures by the number of accidents at work, among other things. The target is to continually reduce the total number of accidents at work per year and to achieve a “rate per 1,000 employees” (number of reportable accidents at work per 1,000 employees) of less than 25 within the Group by 2020. While the total number of accidents dropped significantly (-136 accidents), there were 554 reportable accidents at work in the year under review, which translates to an increase of 34 reportable accidents at work (previous year: 520). For all Group employees, the rate per 1,000 employees was 25.5 (previous year 24.3). Fraport AG’s target for the rate per 1,000 employees is a figure under 20. In 2017, it was 22.8 (previous year: 21.9; as a result of late submissions, there may be changes to the figures in previous years). In the strategic business unit Ground Services, in particular, more accidents occurred due to weather conditions at the beginning of fiscal year 2017 in comparison to the previous year.

Further details can be found in the Group management report and Fraport AG management report under “Control” beginning on page 58 and “Non-financial Performance Indicators” beginning on page 95.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2017
Attractive and responsible employer	We want to create good working conditions and increase employee satisfaction.	Employee satisfaction	Better than or equal to 3.0	2018	Group	2.87[1]
			Better than the previous year’s figure	2018	Fraport AG	2.88
	We want to increase the number of women in management positions.	Women in management positions (first and second level below the Executive Board)	30 %	2021	Group	28.0 %
			30 %	2021	Fraport AG	27.1 %
Occupational health and safety	We want to stabilize the sickness rate in the medium term and reduce it in the long term.	Sickness rate	7.2 %	2025	Group	7.5 %
			7.2 %	2025	Fraport AG	7.6 %

[1] This includes Fraport AG and 12 Group companies at the Frankfurt site as well as the Group companies Twin Star and Fraport Slovenija.
[2] This includes Fraport AG as well as all Group companies in Germany.

Social Matters

Airports are important business locations and contribute directly and indirectly to economic and social value creation. For example, Frankfurt Airport is the largest local workplace in Germany with almost 81,000 direct employees (as at December 31, 2015). The survey provides an insight into the sectors in which employees at the site work. Accordingly, two thirds of employees surveyed work for an airline, in airport operations or in freight forwarding and transport operations. Other sectors are authorities and institutions, catering, security services, personnel services, consulting, hotels and restaurants, freight handling, cleaning and retail. There is predominantly potential for growth in companies that offer security services and at authorities. The people who live in the metropolitan region around the airport also benefit from this. They not only benefit from the short journey to the airport; many of them also work at a company that benefits from being close to the airport.

Noise abatement

Airports located in the vicinity of metropolitan areas are a burden for many local residents. At the Group airports, noise abatement measures are implemented according to the national requirements on noise protection and, where appropriate, based on advanced specific local regulations. The airports comply with the relevant national laws and have correspondingly implemented their own monitoring systems where required.

At the Frankfurt site, Fraport AG is responsible for tens of thousands of jobs and is therefore a key driver of economic prosperity for the entire Rhine-Main region. This goes hand in hand with noise exposure for those living close to the airport, which is why two bodies at Fraport AG work with the region affected by aircraft noise, representatives of the state government and other members of the aviation industry:

The Aircraft Noise Commission (FLK) is a legally appointed body that advises the Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVL), the Deutsche Flugsicherung and the Federal Supervisory Office for Air Traffic Control. The FLK advises the aforementioned bodies on measures to protect against aircraft noise and air pollution resulting from aircraft exhaust gases.

The key task of the Airport and Regional Forum (FFR), which is assigned to the Hessian State Chancellery, is to foster dialog between the region and the aviation industry and to facilitate discussion of the effects of air traffic, with a particular focus on Frankfurt Airport and the Rhine-Main region. The FFR includes the “Active Noise Abatement” expert group, which advises on measures that may help to reduce aircraft noise and the impact on the area around the airport.

Fraport wants to grow further at its main site and ensure this growth generates as little noise as possible. For Fraport AG, this means that, in addition to the legal requirements, it is constantly working towards measures that reduce aircraft noise exposure. The development of aircraft noise exposure in the area around the airport is subject to continuous monitoring. Measurement analyses and the results of comprehensive simulations are regularly reported to the supervisory authority and the FLK, and are also publicly disclosed on the company’s website. Municipalities where there are Fraport aircraft noise measurement stations receive additional detailed analyses on request.

Fraport Noise Monitoring, FRA.NoM, tracks the level values continuously measured at stationary measuring stations and indicates the aircraft noise in the last three months. It also reports the approaches and takeoffs at Frankfurt Airport. The information system for aircraft noise issues, FRA.Map, is available online and allows local residents and interested parties to find information for their location or place of residence on an interactive map. The system also displays the areas that are targeted by noise abatement measures or entitled to compensation payments.

As regards measures to reduce noise exposure, a distinction needs to be made between active and passive noise abatement.

In active noise abatement, noise is reduced directly at the source or by noise-reducing operating concepts and takeoff or landing procedures. An example of this is the commissioning of the Ground Based Augmentation System (GBAS). Together with the project partners Deutsche Flugsicherung and Deutsche Lufthansa, Fraport AG hopes that GBAS will increase efficiency and result in additional noise-reducing approach procedures. An important objective was to develop GBAS-based approaches with an approach angle of 3.2 degrees for all runways. Fraport AG supports airlines’ use of GBAS technology with special subsidies within the framework of the applicable charges regulation. The aim is to further increase the rate of use of the GBAS. The development of noise-dependent charges systems serves active noise abatement, as the use of low-noise aircraft is rewarded by comparatively favorable charges.

Since May 2016, the so-called noise absence model has been applied at night for flights operating to the west of the airport, the main direction of the airport's activities. This means that early in the morning (5-6 a.m.) and late in the evening (10-11 p.m.), individual runways are alternately not used. The “DROps Early Morning” procedure (Dedicated Runway Operations) is used in operating direction east. The alternating use of runways for take-off and landing in the comparatively off-peak hours calls for the nighttime quiet period to be extended by one hour.

Use of the noise absence model is voluntary. It is sometimes the case that the procedure cannot temporarily be used consistently due to infrastructure requirements or weather conditions. As the traffic volume increases in off-peak hours, further use must be reviewed and the model revised if required. The institutions and companies involved will jointly come to an agreement on the continuation of the model in sufficient time before each summer season.

As an additional voluntary measure introduced in 2017, a partnership for a noise emission ceiling was created. This should ensure that, despite the rise in aircraft movements, the daytime noise impact at Frankfurt Airport does not increase, as would be permissible according to the zoning decision. The traffic volume and traffic structure of the zoning approval for the expansion result in noise contours with continuous sound levels of 55 dB(A) and 60 dB(A). These contours have been reduced by 1.8 dB(A) across the board. The total areas within the reduced contours define the noise emission ceiling. If the limit is exceeded, Fraport AG and the airlines are obliged to check further noise abatement measures. If the limit is repeatedly exceeded, any involved party is free to take action outside of the partnership.

Passive noise abatement measures are intended to reduce the noise level inside buildings by way of structural modifications. Fraport AG has extensive statutory obligations to take measures in around 86,000 households close to Frankfurt Airport. Eligibility is defined by a noise protection area determined by the Hesse State Government in accordance with the strictest regulations of the Aircraft Noise Act. Fraport AG satisfies these requirements in full. In this connection, structural noise abatement measures beyond statutory requirements were brought forward.

The state government promised affected residents additional, more extensive efforts than those previously made in the vicinity of the airport in announcing the “Together for the Region – Alliance for Noise Abatement 2012” program in February 2012. That same year, a regional fund was set up to this end with €265-270 million. The funds are predominantly provided by the State of Hesse and Fraport AG and can be used for both private households and public facilities qualifying for protection, such as schools, kindergartens, or hospitals. Some 17,300 households in the airport region may receive additional support for passive noise abatement from the regional fund. The application deadline for financing from the fund was December 31, 2017.

Damage repeatedly occurred on roofs in the direct vicinity of Frankfurt Airport in the past and wake turbulence from landing aircraft could not be ruled out as a cause. The HMWEVL subsequently issued supplemental planning zoning decisions on May 10, 2013 and May 26, 2014. They regulate the requirements for protecting roof coverings on buildings from gusts of wind caused by wake turbulences and clarify the relevant prerequisites. The HMWEVL defined an area with around 6,000 buildings as an eligible area in the decisions. Including fiscal year 2017, some 3,200 applications for roof protection (wake turbulence prevention) have been submitted and work on some 2,570 properties has been completed so far.

The Executive Director Controlling and Finance is regularly informed about the programs of measures regarding noise abatement and roof protection. The Executive Director Operations is also directly informed of individual issues where required.

In the area of passive noise abatement and wake turbulence prevention, Fraport AG had formed provisions of €63.4 million as at the 2017 balance sheet date (see also Group notes, note 39, and Fraport AG’s Notes, note 30).

In order to support local residents in the determination of their rights and to assist their applications, Fraport provides an extensive range of information and services on the company website.

Social commitment in the region

Frankfurt Airport is the site in the Group with the largest traffic volume by far and is also the location of the company headquarters. For Fraport, social responsibility has been a corporate principle for many years, and Fraport AG has therefore long supported numerous clubs and institutions in the Rhine-Main region in particular.

Fraport AG’s funding concept for its community, cultural and social engagement is “Active for the region”. It primarily serves to boost clubs and support volunteer work in the region around Frankfurt Airport. All activities are combined into an independent department. In organizational terms, the competent central unit is assigned to the Chairman of the Executive Board.

The so-called “neighborhood framework” describes the geographical boundary for support activities. The area is based on district and state borders taking into account the most important approach and takeoff routes. If these change, the neighborhood framework will also be modified – as it was most recently when Runway Northwest was inaugurated. The expansion allowed other cities and municipalities to participate in the company’s economic success.

Donation priorities include the promotion of social and charitable institutions, particularly those that encompass measures relating to education, social equality, health, and the integration of marginalized groups in society. Employees can also apply for donations as patrons of their clubs.

Sports sponsorship in the Rhine-Main region includes both recreational and professional sports. Well-known names that have concluded long-term contracts with Fraport AG include the FRAPORT SKYLINERS and Eintracht Frankfurt. In the area of basketball, Fraport sponsors not only the German soccer league team but also gives donations to support the project “Basketball goes to school”. At the soccer club Eintracht, the club is promoted and Eintracht AG is sponsored with the affiliated soccer school.

In the fields of culture and education, Fraport is involved in the Rheingau Music Festival, among other things. There are also long-term partnerships with the Frankfurt cultural institutions Städel Museum, Schirn Kunsthalle, and Liebieghaus sculpture collection.

Overall, in 2017 Fraport supported more than 1,540 projects run by various clubs and institutions by making donations and providing sponsorships totaling €5.3 million.

Fraport has financially supported youths’ and young adults’ integration into working life since 1999 with the ProRegion Foundation. The foundation subsidizes the creation of additional training places or the securing of available training capacities in the region, as well as improvements in the training infrastructure. This includes support for projects and institutions that help to improve the trainability and employability of youths and young adults. As one of the largest employers in Hesse, Fraport also focuses on helping young refugees to gain professional qualifications and integrate as part of its social responsibility.

Fraport has supported nature and environmental conservation projects, research, and environmental education since 1997 with the environmental fund. Its best-known project is the RhineMain Regional Park, which extends between Rüdesheim, Wetterau, the Kinzig Valley, and the Hessian Ried.

Fraport is also involved in the Wirtschaftsinitiative FrankfurtRheinMain (FrankfurtRhineMain Business Initiative), which 150 companies participate in. One outcome of this cooperation is the House of Logistics and Mobility (HOLM) competence center at Frankfurt Airport.

Even at the individual sites of the international Group companies, regions close to the airport benefit from donations made and sponsorship activities undertaken by each company independently, as well as from their economic performance. Local companies and their value added as well as employee consumption contribute directly and indirectly to the positive economic development of the respective regions (see also the Group management report in the section entitled “Society” starting on page 100).

Environmental Matters

The operation of an airport and air traffic have various effects on the environment. Fraport considers itself responsible for taking due consideration of the resulting environmental requirements and expects the same of its suppliers and service providers.

The environmental policy from 2008 obliges all Group companies to make use of natural resources and the environment in a sustainable, conserving and preventive manner, and to continually improve their environmental performance. To this end, there are environmental management systems at Fraport AG and all fully consolidated Group companies that are classified as “fundamentally environmentally relevant” due to their portfolio. These systems are, almost without exception, certified in accordance with the relevant standard ISO 14001 or the European EMAS Regulation. Companies that join the Group and do not yet have such a system are obliged in the course of the acquisition to introduce an environmental management system in future.

Environmental management systems serve to systematically organize, manage and monitor corporate environmental protection within the relevant company. In addition, they support those responsible for operational activities and the management with regard to the performance of their respective duties and improvements in environmental performance. The functionality and effectiveness of the environmental management systems is reviewed and certified by external certifiers (ISO 14001) or environmental verifiers (EMAS) on an ongoing basis.

The environmental policy includes a commitment to report each year on environmental activities and performance (www.fraport.com/responsibility). To this end, the Group companies report to Fraport AG once a year on a comprehensive catalog of standardized environmental indicators and projects as well as associated improvements, and Fraport AG compiles this information for reporting purposes.

The environmental management systems cover all environmental factors such as energy consumption, CO_2 emissions, air pollutants, effects on biodiversity, water consumption, and waste. Climate protection and conservation of nature and resources were determined to be important areas of activity as a result of the materiality matrix according to GRI.

Climate protection

The management activities at Fraport AG mainly deal with the emissions the company is direct responsible for, but it also looks at emissions that it is only indirectly connected to and which it can therefore only indirectly influence. Based on the Federal Government's climate change agreement 2050, Fraport AG wishes to reduce the CO_2 emissions at Frankfurt Airport to 80,000 m. t. by 2030. This corresponds to a reduction by 65% compared to the emissions in the base year of the international climate change agreement (1990). In the past fiscal year, Fraport AG's CO_2 emissions amounted to approximately 190,065 m. t. of CO_2, 9.2% less than in the previous year. For the Group as a whole (including Frankfurt), the Executive Board has set a climate protection target of a reduction of to 125,000 m. t. of CO_2 by 2030. If necessary, the target will be adjusted for changes within the Fraport airport portfolio. The target is based on the national reduction rates agreed to at the United Nations Climate Change Conference in Paris. In 2017, emissions in the fully consolidated Group companies amounted to 209,668 m. t. of CO_2.

A way of successfully managing CO_2 is to participate in the Airport Carbon Accreditation program of the ACI (Airports Council International), which Fraport played a major role in developing. Since 2010, it has evolved into the world standard for CO_2 reporting and management at airports. Participation at level 2 ("reduction") or higher requires proof of both a CO_2 reduction target, a CO_2 management program in accordance with international requirements, and of annual emission reductions verified by external experts. Frankfurt Airport reached level 3 ("Optimisation") back in 2012. Ljubljana Airport achieved level 2 in 2015 and is aiming for level 3+ ("neutrality") in the medium term. Lima, Varna and Burgas airports do not currently participate, nor do the airports of Fraport Greece and Fraport Brasil. Airports that choose a different management approach must also have their CO_2 footprint assessed and testing by external experts.

Fraport has used its own monitoring instrument, the CO_2 and energy consumption monitoring system, since 2013 to depict, analyze, and manage energy consumption at the Frankfurt site. It creates transparency about consumption and consumers, helps to improve energy efficiency and reduce energy costs. It also allows qualified statements to be made at any time about the current CO_2 emissions at Frankfurt Airport and allows any undesirable developments with respect to the strategic CO_2 targets for Frankfurt Airport to be detected at an early stage. The company's monthly energy consumption, which is recorded in a sophisticated manner by building, system or equipment, serves as the database. All energy sources, such as electricity, district cooling, district heating, gas, fuel for vehicles, and other fuels, are taken into account.

Since 2014, all decisions relating to Fraport AG's energy management at Frankfurt Airport have been prepared in a separate body, known as the Energiezirkel, which is chaired by the Executive Director Controlling and Finance and reports to the Executive Board. Such decisions mainly concern improvements in building, system, and process energy efficiency. For the vehicle fleet and aircraft handling equipment, the specialist departments assess the opportunities to use alternative forms of propulsion, in particular electricity, as an alternative to gasoline and diesel.

Fraport AG has been involved in the Carbon Disclosure Project (CDP) since 2006, which analyzes companies and their strategies with regard to climate change and CO_2 reporting. The CDP manages the world's largest database on this topic, which is used by investors and also by political decision-makers. A score assesses a company's transparency and activities. Fraport AG achieved level C ("Awareness") in 2017. This is evidence of transparent reporting and the company's awareness of its influence on climate change.

Protection of nature and resources

As transport hubs, airports make extensive use of resources. The target is to equip all environmentally relevant, fully consolidated Group companies with a certified environmental management system. This serves to execute the Group's processes and activities in the most environmentally sound manner possible. At the end of the past fiscal year, 89.3% of the fully consolidated environmentally relevant Group companies were equipped with such a system. Fraport AG's employees' many years of experience in environmental management benefit all Group airports, for example in the form of training and technical support, including on site.

Comprising an area of around 22 square kilometers, Frankfurt Airport is among the most compact major airports in the world. Around half of this land is unsurfaced. The largest open continuous area is located close to the runways. In nature conservation terms, this extensively maintained permanent grassland is a high-quality habitat that is home to many rare and endangered animal and plant species. Frankfurt Airport has since become a nationally significant retreat and protection area for some species, such as the skylark.

The Wildlife Control department is responsible for preserving and further enhancing this value, as long as flight operations allow. Its success in doing so is monitored extensively. Wherever possible, Fraport AG extends the green areas. For example, the new buildings in CargoCity South are increasingly being planned with ecological green roofs.

Some 2,300 hectares of land in the immediate and wider vicinity of the airport will be upgraded from a nature conservation perspective as a legal requirement under the zoning decision. High-quality habitats such as deciduous forests, orchards, marshes, and nutrient-poor grassland are being developed. Measures to counterbalance the Expansion South, in particular Terminal 3, are already included in this extensive package of measures.

On a voluntary basis, Fraport AG also supports projects to preserve and promote ecosystems and biodiversity in the Rhine-Main region using funds from the environmental fund.

In the area of environmental protection, Fraport AG held provisions in the amount of €39.3 million, and a Group company held provisions amounting to €0.9 million as at the balance sheet date (see Group Notes, note 39, and Fraport AG's Notes, note 30).

Further details can be found in the Group management report and Fraport AG management report under "Control" beginning on page 58 and "Non-financial Performance Indicators" beginning on page 95, as well as "Environment" starting on page 99.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2017
Climate protection	We want to reduce the CO_2 emissions of the Fraport Group.	CO_2 emissions (total of scope 1 and 29	125.000 m. t. CO_2	2030	Group	209.668 m. t. CO_2[1)]
			80.000 m. t. CO_2	2030	Fraport AG	190.065 m. t. CO_2

1) Includes Fraport AG and the Group companies GCS, FraGround, Fraport Slovenija, Lima, and Twin Star.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Fraport AG, Frankfurt am Main

We have performed a limited assurance engagement on the combined separate non-financial report within the meaning of §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Fraport AG, Frankfurt am Main, (hereinafter the "Company") for the period from 01 January to 31 December 2017 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance -gathering procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The procedures selected depend on the practitioner's judgment.

[1)] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- *Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement*
- *Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report*
- *Identification of the likely risks of material misstatement of the Non-financial Report*
- *Analytical evaluation of selected disclosures in the Non-financial Report*
- *Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report*
- *Evaluation of the presentation of the non-financial information*

Assurance Conclusion

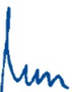
Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 January to 31 December2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 28 February, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Thomas Noll
Wirtschaftsprüfer
[German public auditor]

ppa. Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

Group Management Report for the 2017 Fiscal Year

Information about Reporting

Group accounting takes account of the International Financial Reporting Standards (IFRS) in force on the reporting date (Sunday, December 31, 2017) 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 315e (1) of the German Commercial Code (HGB). Compared to the previous year, there were no significant changes to accounting and reporting standards, meaning that the previous year's figures were not restated and no significant adjustments to the report structure were needed. The changes to the German Accounting Standard No. 20 (GAS 20) through the German Amendment Accounting Standard No. 8 (GAAS 8) have been taken into account.

Compared to the previous year, the following significant events occurred:

In a public bidding process by the Brazilian Government, Fraport was awarded the tender on March 16, 2017 to privatize the airports of Fortaleza and Porto Alegre (hereinafter referred to as Group company Fortaleza and Group company Porto Alegre). In the International Activities & Services segment (formerly External Activities & Services, renamed as at January 1, 2018), start-up costs were €12.3 million in 2017. Operations were taken over on January 2, 2018.

On April 11, 2017, Fraport took over operations of 14 Greek regional airports. Below, the two companies Fraport Regional Airports of Greece A and Fraport Regional Airports of Greece B are referred to collectively as “Fraport Greece”. The revenue generated in the 2017 fiscal year amounted to €234.9 million. Fraport Greece generated EBITDA of €117.4 million, EBIT of €84.9 million, and a result of €13.5 million. The amounts were allocated to the International Activities & Services segment.

When looking at the comparison to the previous year, it is important to point out that in the third quarter of 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. From the amount received, Fraport is required to make repayments in an expected amount of €42.4 million to the German government for the payment received in fiscal year 2008 in connection with a federal guarantee for investments abroad (GKA). €34.1 million of this amount was repaid in 2016, which led to an increase in other operating expenses in fiscal year 2016. The remaining amount of €198.8 million increased both Group EBITDA and Group EBIT. Taking exchange rate effects into account, Group EBT increased due to a compensation payment of €189.6 million. An amount of €121.4 million is attributable to the Group result for 2016. The amounts were allocated to the International Activities & Services segment.

With effect on 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. The gain from the sale of shares amounted to €40.1 million, the full amount of which impacted Group EBITDA and Group EBIT, and €36.4 million of which impacted Group EBT. The amounts were allocated to the International Activities & Services segment.

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

An overview of the calculation of financial key figures and a description of specialist terms are presented in the chapter “Glossary”.

The Executive Board approved these consolidated financial statements and this Group management report for publication on February 28, 2018. The Supervisory Board gave its approval on March 15, 2018.

Overview of Business Development

Situation of the Group

> Operational take-over of 14 Greek regional airports in April 2017
> Further development of strategy based on the mission statement & derivation of programs
> Revision of the non-financial performance indicators

Economic Report

> Fraport was awarded the tender to operate the airports in Fortaleza and Porto Alegre, Brazil, and took over operations on January 2, 2018
> Strong passenger growth in Frankfurt and at the Group airports
> Positive financial development
> Correspondingly, earnings per share amounted to €3.57 (2016: €4.07)
> Free cash flow of €393.1 million significantly exceeded dividend distribution
> Increase of net financial debt to €3,512.4 million and the gearing ratio of 94.2% due to the cash outflows in connection with the acquisitions in Greece and Brazil
> Shareholders' equity ratio fell to 34.4% (–6.2pp)
> Significant increase in value added in the Group by €60.8 million to €229.9 million
> Solid development of the non-financial performance indicators
> The annual average number of employees was 20,673 (2016: 20,322)
> Continuing focus on innovations and ideas and on the environment and society
> Share price increase by 63.5% to €91.86

Outlook Report

> Positive passenger forecasts Group-wide
> Revenue growth to up to approximately €3.1 billion as well as Group EBITDA between approximately €1,080 million and approximately €1,110 million forecast for 2018
> With capital expenditure slightly under €1 billion, free cash flow for 2018 noticeably below the level in 2017 and forecast to remain negative
> Increase in net financial debt to up to €4 billion and a slightly higher gearing ratio expected
> No risks jeopardizing the Group as a going concern discernible
> Stable dividend per share of €1.50 for the 2017 fiscal year

Situation of the Group

Business Model

The following section provides an overview of the Fraport Group's fundamental business model and most economically important Group sites 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. Thereby, 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 Fraport Group is divided into four segments: Aviation, Retail & Real Estate, Ground Handling, and International Activities & Services. The main site is Frankfurt Airport, one of the biggest passenger and cargo airports in the world. Fraport AG Frankfurt Airport Services Worldwide (hereinafter: Fraport AG) is the owner of Frankfurt Airport. Fraport's strength lies in an integrated business model in airport management, which guarantees comprehensive know-how in all airport services. Fraport provides the entire range of airport and airport-related services at the Frankfurt site.

The Aviation segment covers the operation of landside and airside infrastructure at the Frankfurt site and thus covers the area of airport charges, which is legally regulated in Germany, and security services. This section is responsible for ensuring safe, efficient, and customer-oriented traffic in the flight operating areas as well as the operational implementation of airport and air safety tasks in compliance with legal requirements. The close cooperation with authorities, including the German Federal Police, is of great importance to ensure smooth operation of the airside and landside processes.

The Retail & Real Estate segment is primarily responsible for the retail activities and is responsible for the marketing of real estate and land at Frankfurt airport. Its activities extend from the management of buildings and facilities through the management of the parking and retail areas to the rental of advertising space. Particular focus is placed on networking within existing channels of interaction as well as on further digitization of retail offerings.

The Ground Services, ranging from loading and passenger services through airmail and luggage transport to freight handling at Frankfurt Airport are summarized in the Ground Handling segment. The section is responsible for the quality of the processes and thus ensures the quality of Frankfurt Airport's role as a hub. The segment also includes the provision of corporate infrastructure, in particular the baggage transfer system, at the Frankfurt site.

The International Activities & Services segment includes the operation, maintenance, development, and expansion of airports and infrastructure facilities in Germany and abroad. This also includes the "Operational Readiness and Airport Transfer" (ORAT) services. These services encompass consulting services and customized solutions to the challenges of airport management. An extensive ORAT project for the inauguration of a new terminal at Bahrain Airport has been running since the summer of 2017. The segment was expanded to include the take-over of the operations of 14 Greek regional airports in April 2017. The Brazilian Group companies Fortaleza and Porto Alegre have also been a part of the segment since June 2017.

Key sites

Fraport Group airports

Continent	Site	Airport	Change in %	Term	
Europe	Germany: Fraport AG	Frankfurt	100	1924	no time limits
	Slovenia: Fraport Slovenija	Ljubljana	100	2014	2054[1]
	Greece: Fraport Greece	14 Flughäfen	73.4	2017	2057
	Bulgaria: Fraport Twin Star	Varna	60	2006	2041
		Burgas	60	2006	2041
	Germany: Hanover	Hannover	30	1998	no time limits
	Russia: NCG/Thalita	St. Petersburg	25	2010	2040
South America	Brazil: Fortaleza & Porto Alegre	Fortaleza	100	2017	2047
		Porto Alegre	100	2017	2042
	Peru: Lima	Lima	70.01	2001	2041[1]
Asia	Turkey: Antalya	Antalya	50/51[2]	1999	2024
	China: Xi'an	Xi'an	24.5	2008	no time limits
	India: Delhi	Delhi	10	2006	2036[1]

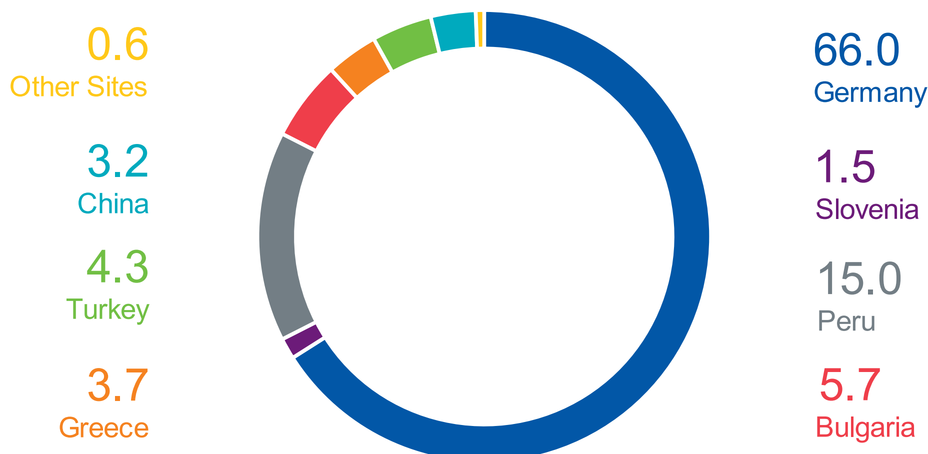
[1] Extension option.
[2] Share of voting rights: 51%, dividend share: 50 %.

In addition to the aforementioned airports, Fraport operates retail areas at the airports in Baltimore, Cleveland, and Pittsburgh through its Group company Fraport USA. Subject to a pending approval, Fraport USA will also take over operation of the management of the retail area in the JetBlue Airways Terminal 5 at JFK Airport in New York, in the first half of 2018. The Boston Airport agreement terminated as at October 31, 2017 (see also the “Significant Events” chapter starting on page 77).

Germany – almost exclusively Frankfurt Airport – was once again the most important site of the Fraport Group in the past fiscal year with a share of 66.0% in the Group result (2016: 63.7%). Among others, the share of the Slovenia site rose compared with the previous year, to 1.5% (2016: 0.8%). The contribution to earnings (3.7%) from the Greece site (hereinafter: Fraport Greece) was added in 2017. The Turkey site recovered in fiscal year 2017 and made a positive contribution of 4.3% (in the previous year: negative contribution). In contrast, the Brazil site, due to start-up costs without offsetting revenue in preparation for the operational take-over of the Brazilian airports in January 2018, and the USA site, due to the extraordinary impairment loss for the concession in Boston, made a negative contribution to the Group result.

Share in Group result by site

In %



External influences

The main external factors influencing Fraport's business model, both in Germany and abroad, include disruptive events in addition to economic, political, and regulatory factors. These factors can affect both the passenger numbers and the cargo volume at the Group airports and have a direct influence on the economic situation of the Fraport Group.

Economic growth fosters business travel and also promotes the prosperity of a society as a whole, which is a prerequisite for private travel. Over the past 15 years, the world economy and world passenger traffic have grown in parallel: on average, by 3.8% and 3.9% per year, respectively. Currency rates are closely linked to economic development as well as to the interest rate policies of central banks and international currency trading. These, in turn, affect the appeal of tourist destinations, travel flows, and passengers' buying behavior. This development is very important, in particular for tourist locations such as Greece, Varna, Burgas, and Antalya, which have a low level of originating passengers. However, the two sites in Brazil are disproportionately affected by the local situation and risks, as more than 90% of their air traffic is domestic travel.

Another major influence on the frequency of travel in the aviation sector is the price of jet fuel and thus the price of crude oil. A high crude oil price usually translates to a rise in ticket prices. This dampens demand for air traffic.

Politics affect Fraport's business activities at different levels. At a regional level, restrictions on operations, such as bans on night flights, have a negative impact on the airline offering and thus indirectly also negatively affect the passenger numbers and cargo volumes. Conversely, the lifting of restrictions has a positive influence. A similar situation can be observed at the national level: The introduction of special taxes, such as the aviation tax in Germany, depresses demand for air traffic and distorts competition at the European level. Through the deregulation of aviation law, international politics can open up new markets for air traffic or enlarge existing markets. However, politicians can impose sanctions such as travel restrictions, which again close off markets, as was shown by the sanctions in the context of the tensions between Russia and Turkey in fiscal year 2016. Britain's withdrawal from the European Union (EU) is also a factor that may affect air traffic in various ways, depending on the outcome of the exit negotiations: Modified entry requirements and aviation laws as well as an influence on the exchange rate between the pound and euro are manifestations of this.

Disruptive events that have significant impact on passenger numbers include strikes and weather conditions. Their occurrence and impact can vary greatly from year to year and are unpredictable. In the 2016 fiscal year, which featured a high level of strikes, Frankfurt Airport reported a loss of about 43,000 passengers per strike day. With a total of nine days on strike, this translated to approximately 387,000 passengers. In 2017, however, there were no major strikes at Frankfurt Airport or at any other Group sites. However, 228,000 passengers were affected by weather-related flight cancellations in 2017, compared to only 86,000 passengers in the previous year. In addition, natural disasters such as floods or volcanic eruptions can have a negative effect on global air traffic.

Terrorist attacks in Europe and around the world negatively affect passenger numbers in Frankfurt and at Group sites. International media offer varying reports on such attacks, depending on the frequency and intensity. As a result, there are varying degrees of decline in incoming traffic in different markets, and experience has shown that these are usually temporary.

Competitive position at the Frankfurt site

With 64.5 million passengers, Frankfurt Airport was the fourth largest passenger airport in Europe in the past fiscal year after London Heathrow (78.0 million), Paris Charles de Gaulle (69.5 million) and Amsterdam Schiphol (68.5 million), and ahead of Istanbul Atatürk (63.9 million). In Germany, Frankfurt Airport was by far the largest passenger airport, ahead of Munich with 44.6 million passengers in the 2017 fiscal year. Based on its cargo throughput (air freight and airmail) of 2.2 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 1.1 million metric tons of cargo. Compared across continents, Frankfurt Airport is among the largest passenger and cargo airports in the world.

In respect to 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. The main customer at the Frankfurt site remains Deutsche Lufthansa, which accounted for more than 60% of passengers in Frankfurt in the 2017 fiscal year. The largest competitors for transfer passengers are primarily the hub airports London Heathrow, Paris Charles de Gaulle, Istanbul Atatürk, Amsterdam Schiphol, and Munich, which are also dominated to varying degrees by their resident main customers British Airways, Air France, KLM, Turkish Airlines and Deutsche Lufthansa. 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.

In particular, the expansion and modernization programs at the Frankfurt site contribute to maintaining and improving its international competitive position. The completed projects Runway Northwest or Pier A-plus as well as in particular Terminal 3, which is scheduled to take up operations in 2023, ensure airport capacities and the required level of infrastructure for the long term in order to give the site a successful, lasting competitive edge. In addition, low-cost traffic is continuing to gain importance at Frankfurt Airport. Fraport will meet the needs of the growing passenger demand by moving up construction of Pier G from the second construction phase for Terminal 3. The construction work on this pier is set to start in the second half of 2018.

The increased customer focus also has a positive impact on the competitive position (see also the chapter titled “Strategy” beginning on page 53). 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 Greece and 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 particularly on the appeal of the respective regions with regard to safety, quality, price level, and entry requirements.

In a public bidding process by the Brazilian Government to privatize the two airports in Fortaleza and Porto Alegre, Fraport was awarded the tender in March 2017. On January 2, 2018 the Group companies **Fortaleza** and **Porto Alegre** took over operations. Fraport expects capital expenditure on airport infrastructure of around €700 million in the first five years. Both airports have a similar traffic structure, with over 90% domestic traffic made up mostly of originating passengers. Fortaleza Airport, in particular, offers above-average potential for growth given its favorable geographical location in northern Brazil with proximity to North America and Europe as well as a relatively underdeveloped region economically. Porto Alegre Airport, located in the southern part of the country, also offers solid potential for growth, albeit at a lower level. In the past fiscal year, Fortaleza Airport was the twelfth-largest airport in Brazil with over 5.9 million passengers. The largest airline at the site is the Brazilian company TAM with a market share of 36%, followed by GOL at 31% and Avianca at 13%. Significant capital expenditure is being invested in modernizing and expanding the terminal. Porto Alegre Airport is the ninth largest in the country with approximately 8.0 million passengers. The largest airline at the site is GOL with a market share of 33%, followed by TAM at 27% and Azul at 26%. Capital expenditure priorities will be to modernize and expand both terminals and the apron areas as well as to extend the runway.

The **Ljubljana** site is the airport for Slovenia’s capital city and at the same time the country’s largest airport with around 1.7 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 Adria Airways, which serves around 60% of the passenger traffic. In addition, various destinations are also served by low-cost traffic providers, which were able to achieve significant gains in market share at the Ljubljana site in recent years. Short and long-term capital expenditure is necessary to increase the quality of service at the airport and improve operational processes. The largest capital expenditure in this context will be the expansion of the terminal.

Fraport Greece has been operating 14 Greek regional airports since April 11, 2017. These include the airports in Kerkyra (Corfu), Chania (Crete), Kefalonia, Kavala, Aktio/Prevezka, Thessaloniki, Zakynthos, Mykonos, Skiathos, Santorini (Thira), Kos, Mytilini (Lesbos), Rhodes, and Samos. With just under 27.6 million passengers in fiscal year 2017 and growth of 10.3% compared with the previous year, the sites benefited to a great extent from the appeal of Greece as a tourist destination, but doubtless also from the change of tourism traffic to Turkey. At 75%, the high share of international travelers demonstrates the importance of Greece as a holiday destination. Passengers from the United Kingdom represent the largest passenger group at approximately 23%. Based on passenger numbers, Aegean Airlines/Olympic Air is the largest airline at the 14 airports with a passenger share of 21%, followed by Ryanair with an approximately 13% share of passengers. The 40-year concession agreements budget for capital expenditure of approximately €400 million on airport infrastructure in the first four years. Most of this will be spent on a comprehensive expansion and extension project. Five new terminals will be built, and six terminals will be expanded at the sites.

In Peru, the **Lima** site continues to benefit from the relatively high economic growth rate of the country as well as ever-increasing tourist demand. In addition, the airport benefits from a good geographical location, which is particularly attractive for the transfer traffic between South and North America. Jorge Chávez Airport is Peru's most important airport and is once again among the ten largest airports in South America with over 20.6 million passengers in the last fiscal year. 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 passenger growth, the Lima site's capacity is reaching its limit. In October 2017, a call for tenders was announced for the construction of a new terminal, a new runway including aprons and taxiways as well as other peripheral infrastructure. The signing of the agreements and start of construction are planned for the second half of 2018. The expansion of the airport with planned capital expenditure of approximately US$1.5 billion is necessary in order to be able to provide adequate infrastructure for the expected growth in traffic and to strengthen the competitive position in South America. The completion of the second runway is scheduled for 2021, and the terminal should be completed by 2024.

The Black Sea airports in **Burgas** and **Varna**, with just under 3.0 million and approximately 2.0 million passengers, respectively, were the second and third-largest passenger airports in Bulgaria after Sofia. The sites' key passenger groups were passengers from Germany (over 19%), Russia (approximately 18%), and the United Kingdom (approximately 12%). As a result of the inauguration of the terminals in the 2013 fiscal year, both tourist sites initially have sufficient capacity to be able to serve the growth that is expected in these regions in the medium term. The plans also provide for successive extension measures, such as the expansion of the departure area at Burgas Airport, which is to be completed by 2021.

With some 26.3 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 airports in the Mediterranean region. The largest passenger groups were travelers from Russia and Germany, accounting for a share of around 39% and 22%, respectively. Compared to the previous year, there were significant recovery effects especially among passengers from Russia after the Russian sanctions against tourist charter traffic were lifted and the Russian government did not issue any new sanctions in 2017. However, the number of passengers from Western Europe was below the previous year's level due to the sometimes tense situation in Turkey. The development of traffic in Antalya is still marked by uncertainty. Mandatory capital expenditure on airport infrastructure is now no longer required.

In the previous fiscal year, **Xi'an** Airport was the eighth largest airport in China, carrying around 41.9 million passengers. The site is largely influenced by a high percentage of originating 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. Due to the high growth prospects of the site, further expansion will be carried out in the next few years.

Additional information about business development in the past fiscal year can be found in the chapter titled "Economic Report" beginning on page 75.

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 2017 fiscal year. There were no significant increases or reductions in shareholdings.

Frankfurt Airport Retail GmbH & Co. KG was founded with effect from January 1, 2017. The joint venture between Fraport AG and retail company Gebr. Heinemann operates all Heinemann Duty Free & Travel Value Shops and Concept Stores at the Frankfurt site. It aims to provide passengers with a comfortable shopping experience and optimize profitability by combining the expertise of both partners.

Operation of 14 Greek regional airports was taken over on April 11, 2017. The concessions have a term of 40 years. Fraport Greece thus undertakes to invest in the airport infrastructure and further develop the airports through optimized processes and applying its specific expertise (see also “Significant Events” chapter starting on page 77).

At the beginning of June 2017, Fraport AG acquired all shares in two companies founded in connection with the management and operation of the airports in Fortaleza and Porto Alegre in Brazil, Fraport Brasil S.A. Aeroporto de Porto Alegre and Fraport Brasil S.A. Aeroporto de Fortaleza. The newly founded companies were not yet active in the fiscal year 2017. The operational take-over of the operation of the companies took place on January 2, 2018.

Fraport AG has been working together with Group companies FRA Vorfeldkontrolle and FraGround in a joint operation since July 1, 2017. This restructuring, in particular the joint control of essential personnel and social affairs, ensures the quality of ground handling by means of coordinating processes more closely and improved cooperation among all parties involved. This arrangement of cooperation on the organization of work means there is no longer a need for temporary workers and third-party personnel of the Group company FraGround at Fraport AG. The portfolio includes baggage, freight, and aircraft handling as well as passenger, baggage and freight transport. The mapping of check-in and VIP processes as well as technical services round off the product range.

As of January 1, 2018, the “Airport Security Management” strategic business unit has been fully integrated into the “Airside and Terminal Management, Corporate Safety and Security” strategic business unit of Fraport AG. By merging the two strategic business units within the Aviation segment, interfaces have been reduced and the responsibilities have been appropriately pooled. This will have a positive impact on efficiency and quality of service in the medium term. Furthermore, the merger allows for improved focus on customers and overarching control of all activities within the terminal in Frankfurt from a single unit.

To illustrate the growing operational share of the international Group companies, the External Activities & Services segment was renamed “International Activities & Services” as of January 1, 2018.

Legal structure of the Group

In contrast to time-limited airport operating models, the Fraport Group parent company, Fraport AG, wholly owns and operates Frankfurt Airport with no time limits. With over 10,200 employees, Fraport AG, which has been stock exchange-listed since 2001, is also the biggest single company of the Group, which has more than 20,600 employees. It directly or indirectly holds the shares in the other Group companies (companies pursuant to Section 313 (2) of the German Commercial Code (HGB)) and its head office is in Frankfurt/Main.

Including the Frankfurt site, Fraport was active at 29 airports through Group companies at the time of preparing the consolidated financial statements. The most significant Group companies include the Group companies Lima (concession agreement to operate Lima Airport until 2041 with an extension option), Fraport Greece A & B (concession agreements to operate 14 regional airports until 2057), Fortaleza and Porto Alegre (concession agreements to operate Fortaleza Airport until 2047 and Porte Alegre Airport until 2042), Antalya (concession agreement to operate the terminals until 2024), Twin Star (concession agreement to operate the airports in Varna and Burgas until 2041), Fraport USA (agreements on the time-limited marketing of retail areas at the Baltimore, Cleveland, and Pittsburgh airports), Fraport Slovenija (right to use the airport in Ljubljana until 2054), and Xi'an (capital share in the operating company of the airport in Xi'an). Whereas the Group companies Fraport Slovenija, Fortaleza, Porto Alegre, Fraport USA, Fraport Greece A & B, Lima, and Twin Star are fully consolidated in the Fraport Group, the Group companies Antalya (joint venture) and Xi'an (associated company) are included using the equity method.

As at December 31, 2017 there were 54 companies consolidated excluding companies accounted for using the equity method, and 74 companies including companies accounted for using the equity method (in the previous year: 51 and 70 companies respectively). For a detailed overview of the shareholdings within the Group, please see Group note 56.

Organizational Group structure

As a management body, the Executive Board bears the strategic and operational responsibility for the Group. The Executive Board consisted at the time of preparing the consolidated financial statements 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 body is presented in the "Joint Statement on Corporate Governance". The annually updated Joint Statement on Corporate Governance does not form part of the annual audit of the consolidated statements by the auditor and can be found in the chapter "To Our Shareholders".

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 are largely active at the Frankfurt site, as well as "International Activities & Services", which primarily includes the Group companies outside of 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 incorporates the strategic business unit "Airside and Terminal Management, Corporate Safety and Security" as well as the Group companies FraSec and Fraport Ausbau Süd.

The **Retail & Real Estate** segment consist of the "Retail and Properties" strategic business unit. The Group companies Fraport Immo and the joint venture Frankfurt Airport Retail also belong to this segment.

The **Ground Handling** segment includes the "Ground Services" strategic business unit as well as among others the Group company FraGround and the joint venture Frankfurt Cargo Services.

The **International Activities & Services** segment primarily consists of the "Global Investments and Management" strategic business unit as well as the Group companies that are not integrated in the business processes at the Frankfurt site, including Lima, Fraport Greece A & B, Fortaleza and Porto Alegre. In addition to activities outside of the Frankfurt site, the 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 directly allocated service units, Fraport AG's ten central units in Frankfurt provide, among other things, Group-wide services. The costs of the central units are allocated to the four segments appropriately. The central units include the areas of "Controlling", "HR Top Executives", and "Corporate Communications".

At the time the consolidated financial statements were prepared, the organizational structure of the Fraport Group was as follows:

Segment structure

Fraport Group

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

Central units

Controlling | Finance and Investor Relations | Internal Auditing | HR Top Executives | Human Resources | Accounting | Legal Affairs and Compliance | Corporate Development, Environment and Sustainability | Corporate Communications | Central Purchasing, Construction Contracts

[1] Including assigned Group companies.

Strategy

Changes compared with the previous year

In fiscal year 2017, Fraport began implementing its Group strategy developed based on the mission statement implemented in 2015/2016. To reflect the strategic objectives of the mission statement, ten programs were initiated Group-wide. The implementation of the programs and the measures derived from them began in 2017, and this will continue into the coming years.

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 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, which consumes more. 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. 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 2038	Revenue passenger kilometers	+4.4 %
Boeing	until 2038	Number of passengers	+4.7 %
Embraer	until 2038	Revenue passenger kilometers	+5.8 %
ACI	until 2040	Number of passengers	+4.5 %

Short-term development of air traffic remains volatile

Despite the long-term growth forecasts, the short-term development of aviation markets continues to be marked by uncertainties in individual markets. These primarily result from geopolitical conditions, such as in Ukraine or the wider Middle East, potential terrorist attacks, and the possible spread of epidemics, but also from the economically uncertain situations of various economies. In addition, the various companies in the aviation industry, and airlines in particular, continue to be negatively influenced by intense competition, the rolling out of national taxes, such as the German aviation tax, and potential labor disputes. Positive and negative effects also arise from the appreciation and depreciation of currencies and from price fluctuations on commodity markets.

The aforementioned uncertainties also affect Frankfurt Airport, as it is an international hub. Individual Group airports may see shifts in passenger flows, albeit temporarily, to other destinations. For example, Antalya Airport was significantly affected by this in 2016 in particular. Due to the high share of Russian-dominated traffic, the St. Petersburg, Varna, and Burgas sites are also affected by political uncertainties related to Russia.

Fraport monitors various lead indicators to identify trends in travel or freight flows at an early stage. At an economic level, these include industrial production, purchasing managers indices, the logistics indicator or private consumption in different economies. In addition, indicators specific to flight markets such as booking forecasts or the airlines' publications of flight plans are part of such monitoring activities.

Group mission statement

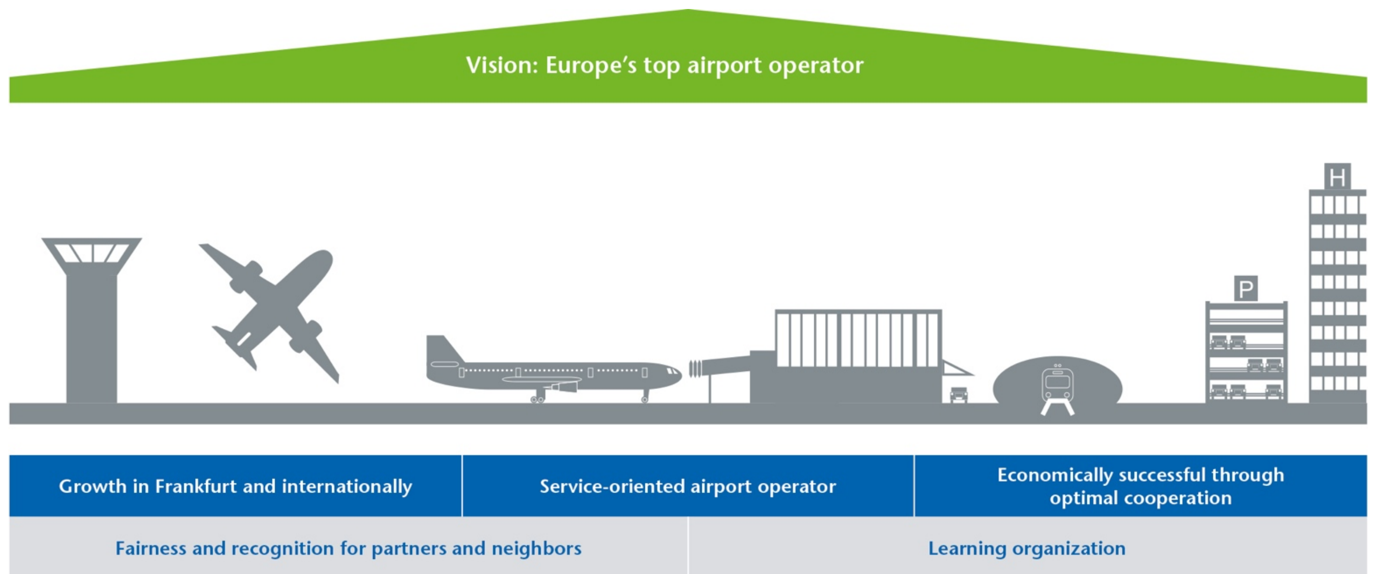
The changing conditions in global aviation influence the entire air aviation sector. Price wars between airlines as well as passengers' price-conscious travel behavior are leading to more competition among airports. At the same time, the quality of the service as well as providing reliable and fast processes are increasingly gaining importance as competitive factors.

The continued development of the Group strategy, based on the mission statement implemented in 2015/2016, draws on existing and anticipated changes to general and market conditions, and gears the Fraport Group to achieving success in this dynamic environment. The mission statement's vision of establishing Fraport as Europe's best airport operator while setting standards worldwide is the basis of the Group strategy.

From the passengers' perspective, airports are becoming increasingly interchangeable. Transfer passengers can often choose between several airlines or alliances and thus different hubs. Price-sensitive passengers have a wide range of low-cost carriers (LCC) to choose from. Fraport has responded to this expanding market by opening up the Frankfurt site to LCC. For Fraport, a factor critical for competitive success is to offer various customer groups appropriate products upon departure, arrival or transfer at Frankfurt Airport. With the mission statement "Gute Reise! We make it happen", the focus of the entire company that is needed for this has been placed on customer. The further penetration of the mission statement's aspirations throughout the company will also be continued at the segment level and in the Group companies over the next few years.

The implementation of the strategy is subject to company-wide planning and management based on numerous measures in which representatives of various business units and companies are involved. Strategic teams draw up annual targets to put the strategic goals of the mission statement in concrete terms. In total, ten programs are being pursued in order to promote the achievement of the objectives. In addition, sub-strategies are drawn up and pursued within the segments, which do not deviate from the overarching Group objectives. They operationalize the Group objectives in a manner specific to the different sections and make recommendations.

The mission statement includes the Group objectives: "Growth in Frankfurt and internationally", "Service-oriented airport operator", "Economically successful through optimal cooperation", "Learning organization" and "Fairness and recognition for partners and neighbors".



In the following section, the strategic objectives and measures towards attaining the vision are described in detail.

Objective: Growth in Frankfurt and internationally

Frankfurt is Fraport AG's home site and will remain so in the future. Fraport seeks to further develop the Frankfurt site as a hub and secure and increase its appeal for network carriers. The role of Frankfurt Airport as a leading cargo hub in Europe will also be strengthened. In order to create the conditions for further growth of our main customer at the Frankfurt site, Deutsche Lufthansa, Fraport AG and Deutsche Lufthansa have entered discussions on strengthening their partnership in the medium and long term. The goal is to consistently and jointly take advantage of the potential to improve efficiency and cut costs. In addition, potential for growth should also be realized in order to open up new sources of revenue and thus secure the Frankfurt site's future viability and enduring competitiveness. Given the strong growth of low-cost traffic in Europe, it is also important to develop the Frankfurt site in this respect.

In terms of infrastructure, Terminal 3 in the southern part of the airport will be built to meet the expected growth in air traffic. With Piers H and J, the Terminal should begin operations in 2023. Pier G should be completed beforehand. Construction work on this pier is set to start in 2018.

To reach the strategic objective "Growth in Frankfurt and internationally", special focus was placed on international business, which is already a key factor for Fraport's economic development, within the framework of the 2017 strategy process featuring the "Advancing the contribution of international business" program. In addition to portfolio management and the development of returns, in particular by optimizing the Group's current airports, the program also includes acquisition projects that Fraport is considering for future investments.

The international portfolio continues to grow and generates a stable return in the long term. It continually increases its share of the Group's comprehensive income. In April 2017, Fraport completed the operational take-over of 14 regional airports in Greece. In the next few years, extensive modernization and expansion measures are planned at all 14 airports to ensure they are well equipped for the future. In addition, operation of the airports in Fortaleza and Porto Alegre, Brazil, was taken over on January 2, 2018. Here too, measures for the further development of the infrastructure are subsequently set out contractually.

Appropriate financing instruments for financing measures to be carried out in the near future are selected depending on how attractive the price is, the respective availability of funds and the volume of the financing, all while complying with and adhering to a balanced financing mix. The aforementioned projects are mainly financed on a long-term basis (see also the chapter titled "Finance management" starting on page 64).

Fraport uses the traffic volumes at Frankfurt Airport as well as at the Group airports as an indicator for the Group-wide growth in traffic. The corresponding figures can be found in the chapter titled "Business Development" starting on page 79.

Fraport measures the Group-wide growth in the result and controls this by monitoring the development of, among other things, Group EBITDA and the Group result, the ROFRA, net financial debt, and free cash flow. Additional key financial performance indicators relating to the Group objective “Growth in Frankfurt and internationally” can be found in the chapter titled “Control” beginning on page 58. A description of the development of performance indicators during the past fiscal year can be found in the chapters titled “The Group’s Results of Operations”, “Asset and Financial Position”, and “Value Management” beginning on page 81. The associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126.

The key risks and opportunities associated with the expansion of airport infrastructure in and outside of Frankfurt can be found in the “Risk and Opportunities Report” beginning on page 105.

Objective: Service-oriented airport operator

The mission statement “Gute Reise! We make it happen” shows the aspiration of having a strong customer and service orientation at all Group sites. To this end, Fraport aims to offer even better and more customized services for customers. The Group’s vision is to become Europe’s best airport operator through efficient and reliable processes as well as infrastructure that is in keeping with requirements. Fraport therefore develops value-creating services for customers, for example the door-to-gate service or the “Frankfurt Airport Rewards” customer loyalty program at the Frankfurt site.

To improve the passenger experience and quality of service, a comprehensive program has been launched at Frankfurt Airport in recent years, and initial measures are already being implemented. In the future, Fraport wants to offer passengers at its home site a special passenger experience.

Not only at Frankfurt Airport but also at all fully consolidated Group airports, the focus is on improving the quality of service and customer satisfaction. For example, the Group company Twin Star developed company objectives under the motto “We place the airport in the traveler’s heart” in the past fiscal year.

The program “Shaping passenger services FRA” makes a significant contribution to achieving the objective of “Service-oriented airport operator”. The goal is to offer all passengers a seamless trip, intuitive design, and well-integrated technologies. This requires customized airport infrastructure and ultimately leads to the “autonomous airport”, which is equipped with comprehensive self-services, including check-in and baggage drop. Other areas along the travel chain, such as security checks and retail offers, are also being looked at, given evolving technologies and concepts (e.g., Easy Pass) and changing shopping behavior (e.g., e-commerce).

Fraport uses, among other things, two non-financial performance indicators to measure the objective of “Service-oriented airport operator”. The global passenger satisfaction in Frankfurt reflects the success of the program “Great to have you here!”, which aims to increase passenger satisfaction and loyalty. Also, baggage connectivity is an essential measure for performance as a hub airport. The punctuality rate is another quality indicator for Frankfurt as a hub airport.

The key performance indicators relating to the Group objective “Service-oriented airport operator” can be found in the chapter titled “Control” beginning on page 58. A description of their development during the past fiscal year can be found in the chapter titled “Non-financial performance indicators” beginning on page 95; the associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126. More information can be found in the chapter titled “Combined Separate Non-Financial Report”, which is not a part of the Group management report or the audit of consolidated accounts by the auditor.

Objective: Economically successful through optimal cooperation

The integrated business model is a unique feature in Frankfurt. The site is to continue to be managed successfully and competitively. The Group’s broad portfolio of services is to be used to achieve the strategic Group targets. Optimized collaboration within the Group enables Fraport to hold up well in competition and operate successfully. In efficient cooperation, Fraport successfully deals with a wide range of tasks and issues and develops an atmosphere of teamwork and networking throughout the entire Group. Cutting costs and complexity increases the profitability of the Fraport Group and helps to contribute towards maintaining its competitive position.

The objective is to have all Group companies and segments provide their services under quality and cost structures that can always keep pace with specialized air traffic service providers. For this purpose, Fraport AG initiated a company-wide program to support the change of the personnel structure in fiscal year 2016. In particular, the focus was placed on the operating units, such as Ground Services, which place a high demand on personnel. The program will improve the cost structure of personnel expenses and secure the integrated business model at the Frankfurt site.

With a view towards making a contribution to optimizing the cost structure also in material costs and to reducing the environmental impact at the same time, Fraport AG has set the objective of reducing energy consumption by 20% by 2020 compared to fiscal year 2013 without significant capital expenditure.

Among other ways, the implementation of the third objective is pursued through the “Lowering unit costs, optimizing processes” and “Lowering unit costs, digitizing administration” programs. Both programs seek to optimize the cost structure in particular at the Frankfurt site. Above all, internal processes are being looked at. The key factors here will be digitization projects that aim to make administration of the Group more efficient and lower its costs.

Key performance indicators relating to the Group objective “Economically successful through optimal cooperation” can be found in the chapter titled “Control” beginning on page 58. A description of the development of performance indicators during the past fiscal year can be found in the chapters titled “The Group’s Results of Operations”, “Asset and Financial Position”, and “Value Management” beginning on page 81. The associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126. 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 105.

Objective: Learning organization

As a learning organization, Fraport relies on good entrepreneurship, economic efficiency, and competitiveness. Risks and opportunities are recognized at an early stage, and changes in the market are anticipated. Fraport promotes innovation and new business ideas. Fraport uses the resources and knowledge of its workforce in order to strengthen the Group as a whole. In doing so, Fraport supports and sets the framework for development and qualification. Fraport reacts to demographic change and targeted knowledge transfer with recruiting and retention management.

Fraport has adopted a digitization strategy to meet the challenges of the future, while at the same time taking advantage of the corresponding opportunities digitization presents. It takes into consideration four dimensions as a framework for making strategic decisions: Digital company, digital world of work, digital customer experience, and new digital business models. In addition, Fraport evaluates digital technologies in terms of their relevance to its business model and adapts these.

To meet the demand of learning from one another within the Group, regular meetings with experts from the different Group sites have been stepped up. The so-called “International Expert Working Group” meets several times a year at various sites to exchange ideas on specific issues in airport management.

One of the programs to achieve the objective of “Learning organization” is “Developing new digital products”. The program, in particular, focuses on the part of the digitization strategy that controls the development and networking of innovations that can be commercialized.

More innovations and ideas in the Fraport Group can be found in the chapter titled “Research and Development” starting on page 98.

Objective: Fairness and recognition for partners and neighbors

Fraport aims to be respectful and appreciative of its partners and neighbors Group-wide. For Fraport, this includes reducing the burden of airports on the environment and climate by compensating for such burdens. In the area of climate protection, Fraport seeks to reduce Group-wide CO_2 emissions to 125,000 metric tons by 2030 (see also chapter titled “Control” starting on page 58).

At the Frankfurt site, active and passive noise abatement helps limit the impact of air traffic. One example of noise-reducing measures are emission-related airport charges that provide financial incentives for airlines to use aircraft with low pollutant and noise emissions. At the Group airports, noise abatement measures are managed and implemented in accordance with local requirements.

Fraport takes its corporate responsibility seriously as an attractive and responsible employer for its employees. The objective “Fairness and recognition for partners and neighbors” is pursued by way of the program “Designing the world of work of the future”. The focus here is also on ensuring staff restructuring at Fraport in the long term, on the appeal as an employer in times of an increasing lack of skilled workers as well as on the workplace of the future, including sustainable technological facilities and equipment.

Fraport uses employee satisfaction, the ratio of women in management positions as well as the sickness rate to measure its objective of being an attractive and responsible employer. In addition to CO_2 emissions, the Executive Board has defined these indicators as the most important non-financial performance indicators for the objective “Fairness and recognition for partners and neighbors” in fiscal year 2017 (see also the chapter titled “Control” starting on page 58). A description of the development during the past fiscal year can be found in the chapter titled “Non-financial performance indicators” beginning on page 95; the associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126.

An additional description of measures taken in the area of the environment and society is included in the chapters titled “Environment” and “Society” starting on page 99. More detailed information can be found in the chapter titled “Combined Separate Non-Financial Report”, which is not a part of the Group management report or the consolidated audit of accounts by the auditor, as well as on the Group’s website at www.fraport.com/responsibility.

Control

The Control chapter explains the most important 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

There were no fundamental changes to the Group's control system for the past fiscal year as a result of the strategy developed further in 2017 or the implementation of programs of measures. The Executive Board continues to control the Group in accordance with key financial and non-financial performance indicators, which are derived from the Group strategy. The Executive Board assessed the non-financial performance indicators in fiscal year 2017 and derived them within the framework of the measures to implement the Group strategy. For example, the punctuality rate, the equipment availability rate as well as the rate per 1,000 employees will no longer be defined as non-financial performance indicators from the fiscal year 2018. Nonetheless, the development and comparison to the forecast as published in the 2016 Annual Report is included in the 2017 Group management report in the chapter titled “Non-financial performance indicators” starting on page 95. Beginning with the Group management report 2017, the key non-financial performance indicators were defined as the ratio of women in management positions, the sickness rate as well as the CO_2 emissions, and these are included in the reporting and the Outlook Report.

In the area of value management, beginning in the 2017 fiscal year, the Fraport assets not included in depreciation and amortization, in particular, assets under construction, will be recognized at full acquisition/manufacturing costs (at cost). In addition, the weighted average cost of capital (WACC) decreased from 8.6% to 6.7%.

For more information on the two issues mentioned above, see the corresponding sections of the following chapter.

Financial performance indicators

For Fraport, the growth-oriented development of financial performance indicators is critical for the long-term success of the company. The overriding importance of these indicators is reflected in the Group strategy as a set of criteria for the Group objectives “Growth in Frankfurt and internationally” and “Economically successful through optimal cooperation”. Control, derived from the Group strategy, is carried out primarily at the Group level, and segment-specific key figures are used to aid the process.

Fraport mainly uses key figures relating to the consolidated results of operations and to the Group 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 international 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 positions 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 “Group Results of Operations”, “Asset and Financial Position”, as well as “Value Management” beginning on page 81. The associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126.

Results of operations key figures

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.

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

Calculation of key financial performance indicators

Revenue

+

Other internal work capitalized

+

Other operating income

−

Operating expenses

=

EBITDA

−

Depreciation and amortization

=

EBIT

−

Financial result

=

EBT

−

Taxes

=

Group result

EBITDA and, indirectly, the Group result through the result per share (earnings per share, EPS) are part of the Executive Board remuneration and underline the relevance of these financial key figures as a control element (see also chapter titled “Remuneration Report” starting on page 67; definitions for calculating the financial key figures can be found in the chapter titled “Glossary” starting on page 236).

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 **shareholders’ equity**, the **shareholders’ equity ratio**, **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 international business.

Besides shareholders’ equity, 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 varies as a rule depending on the phase of Fraport’s investment cycle. The gearing ratio therefore usually increases in times of high capital expenditure and falls when the company’s capital expenditure is lower. In the context of 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 the long term.

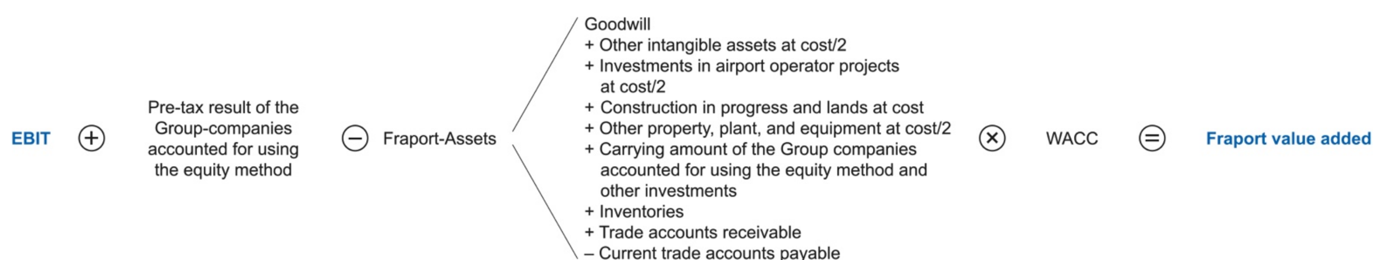
In addition to the gearing ratio, the Executive Board uses the operating cash flow and the free cash flow as key performance indicators for the evaluation of the financial strength of the Group. The free cash flow provides information about the financial funds available to the Group from the operating 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) and/or to be distributed among shareholders as dividends (definitions for calculating the financial key figures can be found in the chapter titled “Glossary” starting on page 236).

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 most important measurement and steering figure of this approach is the **“Fraport value added”** figure. The value added is annually 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



To avoid economic enhancement coming solely from depreciation and amortization of assets, 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. Beginning in the 2017 fiscal year, the Fraport assets not included in depreciation and amortization, in particular, assets under construction, will be recognized at full acquisition/manufacturing costs.

Fraport calculates the weighted average cost of capital (WACC) using the capital asset pricing model and uses this regulatory specific WACC specifically to calculate its airport charges. 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 also used for the value management of the Fraport Group. In the 2017 fiscal year, the WACC was 6.7% (before taxes, in the previous year: 8.6%). For details on the use of the cost of capital in the context of impairment tests, please refer to Group note 4.

The WACC 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%
Betafaktor 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%	

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 shows whether the business areas created value (ROFRA > WACC) or not (ROFRA < WACC).

ROFRA is also an element of the Executive Board remuneration and underlines the long-term goal of Group-wide business activities that create value. For the regulated Aviation segment, this means generating a value added of zero, and for the other segments – in particular the Ground Handling segment which currently has a negative value added figure – significantly positive value added figures should be generated (see also the chapter titled "Remuneration Report" starting on page 67; definitions for calculating the financial key figures can be found in the chapter titled "Glossary" starting on page 236).

Non-financial performance indicators

In addition to the key figures for 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 Group objectives “Service-oriented airport operator” and “Fairness and recognition for partners and neighbors”. These key performance indicators include, for example, service quality as perceived by passengers at Frankfurt Airport, the sickness rate, and the Group's CO_2 emissions. To improve the company control, the Executive Board has assigned the non-financial performance indicators to the categories “Customer satisfaction and product quality”, “Attractive and responsible employer”, “Occupational health and safety”, and “Climate protection”.

The key non-financial performance indicators pursuant to GAS 20 in the amended version of GAAS 8 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 95. The associated forecasted figures for the 2018 fiscal year can be found in the chapter titled “Business Outlook” beginning on page 126. More information on the topic of “Corporate Social Responsibility” can be found on the company website at www.fraport.com/responsibility and in the chapter titled “Combined Separate Non-Financial Report” starting on page 25. Neither report is a part of the Group Management Report or the audit of consolidated financial statements 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 for the purposes of measurement and control. The key indicators at the Frankfurt site include the **global satisfaction** of passengers and **baggage connectivity**. Beyond the Frankfurt site, the focus at the Group airports is also on passenger satisfaction. This is measured at the fully consolidated Group airports with various key figures. Where appropriate, this system of collecting data is to be harmonized in the medium term.

Global satisfaction describes the overall passenger satisfaction with the travel process chain and the service at Frankfurt Airport. Despite the expected temporary overload of terminal infrastructure with the traffic growth in the next few years, Fraport aims for a target of at least 80% global satisfaction. With the inauguration of Pier G, passenger satisfaction should be at least 82.5% from 2021. And from 2025, with the capacity extension through Terminal 3, Fraport has set a target of 85%. In Frankfurt and at the other Group sites, passenger satisfaction is measured predominantly through surveys. Also, the relevance of passenger satisfaction as a control element is clear given as it is taken into account in the Executive Board’s remuneration (see also the chapter titled “Remuneration Report” starting on page 67).

Baggage connectivity provides information about the percentage of departure baggage at Frankfurt Airport that is loaded on time in relation to the total departing baggage. Baggage connectivity measures, among other things, the performance of the airport in its role as a hub with a transfer share of more than 55% and thus a high proportion of transfer baggage. A growing volume of baggage also increases the challenge of misrouting as few pieces of luggage as possible. A high level of connectivity proves the good quality of baggage processes here. The objective is to achieve a long-term baggage connectivity of more than 98.5%.

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). The availability of mobility equipment in terminals is particularly important for passengers with limited mobility. Fraport uses the **equipment availability rate** to track the availability of this equipment at the Frankfurt site. In the future, the punctuality rate as well as the equipment availability rate will no longer be used as non-financial performance indicators. Both operational key figures are of lesser importance for achieving the strategic objective “Service-oriented airport operator”, and in the case of the punctuality rate, it can only be controlled to a very limited degree by Fraport. Nonetheless, the development of these figures for 2017 and their comparison with the forecast published in 2016 is included in the chapter titled “Non-financial performance indicators” starting on page 95.

Attractive and responsible employer

For Fraport, appeal and responsibility 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. In order to measure and control its appeal and responsibility as an employer, Fraport uses various performance indicators, such as **employee satisfaction** and the ratio of **women in management positions**.

Employee satisfaction is a central instrument for measuring employee mood. Fraport is convinced that satisfied employees achieve better customer loyalty and improved performance. This key figure is calculated annually by surveying employees of Fraport AG and the Group companies. All labor-intensive Group companies in Frankfurt as well as the Group companies Fraport Slovenija and Twin Star took part in the survey in 2017. In the future, the survey is to be extended to include all key Group companies. Also, the strategic relevance of employee satisfaction is clear given as it is taken into account in the Executive Board's remuneration (see also the chapter titled "Remuneration Report" starting on page 67). The key figure is calculated from nine aspects of satisfaction and the detailed analyses show potential areas of improvement. Fraport aims to maintain employee satisfaction at a stable level Group-wide and continually improve the rating in the long term to exceed 3.0 (index value in line with German school grading system). Fraport has stepped up its recruitment activities in this area to meet challenges such as the tangible impact of demographic change at the many airport sites and the increased burden on operational employees in particular due to the growth in traffic.

As a responsible employer, Fraport respects and promotes personal diversity, and attaches great importance to ensuring that this is reflected in the way employees interact with each other. Diversity is a key goal for Fraport, which the Group systematically tackles as part of its diversity management. Fraport particularly focuses on the promotion of **women for management positions** in the first and second levels directly below the Executive Board and at the respective management levels at the German Group companies. In the reporting, managers who report directly to the Executive Board are categorized as level 1 and executives who report to this first level of managers are categorized as level 2. Regarding the Group companies in Germany, the levels of management are categorized based on comparable positions at Fraport AG. This corresponds to the objectives in the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector". The objective is to increase the proportion of women in management positions in Germany across both levels to 30% by 2021. Fraport respects local circumstances and does not impose any quotas based on German law at the foreign Group companies.

Occupational health and safety

As a responsible employer, Fraport contributes to maintaining employees' performance and preventing work-related health hazards through preventive health management. Fraport evaluates the effectiveness of the measures for health management by, among other things, continuously analyzing the **sickness rate**. The calculation excluding absences beyond sick pay (extended sick leave) primarily reflects the development of short- and medium-term illnesses. The effects of demographic change in the Group and the increase of the average age of employees contribute, among other things, to a continuous linear increase in the number of illnesses. The focus is on limiting or reversing the sickness rate, which is increasing due to seasonal and age-related absences, among other things. The objective is a maximum rate of 7.2% by 2025.

Fraport measures the effectiveness of occupational safety measures, among other ways, based on the number of accidents at work and the **rate per 1,000 employees** derived from this number. In 2017, the Executive Board decided to focus on the sickness rate as a non-financial performance indicator. In the future, the rate per 1,000 employees will no longer be used as a non-financial performance indicator. Nonetheless, the development of this figure for 2017 and its comparison with the forecast published in 2016 is included in the chapter titled "Non-financial Performance Indicators" starting on page 95. From 2018, the topic of "occupational safety and accident prevention" will be reported on in the chapter titled "Employees".

Climate protection

Operating an airport and air traffic have an effect on the environment. Fraport is committed to the due and proper consideration of the environmental requirements associated with this. Fraport's environmental policy places importance on the sustainable and careful use of natural resources as well as a continuous improvement of its environmental performance. As part of this effort, environmental management systems have been implemented at Fraport AG as well as in all fully consolidated Group companies that are classified as "fundamentally environmentally relevant" based on their portfolios. The Executive Board has determined **CO_2 emissions** as the most important key figure for measuring environmental impact. The objective is to reduce CO_2 emissions that are directly or indirectly attributable to Fraport AG and the fully consolidated Group airports to 125,000 metric tons by 2030. If necessary, the objective will be adjusted to any changes in Fraport's airport portfolio. The target is based on the national reduction rates agreed to at the international Climate Change Conference in Paris.

Finance Management

The core objectives of finance management of Fraport AG are **securing liquidity**, **limiting financial risks**, achieving an appropriate level of **profitability**, and ensuring **flexibility**. The highest priority is to secure liquidity. Based on the Group's solid shareholders' equity base, this is generally secured through both internal financing via operating cash flow and external financing in the form of debt. The following section shows how finance management is implemented at Fraport AG.

To secure liquidity within the scope of its 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. The significant financing measures to be carried out in the near future at Fraport AG arise mainly from the refinancing of existing financing maturities, from capital requirements, in particular from the capital expenditure for Terminal 3 at the Frankfurt site as well as possible further acquisitions abroad. Appropriate financing instruments are selected based on the situation, i.e., depending on how attractive the price is, the respective availability of these funds as well as the volume of the financing, all the while complying with and adhering to a balanced financing mix. In keeping with the long-term nature of capital expenditure, the financing of these projects is mostly long term as well. In line with the 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 has a strategic liquidity reserve to ensure its independence from financing sources. 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. Fraport AG limits default risks in its liquidity reserves with broadly diversified investment. Based on this strategy, there have been no defaults or losses within asset management in previous fiscal years. To improve profitability, assets management invests for the most part in rated corporate bonds and only in selective cases without a rating. The majority of the investments concern listed corporate bonds and commercial paper, time deposits at banks, and promissory note loans. All the investments are fungible or can be liquidated at any time on short notice.

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 their own liquidity at any time as well as, within the scope of the agreements also concluded in some cases, to the financial resources of Fraport AG – so that external financing is not necessary. At the same time, the close connection of these companies to Fraport AG also ensures that attention is paid to other strategic objectives of financial management within these Group companies.

For the controlled and non-controlled foreign Group companies, liquidity is secured depending on the relevant company shareholding, either by concluding project financing, bilateral loans, or by internal provision of funding via a Group loan or shareholders' equity. Adherence to the core objectives within financial management of these Group companies always takes place with the involvement of Fraport AG's Finance department.

The pending substantial strategic financing measures in the foreign Group companies stem, in particular, from the expansion commitments within the framework of the concession agreements for Fortaleza, Porto Alegre, Lima, and Fraport Greece. In the 2017 fiscal year, financing from the European Investment Bank was secured for expansion commitments in Greece. This financing will be drawn as planned in the coming years in line with the capital expenditure measures. In Brazil, it is planned to finance the expansion commitments with a financing mix, consisting of the capital to be contributed in accordance with the concession agreement, operating cash flow and local financing sources in local currency. Similar to the situation in Brazil, it is also planned to finance the existing expansion commitments in Lima with a financing mix. This consists of shareholders' equity to be additionally contributed, operating cash flow and external financing. In contrast to Brazil, in connection with raising external financing, not only local sources are to be used, but also financing from the international banking and capital market should be taken into account.

Due to the effects on the consolidated statement of financial position as at December 31, 2017, the financing and liquidity analysis in the chapter titled "Asset and Financial Position" beginning on page 86 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 105.

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 is €924,687,040. It is divided into 92,468,704 no-par-value bearer shares. The company holds treasury shares (77,365 shares), which are offset from capital stock on the balance sheet. The issued capital stated in the commercial balance sheet as at December 31, 2017 and reduced by treasury shares is €923,913,390 (92,391,339 no-par-value bearer shares). There are no differing classes of shares. Additional information regarding the acquisition of treasury shares in accordance with Section 160 (1) no. 2 of the German Stock Corporation Act (AktG) can be found in Group note 31.

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 51.34% as at December 31, 2017. At that time, they were attributed as follows: State of Hesse 31.31% and Stadtwerke Frankfurt am Main Holding GmbH 20.03%. 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, 2017): Deutsche Lufthansa AG 8.44%, Lazard Asset Management LLC 5.05%, and BlackRock Inc. 3.12%. 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 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 23, 2017 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 (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 22, 2022 by issuing new shares in return for cash. The statutory subscription rights of the shareholders may be excluded. In 2017, a total of €342,850 of authorized capital was used for issuing shares within the scope of the employee investment plan. After assessing the operational and economic implications of this process, shares will no longer be issued to employees through use of the authorized capital beginning in fiscal year 2018. In the future, the shares required for this will be acquired on the market by the company.

Report on the relationships with affiliated companies

Due to the investments of 31.31% (previous year: 31.32%) held by the State of Hesse and 20.03% (previous year: 20.00%) held by Stadtwerke Frankfurt am Main Holding GmbH, 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 Governance as required by Section 315d of the HGB in conjunction with Section 289f of the 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 289f of the 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 as well as the Corporate Governance Report are published in the chapter “To Our Shareholders” and on the corporate website at www.fraport.com/corporategovernance.

Combined separate non-financial statement

The requirements for reporting non-financial information as laid out in the CSR Directive Implementation Act are met in the form of a separate non-financial report in accordance with Section 315b (3) of the HGB in conjunction with Section 298 (2) sentence 1 of the HGB. Pursuant to Section 298 (2) sentence 3 of the HGB it is layed out which information relates to the Fraport Group and which information only pertains to Fraport AG. In accordance with Section 315b (3) no. 2a of the HGB, the combined separate non-financial report is published together with the Group Management Report in accordance with Section 325 of the HGB. The combined separate non-financial report, which is not a part of the Group Management Report or the consolidated financial statement by the auditor, can be found in the eponymous chapter as well as on the Group’s website at www.fraport.com/responsibility.

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 (4) of the HGB can be found in the chapter titled “Risk and Opportunities Report” beginning on page 105 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 February 7, 2017. 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 fiscal year 2017

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 requirements of the GCGC, 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 refers to the amount of payments that result from the rewards in a fiscal year and also applies in relation to the remuneration components that were granted for previous fiscal years and have not yet been fully paid out. This is still relevant for fiscal year 2013.

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 Group 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 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. According to employment contracts extended in 2016 and 2017, the maximum amount of the bonus for Dr. Zieschang was raised to €785.0 thousand from April 1, 2017, for Mr. Müller to €714.0 thousand from October 1, 2017, and for Ms. Giesen to €714.0 thousand from January 1, 2018. 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 a 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 2017 to 2019, with a payout in 2020, 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 which extent the target has been met. Its decision is based on the results of the employee satisfaction barometer (an annual survey among employees of the Fraport Group) 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 operating companies of the Paris, Zürich, 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 contracts, 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 fiscal year 2017, 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.

For all performance shares allocated from the fiscal year 2014 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. 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.

Furthermore, for all LTIP performance share tranches allocated after December 31, 2013, maximum payment amounts have been defined, which amount 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 had not yet lasted at least 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 2017: Dr. Stefan Schulte €1,066.0 thousand (previous year: €529.7 thousand), Anke Giesen €811.3 thousand (previous year: €341.1 thousand), Michael Müller €669.0 thousand (previous year: €304.5 thousand), Peter Schmitz €0 (previous year: €51.2 thousand), Dr. Matthias Zieschang €811.3 thousand (previous year: €410.3 thousand).

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

Remuneration of the Executive Board 2017

In the tables below, the contributions, inflows, and pension-related expenses afforded 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)			
	2016	2017	2017 (Min)	2017 (Max)
Fixed salary	415.0	415.0	415.0	415.0
Ancillary benefits	36.0	20.1	20.1	20.1
Total	**451.0**	**435.1**	**435.1**	**435.1**
One-year variable remuneration (bonus)	783.3	841.1	–	870.1
Multiyear variable remuneration	–	–	–	–
Long-Term Strategy Award (3 years)	–	–	–	–
Tranche 2016 (1/1/2016 to 12/31/2018)	120.0	–	–	–
Tranche 2017 (1/1/2017 to 12/31/2019)	–	120.0	–	150.0
Long-Term Incentive Program (4 years)	–	–	–	–
Tranche 2016 (1/1/2016 to 12/31/2019)	458.1	–	–	–
Tranche 2017 (1/1/2017 to 12/31/2020)	–	443.5	–	810.0
Total	**1,812.4**	**1,839.7**	**435.1**	**2,265.2**
Pension-related expenses	492.0	528.5	528.5	528.5
Total remuneration	**2,304.4**	**2,368.2**	**963.6**	**2,793.7**

[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 2017 fiscal year and the addition to the bonus provision in 2017.
[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.
[6] According to the extended employment contracts there was a maximus bonus raise during 2017. For Dr. Zieschang the maximum bonus amounted to €541,406 until March 31, 2017 and €785.0 thousand beginning from April 1, 2017. For Mr. Müller the maximum bonus amounted €674,797 until September 30, 2017 and €714.0 thousand beginning from October 1, 2017.
[7] The bonus calculation took into account the differentt maximum amounts. (see also footnote 6).

Remuneration of the Executive Board (Inflows)

in € ´000	Dr. Stefan Schulte (Chairman of the Executive Board; Executive Director since April 15, 2003)	
	2016	2017
Fixed salary	415.0	415.0
Ancillary benefits	36.0	20.1
Total	**451.0**	**435.1**
One-year variable remuneration (bonus)	797.1	779.5
Multiyear variable remuneration	–	–
Long-Term Strategy Award (3 years)	–	–
Tranche 2013 (1/1/2013 to 12/31/2015)	60.0	–
Tranche 2014 (1/1/2014 to 12/31/2016)	–	60.0
Long-Term Incentive Program (4 years)	–	–
Tranche 2012 (1/1/2012 to 12/31/2015)	406.3	–
Tranche 2013 (1/1/2013 to 12/31/2016)	–	503.0
Total	**1,714.4**	**1,777.6**
Pension-related expenses	492.0	528.5
Total remuneration	**2,206.4**	**2,306.1**

[1] An offsetting of the remuneration in 2017 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 2017.
[2] The bonus includes the payments on account for fiscal year 2017 and the ex-post adjustment to the bonus for fiscal year 2016.

												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)**			
	2016	**2017**	**2017 (Min)**	**2017 (Max)**	**2016**	**2017**[7]	**2017 (Min)**	**2017 (Max)**[6]	**2016**	**2017**[7]	**2017 (Min)**	**2017 (Max)**[6]
	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	320.0	320.0	320.0	320.0
	31.6	26.6	26.6	26.6	31.7	31.2	31.2	31.2	46.6	43.3	43.3	43.3
	331.6	**326.6**	**326.6**	**326.6**	**331.7**	**331.2**	**331.2**	**331.2**	**366.6**	**363.3**	**363.3**	**363.3**
	552.9	593.7	–	674.8	552.9	593.7	–	714.0	541.4	625.2	–	785.0
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	90.0	–	–	–	90.0	–	–	–	90.0	–	–	–
	–	90.0	–	112.5	–	90.0	–	112.5	–	90.0	–	112.5
	–	–	–	–	–	–	–	–	–	–	–	–
	348.7	–	–	–	348.7	–	–	–	348.7	–	–	–
	–	337.6	–	616.5	–	337.6	–	616.5	–	337.6	–	616.5
	1,323.2	**1,347.9**	**326.6**	**1,730.4**	**1,323.3**	**1,352.5**	**331.2**	**1,774.2**	**1,346.7**	**1,416.1**	**363.3**	**1,877.3**
	134.8	141.3	141.3	141.3	121.6	122.9	122.9	122.9	341.1	365.6	365.6	365.6
	1,458.0	**1,489.2**	**467.9**	**1,871.7**	**1,444.9**	**1,475.4**	**454.1**	**1,897.1**	**1,687.8**	**1,781.7**	**728.9**	**2,242.9**

						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)**	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**[1]
	300.0	300.0	300.0	300.0	320.0	320.0
	31.6	26.6	31.7	31.2	46.6	43.3
	331.6	**326.6**	**331.7**	**331.2**	**366.6**	**363.3**
	562.7	550.2	534.5	550.2	544.5	554.6
	–	–	–	–	–	–
	–	–	–	–	–	–
	45.0	–	45.0	–	45.0	–
	–	45.0	–	45.0	–	45.0
	–	–	–	–	–	–
	231.9	–	141.3	–	309.2	–
	–	382.8	–	198.4	–	382.8
	1,171.2	**1,304.6**	**1,052.5**	**1,124.8**	**1,265.3**	**1,345.7**
	134.8	141.3	121.6	122.9	341.1	365.6
	1,306.0	**1,445.9**	**1,174.1**	**1,247.7**	**1,606.4**	**1,711.3**

Provisions for pensions and similar obligations

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

Pension obligations

in €'000	Obligation 31.12.2016	Change in 2017	Obligation 31.12.2017
Dr. Stefan Schulte	7,299	806	8,105
Anke Giesen	605	145	750
Michael Müller	569	137	706
Dr. Matthias Zieschang	3,583	489	4,072
Total	**12,056**	**1,577**	**13,633**

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 non-competition 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. Partial 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.

Furthermore, in fiscal year 2017, Mr. Schmitz received payments of €159.5 thousand for the LTIP 2013 tranche, and a payment of €10.0 thousand for the LSA 2014 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 the fiscal year 2017

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 Group note 55).

The following remuneration was paid to the individual members of the Supervisory Board for fiscal year 2017:

Remuneration of the Supervisory Board 2017

in € Supervisory Board Member		Fixed salary	Committee remuneration	Attendance fees	Total
Amier	Claudia	33,750.00	10,000.00	13,600.00	57,350.00
Arslan	Devrim	22,500.00	10,000.00	8,800.00	41,300.00
Becker	Uwe	22,500.00	10,000.00	12,800.00	45,300.00
Cicek	Hakan	22,500.00	5,000.00	8,800.00	36,300.00
Dahnke	Kathrin	22,500.00	5,000.00	8,800.00	36,300.00
Feldmann	Peter	22,500.00	10,000.00	8,800.00	41,300.00
Gerber	Peter	22,500.00	0.00	4,000.00	26,500.00
Haase	Dr. Margarete	45,000.00	10,000.00	12,000.00	67,000.00
Kaufmann	Frank-Peter	22,500.00	10,000.00	14,400.00	46,900.00
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	7,200.00	34,700.00
Özdemir	Mehmet	22,500.00	5,000.00	8,800.00	36,300.00
Prangenberg	Arno	22,500.00	5,000.00	10,400.00	37,900.00
Schaub	Gerold	33,750.00	10,000.00	10,400.00	54,150.00
Schmidt	Hans-Jürgen	22,500.00	5,000.00	10,400.00	37,900.00
Schmidt	Werner	22,500.00	10,000.00	11,200.00	43,700.00
Stejskal	Edgar	22,500.00	10,000.00	16,000.00	48,500.00
Weimar	Karlheinz	45,000.00	10,000.00	7,200.00	62,200.00
Windt	Prof. Dr. Katja	22,500.00	10,000.00	12,000.00	44,500.00
Total		**528,750.00**	**155,000.00**	**210,400.00**	**894,150.00**

Remuneration of the Economic Advisory Board in fiscal year 2017

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

A new passenger record was set at Frankfurt Airport in the past fiscal year with approximately 64.5 million travelers. The increase by 6.1% compared to the previous year is primarily attributable to increases in supply by airlines given the good macroeconomic development as well as the market entry of low-cost carriers at the Frankfurt site. The strong development of the global economy was also reflected in the cargo section in fiscal year 2017 with an increase by 3.8% to around 2.2 million metric tons. The Group airports of Fraport showed a uniformly positive development. Above all, tourist destinations in Europe such as Greece, Burgas, and Varna, but also investments in Lima and Xi'an in some case had double-digit growth rates. The airports in Antalya and St. Petersburg also grew significantly after a difficult 2016.

Financially, the Fraport Group had an overall positive performance in 2017. In addition to the passenger growth, positive factors at the Frankfurt site were the increase in airport charges, increased income from security services and higher proceeds in connection with the sale of land. Increased earnings from Ground Services as well as higher retail revenue also had a positive effect on revenue. Outside of Frankfurt, significant contributions to revenue growth came from Fraport Greece and the Group company Lima. While the Group result grew by 13.5% to €2,934.8 million, Group EBITDA declined compared to the previous year by 4.8% to €1,003.2 million due to the compensation payment received from the Manila project in the previous year as well as sales of shares in Thalita Trading Ltd. The negative financial result of –€136.9 million (previous year: –€112.3 million) led to a Group result of €359.7 million (–10.1%).

The positive Group-wide operating development increased free cash flow by €91.4 million to €393.1 million.

Due to the very good traffic development in Frankfurt and at the Group airports, the Executive Board describes the operational and financial development of the Fraport Group as positive overall in fiscal year 2017. With the take-over of operations of the airports in Fortaleza and Porto Alegre, Brazil, as at January 2, 2018 Fraport has had a good start to the fiscal year 2018 up to the date on which these consolidated financial statements were prepared.

Macroeconomic, Legal, and Industry-specific Conditions

Development of the macroeconomic conditions

In 2017, the global economy once again grew at a rate significantly above the expectations at the beginning of last year. At 4.7%, the growth rate of global trade rose above the forecasts.

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

Real changes compared to the previous year in %	2017	2016
World	+3.7	+3.2
Eurozone	+2.4	+1.8
Germany	+2.2	+1.9
USA	+2.3	+1.5
China	+6.8	+6.7
Japan	+1.8	+1.0
World trade	**+4.7**	**+2.5**

[1)] 2017 figures: Estimates based on International Monetary Fund (IMF, January 2018), German GDP: The Federal Statistical Office, Report (January 11, 2018).

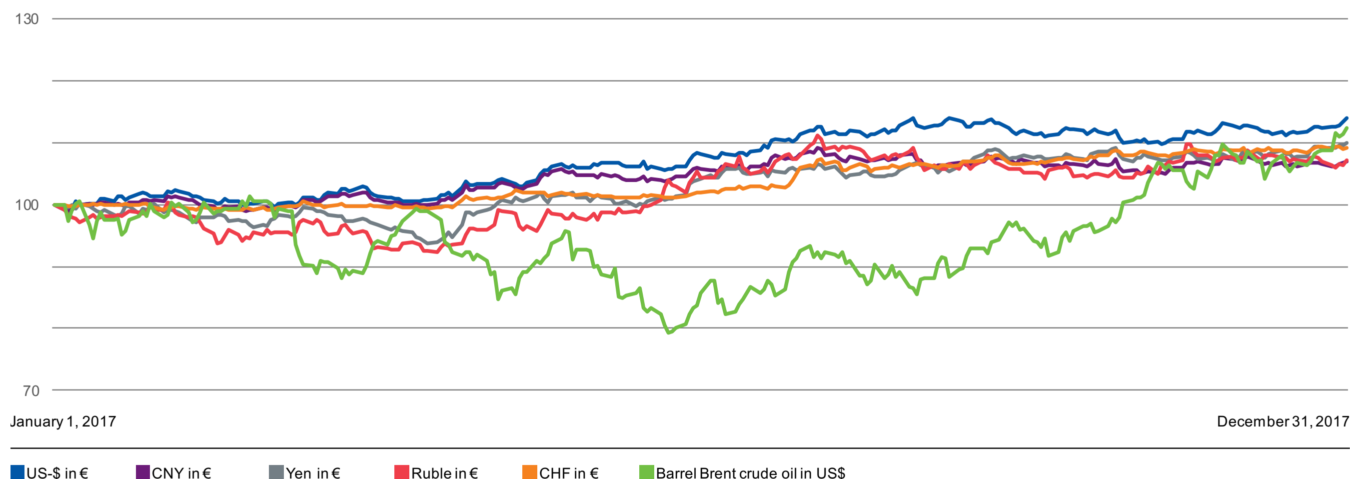
The global economy has been in an upturn since 2010, which can now be felt in most economies. The key driver of the positive development in 2017 was industrial production in advanced economies as well as in emerging markets. This was supported by the fact that a number of risks lost importance over the course of the year. For example, the long-feared growth slump in China did not eventuate and domestic demand proved to be robust. In Europe, although the Brexit vote led to a slowdown in economic activity in the United Kingdom, the recession did not spread to major British trading partners. In elections in the Netherlands, France, and Germany, political parties critical of Europe won fewer votes than had been feared, which will contribute to the stability of the European Union in the future. Global monetary policy as a whole is still expansionary, and interest rates in the Eurozone remain at a low level. Overall, expectations of both businesses and consumers thus rose more than expected and the momentum of global economic activity became firmly established. During the same period, global trade also gained momentum.

In addition to the Eurozone, Germany provided by far the greatest positive surprise in terms of economic development. Consumption increased more than expected due to an accelerated rise in employment. Among other things, this sparked increased travel activity, which was reflected in high passenger numbers compared to the previous year – including at Frankfurt Airport. Low interest rates, excellent corporate and consumer sentiment, and oil prices that remain relatively low compared to the long-term average are behind a high demand for air travel to the main volume markets for Frankfurt Airport, such as Europe, the USA, or China.

The global economy, which has recently been growing more dynamically, and reinvigorated global trade have given additional impetus to the German economy, which is aligned towards exports. As a result, German exports have improved significantly since the end of 2016 despite the dampening effect on demand that came from the appreciation of the euro against most other currencies. Consequently, there was high demand for air freight in Frankfurt.

Short-term interest rates have fallen further in the Eurozone over the past year. As a result, the average 6-month Euribor was negative at –0.26% (previous year: –0.17%). In the long-term segment, the average 10-year Euro swap rate rose from 0.53% to 0.81%. Fraport AG benefited from the interest rate situation, particularly with regard to short-term loans, and was also able to take on additional loans at attractive rates despite the slight rise in long-term interest rates that nonetheless remain at a low level.

Crude oil price and significant exchange rates 2017



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 industry-specific conditions

According to the preliminary figures from Airports Council International (ACI), global passenger traffic grew by 6.4% in fiscal year 2017. Air freight volume rose by 7.9%. European airports achieved above-average growth in passenger numbers at 8.5%. In air freight too, European airports developed above the total market at 8.7%. The passenger numbers at German airports grew by 5.2%. Cargo tonnage increased by 6.7%.

Passenger and cargo development by region

Changes compared to the previous year in %	Passengers 2017	Air freight 2017
Germany	+5.2	+6.7
Europe	+8.5	+8.7
North America	+3.5	+7.3
Latin America	+4.3	+5.4
Middle East	+4.7	+6.0
Asia-Pacific	+7.8	+8.5
Africa	+5.9	+12.4
World	**+6.4**	**+7.9**

Source: ACI Pax Flash and Freight Flash (ACI, February 14, 2018), ADV for Germany; cargo instead of air freight (ADV, February 5, 2018).

Significant Events

Fraport wins the tender for the Brazilian airports in Fortaleza and Porto Alegre

In a public bidding process by the Brazilian Government, Fraport was awarded the tender on March 16, 2017 to privatize the airports of Fortaleza and Porto Alegre. With a bid in the amount of 1,505.7 million reais for the Fortaleza Airport and 382.0 million reais for the Porto Alegre Airport, Fraport won out against international competition. Part of the required concession fee (715.5 million reais, or 718.7 million reais after being adjusted for inflation; approximately €181 million) had to be paid on July 28, 2017 – the day the concession agreements were signed. In addition, other minimum concession payments amounting to a total of 1,172.2 million reais (with adjustment for inflation; approximately €295 million as at December 31, 2017, dependent on future exchange rates) will be paid over the term of the concessions. In addition to the costs of acquiring the concession, Fraport must pay a commercial fee of five percent annually. The terms for the two concession agreements are 30 years for Fortaleza and 25 years for Porto Alegre. With a share of 100%, Fraport is the sole owner of the concessions for both airports. Currently, Fraport expects capital expenditure on the airport infrastructure of around €700 million, dependent on future exchange rates, in the first

five years. Fraport took over operation of the airports on January 2, 2018. The financial impact on the forecasted asset, financial, and earnings position of the Fraport Group for 2018 is described in the chapter “Business Outlook” starting on page 126.

Low-cost traffic continues to grow at Frankfurt Airport

Since the start of the summer flight schedule for 2017, the share of low-cost traffic at Frankfurt Airport has been growing. In addition to WOW Air, which has been operating out of Frankfurt since June 2016, Fraport now welcomes the Irish airline Ryanair and the Hungarian airline Wizz Air, which took up operations at the end of March and May 2017 respectively.

Fraport Greece takes over operations of 14 Greek regional airports

On April 11, 2017, Fraport Greece took over operations of 14 Greek regional airports. As at this date, Fraport AG and its partners paid the initial one-time fee in the amount of €1,234 million to the Greek national privatization fund, HRADF (Hellenic Republic Asset Development Fund). The financial impact on the asset, financial, and earnings position of the Fraport Group is described in the chapter “Economic Report” starting on page 75.

Fraport USA concession in Boston ended as at October 31, 2017

On April 13, 2017, Fraport USA lost the tender for the operation of the gastronomy and retail areas in all four terminals at Boston Logan International Airport. As a result, the concession at Boston Airport ended on October 31, 2017. This resulted in an extraordinary impairment loss for the concession in the amount of €8.6 million in the year under review.

Financing of the terminal operating concession in Antalya

The negotiations between the operating company of the terminal operating concession in Antalya and the banks regarding the operational use of the liquidity intended for the concession payment and the suspension of credit clauses (Waiver Letter; see Interim Release Q1 2017 starting on page 6) were completed in May 2017. The temporary technical breach of contract was thus retroactively remedied without the need for the financing banks to call in outstanding net loans. The operating company was able to secure new financing in August 2017. The previous financing was replaced and the reported risks no longer apply (see also 2016 Annual Report starting on page 87).

Agreement on cost savings and further growth between Lufthansa and Fraport

By means of the agreement signed on July 5, 2017 between Deutsche Lufthansa AG and Fraport AG pertaining to cost relief and in the interests of more growth at the Frankfurt site, potential measures to improve efficiency and reduce costs are to be pursued jointly by the two companies. To secure the competitiveness of Frankfurt Airport, Fraport decided against increasing airport charges for the 2018 fiscal year. The current charges regulation, including the incentive program therefore, will remain in effect.

Extension of concession agreement at Lima site

On July 25, 2017, the Group company Lima signed a new addendum to the concession agreement with the Peruvian government. With the signing of the addendum, the land required for the expansion of the airport was handed over to the company. This was accompanied by, among other things, a commitment to construct a new runway by the end of 2021 and a new passenger terminal by 2024. The expansion of the airport will likely require capital expenditure of approximately US$1.5 billion. In a separate agreement with the Peruvian government, the concession agreement was also extended for an additional ten years until 2041 (with extension option).

Fraport submits building application for Pier G

On August 16, 2017, Fraport submitted the building application to construct the new Pier G to the competent authorities of the City of Frankfurt am Main. By moving up the schedule for the construction of Pier G, Fraport is responding to passenger growth. The pier was originally planned for the second phase of construction of Terminal 3 but should now be completed and inaugurated earlier. The new pier will be fully integrated into Frankfurt Airport’s hub functionality. Pier G will provide an annual capacity of 4 to 5 million passengers in the first construction phase. In the construction project, Fraport AG anticipates capital expenditure of up to €200 million for the first phase. The start of construction for the new pier is scheduled for the second half of 2018.

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

In 2017, Frankfurt Airport set a new passenger record with approximately 64.5 million **passengers**. The numbers for the previous year were exceeded by around 3.7 million passengers (6.1%). Unlike in previous years, there were no significant cancellations due to strikes. Excluding weather-related cancellations and taking into account the leap day in the previous year, the growth rate would be 6.8%. Frankfurt Airport too was thus able to benefit from a record year for the entire global air traffic industry. A new record was set in passenger traffic in ten out of twelve months last year. A historic monthly high was set in July with almost 6.4 million passengers. This was caused in particular by growth in traffic to tourist-oriented destinations, which was higher than expected at the beginning of the past fiscal year.

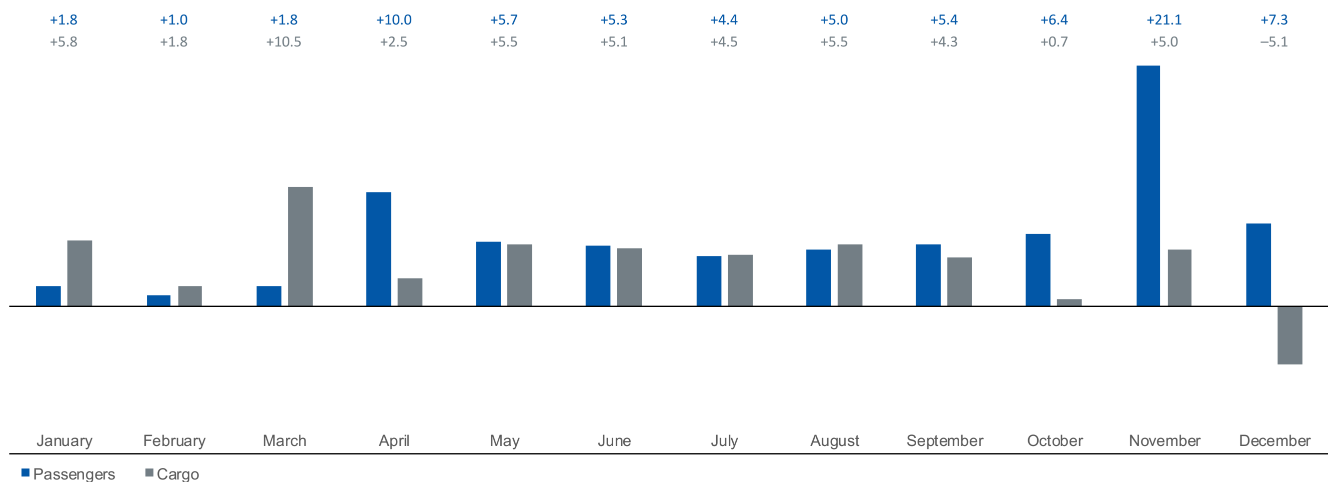
Drivers of growth were primarily **European traffic** (+7.4%), followed by **intercontinental traffic** (+4.9%) and **domestic traffic** (+4.5%). The southern and south-eastern European countries benefited from weak travel to Turkey as well as from significant – and in part early – expansion of services offered in the low-cost segment. In intercontinental traffic, the traffic regions of the Middle and Far East in addition to Africa reported significant growth. Unlike in the previous year, China, India, Japan, and South Korea contributed to a further increase in passenger numbers. At the same time, demand for holiday travel to North Africa recovered with double-digit growth rates. In the tourist market segment, the Caribbean, owing to limited bed capacity, was the only region that did not post growth. Domestically, traffic at medium-sized and smaller airports increased the most. In the fourth quarter, traffic to and from Berlin declined due to Air Berlin leaving the market.

In 2017, **cargo volume** increased by 3.8% to approximately 2.2 million metric tons. The economic upturn caused high demand for air freight. Like the economic forecasts, cargo prospects also improved over the course of the year. In particular, the North American volume market developed positively: After a decline in tonnage in the previous year, there was dynamic growth in transatlantic flights in 2017.

2017 saw a turnaround in the trend in the development of **aircraft movements** at Frankfurt Airport. After years of declining figures, there was significant growth of 2.7% for the first time with approximately 476,000 take-offs and landings. The tailwind was due to, among other things, the lack of strike-related cancellations. Overall, airlines responded to the increasing demand by expanding supply. In addition, the entry of low-cost carriers to the Frankfurt market provided more growth. Although **maximum take-off weights** also increased by 1.3% to approximately 30.1 million metric tons, they could not keep up with the development of aircraft movements, since airlines prefer lighter aircraft.

2017 passenger and cargo development at Frankfurt Airport

Percentage change compared to 2016 on monthly basis



Development outside the Frankfurt site

Traffic development at the Group sites

	Fraport share in %	Passengers[1]		Cargo (air freight + air mail in m. t.)		Movements	
		2017	Change in %	2017	Change in %	2017	Change in %
Frankfurt	100	64,500,386	+6.1	2,194,056	+3.8	475,537	+2.7
Ljubljana	100	1,683,045	+19.8	12,324	+18.7	34,467	+5.4
Fraport Greece[2]	73.4	27,582,575	+10.3	n.a.	n.a.	227,195	+11.7
Lima	70.01	20,607,443	+9.3	283,702	–1.4	186,826	+5.6
Twin Star	60	4,953,039	+8.4	14,529	+2.5	37,416	+4.8
Burgas	60	2,982,339	+3.6	14,300	+31.5	21,466	+2.8
Varna	60	1,970,700	+16.6	229	–93.0	15,950	+7.6
Antalya	51/50[3]	26,346,068	+38.5	n.a.	n.a.	156,909	+25.6
Hannover	30	5,870,104	+8.5	16,861	–11.0	75,256	–0.6
St. Petersburg	25	16,125,520	+21.6	n.a.	n.a.	152,280	+14.4
Xi'an	24.5	41,856,604	+13.1	259,883	+11.2	318,248	+9.7

[1] Commercial traffic only, in + out + transit.
[2] Take-over of operations on April 11, 2017.
[3] Share of voting rights: 51 %, dividend share: 50 %.

At **Ljubljana** Airport, passenger numbers in fiscal year 2017 were up 19.8% compared to the previous year at around 1.7 million. This growth was due to, on the one hand, the entry of new airlines and, on the other hand, a significant increase in capacity utilization by Adria Airways. While there were more passengers on routes to London Gatwick, Amsterdam, and Istanbul, passenger numbers decreased on routes to and from Frankfurt and Belgrade.

Lima Airport again recorded strong passenger growth by 9.3% to nearly 20.6 million in fiscal year 2017. Domestic traffic (+8.8%) as well as international traffic (+10.0%) grew in the reporting period. Cargo throughput was around 284 thousand metric tons. This figure was slightly below the previous year's level (–1.4%).

Fraport Greece welcomed approximately 27.6 million passengers (+10.3%) in the past fiscal year. The high growth rate resulted mainly from heavy traffic for foreign tourism and the rise of low-cost and package-deal travelers. In addition, Fraport Greece significantly expanded the operating hours of its airports, which increased the number of available slots.

The Bulgarian airports in **Varna** and **Burgas** served some 5.0 million passengers in the reporting period, thus around 8.4% more than the same period in the previous year. Travelers from the UK, Poland, and Germany, in particular, but also strong domestic traffic contributed to growth in traffic. However, the number of Russian passengers, mainly as a result of traffic increasing again between Russia and Turkey, was down.

At **Antalya** Airport, around 26.3 million passengers in fiscal year 2017 signified an increase of 38.5%. While the number of passengers traveling within Turkey increased by 5.0% to over 7.3 million, the number of international passengers fell significantly by 57.8% to around 19.0 million. The passenger growth was primarily due to travelers coming from Russia who had stayed away in the previous year because of the sanctions from the Russian government. Figures for travelers from Germany were down by 11.5% due to the geopolitical situation.

With nearly 5.9 million passengers, the **Hanover** site experienced an increase of 8.5% in the 2017 fiscal year. This growth was mainly attributable to the addition of new routes by Wizz Air and Norwegian as well as a higher overall aircraft capacity utilization. In addition, the negative development due to Air Berlin was almost fully compensated for by the growth of Eurowings. Traffic to Turkey also developed much better than expected.

With over 16.1 million travelers, passenger traffic at **St. Petersburg** Airport saw a 21.6% increase in the reporting period compared with the previous year. While international traffic increased significantly by 29% due to the economic recovery in Russia as well as the resumption of charter traffic in Turkey, domestic traffic also experienced a significant jump by 17.4%.

Xi'an Airport continued to show a dynamic development as passenger numbers increased by 13.1% to approximately 41.9 million. High-volume domestic traffic increased by 13.8% to approximately 39.9 million passengers, while international traffic rose only slightly by 2.1% to approximately 2.0 million passengers. There was a comparatively slight increase in international transport due to interim changes in the political environment in China with South Korea and Japan, among others.

Comparison with the forecasted development

Airport	2017	Forecast 2016 [adjustment during the year]	2016	Change form the previous year in %
Frankfurt	64,500,386	Passenger growth between 2% and 4% [growth of around 5%]	60,786,937	+6.1
Cargo in m. t.	2,194,056	Moderate increase [increase of up to 4%]	2,113,594	+3.8
Ljubljana	1,683,045	Growth in the low single-digit percentage range [growth in the low double-digit percentage range]	1,404,831	+19.8
Fraport Greece	27,582,575	Rise in passangers numbers of over 5 % [increase by approximately 10%]	25,008,965	+10.3
Lima	20,607,443	Significant growth in the high single-digit percentage range	18,844,534	+9.4
Twin Star	4,953,039	Growth in the single-digit percentage range [growth rate of just over 5%]	4,568,478	+8.4
Antalya	26,346,068	Growth in the low double-digit percentage range [significant double-digit passenger growth]	19,027,504	+38.5
Hanover	5,870,104	Growth in the low single-digit percentage range	5,408,814	+8.5
St. Petersburg	16,125,520	Slight recovery [growth in the double-digit percentage range]	13,265,037	+21.6
Xi'an	41,856,604	Growth in the mid single-digit percentage range [growth in the low double-digit percentage range]	36,996,728	+13.1

The Group's Results of Operations

Group revenue increased by 13.5% in fiscal year 2017 to €2,934.8 million (+€348.6 million). In addition to the passenger growth, positive factors at the Frankfurt site were the increase in airport charges by an average of 1.9% as at January 1, 2017, increased income from security services and higher proceeds in connection with the sale of land (2017: €22.9 million compared to 2016: €14.6 million). Increased earnings from Ground Services (+€8.1 million) as well as higher retail revenue (+€5.5 million) also had a positive effect on revenue. Outside of Frankfurt, significant contributions to revenue growth came from Fraport Greece (+€234.9 million) and the Group companies Lima (+€19.9 million) and Fraport Slovenija (+€5.7 million). Revenue included €41.7 million in connection with the application of IFRIC 12 (previous year: €19.9 million). Adjusted for revenue from IFRIC 12, Group revenue increased by €326.8 million to €2,893.1 million (+12.7%).

The decrease in **other operating income** resulted from the compensation payment of €241.2 million received in the previous year from the Manila Project as well as the gain from the sale of shares in Thalita Trading Ltd. amounting to €40.1 million, which significantly increased other operating income for 2016. The **total revenue** was €3,010.4 million (+1.9%).

Personnel expenses increased in the past fiscal year by 2.5% (+€26.2 million) to €1,092.9 million. In particular, the increase was due to the take-over of operation of the Greek regional airports (+€25.7 million), higher wages at Fraport AG (+€17.7 million) and at the Group company FraSec (+€6.5 million) as well as higher expenditures due to traffic volumes at the Group company FraGround (+€8.8 million). In contrast, the addition to the provision for the staff restructuring program at Fraport AG was lower by €28.3 million compared to the previous year, which reduced expenses.

Cost of materials increased from €621.9 million to €720.4 million (+15.8%) primarily due to the take-over of operation of the Greek regional airports (+€74.2 million), increased concession fees as a result of traffic volumes from the Group company Lima (+€10.4 million), higher expenses in connection with security services at the Group company FraSec (+€4.0 million), and due to higher expenses associated with increased revenue from sales of land (+€3.5 million).

Compared to the previous year, **other operating expenses** decreased by 8.4%. In particular, these were negatively impacted in an amount of €42.4 million in fiscal year 2016 by the repayment obligation resulting from the GKA payment already received in connection with the compensation payment from the Manila project. Higher expenses from Fraport Greece (+€17.0 million) had the opposite effect.

Operating expenses (cost of materials, personnel expenses, and other operating expenses) amounting to €2,007.2 million were €106.9 million higher than in the previous year (+5.6%). Start-up costs of €12.3 million led to an increase in expenses within the scope of preparations for the operational take-overs of the airports in Fortaleza and Porto Alegre. Group expenses included €41.7 million in connection with the application of IFRIC 12 (previous year: €19.9 million). Adjusted for expenses from IFRIC 12, Group expenses increased by €85.1 million to €1,965.5 million (+4.5%).

EBITDA decreased by €50.9 million to €1,003.2 million (–4.8%) primarily due to lower other operating income. Relative to Group revenue, this meant that there was an **EBITDA margin** of 34.2% (previous year: 40.8%).

At €360.2 million, **depreciation and amortization** was below the previous year's level (–€0.2 million). Higher depreciation and amortization, in particular in connection with Fraport Greece, (+€32.5 million) stood in contrast to lower depreciation and amortization expense due to the impairment of goodwill of the Group company FraSec recognized in the previous year (–€22.4 million). Correspondingly, **Group EBIT** reached €643.0 million (–7.3%).

The cause of the deterioration of the negative **financial result** (from –€112.3 million to –€136.9 million) was due primarily to the worse interest result because of interest expenses related to financing the one-off payment as well as the compounding of concession liabilities within the scope of the take-over of the operation of the Greek regional airports (+€49.2 million). A positive effect came from improved earnings from companies accounted for using the equity method, which developed positively mainly as a result of the Group companies Antalya (+€31.8 million) and Xi'an (+€2.2 million). The other financial result, including the early repayment of the project financing of the Group company Lima, had a negative effect (–€10.2 million).

Group EBT decreased from €75.3 million to €506.1 million (–13.0%). At an expected tax rate of 28.9% (previous year: 31.1%) and income tax expense of €146.4 million (previous year: €181.1 million), the **Group result** was €359.7 million (–10.1%). This resulted in **basic earnings per share** of €3.57 (previous year: €4.07).

Comparison with the forecasted development

€ million	2017	Forecast 2016 [adjustment during the year]	2016	Change from the previous year	Change from the previous year in %
Revenue	2,934.8	Up to about €2.9 billion	2,586.2	+348.6	+13.5
Expenses adjusted by IFRIC 12	1,965.5	Slight decrease	1,880.4	+85.1	+4.5
EBITDA	1,003.2	Of between around €980 million and approximately €1,020 million [start-up costs in regard with Fortaleza and Porto Alegre of up to €15 million]	1,054.1	–50.9	–4.8
Depreciation and amortization	360.2	Slightly higher	360.4	–0.2	–0.1
EBIT	643.0	Of about €610 million to around €650 million	693.7	–50.7	–7.3
Financial result	–136.9	Noticeable deterioration	-112.3	–24.6	–
EBT	506.1	Between approximately €450 million and about €490 million	581.4	–75.3	–13.0
Group result	359.7	Between around €310 and about €350 million	400.3	–40.6	–10.1
Dividend per share in €	1.50	At least stable	1.50	0.0	0.0

Contrary to the forecast in 2016, expenses adjusted by IFRIC 12 increased slightly. This is due to, among other things, higher personnel expenses as a result of the increased provision for the staff restructuring program based on shifts of individual options within the package of measures as well as the start-up costs associated with the Group companies Fortaleza and Porto Alegre. Due to the operational take-over of 14 Greek regional airports on April 11, 2017, which occurred later than forecast, Group depreciation and amortization did not increase as forecasted but rather remained constant. EBT and the Group result were slightly above the forecasted ranges due to the significantly stronger recovery of the Group company Antalya, which is accounted for using the equity method.

Additional key figures developed in line with forecasts.

Results of Operations for Segments

Aviation

€ million	2017	2016	Change	Change in %
Revenue	954.1	910.2	+43.9	+4.8
Personnel expenses	329.5	326.6	+2.9	+0.9
Cost of materials	48.9	40.9	+8.0	+19.6
EBITDA	249.5	217.9	+31.6	+14.5
Depreciation and amortization	117.8	147.5	–29.7	–20.1
EBIT	131.7	70.4	+61.3	+87.1
Average number of employees	5,881	6,048	–167	–2.8

Revenue in the Aviation segment increased by 4.8% to €954.1 million (+€43.9 million). In addition to the passenger growth, positive factors at the Frankfurt site were the increase in airport charges as at January 1, 2017 by an average of 1.9% as well as higher revenue from security services.

The segment's personnel expenses increased slightly by €2.9 million to €329.5 million (+0.9%). Additional personnel expenses resulted, in particular, in connection with higher wages at Fraport AG (+€3.7 million) and at the Group company FraSec (+€6.5 million). In contrast, lower additions to the provision for the staff restructuring program had a reducing effect (–€6.4 million). Increased expenses associated with capital expenditure (+€2.7 million) as well as higher expenses related to security services (+€4.0 million) increased the segment's cost of materials to €48.9 million (+€8.0 million). In total, non-staff costs increased by 7.0% to €93.8 million.

EBITDA was up by €31.6 million on the previous year, at €249.5 million (+14.5%). Significantly lower depreciation and amortization – due to the impairment of goodwill of the Group company FraSec in the amount of €22.4 million – led to a segment EBIT of €131.7 million (+€61.3 million).

Retail & Real Estate

€ million	2017	2016	Change	Change in %
Revenue	521.7	493.9	+27.8	+5.6
Personnel expenses	53.6	53.2	+0.4	+0.8
Cost of materials	150.7	145.3	+5.4	+3.7
EBITDA	377.5	368.0	+9.5	+2.6
Depreciation and amortization	83.7	84.4	–0.7	–0.8
EBIT	293.8	283.6	+10.2	+3.6
Average number of employees	651	645	+6	+0.9

At €521.7 million, revenue in the Retail and Real Estate segment was 5.6% above the previous year's value (+€27.8 million). The positive revenue development was due to higher proceeds from the sale of land (2017: €22.9 million compared to 2016: €14.6 million). In addition, passenger growth had a positive effect on retail revenue (+€5.4 million) – this included additional advertising revenue amounting to €2.5 million – as well as on parking revenue (+€5.3 million). The net retail revenue per passenger deceased by 3.4% to €3.37 compared to the previous year (previous year: €3.49). In addition to the depreciation of various currencies against the euro, which led to reduced purchasing power, the reasons for this decrease also included changes to the passenger mix and a disproportionate increase in passenger numbers on European routes. Other income decreased by €3.3 million, primarily as a result of allowances on accounts receivable released in the previous year.

Cost of materials increased slightly by €5.4 million to €150.7 million and operating expenses by €3.1 million to €40.0 million in connection, among other things, with the increased proceeds from the sale of land (+€3.5 million) as well as expenses in connection with capital expenditure (+€3.5 million). There was almost no change in personnel expenses at €53.6 million (+0.8%), which led to an EBITDA of €377.5 million (+2.6%). With depreciation and amortization unchanged, segment EBIT stood at €293.8 million (+€10.2 million).

Ground Handling

€ million	2017	2016	Change	Change in %
Revenue	641.9	630.4	+11.5	+1.8
Personnel expenses	431.0	435.7	–4.7	–1.1
Cost of materials	51.6	52.3	–0.7	–1.3
EBITDA	51.4	34.7	+16.7	+48.1
Depreciation and amortization	39.8	40.2	–0.4	–1.0
EBIT	11.6	–5.5	+17.1	–
Average number of employees	8,600	8,649	–49	–0.6

In the reporting period, revenue from the Ground Handling segment was slightly above the previous year's level (+1.8%) at €641.9 million. This is mainly due to increased revenue from ground services (+8.1%) due to traffic growth at the Frankfurt site.

While personnel expenses at Fraport AG declined mainly as a result of lower additions to the provision for the staff restructuring program (–€14.4 million), personnel expenses increased in particular at the Group company FraGround due to traffic volumes (+€8.8 million). In total, personnel expenses in the segment decreased to €431.1 million (–1.1%). Cost of materials and other operating expenses changed only slightly compared to the previous year to €51.6 million (–€0.7 million) and €20.1 million (–€0.6 million), respectively.

Correspondingly, EBITDA increased to €51.4 million (+€16.7 million). With depreciation and amortization (–€0.4 million) virtually unchanged, segment EBIT stood at €11.6 million (+€17.1 million).

International Activities & Services

€ million	2017	2016	Change	Change in %
Revenue	817.1	551.7	+265.4	+48.1
Personnel expenses	278.7	251.2	+27.5	+10.9
Cost of materials	469.3	383.4	+85.9	+22.4
EBITDA	324.8	433.5	–108.7	–25.1
Depreciation and amortization	118.9	88.3	+30.6	+34.7
EBIT	205.9	345.2	–139.3	–40.4
Average number of employees	5,541	4,980	561	+11.3

Revenue in the International Activities & Services segment grew significantly by €265.4 million on the previous year to reach €817.1 million (+48.1%). Revenue development was mainly driven by Fraport Greece (+€234.9 million), the Group company Lima (+€19.9 million), and the Group company Fraport Slovenija (+€5.7 million). Revenue included €41.7 million in connection with the application of IFRIC 12 (previous year: €19.9 million). The segment's other income decreased significantly due to the compensation payment received in the previous year from the Manila Project (–€241.2 million) as well as the gain from the sale of shares in Thalita Trading Ltd. (–€40.1 million).

The take-over of operation of the Greek regional airports increased personnel expenses (+€25.7 million), cost of materials (€74.2 million), and other operating expenses (€17.0 million). In addition, there were higher traffic-related concession payments in the Group company Lima (+€10.4 million) and higher non-staff expenses in the service units at the Frankfurt site. Due to the Group companies Fortaleza and Porto Alegre, start-up costs – without corresponding revenue – amounting to €12.3 million were incurred in the past fiscal year, which also increased segment expenses. The repayment obligation from the previous year resulting from the GKA payment already received in connection with the compensation payment from the Manila project (–€42.4 million) in 2016 led to a reduction in expenses. Segment expenses included €41.7 million in connection with the application of IFRIC 12 (previous year: €19.9 million).

EBITDA decreased by €108.7 million to €324.8 million (–25.1%) primarily due to lower other income. Higher depreciation and amortization, in particular in connection with Fraport Greece (+€32.5 million) led to segment EBIT of €205.9 million (–€139.3 million).

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

Fully consolidated Group Companies	Share in %	Revenue in € million[1]			EBITDA in € million			EBIT in € million			Result in € million		
		2017	2016	Δ %	2017	2016	Δ %	2017	2016	Δ %	2017	2016	Δ %
Fraport USA Inc.	100	61.8	62.9	–1.7	13.0	12.0	+8.3	–1.6	–3.4	–	–3.9	–0.6	–
Fraport Slovenija	100	41.7	36.0	+15.8	15.6	14.5	+7.6	5.9	4.4	+34.1	5.3	2.0	> 100
Fraport Greece[2]	73.4	234.9	–	–	117.4	–	–	84.9	–	–	13.5	–	–
Lima	70.01	325.6	305.7	+6.5	120.0	110.8	+8.3	103.4	92.8	+11.4	54.4	53.5	+1.7
Twin Star	60	67.5	63.8	+5.8	39.6	40.8	–2.9	28.0	29.2	–4.1	20.8	21.3	–2.3

Group companies accounted for using the equity method	Share in %	Revenue in € million			EBITDA in € million			EBIT in € million			Result in € million		
		2017	2016	Δ %	2017	2016	Δ %	2017	2016	Δ %	2017	2016	Δ %
Antalya[3]	51/50	260.2	180.9	+43.8	222.6	141.1	+57.8	114.1	32.5	> 100	31.4	–32.2	–
Hanover	30	156.5	147.6	+6.0	26.3	28.9	–9.0	6.1	8.8	–30.7	2.3	2.8	–17.9
Pulkovo/Thalita	25	258.2	194.0	+33.1	147.4	105.7	+39.5	107.3	71.4	+50.3	–29.9	–0.8	–
Xi'an[4]	24.5	231.2	213.4	+8.3	90.3	97.1	–7.0	41.6	45.6	–8.8	37.3	30.4	+22.7

[1] Revenue adjusted by IFRIC 12: Lima 2017: €306.9 million (2016: €285.7 million); Fraport Greece 2017: €211.8 million.
[2] Take-over of operations on April 11, 2017.
[3] Share of voting rights: 51%, dividend share: 50 %.
[4] Figures according to the separate financial statement.

The Group company **Fraport USA** generated revenue amounting to €61.8 million in the 2017 fiscal year. Despite traffic increases at all sites, this was €1.1 million below the previous year's level due to currency effects. EBITDA of €13.0 million and a level of depreciation and amortization lower by a total of €0.7 million led to EBIT of –€1.6 million. Negative tax effects led to a result of –€3.6 million compared to the previous year.

With significantly growing passenger numbers, the Group company **Fraport Slovenija** reported revenue of €41.7 million, EBITDA of €15.6 million, EBIT of €5.9 million and a result of €5.3 million in the past fiscal year.

The 14 Greek regional airports, for which the Group took over operations on April 11, 2017, collectively referred to as **Fraport Greece**, contributed revenue of €234.9 million, EBITDA of €117.4 million and EBIT of €84.9 million, driven by strong passenger development. Despite interest expenses related to financing the one-off payment as well as the compounding of the concession liability, the Group company's result was positive at €13.5 million.

Helped by strong traffic development, the Group company **Lima** realized significant growth in revenue, EBITDA, EBIT, and result in 2017, with increases of €19.9 million, €9.2 million, €10.6 million, and €0.9 million, respectively.

The Group company **Twin Star** generated revenue growth of €3.7 million to reach €67.5 million in the past fiscal year. As a result of one-off effects from the previous year (release of provision) as well as higher personnel expenses, EBITDA and EBIT each decreased by €1.2 million and the result decreased by €0.5 million.

Owing to the significantly higher passenger volume in international traffic, the Group company **Antalya**, which is accounted for using the equity method, saw a steep increase in result figures in 2017. The Group company's result of €31.4 million was €63.6 million above the previous year's figure.

The good traffic development at the Group company **Hanover** had a positive impact on revenue (+6.0%). EBITDA and EBIT deteriorated due to higher non-staff costs. The result of the 30% stake was €2.3 million.

The Group company **Pulkovo/Thalita** posted an increase in revenue from €194.0 million to €258.2 million (+33.1%) in the year under review based on passenger growth. The EBITDA and EBIT values were also well above those of the previous year at 39.5% and 50.3%, respectively. The result deteriorated from –€0.8 million to –€29.9 million due to negative exchange rate effects in 2017.

The positive traffic development at the Group company **Xi’an** led to an increase in revenue of 8.3% in 2017. The company EBITDA deteriorated in comparison to the previous year due to a disproportionate increase in expenses. At €37.3 million, the result grew by €6.9 million (+22.7%). Offsetting the increase in traffic, the translation of the Chinese currency into euros had the effect of decreasing the result.

Comparison with the forecasted development

Aviation in € million	2017	Forecast 2016 [adjustment during the year]	2016	Change from the previous year	Change from the previous year in %
Revenue	954.1	Growth in revenue of over 2%	910.2	+43.9	+4.8
EBITDA	249.5	Noticeably above the level reported in 2016	217.9	+31.6	+14.5
EBIT	131.7	Well above the previous year´s level	70.4	+61.3	+87.1

Retail & Real Estate in € million	2017	Forecast 2016 [adjustment during the year]	2016		
Revenue	521.7	Slight increase in revenue	493.9	+27.8	+5.6
EBITDA	377.5	Slightly above the previous year´s level	368.0	+9.5	+2.6
EBIT	293.8	Slightly above the previous year´s level	283.6	+10.2	+3.6

Ground Handling in € million	2017	Forecast 2016 [adjustment during the year]	2016		
Revenue	641.9	Slight rise in revenue	630.4	+11.5	+1.8
EBITDA	51.4	Well above the previous year	34.7	+16.7	+48.1
EBIT	11.6	Noticeable increase	–5.5	+17.1	–

International Activities & Services in € million	2017	Forecast 2016 [adjustment during the year]	2016		
Revenue	817.1	Revenue of up to about €800 million	551.7	+265.4	+48.1
EBITDA	324.8	Fall to around €330 million [start-up costs of up to €15 million in regard with Fortaleza and Porto Alegre]	433.5	–108.7	–25.1
EBIT	205.9	Fall to around €210 million	345.2	–139.3	–40.4

The segment key figures developed in line with the forecast from 2016.

Asset and Financial Position

Asset and capital structure

In comparison to the 2016 balance sheet date, the **total assets** of the Fraport Group as at December 31, 2017 were significantly above the level of the previous year at €10,832.4 million (+22.1%).

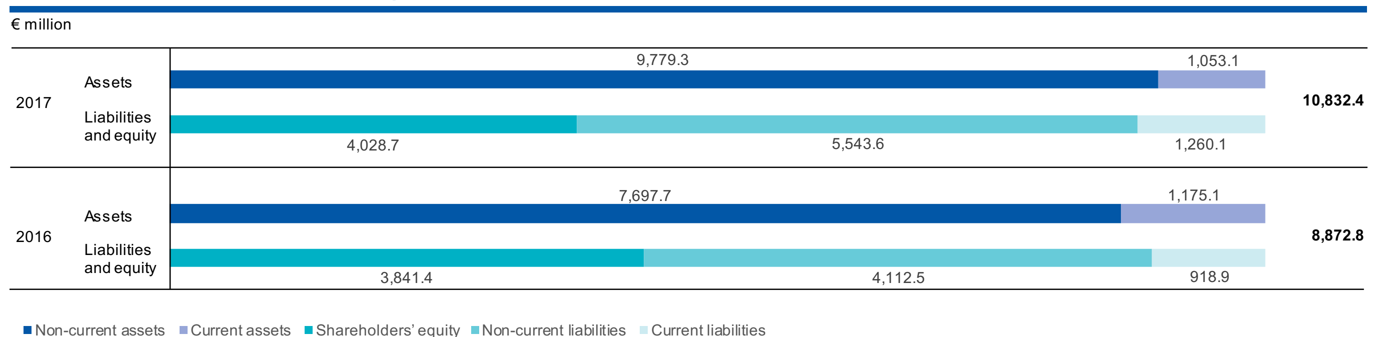
Non-current assets increased by €2,081.6 million to €9,779.3 million primarily due to higher investments in airport operating projects in connection with the take-over of operations of the Greek regional airports. These included the one-off payment made, capitalized minimum concession payments, and capital expenditure on the infrastructure of the airports. The acquisition costs of the concessions for Fortaleza Airport and Porto Alegre Airport led to an increase in capital expenditure on airport operating projects. **Current assets** decreased – despite an increase in trade accounts receivable as at the balance sheet date – primarily due to a decline in cash and cash equivalents from the financing of Fraport Greece to €1,053.1 million (–10.4%).

Despite the distribution of profits for the past fiscal year, **shareholders' equity** rose in 2017 from €3,841.4 million to €4,028.7 million (+4.9%). This increase is mainly due to the positive Group result and the capital contribution by the minority shareholder of Fraport Greece. After deducting the "non-controlling interests" item in the amount of €160.6 million and the profit earmarked for distribution of €138.7 million, the **shareholders' equity ratio** reached 34.4% as at December 31, 2017, falling short of the level of 40.6% as at December 31, 2016 by 6.2 percentage points.

Non-current liabilities increased significantly due to higher financial liabilities and other liabilities by €1,431.1 million to €5,543.6 million (+34.8%). **Current liabilities** rose noticeably from €918.9 million to €1,260.1 million (+37.1%). This was also primarily due to an increase in financial liabilities and other liabilities. The current and non-current liabilities particularly increased as part of the financing of concession liabilities of Fraport Greece and in connection with the Group companies Fortaleza and Porto Alegre.

The **Group's liquidity** decreased as at December 31, 2017 primarily due to cash outflows in connection with the acquisitions in Greece and Brazil by €228.9 million to €1,018.6 million (previous year: €1,247.5 million). In contrast, current and non-current financial liabilities increased by €927.6 million to a total of €4,531.0 million (previous year: €3,603.4 million), which resulted primarily from the project financing in Greece. This led to a €1,156.5 million increase in **net financial debt** to €3,512.4 million (previous year: €2,355.9 million) and a **gearing ratio** of 94.2% (previous year: 65.4%), which increased by 28.8 percentage points, in particular as a result of higher debt.

Structure of the consolidated financial position as at December 31



Additions to non-current assets

In the 2017 reporting period, additions to non-current assets in the Fraport Group amounted to €2,591.1 million (previous year: €376.6 million). The main driver of this increase was capital expenditure on "airport operating projects" in the amount of €2,197.9 million (previous year: €32.2 million). Additions to "property, plant, and equipment" in the past fiscal year were €287.1 million (previous year: €266.9 million), and additions to "financial assets" were €96.6 million (previous year: €70.6 million), €9.0 million related to the item "other intangible assets" (previous year: €6.2 million) and €0.2 million to "investment property" (previous year: €0.7 million). The capitalization of interest expenses relating to construction work amounted to €20.4 million (previous year: €18.8 million).

Additions relating to the "airport operating projects" concerned Fraport Greece in the amount of €1,763.1 and the Group companies Fortaleza and Porto Alegre in the amount of €388.6 million. The additions included the respective capitalized airport concessions, the capitalized minimum concession payments as well as the capital expenditure on the infrastructure of the airports.

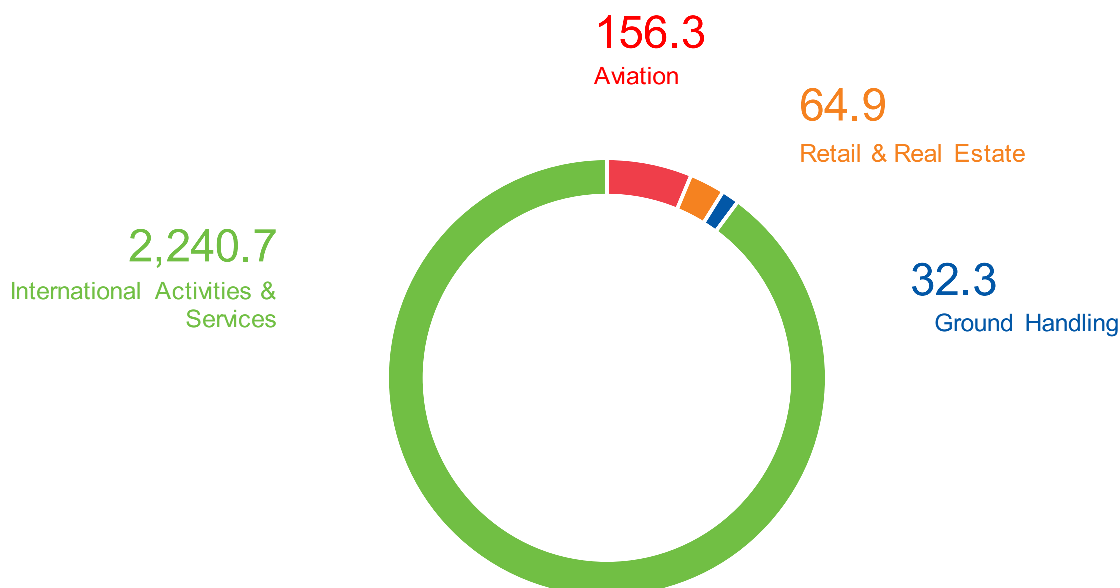
At Fraport AG, the additions to non-current assets amounted to €279.0 million (2016: €254.1 million). The focus of the additions to property, plant, and equipment was modernization and maintenance measures amounting to €158.8 million, capacity-generating capital expenditure on the Expansion South project of around €103.0 million, primarily relating to Terminal 3 at the Frankfurt site, as well as capacity-enhancing measures of €17.2 million, such as Pier C in Terminal 1.

Additions to non-current financial assets of €96.9 million resulted in particular from the positive contribution to earnings from the Group company Antalya, which is accounted for using the equity method, from the first-time recognition of shares in the Group company Frankfurt Airport Retail and from securities.

The additions to airport operating projects; property, plant, and equipment; intangible assets; and investment property are attributed to the individual segments as follows:

Share in Group result by site

in millions



Capital expenditure amounting to €156.3 million (previous year: €126.5 million), which was attributed to the **Aviation** segment, particularly concerned the ongoing construction work in connection with the Expansion South project as well as the renovation of the runways at Frankfurt Airport.

In fiscal year 2017, the **Retail & Real Estate** segment recorded capital expenditure amounting to €64.9 million (previous year: €62.4 million), which was primarily due to capacity-expanding measures within the framework of the Expansion South project.

The **Ground Handling** segment recorded additions amounting to €32.3 million (previous year: €36.9 million). In addition to capital expenditure in connection with the Expansion South project, these also had to do with the modernization measures for existing facilities.

In the **International Activities & Services** segment, additions to non-current assets amounted to €2,240.7 million (last year: €80.2 million). Additions result primarily from the aforementioned capitalized airport concessions, the capitalized minimum concession payments as well as the capital expenditure on airport infrastructure in connection with Fraport Greece as well as the Group companies Fortaleza and Porto Alegre.

The concession agreements in Greece, Brazil, and Lima include expansion and extension commitments on airport infrastructure. Additional information can be found in the chapter titled “Finance Management” starting on page 64, as well as in the chapters titled “Business Outlook” and “Medium-term Outlook” starting on page 126.

Fair values

Differences between the carrying amounts and fair values may arise for assets and liabilities that are not valued at fair value in the Fraport consolidated financial statements. For an overview of the valuation methods used for significant balance sheet items, see Group note 4.

Investments in airport concessions make up approximately 95% of the intangible assets in non-current assets. While their carrying amount results from amortized acquisition costs and primarily depends on the amount of the determined acquisition costs and term of the respective concession agreements as basis of the regular depreciation and amortization, the fair value of the investments in airport concessions is primarily driven by the development of traffic volume and passenger numbers at the concession airports and the resulting cash flows.

Property, plant, and equipment of the Fraport group is mainly made up of land/buildings (approximately 56%) and technical equipment and machinery (approximately 25%) of Fraport AG. While the fair value of land is derived from standard land values (see also Group note 21), the fair value of airport infrastructure (buildings, technical equipment, and machinery) is determined in reference to the corresponding replacement costs.

The fair value of investment property (see also Group note 22) is based on the standard land value (land) or capitalized income value (buildings). The fair value of land designated as land for sale in the inventories (see also Group note 28) are also based on standard land values.

For information on the fair values of derivative and non-derivative financial instruments see Group note 40.

Statement of cash flows

At €790.7 million, the **cash flow from operating activities (operating cash flow)** in the past fiscal year was significantly higher than the previous year by €207.5 million (+35.6%). Compared to the previous year, this increase was due primarily to the significant improvement of the operating activities based on the operating contribution of Fraport Greece as well as the positive operational development at the Frankfurt site.

Cash flow used in investing activities without investments in cash deposits and securities amounted to €1,869.2 million, a significant increase of €1,828.1 million compared to the figure in fiscal year 2016. This is mainly due to the one-off payment of approximately €1.2 billion at the beginning of the take-over of operations of the Greek regional airports as well as the acquisition costs for the concessions of the airports in Fortaleza and Porto Alegre of approximately €181 million, which increased investments in airport operating projects. The distributed dividends of the previous year of the Group company Antalya, which is accounted for using the equity method, as well as one-off effects in connection with the compensation payment as part of the Manila Project and the sale of shares in Thalita Trading Ltd. had a counter-rotating effect.

Correspondingly, the increase in the operating cash flow led to a significantly higher **free cash flow** of €393.1 million (previous year: €301.7 million). Taking into account investments in and proceeds from securities and promissory note loans as well as payments from time deposits, the overall **cash flow used in investing activities** was €1,604.5 million (previous year: cash outflow of €22.2 million).

As a result of new financial liabilities from the financing of Fraport Greece and the Group companies Fortaleza and Porto Alegre, as well as the capital contributions from non-controlling interests in connection with Fraport Greece, there was a **cash inflow from financing activities** of €879.7 million as at December 31, 2017 (previous year: cash outflow of 347.6 million).

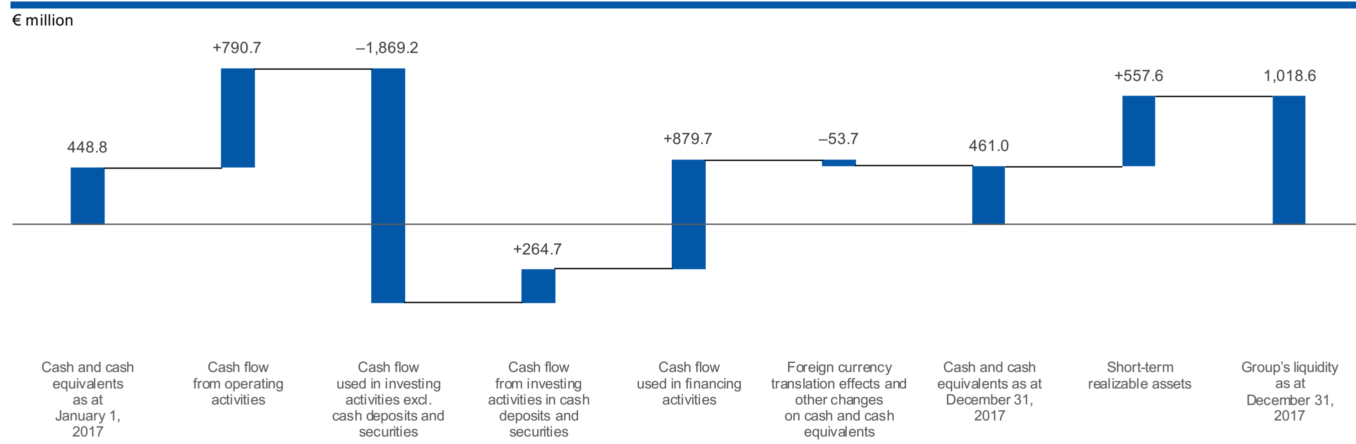
Taking into account exchange rate fluctuations and other changes, Fraport reported cash and cash equivalents based on the statement of cash flows of €461.0 million as at the 2017 balance sheet date (previous year: €448.8 million).

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, 2017	December 31, 2016
Bank and cash balances	185.4	208.2
Time deposits with a remaining term of less than three months	275.6	240.6
Cash and cash equivalents as at the consolidated statement of cash flows	**461.0**	**448.8**
Time deposits with a remaining term of more than three months	112.6	263.9
Restricted cash	55.8	23.3
Cash and cash equivalents as at the consolidated statement of financial position	**629.4**	**736.0**

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



Financing analysis

In 2017, the finance management of the Fraport Group 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, there was a balanced mix of financing consisting of bilateral loans (23.0%), bonds (21.0%), loan financing from public loan institutions (15.2%), project financing (18.0%), and promissory note loans (22.8%).

To reduce interest rate risks from borrowing with floating interest rates, in the past interest rate hedging transactions were concluded in some cases. The nominal volume relating to this was €550 million at the end of the year, which was down by €205 million (–27%). Overall, the financial liabilities had an average remaining term of 4.4 years with an average interest maturity of 4.0 years. Taking into account interest rate hedging transactions, the floating rate portion of the gross debt of Fraport AG was approximately 20.5%, and the fixed portion approximately 79.5% (floating rate portion in previous year: approximately 23%, fixed portion: approximately 77%). The cost of debt after interest rate hedging measures was approximately 2.8% (previous year: 3.1%).

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 schemes. No analysis or calculation of the financial debt structure and liquidity at segment level is carried out.

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

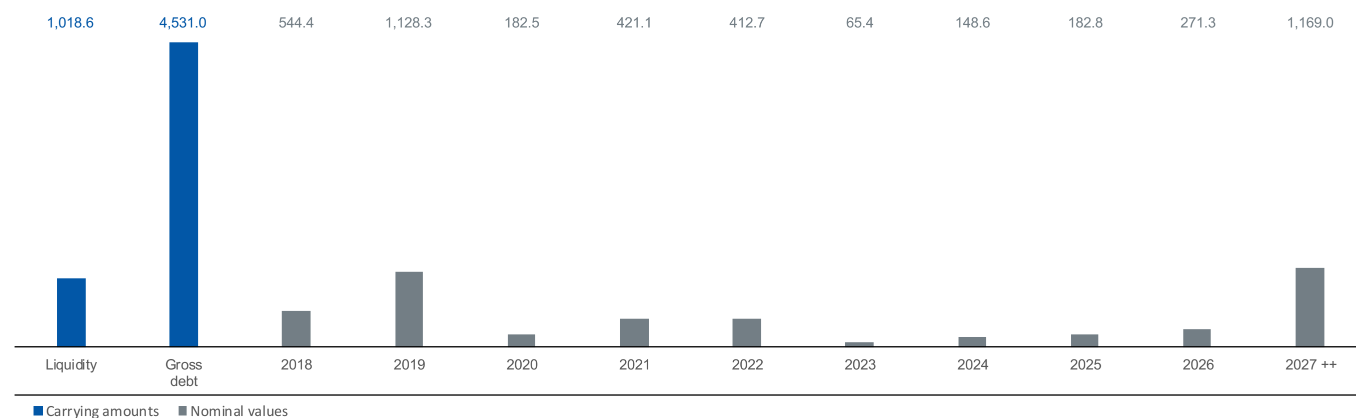
Financing type	Year of origin	Nominal volume in € million	Maturity	Repayment structure	Interest	Interest rate
Promissory note loans	2012	235	2020	end of term	fixed	2.42 %
			2022			2.90 %
			2030			4.00 %
	2012	60	2020	end of term	fixed	2.74 % p. a.
			2022			3.06 % p. a.
	2013	50	2028	end of term	fixed	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.
	2017	135	2025	end of term	fixed	1.395 % p.a.
			2027			1.81 % p.a.
	2017	150	2024	end of term	fixed	1.086 % p.a.
			2027			1.609 % p.a.
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 - 2017	1,038.8	2018 – 2028	mainly end of term	mainly fixed	0,76 % – 5,08 % p.a.
Project financing (fully consolidated foreign group companies)	2017	815.8	2034 – 2041	ongoing repayments during the term	mainly fixed	4,5 % – 6,0 % p.a.

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, in particular in Greece, 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 leverage and credit terms 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 2017.

The maturity profile of the Fraport Group's financial debt showed a largely 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, 2017



Liquidity in the fully consolidated foreign Group companies was €523.8 million (previous year: €467.1 million). As it is partly subject to drawing restrictions arising from the 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 2017 fiscal year. The key characteristics of Fraport AG's investment instruments in terms of type, remaining term, and interest structure are presented in the following table:

Asset structure of Fraport AG

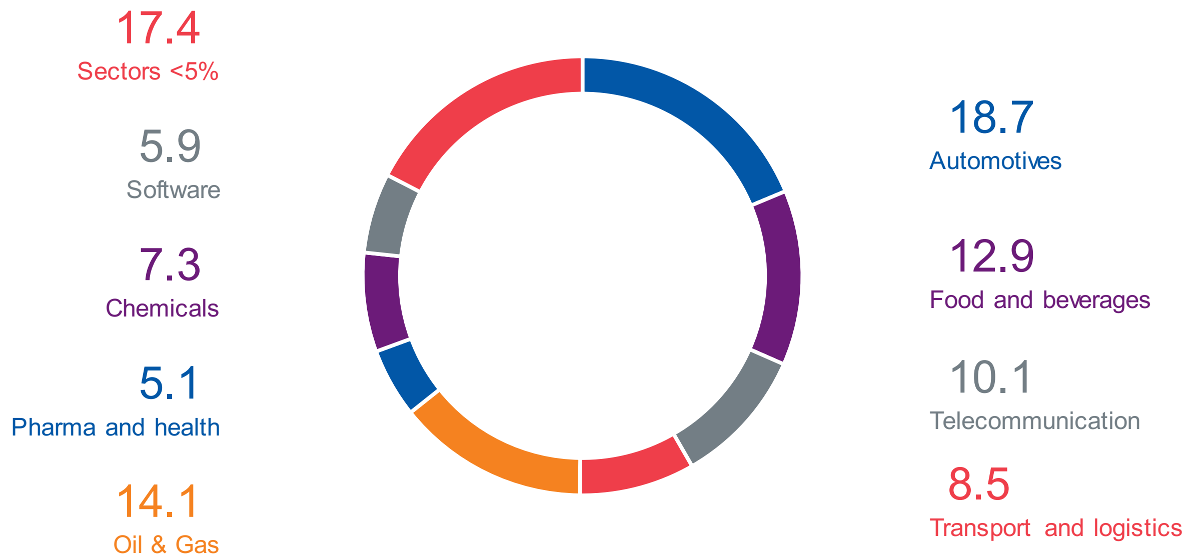
Investment type	Market value in € million[1)]	Average remaining term in years	Interest
Promissory note loans	25.0	0.7	floating
	3.5	2.9	fixed
Overnight funds	0.0	0.0	fixed
Time deposits	93.3	0.5	fixed
	0.0	0.0	floating
Bonds	69.3	1.2	floating
	291.1	2.5	fixed
thereof governmental	0.0	0.0	fixed
thereof financials	37.2	1.3	floating
	67.1	1.1	fixed
thereof insurances	6.5	0.2	fixed
thereof industrials	32.2	1.0	floating
	217.4	2.8	fixed
Commercial paper	0.0	0.0	fixed

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

As at December 31, 2017, industrial promissory note loans and industrial bonds were distributed across the following industry sectors (market value: €278.1 million):

Allocation of industrial assets

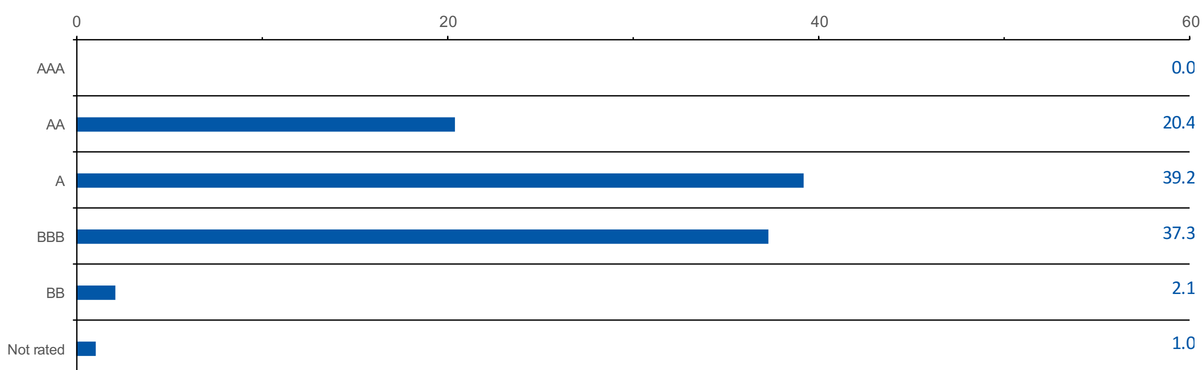
in %



The ratings of all investments used in asset management are presented in the graphic.

Rating structure of assets

in %



As at the balance sheet date, rated (99.0%) and non-rated assets (1.0%) were in the industrial portfolio.

The cost of carry, which is calculated using a (tiered statement) maturity-matching principle, was –0.33% (–€1.6 million) as at December 31, 2017, which means a positive contribution was achieved in Asset Management.

As at the balance sheet date, the Fraport Group had unused credit lines amounting to €758.0 million (previous year: €580.4 million) available, €276.4 million of which has, however, been earmarked for future capital expenditure on infrastructure.

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

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	2017	Forecast 2016 [adjustment during the year]	2016	Change from the previous year	Change from the previous year in %
Capital expenditure in property, plant, and equipment	287.1	At about or slightly above previous year´s level	266.9	+20.2	+7.6
Operating cash flow	790.7	Noticeably above previous year	583.2	+207.5	+35.6
Free cash flow	393.1	At or slightly below the previous year´s level	301.7	+91.4	+30.3
Net financial debt	3,512.4	Significant increase of about €900 million [increase of approximately €1.2 billion]	2,355.9	+1,156.5	+49.1
Gearing ratio (%)	94.2	Significant increase	65.4	+28.8 PP	–
Group’s liquidity	1,018.6	Significant fall	1,247.5	–228.9	–18.3
Shareholders’ equity	4,028.7	10% higher than the previous year	3,841.4	+187.3	+4.9
Shareholders’ equity ratio (%)	34.4	Slightly below the previous year´s level	40.6	–6.2 PP	–

The good operating development in Frankfurt as well as at the Group sites led to a significant rise in operating cash flow, and as a result – contrary to the forecast from 2016 – to a significant increase in free cash flow. Due to the slightly lower increase in shareholders’ equity by 4.9%, the shareholders’ equity ratio dropped significantly by 6.2 percentage points to 34.4%.

The additional key figures developed in line with the forecast from 2016.

Value Management

Development of the value added

€ million	Fraport Group		Aviation		Retail & Real Estate		Ground Handling		International Activities & Services	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Adjusted EBIT[1]	696.6	691.0	131.8	70.4	292.8	283.1	16.4	–3.4	255.6	340.9
Fraport assets	6,965.8	6,069.2	2,683.8	2,463.9	1,891.1	1,903.1	574.2	604.4	1,816.8	1,097.9
Costs of capital before taxes	466.7	522.0	179.8	211.9	126.7	163.7	38.5	52.0	121.7	94.4
Value added before taxes	229.9	169.1	–48.0	–141.5	166.1	119.4	–22.1	–55.4	133.9	246.4
ROFRA in %	10.0	11.4	4.9	2.9	15.5	14.9	2.9	–0.6	14.1	31.0

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

In fiscal year 2017, the value added of the Fraport Group increased significantly by €60.8 million to €229.9 million (previous year: €169.1 million). This increase is due to lower capital costs, which resulted from the reduction of the WACC from 8.6% to 6.7% as well as the operational take-over of the Greek regional airports and the recovery of the Group company Antalya, which is accounted for using the equity method. This was offset by the absence of one-off effects that boosted Group EBIT in the previous year from the sale of shares in Thalita Trading Ltd. and the compensation payment from the Manila Project. The value added of the Aviation segment improved significantly from –€141.5 million to –€48.0 million, though it still remained negative. As well as from the effect from the cost of capital, this improvement resulted from the unscheduled full depreciation and amortization of goodwill of the Group company FraSec in the previous year. In the Retail & Real Estate segment, the value added was also significantly influenced by the changed cost of capital. In addition, the improved segment EBIT led to an increase in the value added from €119.4 million to €166.1 million. The negative value added of the Ground Handling segment rose in part due to positive traffic effects from –€55.4 million to –€22.1 million. The value added of the International Activities & Services segment decreased from €246.4 million to €133.9 million. This was due to the absence of the aforementioned one-off effects in the previous year. The take-over of operations of the Greek regional airports as well as the strong recovery of the Group company Antalya, which is accounted for using the equity method, made a positive contribution.

The Fraport Group's ROFRA decreased from 11.4% to 10.0% primarily due to the one-off effects in the previous year.

Comparison with the forecasted development

	2017	Forecast 2016 [adjustment during the year]	2016	Change from the previous year	Change from the previous year in %
Group value added	229.9	At the same level as the previous year or slightly higher	169.1	+60.8	+36.0
ROFRA (%)	10.0	Slightly below the previous year´s level	11.4	–1.4 PP	–
Value added Aviation	–48.0	Improvement but still in negative territory	–141.5	+93.5	–
Value added Retail & Real Estate	166.1	Improvement in the middle double-digit million € range	119.4	+46.7	+39.1
Value added Ground Handling	–22.1	Above the value for 2016, but still in negative territory	–55.4	+33.3	–
Value added International Activities & Services	133.9	Significant reduction, but still in positive territory	246.4	–112.5	–45.7

The Group value added developed significantly better than forecasted due to Group-wide good operating development. The value added in the Aviation segment significantly increased compared to the forecast in 2016 additionally thanks to good development of the passenger numbers in Frankfurt.

The value added in the Retail & Real Estate, Ground Handling, and International Activities & Services segments, as well as ROFRA developed in line with the forecast in 2016.

Non-financial Performance Indicators

Customer satisfaction and product quality

Global satisfaction of passengers

The global satisfaction of passengers at the Frankfurt site was 85% in 2017, three percentage points above the level of the previous year (previous year: 82%). This level of 85% was reached in all four quarters (previous year: Q1 81%, Q2 82%, Q3 83%, and Q4 82%). Numerous service and infrastructure measures within the scope of the service program "Great to have you here!" had a very positive impact on individual satisfaction criteria. The various ways to pass the time until departure were also rated positively. In particular, the assessment of the terminals' cleanliness improved significantly.

At the Antalya site, customer satisfaction was 5.4 percentage points higher than the previous year's figure at 79.4% (previous year: 74.0%). Continued strong passenger growth at Lima Airport resulted in the level of satisfied passengers declining to 82.0% (previous survey: 96.0%). The high capacity utilization of terminals and infrastructure had a negative effect on passenger satisfaction. At the airports in Varna and Burgas, the satisfaction level, in line with the previous year, was nearly 97%. At 64, the number of complaints in Ljubljana declined slightly in 2017 with significant passenger growth (previous year: 72 complaints).

Baggage connectivity

In the past fiscal year, baggage connectivity at the Frankfurt site amounted to 98.5% and was therefore 0.2 percentage points below the previous year's figure. In particular, delayed flights, poor weather conditions and an IT malfunction in December 2017 had a negative impact on the loading of baggage on time. In the first quarter of 2017, connectivity declined by 0.3 percentage points (98.8% compared to 99.1% in the first quarter of 2016). The levels in the second and third quarter of 2017 remained virtually unchanged at 98.6% and 98.4% (Q2 2016: 98.7% and Q3 2016: 98.5%). At 98.2%, the level in the fourth quarter was 0.4 percentage points below the same period of the previous year (98.6%).

Punctuality rate

The punctuality of aircraft movements at the Frankfurt Airport (74.1%) was below the level of the previous year (2016: 79.5%). In addition to increased unfavorable weather-related delays throughout the year, the punctuality rate was negatively affected by late arriving flights and other reasons attributable to the airlines, which were not included in the 2016 forecast. The first quarter of the year had a relatively high punctuality rate of 80.5% (Q1 2016: 83.4%). In the second and third quarters, overall punctuality was below the previous year's rate (Q2: 75.3%, Q3: 68.5%, Q2 previous year: 77.8%, Q3 previous year: 78.1%). At 73.3%, the punctuality rate in the last quarter was also down compared to the previous year (79.3%).

Equipment availability rate

In the full year 2017, the equipment availability rate at the terminal facilities in Frankfurt was 97.1% (previous year: 96.7%). With an average availability of 92.6%, substantial closures due to construction activities had a negative effect on the availability of the Skyline train in 2017. Without such construction sites, availability would have been 99.8%.

Attractive and responsible employer

Employee satisfaction

The average grade for satisfaction by the employees of the Fraport Group was in the past fiscal year at 2.87 and therefore slightly better than the previous year's figure of 2.91. Employee satisfaction improved at Fraport AG as well as the vast majority of Group companies. The response rate was slightly above the level of the previous year at 52% (previous year: 49%).

Women in management positions

In the 2017 fiscal year, the proportion of women in management positions at the first and second level directly below Fraport's Executive Board was 28.0% in Germany (previous year: 30.5%). The decrease of the share was caused by organizational changes as well as the vacancy of management positions as at December 31, 2017, that had been held by women before.

Occupational health and safety

Sickness rate

In the 2017 fiscal year, the sickness rate declined by 0.4 percentage points to 7.5% (previous year: 7.9%). The sickness rate particularly improved at Fraport AG and the Group companies FraSec and FraGround, which both have a large number of employees. The sickness rate deteriorated slightly, however, at the Group companies Fraport Slovenija and FraCareServices.

Rate per 1,000 employees

While the total number of accidents declined significantly (–136 accidents), there were 554 reportable accidents at work in the year under review, which translated to an increase of 34 reportable accidents at work (previous year: 520). In the Ground Handling segment, in particular, more accidents occurred due to weather conditions at the beginning of the fiscal year 2017. As a result, based on the total Group workforce, the rate per 1,000 employees was 25.5 (previous year: 24.3; as a result of late submissions, there may be changes to the figures reported for the previous year).

Climate protection

CO_2 emissions

In the past fiscal year, CO_2 emissions amounted to approximately 209,668 metric tons of CO_2, and were thus 8.2% lower than in the previous year (previous year: 228,389 metric tons of CO_2). The drop in emissions is due to energy savings from the ongoing programs to improve energy efficiency as well as improvements in environmental quality of the types of energy used, also called emission factors.

Comparison with the forecasted development

Indicators	2017	Forecast 2016 [adjustment during the year]	2016	Change from the previous year
Global satisfaction (Frankfurt) in %	85	At least 80 %	82	+3 PP
Baggage connectivity (Frankfurt) in %	98.5	Better than 98.5 %	98.7	–0.2 PP
Punctuality rate (Frankfurt) in %	74.1	Approximately unchanged at a high level	79.5	–5.4 PP
Equipment availability rate (Frankfurt) in %	97.1	Significantly above 90 %	96.7	+0.4 PP
Employee satisfaction[1]	2.87	Remain at the level of over 3.0	2.91	+0.04
Women in management positions (Germany) in %[2]	28.0	–	30.5	–2.5 PP
Sickness rate in %[2]	7.5	–	7.9	–0.4 PP
Rate per 1,000 employees[3]	25.5	Confirmation of the low level of 2015	24.3	+1.2
CO_2-Emissions in m.t.[2), 4)]	209,668	–	228,389	–8.2 %

[1] This includes Fraport AG and 12 Group companies at the Frankfurt site as well as the Group companies Twin Star and Fraport Slovenija.
[2] Establishment as non-financial key performance indicator for full year 2017, first-time forecast for 2018.
[3] Figures as as at the reporting date December 31, 2017 and December 31, 2016, respectively. As a result of late submissions, there may be changes to the figures.
[4] As a result of subsequent verifications, there may be changes to the figures.

Explanations for the changes in the values compared to the forecast in 2016 for baggage connectivity, punctuality rate, and rate per 1,000 employees can be found in the preceding chapter titled “Non-financial performance indicators”. Further non-financial performance indicators developed as forecasted.

Employees

Development of employees in the Group

Average number of employees	2017	2016	Change	Change in %
Fraport Group	20,673	20,322	+351	+1.7
thereof Fraport AG	10,204	10,487	–283	–2.7
thereof Group companies	10,470	9,835	+635	+6.5
thereof in Germany	18,120	18,333	–213	–1.2
thereof abroad	2,553	1,989	+564	+28.4

Compared with the same period of the previous year, the average number of employees in the Fraport Group (excluding apprentices and employees on leave) increased to 20,673 in fiscal year 2017 (previous year: 20,322). At Fraport AG, the headcount (–283 employees) was lower, partly as a result of an increased fluctuation in connection with the staff restructuring program initiated in fiscal year 2016. Increased passenger numbers in Frankfurt resulted in the need for more manpower at the Group companies FraGround (+81 employees) and FraCareServices (+32 employees).

Outside of Germany, the headcount increased primarily due to the take-over of the operation of the Greek regional airports (+486 employees) as well as due to the first-time recognition of the new Group companies Fortaleza and Porto Alegre (+25 and +12 employees, respectively).

With regard to permanent employees, the staff turnover rate of 8.3% in the past year was below the rate of 9.4% in the previous fiscal year. This decrease was caused by fewer employees leaving the Group coupled with an increase in the number of new employees, especially due to Fraport Greece.

Development of employees in the segments

Average number of employees	2017	2016	Change	Change in %
Aviation	5,881	6,048	–167	–2.8
Retail & Real Estate	651	645	+6	+0.9
Ground Handling	8,600	8,649	–49	–0.6
International Activities & Services	5,541	4,980	+561	+11.3

While the Aviation segment in the past fiscal year had a lower number of employees, primarily due to a decline in the number of persons employed at the Group company FraSec (–79 employees) and Fraport AG (–62 employees), the number of employees in the Retail & Real Estate segment remained virtually unchanged (+6 employees). In the Ground Handling segment, the number of employees declined in particular due to fewer workers in the strategic business unit of Ground Services at Fraport AG (–175 employees), partly as a result of the staff restructuring program. In the International Activities & Services segment, the number of employees increased in the reporting period in particular due to Fraport Greece (+486 employees) and the new Group companies Fortaleza and Porto Alegre (+25 and +12 employees, respectively).

Development of total employees in the Group

Total employees as at the reporting date	December 31, 2017	December 31, 2016	Change	Change in %
Fraport Group	24,598	22,650	+1,948	+8.6
thereof Fraport AG	10,747	11,164	–417	–3.7
thereof Group companies	13,851	11,486	+2,365	+20.6
thereof in Germany	21,732	20,555	+1,177	+5.7
thereof abroad	2,866	2,095	+771	+36.8

Compared with the previous year's 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, 2017 increased from 22,650 to 24,598 (+1,948 employees). The increase is due in particular to the first-time inclusion of the joint venture Frankfurt Airport Retail (+789 employees) as well as the Group companies FraGround (+306 employees) and FraSec (+159 employees). Outside of Germany, the headcount increased, among other reasons, due to Fraport Greece (+405 employees) and the Group companies Fortaleza and Porto Alegre (+159 and +91 employees, respectively).

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 increased slightly in fiscal year 2017 to 25.0% (previous year: 24.2%). The average age of the Group's workforce rose slightly from 43.5 years to 43.6 years. The percentage of employees with foreign citizenship (excluding German citizens with an immigration background) was 24.6% (previous year: 20.5%). The percentage of persons with major disabilities reached 7.9% on a Group-wide basis (previous year: 8.3%).

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 service group, Fraport does not conduct research and development in the narrowest sense. Nevertheless, a small amount of development costs are capitalized from internally generated intangible assets, such as software. This mainly applies to software related to the operation of the baggage transfer system at Frankfurt Airport, which is developed in the "Information and Telecommunication" service unit (see also Group note 4 and note 20).

In addition, Fraport has set up a two-tracked approach to use all of its potential: The idea management system brings together employee creativity while innovation management enables the targeted development of projects with external partners (see also the chapter titled "Risk and Opportunities Report" starting on page 105).

Once again in the past fiscal year, an “ideas day” was organized by the idea management team. Overall, 596 ideas were submitted in the reporting year and 81 ideas implemented (previous year: 689 ideas, 45 implementations). Fraport has set the goal of generating an economic benefit of at least €300,000 per year. In the 2017 fiscal year, the economic benefit was €557,133 (previous year: €389,242).

In 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, and further increase the appeal of the Frankfurt site. In the autumn of 2017, the first four-week test drive of a self-driving shuttle for employee transportation was successfully carried out. In addition, particularly in the area of passenger information, innovations in robotics and artificial intelligence are being tested for further use (see also the chapter titled “Risk and Opportunities Report” starting on page 105).

Environment

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 on the environment from airport operations is reduced.

The measures that Fraport starts and implements are wide-ranging. In this respect, important topics are bundled and the measures taken are monitored using targets and achievement levels. These issues include, among other things, climate, nature, and resource protection. The measures in the area of climate protection are measured in particular with reference to the CO_2 emissions of the Group (see also the chapter titled “Control” starting on page 58 and the chapter titled “Non-financial Performance Indicators” starting on page 95). With regard to nature and resource protection, Fraport has set a goal, among other things, of providing all environmentally relevant fully consolidated Group companies with a certified environmental management system.

Climate, nature, and resource protection

The management activities at Fraport AG mainly deal with the emissions the company is directly responsible for, but it also looks at emissions that it is only indirectly connected to and which it can therefore only indirectly influence. Measures to reduce energy consumption at Frankfurt Airport mainly concern improvements in the energy efficiency of buildings, equipment, and processes. This includes optimizing the 80-km-long baggage transfer system. For the vehicle fleet and the aircraft handling equipment, the specialist departments assess the opportunities to use alternative forms of propulsion, in particular electricity, as an alternative to gasoline and diesel.

As transport hubs, airports make intensive use of resources. Environmental management systems enable the Group to run its processes and activities in the most environmentally sound manner possible. At the end of the past fiscal year, 89.3% of the fully consolidated environmentally relevant Group companies were equipped with such a system.

Society

Noise abatement

At the Frankfurt site, a distinction is made between active and passive noise abatement.

In active noise abatement, noise is reduced directly at the source or by implementing noise-reducing operating concepts and take-off or landing procedures. An example of this is the “ground based augmentation system” (GBAS), which is a navigation system that allows for more efficiency and more noise-reducing approach procedures. The aim is to further increase the rate of use of the GBAS. The development of the noise-dependent charging system serves active noise abatement, as the use of low-noise aircraft is rewarded by comparatively more favorable rates of charges. Since May 2016, the so-called noise absence model has been applied at night for the operating direction west. This means that early in the morning (5-6 a.m.) and late in the evening (10-11 p.m.), individual runways are alternately not used. The “DROps Early Morning” procedure (Dedicated Runway Operations) is used in the operating direction east. The alternating use of runways in the comparatively off-peak hours is intended to extend the nighttime quiet period by one hour.

An alliance for a noise emission ceiling was voted for in 2017 as an additional new voluntary measure. It should help to ensure that the noise exposure at Frankfurt Airport during the day does not increase as much as would be permitted under the zoning decision, despite growth in aircraft movements. If the limit is exceeded, Fraport AG and the airlines are obliged to review noise reduction measures. If the limit is repeatedly exceeded, any of the parties involved can take action outside of the alliance.

Passive noise abatement measures are intended to reduce the noise level inside buildings by way of structural modifications. Around Frankfurt Airport, Fraport AG has legal obligations to take measures in around 86,000 households. Damage repeatedly occurred on roofs in the direct vicinity of Frankfurt Airport in the past and wake turbulences from landing aircraft could not be ruled out as a cause. As a result, the Hessian Ministry of Economics, Energy, Transport and Regional Development issued supplemental planning zoning decisions on May 10, 2013 and May 26, 2014. These regulate the requirements for protecting roof coverings on buildings against wind gusts caused by wake turbulences and clarify the relevant prerequisites. The decisions defined an eligible area with approximately 6,000 buildings.

Value creation statement

Airports are important business locations and contribute directly and indirectly to economic and social value creation. Frankfurt Airport, for example, with almost 81,000 direct employees, is the largest local 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 the largest cargo airport 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 creation. The company’s direct value creation includes expenses for personnel, capital expenditure, taxes, interest, and dividends to its shareholders. Over the past fiscal year, corporate performance (gross value added) amounted to approximately €3.1 billion. The net value added amounted to around €2.2 billion. The Fraport Group’s indirect value creation includes consumption by airport employees and companies located at each airport, which also have their own value chain and employment effects and thus directly and indirectly make a contribution to the positive economic development of their respective regions.

More information on Fraport’s environmental and social commitment can be found in the chapter titled “Combined Separate Non-Financial Report” starting on page 25 and on the company website at www.fraport.com/responsibility.

Share and Investor Relations

Development of the share 2017

The German equity markets showed a clearly positive development in 2017. At 12,918 points, Germany's benchmark DAX closed 12.5% higher in the reporting period than the 2016 fiscal year's closing price. The MDAX also posted a strong rise by 18.1% to 26,201 points. The positive development of both indices started at the beginning of the year. As early as the first quarter of 2017, the DAX and MDAX gained 7.2% and 7.7%, respectively. The rally on the German stock exchange continued in the second quarter of 2017. Above all, the positive economic conditions in Europe as well as the robust development of the German domestic and export markets led to a further improvement in the general mood. The low interest rates in the Eurozone as well as the favorable financing conditions continued to support this positive trend. The two indices also showed positive growth in the third quarter. The DAX rose by 4.1% and the MDAX by 6.3% in this period. Their growth flattened slightly in the fourth quarter. The DAX finished the year at 12,918 points, which was 12.5% higher than the previous year. The MDAX was up 18.1% and finished the year at 26,201 points.

Within this positive market environment, the Fraport share performed significantly better than the German benchmark indices with a closing price of €91.86 (previous year: €56.17). After a price increase of 18.1% in the first quarter of the past fiscal year, the share price once again jumped significantly by 16.5% to €77.30 in the second quarter and was at €80.34 (+3.9%) in the third quarter. At the end of 2017, the share price reached a new all-time high of €91.86. Cumulatively, the increase in the share's value in fiscal year 2017 was €35.69 (+63.5%) or, taking into account the dividend payment of €1.50 per share, €37.19 (+66.2%). The main drivers behind the good stock performance were, in particular, the increased passenger growth and expectations at the Frankfurt site as well as the Group-wide traffic development. The growth of international business with the successful take-over of the Greek regional airports, winning the concessions for the two Brazilian airports, and the significant recovery in the development of Antalya were well received, leading ultimately to better estimates by analysts.

The Fraport share had a market capitalization of €8.5 billion at the year-end (previous year: €5.2 billion). The share was thus, based on market capitalization, the 15th largest stock among the 50 MDAX shares (previous year: 23rd place). Measured by traded stock market turnover (XETRA), the Fraport share was ranked 14th among the MDAX stocks (previous year: 30th place). With an average of 173,015 shares traded daily, the share's trading volume was virtually unchanged year-on-year (previous year: 173,666).

Fraport share

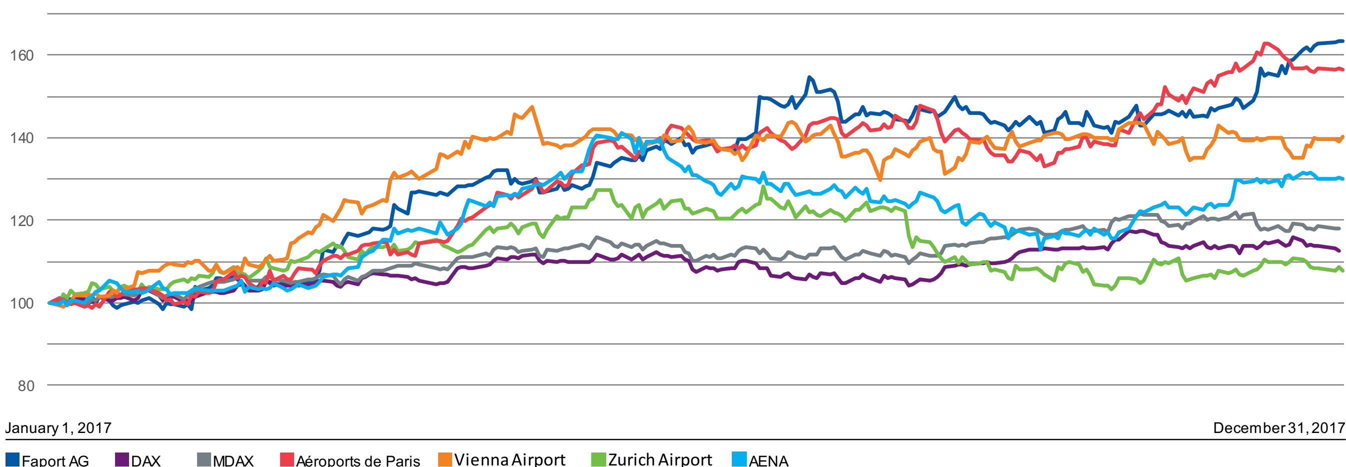
	2017	2016	2015	2014	2013	2012	2011	2010
Opening price in €	56.17	58.94	48.04	54.39	43.94	38.00	47.16	36.28
Closing price in €	91.86	56.17	58.94	48.04	54.39	43.94	38.00	47.16
Change in €[1]	+35.70	–2.80	+10.90	–6.40	+10.50	+5.90	–9.16	+10.88
Change in %[2]	+63.5	–4.7	+22.7	–11.7	+23.8	+15.6	–19.4	+30.0
Highest price in € (daily closing price)	91.86	58.94	62.30	57.77	57.41	49.37	58.10	48.78
Lowest price in € (daily closing price)	55.26	45.25	48.04	47.19	42.33	38.41	37.60	34.40
Average price in € (daily closing prices)	74.12	51.77	56.34	52.13	48.38	44.70	49.14	40.43
Average trading volume per day (number)	173,015	173,666	151,188	100,101	118,554	156,604	190,671	160,634
Market capitalization in € million (quarterly closing price)	8,494	5,192	5,443	4,436	5,020	4,052	3,494	4,335

[1] Change including dividends: 2017: €37.19€, 2016: –€1.42.
[2] Change including dividends: 2017: 66.2%, 2016: –4.7 %.

The shares of other stock-exchange listed European airports performed as follows: Aéroports de Paris +56.4%, Vienna Airport +40.2%, AENA +30.0%, and Zurich Airport +7.8%.

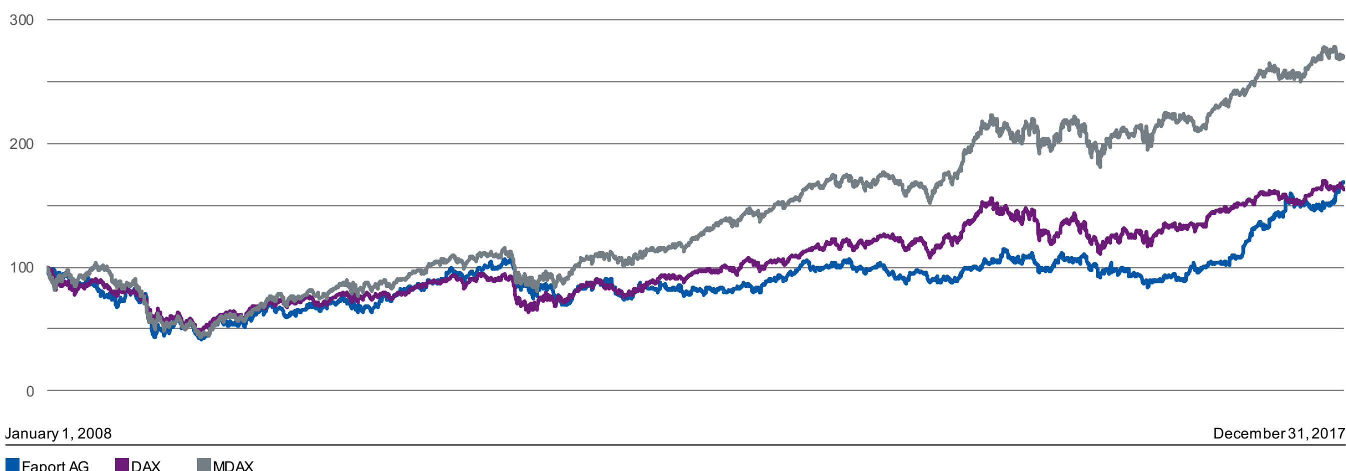
2017 development of the Fraport share compared to the market and European competitors

in % (index base 100)



Last 10 years development of the Fraport share compared to DAX and MDAX

in % (index base 100)



Development in 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]	December 20, 2017	Exceeded the 3 % threshold	3.03 %
BlackRock, Inc.[1]	December 21, 2017	Exceeded the 3 % threshold	3.12 %

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

Shareholder structure as at December 31, 2017 [1)]

in %

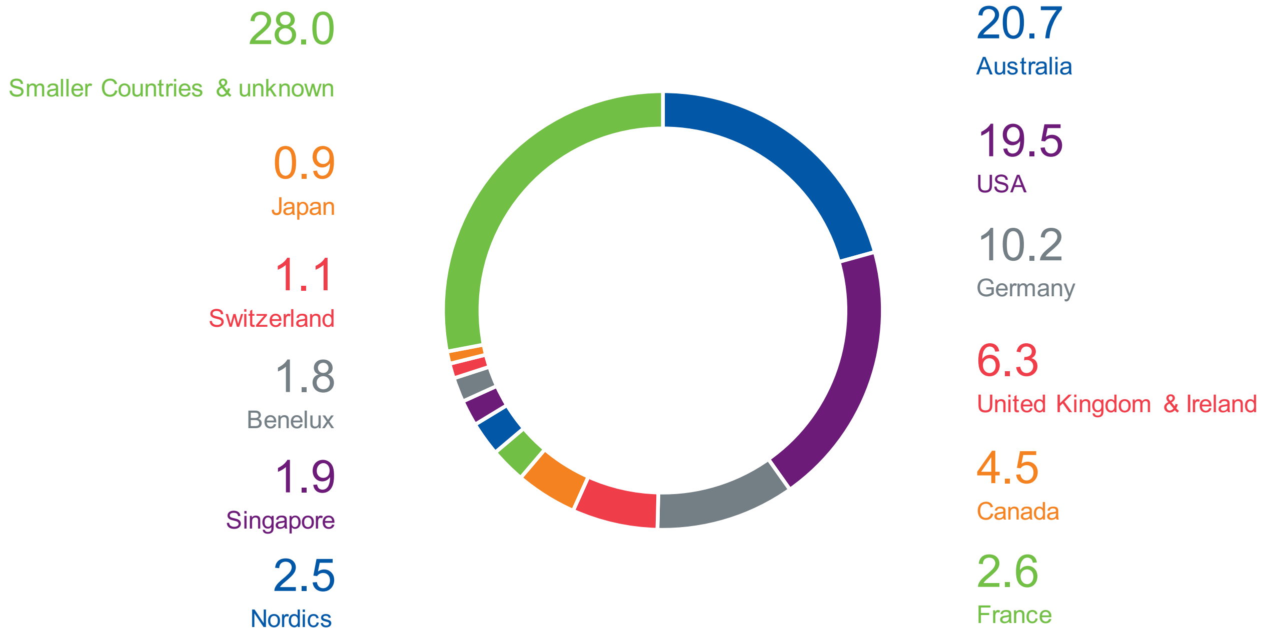
[1)] The relative ownership interests were adjusted to the current total number of shares as at December 31, 2016 and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosure. Shares below 3 % are classified under "Free Float".

The majority (51.34%) of the approximately 92.5 million shares are held by German institutions. The State of Hesse held 31.31% and the City of Frankfurt am Main 20.03%, which holds these voting rights indirectly via the subsidiary Stadtwerke Frankfurt am Main Holding GmbH. Deutsche Lufthansa AG as the main customer at Frankfurt Airport holds 8.44% or over 7.8 million no-par-value shares, making it the third largest individual shareholder of Fraport AG. The asset manager Lazard Asset Management LLC, whose shareholding is managed from Australia, has held more than 5% of the issued shares since December 15, 2016 (holding as at December 15, 2016: 5.05%). Most recently, BlackRock Inc., as the world's largest institutional investor, exceeded the 3% threshold and now holds 3.12% of the Fraport shares as of December 21, 2017.

To the extent it was known, the proportion of Fraport shares in free float (40.25%) was split across the following countries:

Allocation of free float[1)]

in %



[1)] Free float = total number of shares as at December 31, 2017 excluding shares held by the State of Hesse, Stadtwerke Frankfurt am Main Holding GmbH, Deutsche Lufthansa AG, and treasury shares. Shares held via several subsidiaries were not combined.
Source: IPREO.

Dividend for the 2017 fiscal year (recommendation for the appropriation of profit)

Fraport pursues a consistent dividend policy. The aim is that shareholders participate appropriately and with a long-term orientation in the business development. Correspondingly, the Executive Board aims to distribute approximately 40 to 60% of the profit attributable to shareholders of Fraport AG, where the dividend per share should at least match the level of the previous year.

For the 2017 fiscal year, the Executive Board intends to propose to the AGM an unchanged dividend compared to the previous year of €1.50 per share. Compared to the share closing price in 2017 of €91.86, this would correspond to a dividend yield of 1.6% (previous year: 2.7%). The profit earmarked for distribution of €138.7 million (previous year: €138.7 million) would then equate to a pay-out ratio of 42.0% based on the profit attributable to shareholders of Fraport AG in the Group result of €330.2 million (previous year: 36.9%).

Investor Relations (IR)

Timely, consistent, and transparent communication with investors and analysts is of utmost importance for Fraport IR work. 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 individual and Group meetings as well as presentations with the company's chief executive officer and chief financial officer. The key topic in the talks in 2017 was the current and future traffic development at the Frankfurt site with the development of the main customer as well as the low-cost airlines. The integration of the 14 Greek regional airports, the strong traffic recovery at Antalya Airport and being awarded the concessions for the two airports in Brazil were also a focus. In addition, in particular, at the Frankfurt site, the retail business, the development of airport charges, and the necessary expansion of capacity through Terminal 3 and Pier G were discussed.

Throughout the year, the IR team was available by phone on +49 (0)69 690-74842 or by e-mail at investor.relations@fraport.de for direct dialog. The telephone conferences for analysts on the financial publications, the AGM in May 2017, and the provision of up-to-date information on the IR website at 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 23, 2017, Fraport received a clear majority for all agenda items from its shareholders. Of the capital entitled to vote, 80,601,425 ordinary shares and the same number of voting rights (87.20% of capital) were represented. The detailed voting results as well as further information about the AGM are published on the company website at www.fraport.com/investors. The AGM for the 2017 fiscal year will be held on May 29, 2018 at the Jahrhunderthalle in Frankfurt.

Data relevant to the capital market

		2017	2016
Share capital Fraport AG[1]	€ million	924.7	924.3
Total number of shares as at December 31	Number	92,468,704	92,434,419
Number of floating shares as at December 31[2]	Number	92,391,339	92,357,054
Number of floating shares (weighted average of reporting period)	Number	92,377,435	92,337,317
Absolute share of capital stock	per share, in €	10.00	10.00
Annual performance (including dividend)	in %	+66.2	–2.6
Beta relative to the MDAX		0.55	0.75
Earnings per share (basic)	in €	3.57	4.07
Earnings per share (diluted)	in €	3.56	4.06
Price-earnings ratio		25.7	13.8
Dividend per share[3]	in €	1.50	1.50
Profit earmarked for distribution	€ million	138.7	138.7
Dividend yield as at December 31[3]	in %	1.6	2.7

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 (2017).

Events after the Balance Sheet Date

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

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.

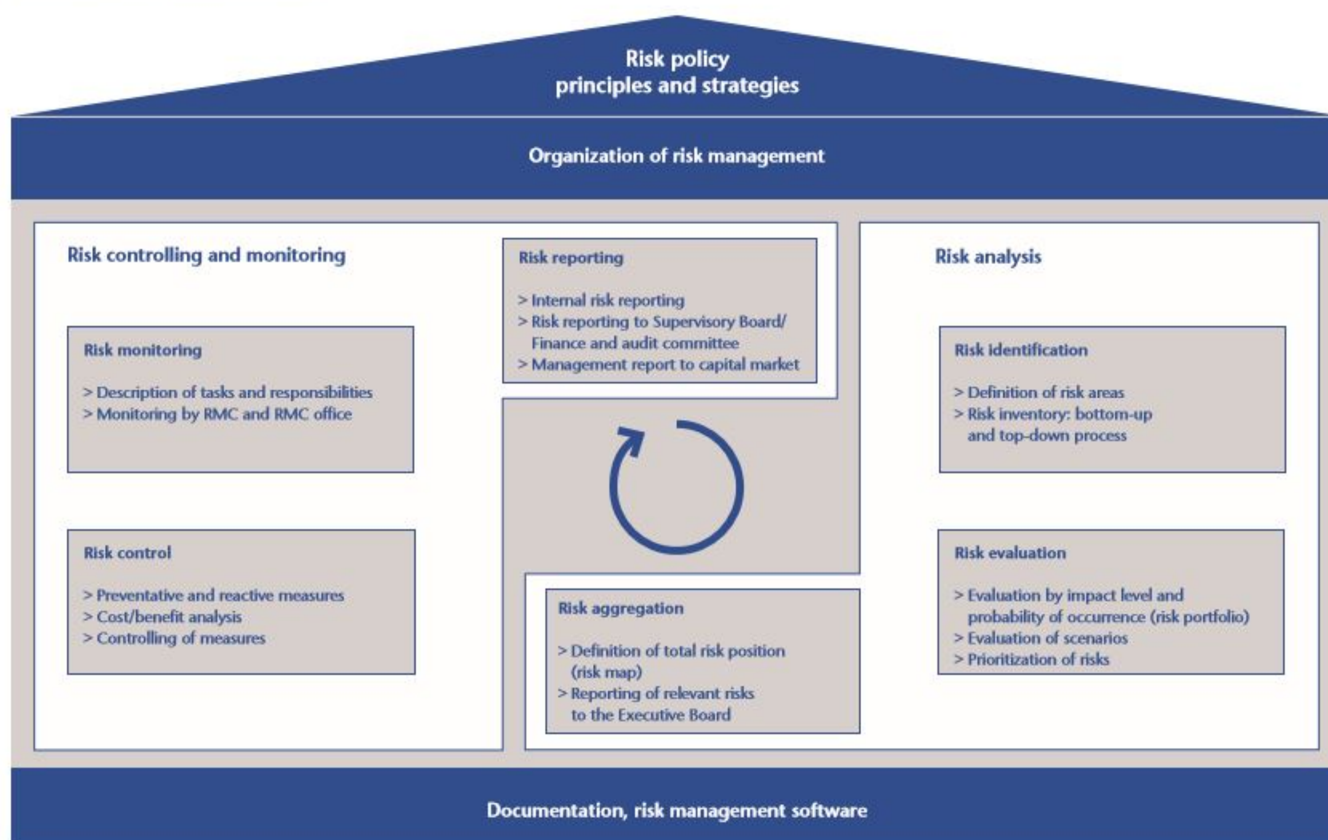
Risk strategy and objectives

At 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:

3. 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.
4. 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.
5. 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.
6. 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.
7. All employees are encouraged to actively become involved in risk and opportunities management in their area of activity.

The risk management system



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 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 are 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 GmbH (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. 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 substantial 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 very likely, due to their nature, 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 only analyze and evaluate the risks 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 (media reporting/attention, effect on stakeholders), 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 countermeasures. 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 countermeasures. 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 occurance	low ≤ €3 million	medium > €3 – 10 million	high > €10 – 20 million	very high > €20 million
very likely > 80 %	Strategic business units, service and central units/ Group companies	Finance and audit committee/Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC
likely > 50 % – 80 %	Strategic business units, service and central units/ Group companies	RMC	Management report, finance and audit committe / Executive Board, RMC	Management report, finance and audit committe / 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 committe / 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

Level of financial impact

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 2017

A workflow-supported system for entering new risks and updating risks was introduced to increase the user friendliness of the risk management software as well as to optimize the overall system. In addition, the internal risk reports have been simplified by, among other things, introducing a new field entitled “Trend” that allows users to recognize at a glance how the risk has changed compared to the last query.

Accounting-related internal control system in accordance with Section 315 (4) 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 Group 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 Group Accounting of Fraport AG 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 unit Finance and Investor Relations is generally responsible for preparing the Group management report. It consolidates 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 of 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 of 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 substantial 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 International 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		Page
Strategic risks							
Macroeconomic risks	possible	→	very high	→	substantial	→	113
Market, competitive and regulatory risks	possible	→	very high	→	substantial	→	114
Drainage for the parallel runway system	possible	→	very high	→	substantial	→	115
Risks in connection with the airport expansion	unlikely	→	very high	→	considerable	→	115
Financial risks							
Interest rate risks (cumulative)	unlikely	→	high	→	moderate	→	116
Foreign Currency risks	possible	→	very high	↑	substantial	↑	116
Credit risks	unlikely	→	low	→	low	→	117
Other price risks	unlikely	→	medium	↑	low	→	117
Legal and compliance risks							
Compliance breaches	unlikely	→	high	→	moderate	→	117
Operating risks							
Risks from capital expenditure projects	possible	→	very high	→	substantial	→	118
Risks from investments and projects							
Lima expansion	possible	→	very high	→	substantial	→	119
Political development in Russia	unlikely	→	very high	→	considerable	→	119
Personnel risks							
Additional provision ZVK	possible	→	very high	→	substantial	→	120
Profit sharing 2016	[1]		very high	[2]	substantial	[2]	120
Risks of exeptional incidents	unlikely	→	very high	→	considerable	→	120
IT risks	unlikely	→	high	→	moderate	→	121

[1] No indication of the probability of occurrence is given in order not to influence the result of the ongoing procedure.
[2] New Risk

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

Strategic Risk

Macroeconomic risks

Further expansion of the global economy is expected for 2018 (see also the “Business Outlook” chapter beginning on page 126). Nevertheless, the risks that could arise from the economic and financial policy conditions remain unchanged. The cyclical upwards trend in Europe could be slowed or even stopped by a renewed flare-up in the European debt crisis, weakening in the EU and the Eurozone as a result of diverging interests of the member states, or also as a result of new government constellations. The economic effects of the intended withdrawal of Great Britain (Brexit) 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. Such developments can have a significant impact on global and regional air traffic development and thus also have an adverse effect on Fraport.

The risks currently existing in China (structural change), the Middle East (geopolitical tensions), and Russia (continuing sanctions) 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 would also have a dampening effect on economic development. Resulting jet fuel price rises would additionally have a negative impact on demand and thus ultimately the development of supply.

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. The number of global trade barriers has grown continuously since 2008, despite statements to the contrary given at G20 summits. Election results show that the “my nation first” policies are not only gaining importance in the United States. Accordingly, a trend reversal towards fewer trade barriers could be a long time coming, which could dampen global trade.

If the aforementioned reasons impaired the development of air traffic, this could result in 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 an order to eliminate time sheets) in order to be able to intervene with countermeasures to a certain extent if traffic volumes drop.

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. Currency rate fluctuations, unemployment, and changes in consumer behavior insofar as they influence passengers’ shopping habits can also significantly 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 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 appealing infrastructure, the success of an international 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 increasing competitive pressure in all transport sectors have led to consolidations and also some insolvencies of airlines in the past, and this 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. In the course of these market changes, the affected employees may go on strike, which may damage 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). In Europe, there may also be decreases in transfer traffic as a result of competitor hubs expanding or if airlines change their business priorities. New aircraft types such as the B737 MAX or A321neo LR, with ranges up to 7,000 km, allow for direct flights to/from smaller airports, including intercontinental routes. This could reduce transfer traffic via traditional hubs like Frankfurt.

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 on regional, national, and European level have a partial impact on the market, and therefore competition through taxes, fees, and regulations, such as the aviation tax, the EU emissions trading, the CO_2 regulations, noise protection requirements, 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 recent years have shown, terrorist attacks and the development of trouble spots, such as in Ukraine, Syria or Turkey, can also be extremely damaging for passenger flows to the affected destinations. In the past, this resulted in a reluctance to travel in outgoing as well as incoming tourism in Germany, which in particular temporarily affected Frankfurt as a hub. The same applies to the regions in which the Fraport Group airports are located or have their main target areas. Further attacks appear likely and could once again spark a 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”. For 2018, the Executive Board expects passenger numbers to be in a range of approximately 67 to approximately 68.5 million.

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, due to the deicing fluids and their degradation products measured in the winter of 2015/2016 and the pending hearing for a water order, it is likely that state-of-the-art drainage will become necessary.

The existing orders do 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 Hessian Ministry of Economics, Energy, Transport and Regional Development (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.

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

If additional restrictions of airport operation, demanded in some cases in the political discussion, were implemented into law, this could result in a further weakening of the competitive position of Frankfurt Airport, 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 risk of an institutionally imposed, legally binding noise limit was minimized significantly for the foreseeable future by the voluntary Alliance for a Noise Limit announced on November 7, 2017. The zoning decision and airport approval remain unaffected by this alliance. The alliance includes the State of Hesse (HMWEVL), airlines, the Aircraft Noise Commission, the forum on the airport and region, and Fraport. Only when the noise limits are significantly exceeded twice in consecutive years – this is not expected for the foreseeable future – does the HMWEVL reserve the right to take measures for, for example, noise abatement, outside of the alliance. Depending on the design and implementation of any such measures, Fraport could appeal the decision. Any potential subsequent introduction of a government imposed noise limit is expected to be legally supported by the proposed amendment of the federal state development plan (LEP). The HMWEVL has, however, pledged to only make use of the corresponding federal state planning principle if the objectives of the voluntary Alliance for a Noise Limit are not met.

The draft of a revised LEP also envisages tightening requirements for nighttime quiet periods. It remains to be seen, however, whether the criticism from the aviation industry will be taken into consideration in the context of the public participation. In addition, the HMWEVL stated in its explanation of the LEP draft that the current restrictions on night flights already addresses the ideas behind observing the nighttime quiet period, meaning that there are currently likely to be no imminent additional restrictions on night flights pending.

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 of, inter alia, possible appeals to the European Court of Justice and/or European Court of Human Rights, as well as the still outstanding decisions of the German Federal Administrative High Court 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. Meanwhile, the Hessian Administrative Court has also rejected in the first instance the last legal action which had still been pending before the court of first instance in the non-test case proceedings. This significantly further reduces the risks in connection with the expansion. Furthermore, Fraport is committed to active noise abatement and noise research with the goal of further reducing the risk.

The total volume of capital expenditure invested in the airport expansion so far has increased to approximately €2,715 million as of December 31, 2017 due to the advancing building and contract award activity.

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 financial impact (impact level) of the risk would be “very high” and would be associated with high damage to Fraport AG’s reputation, as extensive media coverage in Germany and limited media reporting at the European level would be expected.

Financial Risks

“Risk report” according to Section 315 (2) no. 1 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 (for more information, see the Group note 46). 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 financial debt, 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. 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 “very 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 acquiring financial assets and concluding derivatives only in the case of 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 will be made on a case-by-case basis on the further course of action with the financial asset or derivative, taking into account the remaining term.

In addition, investments in bonds without ratings are also possible in individual cases, within narrowly defined limits. The counterparties’ 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 only 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 “medium”.

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, please see Group note 46 in the Notes to the Consolidated Financial Statements.

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 damage to its reputation. 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 on risks, 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”.

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 AG carries out its capital expenditure for construction in two separate programs: "FRA-Nord" for projects in infrastructure and "Expansion" for projects meant to expand or create capacity.

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. Long-term capital expenditure projects, such as the Expansion South project, are subject to risks in relation to external influences from the public, the environment, politics, crises or customer/market developments, technological changes, engineering practices or other legal requirements.

Monitoring measures are implemented so that these potential risks can be confronted appropriately, thus ensuring that countermeasures can be introduced early on. These include active market cultivation as well as systematic change management in order to counter possible cost increases.

The potential loss from the capital expenditure projects amounts to approximately €400 million net (impact level: "very high"). Taking the project-related monitoring measures into account, the probability of the risk materializing is "possible".

Risks attributable to investments and projects (International 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 Brazil, 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.

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 capital expenditure 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 for risk reduction. Notwithstanding this, the subscribed shareholders' equity of the relevant project company and shareholder loans granted by Fraport AG are exposed to a default risk. In order to minimize these risks, Fraport AG 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 and continuing development of airport infrastructure, which as a rule adhere 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. Due to the size and complexity of the project, the possibility of changes to the planned costs cannot be excluded. In October 2017, the tender to appoint a general contractor (EPC contract) was announced, which stated that the contractual party is to assume most of the usual construction risks. The signing of the agreement is planned for the second half of 2018. In addition to the usual construction risks, other risks arising from environmental, social or other conditions cannot be ruled out. In the event that a risk occurs, it is assumed it would be a material risk.

At our Group airport in Antalya, passenger numbers in 2017 increased overall compared to the previous year. Although it appears unlikely on the reporting date, the situation in Turkey could, nevertheless, lead to a deterioration in profitability and the financial situation in the future.

Due to the existing tension between Russia, the United States, and Europe, there are continued uncertainties surrounding activities in St. Petersburg. 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 and development 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 AG 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 have been 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 fields 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 bargaining agreement for 2016 and 2017. From mid-2016, both the employer's contribution and the employee contribution were raised by the same amount, by 0.2 rising 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”.

There has been disagreement between the Fraport AG works council and the company’s Executive Board since April 2017 in regard to determining the budget amount for the 2016 employee profit-sharing plan. The background to this is the fact that in the calculation for 2016, special effects that had no direct relation to the Frankfurt site in fiscal year 2016 were taken into account as a correction. Explicitly on the topic of “Manila”, this was partly done because the extraordinary depreciation and amortization of the Manila investment had not caused any disadvantages for employees in 2002.

The Fraport AG works council brought a claim before the Labor Court of Frankfurt am Main regarding this. The Labor Court dismissed the works council’s motions on February 8, 2018. Since the decision is not yet final, it is possible that a court of second instance may reach a different decision that would lead to the realization of the risk and would result in a “substantial” negative effect.

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 and 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 in 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 important business and operating processes of Fraport AG are supported by 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. To counter these risks, 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 ever-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 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, 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”.

The risk of cyberattacks was also evaluated given the fact that such attacks have recently been launched against other large companies as was widely reported. Despite all protective measures taken, the likelihood is classified as “possible” and the potential damage to reputation as “high”.

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 (see also the chapter titled "Research and Development" starting on page 98).

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 2018 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 International 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

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. Turbulence may, on the one hand, mean that passenger numbers only reach a certain level after a longer period of time than expected. On the other hand, catch-up effects with accelerated growth are possible after times of crisis. 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.

In 2017, the global economy saw more dynamic growth overall than in 2016, and economic research institutions expect a continuation of this growth in 2018. The economic areas of the USA and Europe, which are particularly important for the hub operation in Frankfurt, will record moderate growth in 2018. The new U.S. Government's actions are in part stimulating (tax cuts) but can also be potentially dampening (trade restrictions, limiting immigration). The economy in the Eurozone is approaching full capacity. European sentiment indicators suggest that the economic upturn could spread: The mood among businesses and households in the four main economies in the Eurozone is good. While Great Britain's withdrawal from the EU (Brexit) 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. Important leading indicators in global trade such as the purchasing managers indices rose to six-year highs in 2017. This could indicate trade growth, which would 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 developments in individual target markets, which contributes to making air freight in Frankfurt robust. Fraport must, of course, permanently face competition from cargo airports in Central Europe.

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. As a result of the economic conditions in conjunction with an improved financial situation, the established airlines could bring the consolidation in the airline industry to an end more quickly, stop route reductions, create new airline services, and exceed the current traffic forecasts.

IATA assumes global passenger growth of 6.0% for 2018, based on revenue passenger kilometers (RPK), and a growth rate of 6.0% for Europe. These growth rates bear witness to the dynamic development of the air traffic industry. The long-term average annual growth of passenger kilometers globally is higher than economic growth, meaning that the chance of significant growth in air traffic also exists for 2018. Also for Frankfurt, the Executive Board expects passenger numbers to be in the range of approximately 67 to approximately 68.5 million for 2018.

Global air traffic provides the central infrastructure basis for the now strongly internationalized global economy. This 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 landside 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.

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. 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 the regulatory measures that distort competition, such as the aviation tax or the transfer of costs of passenger controls to the public purse, could result in increased traffic.

Further development of the Group strategy

The 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 mission statement take account of Fraport's aim for the sustainable development of existing growth potentials (see also the chapter titled “Strategy” starting on page 53). Moreover, the 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 Frankfurt site

With the inauguration 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 traffic 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 has already been established in areas A and B (West) for Deutsche 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.

Fraport is constructing Terminal 3 in order to have sufficient capacity available for the growing air traffic in Frankfurt in the future. Piers H and J will provide additional capacity of up to 14 million passengers per year. Inauguration is scheduled for 2023. Pier G should be completed before that. The construction work of this pier is set to start in the second half of 2018.

Growth in the retailing and multichannel 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 suitable 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 at any early stage.

This also includes the multichannel business field. Working together with its partners, Fraport operates target group-specific, individualized marketing across all relevant channels. The online trading platform created a digital platform on which goods and services are offered and sold, supported by additional digital instruments at the airport and on passengers' mobile devices. The Frankfurt Airport Rewards Program builds up a personal connection to the customer. Customized offers for travelers can be made based on the data collected.

The aim is to offer a tailored shopping and service offering to the customer along their entire travel chain, thus increasing customer satisfaction. This also includes the continuous testing of digital technologies to develop new products and services and to optimize airport processes.

Growth outside the Frankfurt site

Fraport realized substantial growth in international business by opening up new markets with the development and expansion of existing sites as well as the acquisition of new investments. Fraport aims to market its expertise around the world and participate in the appeal of new sales markets.

Including the Frankfurt site, Fraport was active at 29 airports through Group companies at the time of preparing the consolidated financial statements.

At the beginning of 2018, the Group companies Fortaleza and Porto Alegre took over operations of each respective airport. The terms of the concessions for the operation of these airports amount to 30 and 25 years, respectively.

In addition to this portfolio, Fraport holds all the shares in the US subsidiary Fraport USA, Inc. The company markets commercial areas within the scope of master concessions at the North American airports in Baltimore, Pittsburgh, and Cleveland. Subject to a pending approval, Fraport USA will take over management of the retail areas in Terminal 5 at JFK Airport in New York in the first half of 2018 (see also the chapter titled "Business Outlook" starting on page 126).

Fraport's international portfolio has constant growth rates above those of global air traffic. To permanently benefit from this growth, Fraport is continually evolving its existing sites through expansion and quality measures.

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 utilize the identified optimization potential (such as the lean management initiative). Through this continuous process, it should 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 interfaces on a regular basis and leverage further potential, which will have a positive impact on the corporate result and the quality delivered.

Fraport is continuously striving to realize organizational and process-related improvements. Therefore, Fraport also focused on creating additional impetus here during the past fiscal year, including within the scope of process-oriented quality management, in order to anchor and strengthen process orientation in the company. 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 also need to be taken into account. Fraport sees many possibilities to take advantage of the potential in the rapidly evolving technology of autonomous driving. In the areas of employee transport on the company sites, but also for container transports and winter services, projects have been designed with industry partners and test runs have been carried out during the last year. Building on the results, these activities will be advanced and developed further in the current year. Autonomous driving can create longer-term opportunities to rapidly and efficiently deploy personnel. This can also be a solution to social developments such as the increasing lack of bus drivers.

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. Accordingly, exchange rate effects from the conversion of results that are not denominated in euros into the functional currency of the Group (the euro) can have a positive impact on the financial result. Overall, Fraport expects to be able to take advantage of favorable developments in the financial markets.

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 the Executive Board level and within the context of the regular planning processes. 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 convinced 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.

Outlook Report

General Statement by the Executive Board

Financial and economic institutions expect a continued expansion of the global economy for fiscal year 2018, 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 Fraport's airports (see also the "Risk and Opportunities Report" chapter starting on page 105). At the Frankfurt site, the incentive programs for passenger growth will promote the supply of services by airlines and more frequent services. The Executive Board expects positive effects from the full-year operation of Fraport Greece as well as the first-time operational inclusion of the Group companies Fortaleza and Porto Alegre, whose financial impact have been taken into account in the following forecast.

For the fiscal year 2018, the Executive Board expects passenger numbers in a range of between approximately 67 million and 68.5 million passengers at the Frankfurt site. The development of the consolidation process among the airlines, which is difficult to forecast, as well as uncertainties in terms of strikes may lead to deviations from the forecast. In addition to the expected growth in traffic, the Executive Board expects higher parking and retail revenue, ground services and infrastructure charges as well as revenue from security services. Exchange rate fluctuations that impact the purchasing power of passengers may additionally have positive or negative effects.

Outside of Frankfurt, the Executive Board forecasts positive traffic development for all Group airports in fiscal year 2018. In particular, revenue from the Group companies Lima, Twin Star, and Ljubljana will contribute to growth. The Group company Antalya will improve the result from companies accounted for using the equity method significantly. The development of the Varna and Burgas, Antalya and St. Petersburg sites will continue to be determined largely by the political situation around Russia and the developments in Turkey. Possible terrorist attacks in these regions may also influence travel behavior.

Overall, the Executive Board forecasts Group EBITDA of between around €1,080 million and approximately €1,110 million for the fiscal year 2018. The Executive Board expects a Group result in the range between around €400 million and about €430 million, with a stable financial result. With regard to the asset and financial position, the Executive Board expects significantly higher cash flow used in property, plant, and equipment in Frankfurt and for airport operating projects of slightly less than €1 billion. The free cash flow is expected to be noticeably below the 2017 level due to the higher capital expenditure measures and is expected to be negative. The financing of the expansion measures at the sites in Brazil, Greece, and Lima will result in an increase in net financial debt of up to €4 billion as well as a slight deterioration of the gearing ratio. Despite the expected higher indebtedness, the Executive Board continues to assess the Fraport Group's financial situation in the forecasted 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 105). Apart from the take-over of the operation of the Brazilian airports in Fortaleza and Porto Alegre as at January 2, 2018, there are no further significant acquisitions or disposals of companies or increases or reductions in shareholdings included in the forecasted period.

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 2018 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 titled “Risk and Opportunities Report” starting on page 105.

Forecasted situation of the Group for 2018

Development of structure

With the operational take-over of the airports in Fortaleza and Porto Alegre, Brazil, in January 2018, Fraport welcomes a new major Group site (“Brazil”). The site will have a material impact on the Group’s asset, financial, and earnings position. The effects are presented below in this chapter. The Executive Board does not expect any further changes to the Group structure in fiscal year 2018 that will have a significant impact on the asset, financial, and earnings position.

As at January 1, 2018, the “Airport Security Management” strategic business unit has been fully integrated into the “Airside and Terminal Management, Corporate Safety and Security” strategic business unit of Fraport AG, and the External Activities & Services segment has been renamed “International Activities & Services” (see also the chapter titled “Structure” starting on page 51).

Development of competitive position and future markets

The development of future markets is the focus of the strategic objective “Growth in Frankfurt and internationally”, (see also chapter "Strategy" starting on page 53). Fraport aims to market its expertise around the world and participate in the appeal of new markets. In this respect, Fraport selectively assesses whether to participate in international tenders. Through the acquisition of the 14 Greek regional airports and the operational take-over of the Brazilian airports at the start of fiscal year 2018, Fraport has expanded its portfolio to reach more markets that are attractive from a touristic and an economic perspective. The winning of the tender for the retail space concessions to operate in Terminal 5 of JFK Airport in New York also enhances the presence of the Group company Fraport USA and leads to a further opening up of the local market there (see also the chapter titled “Risk and Opportunities Report” starting on page 105).

In its existing portfolio, Fraport also aims to strengthen its competitive position and expand its markets in Germany. Examples here include the new agreements in security services via the Group company FraSec in the Aviation segment, via the Group company FraGround in the Ground Handling segment, and the multichannel strategy in retail business.

Development of strategy

As shown in the chapter titled “Strategy” on page 53, the focus in the year under review was on the further implementation of the Group strategy, which was developed further in 2017 based on the mission statement, and broken down into individual programs. 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 2017, the Executive Board does not expect any substantial changes in 2018 in the financial and non-financial performance indicators that are used to control the Group. As already included in the 2017 reporting, the global passenger satisfaction, baggage connectivity, employee satisfaction, the ratio of women in management positions, the sickness rate, and CO_2 emissions will be reported as the key non-financial performance indicators beginning in fiscal year 2018.

For the fiscal year 2018, the WACC will decrease from 6.7% to 6.5% (before taxes). The Executive Board does not expect any fundamental changes to the strategic focus of finance management in 2018.

Forecasted macroeconomic, legal, and industry-specific conditions for 2018

Development of the macroeconomic conditions

The global economic environment remains fraught with risks; however, many of them lost significance over the course of 2017. Consequently, financial and economic institutions continue to expect the global economy to expand further in the 2018 fiscal year. Following global economic growth of approximately 3.6% in 2017, an increase of 3.7% to 3.8% is expected for the fiscal year 2018. Global trade will rise by up to 4.2%, according to current forecasts. Growth in the economy and trade will provide generally positive momentum for passenger numbers and cargo volume. The US Federal Reserve's expansionary monetary policy is slowly coming to an end. In the Eurozone, however, there are hardly any signs that the European Central Bank will end its loose monetary policy and raise the low interest rates. As a consequence, with regard to the euro to US dollar exchange rate, it is assumed that the slight depreciation trend will continue, despite strong economic data from the Eurozone. The oil price has come off its low and is showing an increasing trend. The agreement to limit production quantities by OPEC and Russia supports the price. However, US oil production will increase due to the use of fracking, which means a possible rise in prices should be limited. Overall, the still relatively low oil price compared to the long term leads to lower fuel costs for airlines, which keeps fare prices down and is therefore a positive driver of passenger demand.

In 2018, the important markets for Frankfurt are expected to develop positively. The USA is expected to have GDP growth of approximately 2.7%. While only moderate growth is anticipated in Japan, the growth rates in emerging countries, above all China, are again expected to significantly exceed those for industrial countries. The upturn in the Eurozone has solidified. After achieving growth of 2.3% in 2017, economic growth of 2.1% is forecasted for the 2018 fiscal year. For Germany, many forecasts continue to expect growth at the level of the past year (2017: +2.2%). Domestic demand and exports will promote continued recovery. Driven by rising real wages, increasing transfer income, and rising employment, private consumption should grow faster than public consumption.

The following growth rates are expected for the countries with significant Group sites: Slovenia +4.3%, Brazil +2.3%, Peru +4.1%, Greece +2.8%, Bulgaria +2.8%, Turkey +3.0%, Russia +1.1%, and China +6.5%.

Source: IMF (October 2017, January 2018), Deutsche Bank Research (December 2017), DekaBank (January 2018), German Federal Statistical Office (January 2018), ifo Institute (December 2017).

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 fiscal year 2018 that will have significant effects on the Fraport Group.

Development of the industry-specific conditions

Based on the expected development of economic conditions, and taking into account the financial situation of the airlines, IATA anticipates global passenger growth of 6.0% in 2018, based on sold revenue passenger kilometers (RPK). Regionally IATA anticipates the following growth rates (also based on RPK): Europe: 6.0%, North America: 3.5%, Asia-Pacific: 7.0%, Latin America: 8.0%, Middle East: 7.0%, and Africa: 8.0%. Globally, cargo is expected to grow by 4.3%. With regard to global passenger numbers, ACI expects growth of 5.7% in 2018.

On the basis of the German airports, the German Airports Association (ADV) forecasts solid passenger growth of 4.2% despite the continued consolidation of airlines. ADV expects an increase of 5.1% in the cargo area.

The strong economic growth should allow passenger numbers to grow faster than the capacity on offer. This will enable airlines that benefit from consolidation to gain financial strength, thereby generating added value for investors. Although a slight decrease of the return on invested capital (ROIC) is expected for the airline industry, it will remain above the cost of capital.

The positive outlook allows airlines to order more aircraft. New aircraft are more efficient and consume less jet fuel per flight, which allow fares to drop further. This boosts passenger growth, which also benefits Frankfurt Airport.

In the future, the entry of new competitors into the hub business may result in increased competition for transfer passengers on certain routes. In particular, the new airport in Istanbul can offer favorable traffic rights for Turkish airlines in Germany, which may draw transfer travelers from Europe, including those from Frankfurt, on their way to Southeast Asia. The airport is expected to be opened at the end of 2018 or in 2019. Such withdrawal effects will probably be more than compensated for, however, by the general passenger growth that is forecasted for the next few years. These effects are taken into account in the forecasts of traffic growth in Frankfurt.

Source: IATA “Economic Performance of the Airline Industry” (December 2017), ADV Forecast (December 2017).

Forecasted business development for 2018

Taking into account the economic and industry-specific conditions, the development of the consolidation process among the airlines which is currently difficult to forecast, and continued uncertainties in connection with potential strikes, the Executive Board expects passenger numbers in a range of between approximately 67 million and approximately 68.5 million at the **Frankfurt** site for the fiscal year 2018. The good economic environment and consumer enthusiasm are keeping demand high, which can already be seen in the booking indicators used for the company forecast. The incentive program for passenger growth in Frankfurt promotes supply by airlines, and there will be increases in services supplied and more frequent services, as is already reflected in the published schedules and reservation systems. However, uncertainties continue to result from political crises and the short-term yield and capacity management of the airlines. With regard to the handled **cargo tonnage**, in the 2018 fiscal year, the Executive Board expects a slight increase of around 1% compared to 2017. The reason for this is the growth of both the global economy and global trade.

At the two Brazilian airports of **Fortaleza** and **Porto Alegre**, the Executive Board expects in each case growth in passenger numbers in the mid to upper single-digit percentage range for 2018. For the **Ljubljana** and **Hanover** sites, the Executive Board is forecasting a slight rise in traffic in the single-digit percentage range. 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 2018. For the **14 Greek regional airports**, the Executive Board expects a rise in passenger numbers of approximately 5% in 2018. The airports in **Varna** and **Burgas** will also develop positively, although at a slightly lower growth rate than reported the previous year. The Executive Board expects growth in the single-digit percentage range for both Bulgarian airports in 2018. This is primarily driven by stronger low-cost traffic. For the **Antalya** airport, growth in the low double-digit percentage range is also expected compared to 2017. For 2018, the tourist demand from Russia as well as from Western Europe is expected to increase compared to the previous year, unless there are new negative political or terrorist developments in Turkey. Due to the positive development of the economic and political situation in Russia, the Executive Board assumes that the positive trend from last year will continue and that passenger traffic at **St. Petersburg** Airport will grow in the low double-digit range in 2018. The positive trend from last year will also continue at the **Xi’an** site. The Executive Board expects growth in the high single-digit percentage range for 2018.

Forecasted results of operations for 2018

The expected Group-wide passenger growth will have a positive impact on the Fraport Group's revenue development in 2018. In Frankfurt, this should be reflected, in particular, in higher airport charges, parking and retail revenue as well as ground services and infrastructure charges. In addition, the Executive Board expects increasing revenue from security services of the Group company FraSec from the operations at the airports in Berlin and Cologne/Bonn. Moreover, the development of Group companies Lima, Twin Star, and Ljubljana is expected to develop positively. In addition to the operating development, the full-year operation of Fraport Greece as well as first-time operational inclusion of the Group companies Fortaleza and Porto Alegre will lead to a noticeable growth in revenue. The Executive Board expects revenue of over €100 million for the Brazilian Group companies. Exchange rate effects from the conversion of the Group companies Lima, Fortaleza, Porto Alegre, and Fraport USA into the Group’s functional currency, the euro, may have a positive or negative impact on the earnings contribution in these companies. The Executive Board therefore expects **Group revenue** of up to approximately €3.1 billion. In addition, the Executive Board also expects higher capacitive capital expenditure in the triple digit million euro range in connection with the application of IFRIC 12 at Fraport Greece and in the Group companies Fortaleza, Porto Alegre, and Lima.

Adjusted for the recognition of capacitive capital expenditure, the Executive Board anticipates an increase in non-staff and personnel expenses of approximately 5% in 2018. The reasons behind this increase will, in particular, be Fraport Greece as well as the Group companies Fortaleza, Porto Alegre, and FraSec. Overall, the Executive Board forecasts a **Group EBITDA** of between around €1,080 million and approximately €1,110 million for the fiscal year 2018. Here, the Executive Board has taken into account an EBITDA contribution from Brazil in the amount of around €45 million. **Depreciation and amortization** in fiscal year 2018 will increase by up to €30 million in connection with Fraport Greece as well as the Group companies Fortaleza and Porto Alegre. As a result, **Group EBIT** of about €690 million to around €720 million is expected.

While it remains difficult to forecast, the Executive Board expects the **financial result** to remain virtually constant. The continued positive traffic development expected for the Antalya site will lead to a significant rise in the result from companies accounted for using the equity method. In addition, the early repayment of project financing of the Group company Lima will have a positive effect on the other financial result. In contrast, higher interest payments in connection with Fraport Greece as well as the Group companies Fortaleza and Porto Alegre will have a negative impact.

Overall, the Executive Board expects **Group EBT** of between around €560 million and approximately €590 million. A **Group result** in a range between around €400 million and about €430 million is expected. No significant contribution to the result is expected from Brazil.

Growth in EBIT and a lower WACC before taxes compared to the previous year of 6.5% (previous year: (6.7%) will lead to an increase in **Group value added** by around 10% in 2018. The **ROFRA** is forecasted to remain approximately at the same level as in the previous year.

The Executive Board intends to increase the **dividend** per share for the fiscal year 2018.

Forecasted segment development for 2018

The assumed passenger growth at Frankfurt Airport will have a positive impact on the **Aviation** segment's revenue development in 2018. In addition to the passenger development, increased revenue from security services of the Group company FraSec from the operations at the airports in Berlin and Cologne/Bonn in particular will contribute to higher revenue. The Executive Board therefore expects growth in revenue of around 5% in the Aviation segment.

Despite rising expenses in connection with effects from collective labor agreements and from the Group company FraSec, segment EBITDA will improve noticeably. Segment EBIT will be significantly higher than the previous year with nearly constant or slightly increasing depreciation and amortization. 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 2018, which will primarily impact parking and retail. In the area of real estate, revenue is expected from the sale of land, which, however, will be not as high as in fiscal year 2017. The Executive Board expects nearly stable revenue depending on the level of sales of land in 2018. Exchange rate effects can have both positive and negative effects on the purchasing power of passengers and thus the revenue from retail in the fiscal year.

Due to a decline in other income, segment EBITDA and EBIT are forecasted to remain roughly at the same level as in 2017. This will depend on the level of potential sales of land as well as the development of the retail revenue per passenger. The segment's value added is expected to remain at approximately the same level as in the previous year.

The assumed passenger growth will lead to a noticeable rise in revenue in the **Ground Handling** segment in 2018. Despite higher expenses due to effects from collective labor agreements as well as higher personnel expenses due to traffic volumes, the Executive Board anticipates a segment EBITDA slightly higher than the previous year. Assuming constant or slightly higher depreciation and amortization, the Executive Board expects segment EBIT to rise slightly accordingly. Correspondingly, the segment value added is expected to improve slightly but remain negative.

In connection with the expected positive business developments from Fraport Greece as well as the Group companies Lima, Twin Star, and Ljubljana, the Executive Board expects a noticeable increase in revenue in the **International Activities & Services** segment for fiscal year 2018. The operational take-over of the Brazilian airports is expected to have a positive effect, with a contribution to revenue of more than €100 million. In addition, the Executive Board also expects higher capacitive capital expenditure in the triple digit million euro range in connection with the application of IFRIC 12 at Fraport Greece and in the Group companies Fortaleza, Porto Alegre, and Lima. Exchange rate effects from the conversion of the currencies in the Group companies Lima, Fortaleza, Porto Alegre, and Fraport USA into the Group's functional currency, the euro, may have a positive or negative effect on the earnings contribution made by the Group companies. Operating expenses will increase, in particular, due to the full-year operation of Fraport Greece as well as first-time operational inclusion of the Group companies Fortaleza and Porto Alegre.

Overall, the Executive Board anticipates a significant increase in segment EBITDA and segment EBIT. In this respect, the Executive Board has taken into account an EBITDA contribution from Brazil in the amount of around €45 million and an EBIT contribution of approximately €30 million. The segment value added is forecasted to be slightly at the level or slightly above the previous year's level.

Forecasted asset and financial position for 2018

Subject to changes to working capital, the Executive Board expects **operating cash flow** to noticeably exceed the level of fiscal year 2017. The Executive Board expects additional cash inflow from Brazil, Frankfurt, and Greece.

In the area of **capital expenditure**, the Executive Board anticipates significantly higher cash outflows for property, plant, and equipment in Frankfurt and for airport operating projects (excluding payments for the purchase of new Group companies or concessions). Overall, the Executive Board – depending on the progress of construction – anticipates an amount slightly under €1 billion. The increase will result, in particular, from the ongoing construction of Terminal 3 in Frankfurt and from higher or first-time capital expenditure at the sites in Greece, Lima, and Brazil. At the Lima site, above all, potential bonus payments in connection with the construction agreement to be awarded may lead to cash outflows that may be above the effective progress of the construction project. The Executive Board expects the operating cash flow to cover approximately 80% of the planned capital expenditure. The **free cash flow** before the planned dividend distribution for fiscal year 2017 is expected to be noticeably below the 2017 level due to the higher capital expenditure measures and should be negative. In addition to possible working capital changes, the development of the free cash flow in the Group companies Lima, Fortaleza, and Porto Alegre are also affected by exchange rate effects.

Taking into account the planned dividend distribution, the Executive Board is expecting an increase in **net financial debt** to up to €4 billion in the 2018 fiscal year. The **gearing ratio** will rise slightly depending on the effective growth of debt. Depending on exchange rate effects, the **Group shareholders' equity** is expected to be noticeably higher than the figure as at the end of the 2017 fiscal year. The **Group shareholders' equity ratio**, depending on potential refinancing measures and the amount of capital expenditure, is forecasted to remain approximately the same as at the 2017 balance sheet date.

The scheduled repayment of loans and the payment of a dividend will lead to a significant decrease in the **Group's liquidity** in fiscal year 2018 (without taking potential refinancing measures into consideration). In this context, scheduled repayments amounting to €550 million are planned for 2018, which are essentially all attributed to Fraport AG. The scheduled repayments may be settled either from the existing Group liquidity resources, extensions of existing financing, or refinancing measures. Fraport AG finances the capital expenditure on expansion projects at the Frankfurt site from a combination of operating cash flow and debt. The major capital expenditure abroad, which has yet to be financed, particularly affects Lima and Brazil. Financing is already being negotiated for both projects, and the discussions are expected to conclude in fiscal years 2018/2019 (see also the chapter titled "Finance Management" starting on page 64).

Forecasted non-financial performance indicators for 2018

In the category 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 satisfaction figures at the fully consolidated Group sites. The Executive Board expects **baggage connectivity** to improve to better than 98.5%.

In the field of “Attractive and responsible employer”, the Executive Board is aiming for Group-wide **employee satisfaction** to remain at a level of better than 3.0 in 2018. In addition, the Executive Board anticipates a slight increase in the ratio of **women in management positions** in Germany.

In the category of “Occupational health and safety” the Executive Board is aiming for a stabilization of the **sickness rate.**

For the category of “Climate protection”, the Executive Board anticipates a slight increase in **CO_2 emissions** due to the operational take-over of the Brazilian airports as well as the first-time inclusion of the 14 Greek regional airports.

Medium-term outlook

In the medium-term forecasted period, the Executive Board expects continuing expansion of the global economy, which will have a positive impact on the development of air traffic in general as well as on the Group airports. Generally strong growth in consumption is associated with a broadly diversified growth in capital expenditure. The growth rates of the economies in emerging markets are expected to remain well above those of the advanced economies. For Europe and Germany, stable growth is expected for the medium term. A gradual normalization of inflation is probable due to the high capacity utilization of the industrial facilities and as a result of rising wages. Interest rates should rise only slightly as a result of the monetary policy of central banks, which means saving will remain unattractive. Accordingly, a consumer mood open to consumption and an overall good corporate position should lead to a positive operating development for the Group. There are uncertainties resulting from protectionist tendencies which could lead to trade restrictions. Britain’s potentially disorganized exit from the EU could lead to market distortions in the United Kingdom as well as in the EU, which may have a negative impact on European economies and also the Fraport Group.

In the medium to long term, the Executive Board expects stable growth in passenger traffic at the Group airports. After significant growth rates in fiscal year 2017 and forecasted for 2018, the Executive Board expects the passenger development at Frankfurt Airport to normalize to the level of recent years (average growth rates between 2% and 3%). Fraport’s airports will benefit Group-wide from expected market growth in the medium to long term (see also the chapter titled “Strategy” starting on page 53).

The expected passenger growth will have a positive impact on the Fraport Group’s asset, financial, and earnings position. The Executive Board therefore expects a clearly positive development of the Group revenue, EBITDA, EBIT, and result until the inauguration of Terminal 3. In the medium term, the Executive Board expects a contribution by international business to the Group result approaching around 50%.

Operating cash flow is expected to increase as a result of the operating business in Frankfurt as well as at the international Group airports. With the growing number of passengers, capital expenditure on infrastructure both at the Frankfurt site and at Group sites outside Germany will be necessary. In Frankfurt, this will essentially apply to Terminal 3, including Pier G, in the southern part of the airport. Outside of Frankfurt, capital expenditure, in particular, on Fraport Greece and the Group companies Fortaleza, Porto Alegre, and Lima are required (see also the chapter titled “Business model” starting on page 46). The free cash flow will temporarily be significantly below the level in fiscal year 2017 and remain in negative territory for a period of time. Because of this development, the Group’s net financial debt will also increase. The Executive Board does not expect the ratio of net financial debt to exceed the range of four to six times Group EBITDA.

With regard to the asset and financial position, in particular, the €800 million loan issued in 2009 will be repaid by Fraport AG in 2019. Potential acquisitions as well as future capital expenditure commitments can be financed via the aforementioned debt products. Financing at the level of Fraport AG through a capital increase is not planned (see also the chapter titled “Finance Management” on page 64 as well as the chapter titled “Asset and Financial Position” starting on page 86).

For the dividend payment, the Executive Board continues to aim for a pay-out ratio between 40 and 60% of the profit attributable to shareholders of Fraport AG, whereby the dividend per share should at least maintain the level of the previous year.

The Executive Board continues to use the non-financial performance indicators to control the Group in the medium term. In particular, for passenger satisfaction, the ratio of women in management positions, the sickness rate, as well as CO_2 emissions, the Executive Board has set long-term goals that it consistently pursues (see also the chapter titled “Control” starting on page 58).

Frankfurt/Main, February 28, 2018

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 the underlying 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 2017 Fiscal Year

Consolidated Income Statement

€ million	Notes	2017	2016
Revenue	(5)	**2,934.8**	**2,586.2**
Change in work-in-process	(6)	0.4	0.4
Other internal work capitalized	(7)	36.3	34.9
Other operating income	(8)	38.9	332.9
Total revenue		**3,010.4**	**2,954.4**
Cost of materials	(9)	–720.4	–621.9
Personnel expenses	(10)	–1,092.9	–1,066.7
Depreciation and amortization	(11)	–360.2	–360.4
Other operating expenses	(12)	–193.9	–211.7
Operating result		**643.0**	**693.7**
Interest income	(13)	29.0	32.0
Interest expenses	(13)	–186.5	–138.9
Result from companies accounted for using the equity method	(14)	30.9	–4.6
Other financial result	(15)	–10.3	–0.8
Financial result		**–136.9**	**–112.3**
Result from ordinary operations		**506.1**	**581.4**
Taxes on income	(16)	–146.4	–181.1
Group result		**359.7**	**400.3**
thereof profit attributable to non-controlling interests		29.5	24.9
thereof profit attributable to shareholders of Fraport AG		330.2	375.4
Earnings per €10 share in €	(17)		
basic		3.57	4.07
diluted		3.56	4.06
EBIT (= operating result)		**643.0**	**693.7**
EBITDA (= EBIT + depreciation and amortization)		**1,003.2**	**1,054.1**

Consolidated Statement of Comprehensive Income

€ million	2017	2016
Group result	**359.7**	**400.3**
Remeasurements of defined benefit pension plans	–0.5	–1.9
(Deferred taxes related to those items	0.2	0.6)
Other comprehensive income of companies accounted for using the equity method	0.3	0.4
(Deferred taxes related to those items	–0.1	–0.1)
Items that will not be reclassified subsequently to profit or loss	**–0.1**	**–1.0**
Fair value changes of derivatives		
Changes directly recognized in equity	–1.6	–4.3
realized gains (+)/losses (–)	–26.1	–31.4
	24.5	**27.1**
(Deferred taxes related to those items	–7.2	–8.4)
Fair value changes of financial assets available for sale		
Changes recognized directly in equity	–3.0	13.4
realized gains (+)/losses (–)	0.0	0.4
	–3.0	**13.0**
(Deferred taxes related to those items	1.1	0.1)
Currency translation of foreign subsidiaries		
Changes recognized directly in equity	–47.2	7.0
realized gains (+)/losses (–)	0.0	0.0
	–47.2	**7.0**
Income and expenses from companies accounted for using the equity method directly recognized in equity		
Changes recognized directly in equity	–7.3	1.9
realized gains (+)/losses (–)	–8.1	–12.9
	0.8	**14.8**
(Deferred taxes related to those items	–0.1	–1.0)
Items that will be reclassified subsequently to profit or loss	**–31.1**	**52.6**
Other result after deferred taxes	**–31.2**	**51.6**
Comprehensive income	**328.5**	**451.9**
thereof attributable to non-controlling interests	22.5	26.8
thereof attributable to shareholders of Fraport AG	306.0	425.1

Consolidated Statement of Financial Position as at December 31, 2017

Assets

€ million	Notes	December 31, 2017	December 31, 2016
Non-current assets			
Goodwill	(18)	19.3	19.3
Investments in airport operating projects	(19)	2,621.1	516.1
Other intangible assets	(20)	132.4	146.7
Property, plant, and equipment	(21)	5,921.5	5,954.2
Investment property	(22)	96.4	79.6
Investments in companies accounted for using the equity method	(23)	268.1	209.7
Other financial assets	(24)	488.6	561.7
Other receivables and financial assets	(25)	190.9	173.3
Income tax receivables	(26)	0.0	0.2
Deferred tax assets	(27)	41.0	36.9
		9,779.3	**7,697.7**
Current assets			
Inventories	(28)	29.3	37.9
Trade accounts receivable	(29)	143.5	129.6
Other receivables and financial assets	(25)	245.5	259.7
Income tax receivables	(26)	5.4	11.9
Cash and cash equivalents	(30)	629.4	736.0
		1,053.1	**1,175.1**
Total		**10,832.4**	**8,872.8**

Liabilites and equity

€ million		December 31, 2017	December 31, 2016
Shareholders´ equity			
Issued capital	(31)	923.9	923.6
Capital reserve	(31)	598.5	596.3
Revenue reserves	(31)	2,345.7	2,220.4
Equity attributable to shareholders of Fraport AG	(31)	3,868.1	3,740.3
Non-controlling interests	(32)	160.6	101.1
		4,028.7	**3,841.4**
Non-current liabilities			
Financial liabilities	(33)	3,955.6	3,236.9
Trade accounts payable	(34)	42.4	41.8
Other liabilities	(35)	1,090.1	408.0
Deferred tax liabilities	(36)	203.8	173.6
Provisions for pensions and similar obligations	(37)	34.2	33.2
Provisions for income taxes	(38)	70.3	71.8
Other provisions	(39)	147.2	147.2
		5,543.6	**4,112.5**
Current liabilities			
Financial liabilities	(33)	575.4	366.5
Trade accounts payable	(34)	185.9	146.7
Other liabilities	(35)	249.7	145.7
Provisions for income taxes	(38)	33.1	42.9
Other provisions	(39)	216.0	217.1
		1,260.1	**918.9**
Total		**10,832.4**	**8,872.8**

Consolidated Statement of Cash Flows

€ million	Notes	2017	2016
Profit attributable to shareholders of Fraport AG		**330.2**	**375.4**
Profit attributable to non-controlling interests		29.5	24.9
Adjustments for			
taxes on income (prior year: not including Manila)	(16)	146.4	112.9
Depreciation and amortization	(11)	360.2	360.4
Interest result	(13)	157.5	106.9
Gains/losses from disposals of non-current assets		6.9	–31.4
Others		–23.2	–8.9
Earnings effect of the Manila project (including taxes on income)	(1)	0.0	–121.4
Changes in the measurement of companies accounted for using the equity method	(14)	–30.9	4.6
Changes in inventories	(28)	8.6	4.9
Changes in receivables and financial assets	(25), (29)	–4.1	12.6
Changes in liabilities	(34 – 35)	66.0	–10.0
Changes in provisions	(36 – 39)	8.9	–21.0
Operating activities		**1,056.0**	**809.9**
Financial activities			
Interest paid		–137.3	–113.8
Interest received		12.5	10.9
Paid taxes on income (prior year: not including Manila)		–140.5	–123.8
Cash flow from operating activities	**(42)**	**790.7**	**583.2**
Investments in airport operating projects	(19)	–1,579.0	–32.2
Investments for other intangible assets	(20)	–9.0	–6.2
Capital expenditure for property, plant, and equipment	(21)	–287.1	–266.9
Investments for "Investment property"	(22)	–0.2	–0.7
Investments in companies accounted for using the equity method		–3.0	0.0
Sale of shares in companies accounted for using the equity method	(2)	0.0	40.1
Dividends from companies accounted for using the equity method	(23)	3.4	24.5
Dividends from other investments		2.2	0.0
Revenue from disposals and repayments of loans to investments		0.0	57.1
Proceeds from disposal of non-current assets		3.5	4.3
Payments for the Manila project (including taxes on income)	(1)	0.0	138.9
Cash flow used in investing activities excluding investments in cash deposits and securities		**–1,869.2**	**–41.1**
Financial investments in securities and promissory note loans	(24)	–68.8	–129.8
Proceeds from disposal of securities and promissory note loans		182.2	260.6
Decrease in time deposits with a term of more than three months	(30)	151.3	–111.9
Cash flow used in investing activities	**(42)**	**–1,604.5**	**–22.2**
Dividends paid to shareholders of Fraport AG	(31)	–138.5	–124.6
Dividends paid to non-controlling interests		–9.1	–5.7
Capital increase	(31)	2.5	2.5
Capital contributions for non-controlling interests		47.1	5.6
Cash inflow from long-term financial liabilities	(33)	1,304.9	295.0
Repayment of non-current financial liabilities		–356.3	–513.7
Other financing activities		48.4	0.0
Changes in current financial liabilities		–19.3	–6.7
Cash flow used in financing activities	**(42)**	**879.7**	**–347.6**
Change in restricted cash		–32.5	0.0
Change in cash and cash equivalents		**33.4**	**213.4**
Cash and cash equivalents as at January 1		448.8	230.7
Foreign currency translation effects on cash and cash equivalents		–21.2	4.7
Cash and cash equivalents as at December 31	**(30), (42)**	**461.0**	**448.8**

Consolidated Statement of Changes in Equity

€ million	Notes	Issued capital	Capital reserve
As at January 1, 2017		**923.6**	**596.3**
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		0.3	2.2
Distributions		–	–
Group result		–	–
Transactions with non-controlling interests		–	–
Capital contributions to the Airports of Greece companies		–	–
Consolidation activities/ other changes		–	–
As at December 31, 2017	**(31),(32)**	**923.9**	**598.5**
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**

Revenue reserves	Foreign currency reserve	Financial instruments	Revenue reserves (total)	Equity attributable to shareholders of Fraport AG	Non-controlling interests	Shareholders' equity (total)
2,136.2	**58.9**	**25.3**	**2,220.4**	**3,740.3**	**101.1**	**3,841.4**
–	–39.9	–	–39.9	–39.9	–7.3	–47.2
0.2	–7.6	8.3	0.9	0.9	–	0.9
–0.3	–	–	–0.3	–0.3	–	–0.3
–	–	–1.9	–1.9	–1.9	–	–1.9
–	–	17.0	17.0	17.0	0.3	17.3
–0.1	**–47.5**	**23.4**	**–24.2**	**–24.2**	**–7.0**	**–31.2**
–	–	–	–	2.5	–	2.5
–138.5	–	–	–138.5	–138.5	–9.1	–147.6
330.2	–	–	330.2	330.2	29.5	359.7
–40.9	–	–	–40.9	–40.9	–	–40.9
–	–	–	–	–	47.1	47.1
–1.3	–	–	–1.3	–1.3	–1.0	–2.3
2,285.6	**11.4**	**48.7**	**2,345.7**	**3,868.1**	**160.6**	**4,028.7**
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**

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, 2017	**132.3**	**762.6**	**268.7**
Foreign currency translation effects	0.0	−61.1	−5.6
Additions	0.0	2,197.9	9.0
Disposals	0.0	0.0	−5.1
Reclassifications	0.0	0.0	5.3
As at December 31, 2017	**132.3**	**2,899.4**	**272.3**
Accumulated depreciation and amortization			
As at January 1, 2017	**113.0**	**246.5**	**122.0**
Foreign currency translation effects	0.0	−24.4	−2.9
Additions	0.0	56.2	17.0
Impairment losses	0.0	0.0	8.6
Disposals	0.0	0.0	−4.8
As at December 31, 2017	**113.0**	**278.3**	**139.9**
Residual carrying amounts			
As at December 31, 2017	**19.3**	**2,621.1**	**132.4**
Acquisition/production costs			
As at January 1, 2016	**132.3**	**715.4**	**261.4**
Foreign currency translation effects	0.0	15.0	1.3
Additions	0.0	32.2	6.2
Disposals	0.0	0.0	−3.8
Reclassifications	0.0	0.0	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	0.0	6.1	0.7
Additions	0.0	25.9	17.5
Impairment losses	22.4	0.0	7.4
Disposals	0.0	0.0	−3.8
Reclassifications	0.0	0.0	
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**

	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
	6,129.3	**3,115.5**	**453.3**	**700.1**	**10,398.2**	**88.6**
	0.0	0.0	–5.5	0.0	**–5.5**	0.0
	32.3	50.1	27.8	176.9	**287.1**	0.2
	–9.8	–72.8	–20.5	–6.4	**–109.5**	–1.8
	–0.1	31.8	4.4	–61.5	**–25.4**	19.6
	6,151.7	**3,124.6**	**459.5**	**809.1**	**10,544.9**	**106.6**
	2,613.5	**1,547.5**	**281.9**	**1.1**	**4,444.0**	**9.0**
	0.0	0.0	–2.7	0.0	**–2.7**	0.0
	145.7	94.8	36.7	0.0	**277.2**	1.2
	0.0	0.0	0.0	0.0	**0.0**	0.0
	–8.3	–67.8	–19.0	0.0	**–95.1**	0.0
	2,750.9	**1,574.5**	**296.9**	**1.1**	**4,623.4**	**10.2**
	3,400.8	**1,550.1**	**162.6**	**808.0**	**5,921.5**	**96.4**
	6,039.0	**3,175.9**	**425.6**	**638.5**	**10,279.0**	**82.3**
	0.0	0.0	1.1	0.0	**1.1**	0.0
	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**
	0.0	0.0	0.2	0.0	**0.2**	0.0
	151.6	98.0	36.4	0.0	**286.0**	1.2
	0.0	0.0	0.0	0.0	**0.0**	0.0
	–5.6	–49.7	–18.3	0.0	**–73.6**	0.0
	–2.4	0.2	0.0	0.0	**–2.2**	0.0
	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**

Segment Reporting

(Note 41)

€ million		Aviation	Retail & Real Estate	Ground Handling	International Activities & Services	Reconciliation	Group
Revenue	2017	954.1	521.7	641.9	817.1	–	**2,934.8**
	2016	910.2	493.9	630.4	551.7	–	**2,586.2**
Other income	2017	25.8	21.6	9.6	18.6	–	**75.6**
	2016	28.7	24.9	12.5	302.1	–	**368.2**
Income with third parties	**2017**	**979.9**	**543.3**	**651.5**	**835.7**	**–**	**3,010.4**
	2016	**938.9**	**518.8**	**642.9**	**853.8**	**–**	**2,954.4**
Inter-segment income	2017	78.3	207.8	44.9	389.2	–720.2	**–**
	2016	85.6	218.5	46.8	381.0	–731.9	**–**
Total income	**2017**	**1,058.2**	**751.1**	**696.4**	**1,224.9**	**–720.2**	**3,010.4**
	2016	**1,024.5**	**737.3**	**689.7**	**1,234.8**	**–731.9**	**2,954.4**
Segment result EBIT	**2017**	**131.7**	**293.8**	**11.6**	**205.9**	**–**	**643.0**
	2016	**70.4**	**283.6**	**–5.5**	**345.2**	**–**	**693.7**
Depreciation and amortization of segment assets	2017	117.8	83.7	39.8	118.9	–	**360.2**
	2016	147.5	84.4	40.2	88.3	–	**360.4**
EBITDA	**2017**	**249.5**	**377.5**	**51.4**	**324.8**	**–**	**1,003.2**
	2016	**217.9**	**368.0**	**34.7**	**433.5**	**–**	**1,054.1**
Share of result from companies accounted for using the equity method	2017	0.0	–9.7	3.1	37.5	–	**30.9**
	2016	0.0	–0.4	1.1	–5.3	–	**–4.6**
Income from investments	2017	0.0	0.0	0.1	2.1	–	**2.2**
	2016	0.0	0.0	0.0	0.0	–	**0.0**
Carrying amounts of segment assets	December 31, 2017	3,669.0	2,319.6	586.9	4,210.5	46.4	**10,832.4**
	December 31, 2016	3,807.5	2,412.8	618.7	1,984.8	49.0	**8,872.8**
Segment liabilities	December 31, 2017	2,498.2	1,480.6	385.4	2,132.3	307.2	**6,803.7**
	December 31, 2016	2,405.9	1,378.0	354.8	604.4	288.3	**5,031.4**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, goodwill, intangible assets, and investment property	2017	156.3	64.9	32.3	2,240.7	–	**2,494.2**
	2016	126.5	62.4	36.9	80.2	–	**306.0**
Other considerable non-cash effective expenses	2017	66.8	44.7	12.4	21.1	–	**145.0**
	2016	93.4	53.2	15.3	8.9	–	**170.8**
Investments in companies accounted for using the equity method	December 31, 2017	0.0	23.6	19.3	225.2	–	**268.1**
	December 31, 2016	0.0	3.4	17.7	188.6	–	**209.7**

Geographical information

€ million		Germany	Rest of Europe	Asia	Rest of World	Reconciliation	Group
Revenue	2017	2,162.2	356.6	24.9	391.1	0.0	**2,934.8**
	2016	2,084.0	108.7	21.9	371.6	0.0	**2,586.2**
Other income	2017	69.9	4.2	0.2	1.3	0.0	**75.6**
	2016	111.2	8.8	247.4	0.8	0.0	**368.2**
Income with third parties	**2017**	**2,232.1**	**360.8**	**25.1**	**392.4**	**–**	**3,010.4**
	2016	**2,195.2**	**117.5**	**269.3**	**372.4**	**–**	**2,954.4**
Carrying amounts of segment assets	December 31, 2017	6,793.9	2,759.9	334.6	897.6	46.4	**10,832.4**
	December 31, 2016	7,065.8	879.6	309.8	568.6	49.0	**8,872.8**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, intangible assets, and investment property	2017	282.6	1,780.5	0.0	431.1	–	**2,494.2**
	2016	259.1	25.2	0.0	21.7	–	**306.0**

Group Notes for the 2017 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/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, 2017 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 2017 consolidated financial statements. Pursuant to Section 315e(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.

There is no need to adjust the previous year's figures.

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 2017 fiscal year were approved for publication by the Executive Board on February 28, 2018. The Supervisory Board approved the consolidated financial statements in its meeting on March 15, 2018.

Result for 2017 in comparison with the result for 2016 adjusted for the impact from the Manila project:

The earnings figures from the previous year cannot be compared to the earnings figures of the 2017 fiscal year due to the non-recurring effects from the Manila project. The adjusted results are compared in the following table:

Result 2017 compared with the result 2016 adjusted for the compensation payment from the Manila project

€ million	Consolidated financial statements 2017	Consolidated financial statements 2016	Consolidated financial statements 2016 without Manila effect
Other operating income	38.9	332.9	91.7
Other operating expenses	–193.9	–211.7	–169.3
EBITDA	1,003.2	1,054.1	855.3
EBIT/Operating result	643.0	693.7	494.9
Other financial result	–10.3	–0.8	8.4
EBT/Result from ordinary operations	506.1	581.4	391.8
Taxes on income	–146.4	–181.1	–112.9
Group result	359.7	400.3	278.9

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 2017 fiscal year:

Companies included in consolidation

	Germany	Other countries	Total
Fraport AG	**1**	**0**	**1**
Fully consolidated subsidiaries			
December 31, 2016	26	24	50
Additions	0	3	3
Disposals	0	0	0
December 31, 2017	**26**	**27**	**53**
Companies accounted for using the equity method			
Joint ventures			
December 31, 2016	8	4	12
Additions	2	0	2
Disposals	0	0	0
December 31, 2017	**10**	**4**	**14**
Associated companies			
December 31, 2016	4	3	7
Additions	0	0	0
Disposals	0	–1	–1
December 31, 2017	**4**	**2**	**6**
Companies consolidated including companies accounted for using the equity method on December 31, 2016	39	31	70
Companies consolidated including companies accounted for using the equity method on December 31, 2017	**41**	**33**	**74**

Additions to the fully consolidated subsidiaries related to Fraport Brasil S.A. Aeroporto de Fortaleza, Fortaleza, Brazil, Fraport Brasil S.A. Aeroporto de Porto Alegre, Porto Alegre, Brazil, and Fraport New York Inc., New York, USA as well as to the joint ventures Frankfurt Airport Retail Verwaltungs GmbH, Frankfurt/Main and Frankfurt Airport Retail GmbH & Co. KG, Hamburg. The disposal of associated companies related to the sale of Aerodrom Portoroz d.o.o., Secovlje, Slovenia. The effects of the deconsolidation of Aerodrom Portoroz for the Fraport Group were not substantial.

At the end of May 2017, Fraport AG acquired all shares in two companies formed in connection with the acquisition of the concession for the management and operation of the airports in Fortaleza and Porto Alegre in Brazil: Fraport Brasil S.A. Aeroporto de Porto Alegre and Fraport Brasil S.A. Aeroporto de Fortaleza. The companies took over operation of the airports on January 2, 2018. Further information on the concession agreements is contained in note 48. The newly founded companies were not yet active in fiscal year 2017 and therefore had no substantial effect on the results of operations of the Group. The impact of the initial consolidations on the financial situation is shown in the following table.

Disclosure of interests in subsidiaries

€ million	Fraport Brasil S.A. Aeroporto de Porto Alegre	Fraport Brasil S.A. Aeroporto de Fortaleza
	December 31, 2017	December 31, 2017
Non-current assets	88.4	251.4
Current assets	15.7	12.1
Non-current liabilities	10.0	142.4
Current liabilities	3.2	2.9
Shareholders' equity/net assets	90.9	118.2

On January 27, 2017, the Group company Fraport USA established its subsidiary company Fraport New York, Inc. The company will operate Food & Beverage as well as retail space in Terminal 5 of the John F. Kennedy International Airport in New York.

In order to develop the duty-free business at the Frankfurt site, Fraport invested in two joint ventures in January 2017, purchasing a 50% capital share in each company, Frankfurt Airport Retail GmbH & Co. KG, Hamburg (hereinafter: FAR), and Frankfurt Airport Retail Verwaltungs GmbH, Frankfurt/Main. The companies have been included in the consolidated financial statements since January 1, 2017 as joint ventures accounted for using the equity method. The fair value of the net assets at the time of initial consolidation amounted to €14.0 million.

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/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 the summarized financial information for the Group companies Lima Airport Partners S.R.L, Fraport Twin Star Airport Management AD, and the two Greek companies, Fraport Regional Airports of Greece A S.A. (hereinafter Fraport Greece A) and Fraport Regional Airports of Greece B S.A. (hereinafter Fraport Greece B). The Fraport Group holds substantial non-controlling interests in these companies. 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. The two Group companies in Greece, Fraport Regional Airports of Greece A S.A., Athens, and Fraport Regional Airports of Greece B S.A., Athens, each operate seven airports in Greece. Further information on the companies is contained in note 48.

Disclosure of interests in subsidiaries

€ million	Fraport Regional Airports of Greece A S.A.		Fraport Regional Airports of Greece B S.A.		Lima Airport Partners S.R.L.		Fraport Twin Star Airport Management AD	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Participation quota of non-controlling interests in %	**26.60**	**28.00**	**26.60**	**28.00**	**29.99**	**29.99**	**40.00**	**40.00**
Non-current assets	882.7	5.6	902.9	5.6	354.1	372.7	190.2	192.5
Current assets	100.8	5.4	88.4	5.4	111.5	172.0	22.4	28.2
Non-current liabilities	857.6	0.0	832.9	0.0	186.7	268.2	79.3	85.8
Current liabilities	40.3	3.1	38.7	3.1	69.8	89.3	28.8	37.3
Shareholders' equity/net assets	**85.6**	**7.9**	**119.7**	**7.9**	**209.1**	**187.2**	**104.5**	**97.6**
Carrying amount, non-controlling interests	22.8	2.2	31.8	2.2	62.7	56.1	41.8	39.1

	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	129.7	0.0	105.2	0.0	325.6	305.7	67.5	63.8
EBITDA	67.2	–2.8	50.2	–2.8	120.0	110.8	39.6	40.8
Result after taxes	13.3	–2.0	1.1	–2.0	54.4	53.5	20.8	21.3
Other result	0.8	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Currency translation differences	0.0	0.0	0.0	0.0	–24.5	6.3	0.0	0.0
Comprehensive income	**14.1**	**–2.0**	**1.6**	**–2.0**	**29.9**	**59.8**	**20.8**	**21.3**
Proportion of non-controlling interests in comprehensive income	3.8	–0.6	0.4	–0.6	9.0	17.9	8.3	8.5
Cash flow from operating activities	62.7	–1.7	54.4	–1.8	76.2	71.8	31.1	31.0
Cash flow used in investing activities	–651.7	–6.1	–663.8	–5.9	–19.3	–19.7	–9.2	–6.1
thereof investments in airport operating projects	–609.0	0.0	–625.0	0.0	0.0	0.0	0.0	0.0
thereof in infrastructure	–42.7	–6.1	–38.8	–5.9	–19.3	–19.7	–9.2	–6.1
Cash flow used in financing activities	662.9	9.9	676.7	9.9	–98.5	–11.8	–26.2	–23.3
Change in cash and cash equivalents	**73.9**	**2.1**	**67.3**	**2.2**	**–41.6**	**40.3**	**–4.3**	**1.6**
Cash and cash equivalents as at January 1	2.1	0.0	2.2	0.0	155.6	111.8	22.1	20.5
Restricted cash	–29.7	0.0	–26.1	0.0	0.0	0.0	0.0	0.0
Foreign currency translation effects on cash and cash equivalents	0.0	0.0	0.0	0.0	–18.5	3.5	0.0	0.0
Cash and cash equivalents as at December 31	46.3	2.1	43.4	2.2	95.5	155.6	17.8	22.1
Dividends to non-controlling interests	0.0	0.0	0.0	0.0	2.5	0.0	5.6	4.4

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.

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, 2017	Average exchange rate 2017	Exchange rate December 31, 2016	Average exchange rate 2016
1 US Dollar (US-$)	0.8342	0.8852	0.9470	0.9034
1 Turkish New Lira (TRY)	0.2205	0.2427	0.2683	0.2991
1 Renminbi Yuan (CNY)	0.1280	0.1311	0.1359	0.1360
1 Hong Kong Dollar (HKD)	0.1067	0.1136	0.1221	0.1164
1 Peruvian Nuevo Sol (PEN)	0.2576	0.2715	0.2820	0.2677
100 Russian Rubles (RUB)	1.4423	1.5166	1.5463	1.3487
1 Brazilian Real (BRL)	0.2518	0.2774	–	–

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.

The following overview contains a summary of the valuation methods for items in the statement of financial position.

Measurement policies by financial position item

Financial position item	Measurement policy
Assets	
Goodwill	Accumulated impairment (IAS 36)
Investments in airport operating projects	Amortized costs
Other intangible assets with determinable useful lives	Amortized costs
Property, plant, and equipment	Amortized costs
Investment property	Amortized costs
Other financial assets	Categories IAS 39 (Note 40)
Trade accounts receivable	Amortized costs
Other receivables and financial assets	
Short-term securities	Fair value
Others	Amortized costs
Inventories	Lower of acquisition or production cost and net realizable value
Cash and cash equivalents	Nominal value
Derivative financial instruments	Fair value
Liabilities	
Financial liabilities	Amortized costs
Trade accounts payable	Amortized costs
Other liabilities	Amortized costs
Provisions for pensions and similar obligations	Projected unit credit method
Other provisions	Present value or amount required to settle the obligation
Derivative financial instruments	Fair value

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 have been rendered, when it is reasonably probable that an economic benefit will be received, and when 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 Greece, Varna and Burgas (Bulgaria), Lima (Peru), and Fortaleza and Porto Alegre (Brazil) 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	25 – 50
Other concession and operator rights	8 – 39
Software and other intangible assets	1 – 30
Buildings (structural sections)	7 – 80
Technical buildings	20 – 40
Building equipment	12 – 38
Ground equipment	5 – 99
Flight operating areas	
Takeoff/landing runways	7 – 99
Aprons	20 – 99
Taxiway bridges	80
Taxiways	20 – 99
Other technical equipment and machinery	3 – 33
Vehicles (including special vehicles)	3 – 25
Other equipment, operating, and office equipment	2 – 25

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 2018 to 2022 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: 1.0% 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 4.1% and 11.93% (previous year: 5.1% to 9.9%).

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 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 (including restricted cash) 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 and interest 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 1.60% (previous year: 1.70%). 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 0.19% (previous year: 0.10%).

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 occurrence 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.

Provisions for pensions and similar 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, 2017 (€54.6 million; previous year: €75.5 million) and wake turbulences (€8.8 million; previous year: €17.9 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, 2017 (€25.9 million; previous year: €29.2 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 position.

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, 2017.

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 are to be applied to fiscal years starting on or after January 1, 2017. No comparative figures for the previous year are required in the year of initial application.

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 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.

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 future transactions 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.

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. The new standard affects, in particular, the accounting of the lessee. In future, the rights and obligations resulting from previous “operating lease” relationships will have to be accounted for as rights of use and leasing 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 leasing payments recognized as assets and liabilities at present value based on future minimum leasing payments indicated in note 44. In addition, an insignificant improvement in Group EBITDA of a maximum of the minimum leasing payments from operating leasing relationships currently specified in the notes (see also note 44) 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 leasing liability instead of the former leasing 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. The date of the initial application corresponds to the application date adopted by the IASB through the adoption of IFRS 16 on October 31, 2017 into European law.

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 was given on October 31, 2017.

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. The changes were adopted into EU law on February 7, 2018.

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 or 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 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 analyzed.

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.

On June 7, 2017, the IFRS IC published a new interpretation of IFRIC 23 “Uncertainty over Income Tax Treatments” within the scope of IAS 12 “Income taxes”. IFRIC 23 supplements the provisions of IAS 12 in relation to the inclusion of uncertainties with regard to the treatment of income tax from events and transactions. IFRIC 23 applies for all fiscal years starting on or after January 1, 2019. The interpretation will not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On October 12, 2017, the IASB approved amendments to IFRS 9 “Financial Instruments”. The changes affect the valuation of early repayment options with prepayment penalty. The date of initial application is January 1, 2019. Voluntary early 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 October 12, 2017, the IASB published amendments to IAS 28 "Investments in Associates and Joint Ventures". The amendments relate to long-term interests that, depending on the business purpose, are part of the Group's net investment in a company accounted for using the equity method. Therefore the accounting and measurement of such interests are carried out in accordance with IFRS 9. The date of initial application is January 1, 2019. Voluntary early 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 12, 2017, the IASB published the "Improvements to IFRS 2015 – 2017". The amendments relate to IFRS 3 / IFRS 11, IAS 12 and IAS 23. The amendments to IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements" determine that when obtaining control of a business operated thus far as a "joint operation" the principles for successive business combinations (IFRS 3.42A) are applicable. On the contrary, no revaluation needs to be made when obtaining joint control of a business operation that thus far was operated within the scope of common activities (joint operation).
The amendment to IAS 12 "Income Taxes" states that the effects of taxes on income on the receipt of dividends must be disclosed in the operating result. This applies regardless of how the tax burden has arisen.
The amendments to IAS 23 "Borrowing costs" include clarifications in determining the financing rate in connection with procuring qualified assets.
The date of initial application of the amendments is January 1, 2019. Voluntary early 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.

Notes to the Consolidated Income Statement

5 Revenue

Revenue

€ million	2017	2016
Aviation		
Airport charges	780.3	755.8
Security services	127.3	112.5
Other revenue	46.5	41.9
	954.1	**910.2**
Retail & Real Estate		
Real Estate	194.2	191.9
Retail	206.0	200.6
Parking	86.6	81.3
Other revenue	34.9	20.1
	521.7	**493.9**
Ground Handling		
Ground services	323.8	315.7
Infrastructure charges	304.7	299.0
Other revenue	13.4	15.7
	641.9	**630.4**
International Activities & Services	**817.1**	**551.7**
Total	**2,934.8**	**2,586.2**

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 €167.8 million (previous year: €165.6 million) was realized. The underlying lease contracts in the Retail section for fiscal year 2017 contain contractually agreed minimum lease payments of €44.3 million (previous year: €43.6 million).

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 44 years on average (previous year: 46 years).

The acquisition and production costs of the leased buildings and land amount to €477.2 million (previous year: €425.9 million). Cumulative depreciation and amortization came to €355.6 million (previous year: €304.9 million), of which depreciation and amortization amounted to €6.7 million for the fiscal year (previous year: €6.7 million).

Revenue in the International Activities & Services segment (formerly External Activities & Services, renamed as at January 1, 2018) includes contract revenue from construction and expansion services related to airport operating projects abroad of €41.7 million (previous year: €19.9 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	2017
Minimum lease payments	142.6	315.2	741.2	1,199.0

€ million	Remaining term			Total
	< 1 year	1 – 5 years	> 5 years	2016
Minimum lease payments	137.0	300.2	807.7	1,244.9

The future income from minimum lease payments includes the contractual unconditional minimum rental for the retail areas as well.

The total future income from minimum leasing payments under subleasing arrangements amounted on the reporting date to €62.9 million (previous year: €101.3 million), and is predominantly accounted for by Fraport USA Inc. (International 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 €50.5 million (previous year: €51.7 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	2017	2016
Change in work-in-process	0.4	0.4

The change in work-in-process essentially relates to land and buildings for sale.

7 Other Internal Work Capitalized

Other internal work capitalized

€ million	2017	2016
Other internal work capitalized	36.3	34.9

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, renovation, and modernization of the existing airport infrastructure at Frankfurt Airport.

8 Other Operating Income

Other operating income

€ million	2017	2016
Releases of provisions	10.4	21.7
Income from compensation payments	5.3	1.8
Compensation payment Fraport Greece	3.0	0.0
Releases of special items for investment grants	1.2	1.2
Gains from disposal of non-current assets	0.8	0.6
Compensation payment Manila project	0.0	241.2
Net income from the sale of investments in associated companies	0.0	40.1
Releases of allowances	0.0	7.2
Repayment of adjusted shareholder loans	0.0	6.0
Others	18.2	13.1
Total	**38.9**	**332.9**

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	2017	2016
Cost of raw materials, consumables, supplies, and real estate inventories	–132.3	–96.2
Cost of purchased services	–588.1	–525.7
Total	**–720.4**	**–621.9**

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 variable concession charges of €169.3 million (previous year: €144.6 million), as well as order costs for construction and expansion services of €41.7 million (previous year: €19.9 million).

In connection with the Fraport USA Inc. concession agreements for the marketing of retail space, the cost of materials include minimum leasing payments of €19.2 million (previous year: €22.6 million) and conditional leasing payments of €14.6 million (previous year: €15.1 million).

10 Personnel Expenses and Number of Employees

Personnel expenses and average number of employees

€ million	2017	2016
Remuneration for staff	–888.6	–872.2
Social security and welfare expenses	–159.3	–150.2
Pension expenses	–45.0	–44.3
Total	**–1,092.9**	**–1,066.7**

Average number of employees	2017	2016
Permanent employees	19,775	19,372
Temporary staff (interns, students, and scholars)	898	950
Total	**20,673**	**20,322**

Additions to pension provisions and additions to obligations arising from time-account models are included in personnel expenses.

11 Depreciation and Amortization

Depreciation and amortization

€ million	2017	2016
Composition of depreciation and amortization		
Goodwill		
non-regular	0.0	–22.4
Investments in airport operating projects		
regular	–56.2	–25.9
Other intangible assets		
regular	–17.0	–17.5
non-regular	–8.6	–7.4
Property, plant, and equipment		
regular	–277.2	–286.0
Investment property		
regular	–1.2	–1.2
Total	**–360.2**	**–360.4**

Regular depreciation and amortization

The useful lives of some assets were re-estimated in the year under review, resulting in increased depreciation and amortization of €3.8 million year on year (previous year: €5.7 million) and reduced depreciation and amortization of €14.6 million (previous year: €5.7 million).

Impairment losses pursuant to IAS 36

The non-regular depreciation and amortization of €8.6 million on other intangible assets relates to the concession rights of Fraport USA Inc. (previous year: €7.4 million) (see also note 4 and note 20).

12 Other Operating Expenses

Other operating expenses

in Mio €	2017	2016
Insurances	–28.4	–26.1
Costs for advertising and representation	–22.2	–21.1
Consulting, legal, and auditing expenses	–24.1	–18.0
Rental and lease expenses	–12.4	–12.4
Losses from disposal of non-current assets	–7.7	–5.6
Other taxes	–9.8	–6.7
Expenses from obligations to environmental and local areas	–2.7	–6.6
Write-downs of trade accounts receivable	–0.8	–0.9
Rebates for payments received from a federal guarantee for capital contributions (Manila project)	0.0	–42.4
Others	–85.8	–71.9
Total	**–193.9**	**–211.7**

Rental and lease expenses include minimum lease payments of €9.8 million (previous year: €9.1 million) and contingent rental payments of €0.3 million (previous year: €0.2 million). Minimum lease payments from subleasing arrangements amounted to €0.7 million (previous year: €0.7 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 audit expenses include Group auditor fees (disclosed in accordance with Section 314 (1) no. 9 HGB) amounting to €1.9 million (previous year: €1.8 million). Substantial certification services provided by the external auditor for Fraport AG related to the audit of the summarized separate non-financial report with limited assurance and the carrying out of a private-investor test. They are comprised as follows:

Group auditor fees

€ million	2017		2016	
	Fraport AG	Consolidated companies	Fraport AG	Consolidated companies
Audit services	1.2	0.2	1.3	0.2
Other certification services	0.2	0.0	0.3	0.0
Tax audit services	0.0	0.0	0.0	0.0
Other benefits	0.3	0.0	0.0	0.0
Total	**1.7**	**0.2**	**1.6**	**0.2**

13 Interest Income and Interest Expenses

Interest income and interest expenses

€ million	2017	2016
Interest income	29.0	32.0
Interest expenses	–186.5	–138.9

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	2017	2016
Interest income from financial instruments	26.0	26.7
Interest expenses from financial instruments	–180.8	–130.6

14 Result from Companies accounted for Using the Equity Method

Result from companies accounted for using the equity method

€ million	2017	2016
Joint Ventures	12.0	–13.9
Associated companies	18.9	9.3
Total	**30.9**	**–4.6**

The result from joint ventures accounted for using the equity method contains, inter alia, the result after taxes for Antalya of €15.6 million (previous year: –€16.1 million) and for the first time the result after taxes of FAR of €6.3 million as well as the expenses from a contractually agreed tax settlement payment from Fraport AG to FAR of €14.2 million.

The result for associated companies accounted for using the equity method includes a write-up of €8.0 million on the carrying amount for Flughafen Hannover-Langenhagen GmbH.

15 Other Financial Result

The other financial result breaks down as follows:

Other financial result

€ million	2017	2016
Income		
Foreign currency translation rate gains, unrealized	4.1	3.7
Foreign currency translation rate gains, realized	1.9	8.5
Valuation of derivatives	6.4	2.7
Others	2.7	2.8
Total	**15.1**	**17.7**
Expenses		
Foreign currency translation rate losses, unrealized	–2.1	–0.8
Foreign currency translation rate losses, realized	–1.7	–14.3
Valuation of derivatives	–0.7	–3.4
Others	–20.9	0.0
Total	**–25.4**	**–18.5**
Total other financial result	**–10.3**	**–0.8**

Other expenses included in the financial result are primarily the prepayment penalty for redemption of the financing of LAP of €10.1 million and the fair value of the minority shareholder's option to purchase further shares in the Group companies Fraport Regional Airports of Greece of €9.3 million.

16 Taxes on Income

Income tax expense breaks down as follows:

Taxes on income

€ million	2017	2016
Current taxes on income	–131.6	–190.3
Deferred taxes on income	–14.8	9.2
Total	**–146.4**	**–181.1**

Current income tax expense consists of current taxes on income for the year under review (€142.6 million, previous year: €192.7 million) and taxes on income for previous years (–€11.0 million, previous year: –€2.4 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, for utilizable carry-forwards of unused tax losses, as well as for carry-forwards of tax-deductible interest.

The probability of the future use of the losses carried forward is decisive for the evaluation of the recoverability of deferred tax assets and interest. This depends on whether future taxable profits will be available in the periods in which the carry-forward of unused tax losses and interest can be utilized. As at December 31, 2017, based on current information, the Fraport Group had non-utilizable tax losses carried forward of €16.0 million (thereof €10.8 million related to trade taxes and €5.2 million to corporation taxes; previous year: €10.0 million, thereof €7.9 million related to trade taxes and €2.1 million to corporation taxes) as well as utilizable tax losses carried forward of €10.9 million (previous year: €5.9 million). Loss carry-forwards that are not expected to be utilizable are attributable to Fraport Immobilienservice und -entwicklungs GmbH & Co. KG and FraSec Fraport Security Services GmbH and can be carried forward indefinitely. Loss carry-forwards that are expected to be utilizable are primarily attributable to Fraport Brasil S.A. Aeroporto de Porto Alegre and Fraport Brasil S.A. Aeroporto de Fortaleza (previous year: Fraport Greece A and Fraport Greece B).

As at December 31, 2017, based on current information, the Fraport Group had utilizable carry-forwards of tax-deductible interest of €14.8 million (previous year: (€0.0 million), which are exclusively attributed to Fraport Greece A and the Fraport Greece B.

For temporary differences in connection with shares in subsidiaries amounting to €189.9 million (previous year: €250.5 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	2017		2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investments in airport operating projects	0.0	–20.3	0.0	–10.5
Other intangible assets	0.0	–158.0	0.0	–25.8
Property, plant, and equipment	0.9	–229.3	3.0	–217.5
Financial assets	0.1	0.0	0.3	0.0
Accounts receivable and other assets	2.3	–0.8	4.1	–1.3
Provisions for pensions	6.9	0.0	6.9	0.0
Other provisions	26.8	–0.7	36.6	–0.8
Liabilities	198.5	0.0	57.1	0.0
Financial derivatives	6.3	–0.4	12.4	0.0
Losses and interest carried forward	8.0	0.0	1.7	0.0
Total separate financial statements	**249.8**	**–409.5**	**122.1**	**–255.9**
Offsetting	–208.8	208.8	–85.2	85.2
Consolidation measures	0.0	–3.1	0.0	–2.9
Consolidated Statement of Financial Position	**41.0**	**–203.8**	**36.9**	**–173.6**

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 of €6.1 million (previous year: €8.4 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-decreasing deferred taxes resulted primarily from the revaluation of defined benefit plans to the value of €0.2 million (previous year: equity-increasing deferred taxes to the value of €0.5 million).

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

Tax reconciliation

€ million	2017	2016
Earnings before taxes on income	506.1	581.4
Expected tax income/expense[1)]	–156.9	–180.2
Tax effects from differences in foreign tax rates	11.9	15.2
Tax credit from tax-free income	10.2	9.3
Taxes on non-deductible operating expenses	–5.6	–15.7
Non-creditable non-German withholding tax	–0.2	–0.8
Permanent differences including non-deductible tax provisions	–10.9	–5.6
Result of companies accounted for using the equity method	12.1	–1.4
Non-utilizable tax losses carried forward	–0.9	–0.8
Trade effects and other effects from local taxes	–3.7	–3.7
Prior-period taxes	–0.9	2.4
Others	–1.5	0.2
Taxes on income according to the income statement	**–146.4**	**–181.1**

[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).

The consolidated tax rate for the 2017 fiscal year is 28.9% (previous year: 31.2%).

17 Earnings per Share

Earnings per share

	2017		2016	
	basic	diluted	basic	diluted
Group result attributable to shareholders of Fraport AG in € million	330.2	330.2	375.4	375.4
Weighted number of shares	92,377,435	92,667,323	92,337,317	92,546,302
Earnings per €10 share in €	3.57	3.56	4.07	4.06

The basic earnings per share for the 2017 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 92,357,054 to 92,391,339 as at December 31, 2017. With a weighted average number of 92,377,435 shares, the basic earnings per €10 share amounted to €3.57.

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 92,667,323 (weighted average) and the diluted earnings per €10 share are therefore €3.56.

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, 2017	Carrying amount December 31, 2016
Fraport Slovenija	18.0	18.0
Fraport USA	1.0	1.0
Media	0.3	0.3
Total	**19.3**	**19.3**

The following table provides an overview of the assumptions incorporated in the main goodwill impairment tests as at December 31, 2017:

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
Fraport Slovenija	–	8.2 %	–	5.2 %	–	2017 bis 2053

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 on which the impairment test for Fraport Slovenija 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

€ million	December 31, 2017	December 31, 2016
Investments in airport operating projects	2,621.1	516.1

Investments in airport operating projects relate to concession rights, which comprise the following items due to the application of IFRIC 12 (see also note 4 and note 48): the paid initial payment and capitalized minimum concession payments of €2,379.3 million (previous year: €288.5 million) as well as capital expenditure of €241.8 million (previous year: €227.6 million). They relate to terminal operation at the concession airports in Greece at €1,741.9 million (previous year: €10.3 million), Lima at €311.5 million (previous year: €324.6 million), Varna and Burgas at €179.1 million (previous year: €181.2 million), and Fortaleza and Porto Alegre at €388.6 million. The acquisition costs of the concession in Lima increased to €21.2 million in the year under review due to the extension of the concession agreement.

Borrowing costs of €4.3 million were capitalized due to the financing of the projects to expand the airports in Greece (previous year: €0.0 million). The borrowing costs include €0.1 million in interest paid and €4.2 million in ancillary costs associated with debt capital, such as commitment interest (€3.7 million). The fixed interest rate on debt capital is around 4.7%. Agreed payouts at a floating interest rate have not been made thus far.

The additions in the fiscal year amounting to €2,197.9 million resulted in cash outflows of €1,579.0 million in the statement of cash flows, which are fully reflected in the cash flow used in investing activities. These include €1,234 million for the initial concession payment for the Greek regional airports as well as €181.0 million for the initial concession payment for the Brazilian airports of Fortaleza and Porto Alegre. The non-cash portion correspondingly resulted in an increase in overall liabilities in connection with concession liabilities or other liabilities (see note 35).

20 Other Intangible Assets

Other intangible assets

€ million	December 31, 2017	December 31, 2016
Other concession and operator rights	72.5	89.0
Software and other intangible assets	59.9	57.7
Total	**132.4**	**146.7**

The other concession and operator rights include the right derived from an existing, long-term land use contract to operate the airport in Ljubljana (€58.9 million, previous year: €60.6 million) with a remaining term of 36 years (previous year: 37 years), and the concession rights shown in the balance sheet of Fraport USA Inc. (€13.6 million, previous year: €28.4 million) in the retail sector with residual terms of up to 12 years (previous year: 13 years). In the year under review, a Fraport USA Inc. concession right assigned to the “International Activities & Services” segment had to be impaired due to losing a tender for the renewal of the concession in Boston, which led to the recognition of an impairment loss of €8.6 million. The carrying amount of the concession right was fully depreciated at the reporting date, as the concession expired at October 31, 2017.

The other intangible assets included as at the reporting date contain internally generated intangible assets with residual carrying amounts of €16.7 million (previous year: €16.4 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 €1.6 million (previous year: €1.5 million).

21 Property, Plant, and Equipment

Property, Plant, and Equipment

€ million	December 31, 2017	December 31, 2016
Land, land rights, and buildings, including buildings on leased lands	3,400.8	3,515.8
Technical equipment and machinery	1,550.1	1,568.0
Other equipment, operating, and office equipment	162.6	171.4
Construction in progress	808.0	699.0
Total	**5,921.5**	**5,954.2**

Additions in the 2017 fiscal year amounted to €287.1 million. Of this, €103.0 million was attributable to projects relating to the capacitive expansion of Frankfurt Airport.

Borrowing costs were capitalized in the amount of €16.0 million (previous year: €18.7 million). These 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 3.5% on average (previous year: approximately 4.7%). Borrowing costs were mainly incurred for projects relating to the capacitive expansion of Frankfurt Airport.

As at the balance sheet date, property, plant, and equipment with a carrying amount totaling €5.7 million (previous year: €12.4 million) carry mortgages.

Property, plant, and equipment of the Fraport Group comprises land, land rights, and buildings, including those on land leased by Fraport AG and is valued at €3,295.3 million. As at the balance sheet date of 2017, land with an area of 25.2 million square meters (equivalent to approximately 9.7 sq mi) is owned by Fraport AG. Depending on the location and type of use, the market value of the land included in property, plant, and equipment varies between €1 and €600 per square meter (equivalent to approximately 10.75 sq ft) (land values published by the committees of experts for real estate values of the State of Hesse).

Assets from finance lease contracts amounting to €7.1 million were recognized in property, plant, and equipment on the balance sheet date (previous year: €18.5 million):

Finance lease contracts (2017)

€ million	Carrying amount January 1, 2017	Additions	Disposals	Depreciation and amortization	Carrying amount December 31, 2017
Land, land rights, and buildings, including buildings on leased lands	8.3	0.0	0.0	2.1	6.2
Technical equipment and machinery	9.4	0.0	3.0	6.0	0.4
Other equipment, operating, and office equipment	0.8	0.0	0.0	0.3	0.5
Total	**18.5**	**0.0**	**3.0**	**8.4**	**7.1**

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**

Land, land rights and buildings, including buildings on leased lands, include an energy plant belonging to Mainova AG 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. As at December 31, 2017, Fraport AG acquired the assets contained in the agreements and capitalized them in property, plant, and equipment. The lease was ended early, and the lease liability and leased assets have been derecognized. This resulted in disposals amounting to €2.9 million.

22 Investment Property

Investment property includes land and buildings situated in direct vicinity to Frankfurt Airport, which are classified as follows:

Investment property

in Mio €	Carrying amount December 31, 2017	Carrying amount December 31, 2016	Fair value December 31, 2017	Fair value December 31, 2016
Undeveloped land – Level 2	27.5	8.8	70.5	64.8
Undeveloped land – Level 3	8.5	8.8	8.8	10.1
Developed land – Level 3	60.4	62.0	96.6	96.5
Total	**96.4**	**79.6**	**175.9**	**171.4**

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 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 reclassifications in the year under review amounting to €19.6 million are attributed to reclassifications of €18.6 million from property, plant, and equipment for land in Kelsterbach close to the Airport. The development plan for this land, which refers to commercial use and obtaining rental income, was completed in fiscal year 2017.

As at the balance sheet date, the investment property included assets under construction of €1.5 million (previous year: €1.9 million).

For major parts of the investment property, foreseeable restrictions on saleability arise from the fact that these areas are located in the immediate vicinity of Runway Northwest.

Net lease revenue from investment property during the 2017 fiscal year amounted to €4.8 million (previous year: €4.6 million). The total costs incurred for the maintenance of investment property amounted to €1.1 million (previous year: €0.7 million), classified as expenses that are not allocatable (excluding depreciation and amortization), and of which €0.1 million was incurred for property for which no lease revenue was earned during the fiscal year.

As at the balance sheet date, obligations were recognized for the acquisition of investment property amounted to €0.3 million (previous year: €0.6 million) and land with a carrying amount of €8.0 million, which was sold in fiscal year 2017 for which ownership will be transferred in 2018.

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 (operator) 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 grantor). 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 operator 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 grantor.

Fraport holds a 51% interest in the company’s share capital, 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, 2017	December 31, 2016
Non-current assets	**747.5**	**863.5**
Non-current liabilities	**621.5**	**606.4**
thereof financial liabilities	104.1	0.0
thereof other liabilities (including trade accounts payable)	517.4	606.4
Current assets	**185.0**	**168.2**
thereof cash and cash equivalents	160.2	145.6
thereof other assets	24.8	22.6
Current liabilities	**221.0**	**382.7**
thereof financial liabilities	13.0	272.0
thereof other current liabilities (including trade accounts payable)	208.0	110.7
Net assets	**90.0**	**42.6**
Pro rata share of net assets	45.0	21.3
Goodwill	16.9	16.9
Investment carrying amount	**61.9**	**38.2**

Results data for Antalya

€ million	2017	2016
Revenue	260.2	180.9
EBITDA	222.6	141.1
Regular depreciation and amortization	–108.5	–108.6
Interest income	2.2	1.9
Interest expenses	–67.1	–68.3
Taxes on income	–14.4	4.5
Result after taxes	**31.4**	**–32.2**
Other result	16.1	9.8
Comprehensive income	**47.5**	**–22.4**

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	
	2017	2016	2017	2016	2017	2016
Investment carrying amount as at January 1 (Fraport share)	38.2	68.1	26.8	26.4	65.0	94.5
Share of annual net profit/losses	15.6	–16.1	10.6	1.1	26.2	–15.0
Share of other result	8.1	4.9	0.0	0.0	8.1	4.9
Comprehensive income	**23.7**	**–11.2**	**10.6**	**1.1**	**34.3**	**–10.1**
Dividends	0.0	–18.7	–1.2	–0.7	–1.2	–19.4
Other adjustments	0.0	0.0	–0.8	0.0	–0.8	0.0
Additions	0.0	0.0	15.7	0.0	15.7	0.0
Investment carrying amount as at December 31 (Fraport share)	**61.9**	**38.2**	**51.1**	**26.8**	**113.0**	**65.0**
Unrecorded pro rata results/losses						
In the reporting period			0.0	0.4		
Cumulative			0.0	0.0		

In connection with financing the concession in Antalya, €100.5 million of bank balances are subject to a drawing restriction (previous year: €145.2 million).

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% of the shares in Thalita Trading Ltd. In connection with a refinancing of NCG conducted in December 2016, the original deadline for the final transfer of the full guarantees to the new investors was extended to March 31, 2018, which avoided a breach of the credit clauses.

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, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Share of shareholders' equity in %	**25.00**	**25.00**	**24.50**	**24.50**	**30.00**	**30.00**
Non-current assets	**694.5**	**792.5**	**732.0**	**688.9**	**331.7**	**336.1**
Non-current liabilities	**1,114.4**	**1,200.6**	**184.6**	**231.7**	**150.2**	**155.0**
thereof financial liabilities	1,058.9	1,131.7	151.6	196.8	118.9	124.1
thereof other liabilities (including trade accounts payable)	55.5	68.9	33.0	34.9	31.3	30.9
Current assets	**196.0**	**194.3**	**97.9**	**210.3**	**19.1**	**10.6**
thereof cash and cash equivalents	170.0	137.2	33.0	168.2	6.0	1.1
thereof other assets	26.0	57.1	64.9	42.1	13.1	9.5
Current liabilities	**118.9**	**94.3**	**119.5**	**150.9**	**61.8**	**54.5**
thereof financial liabilities	62.7	41.3	0.0	0.0	21.0	20.4
thereof other liabilities (including trade accounts payable)	56.2	53.0	119.5	150.9	40.8	34.1
Net assets	**–342.8**	**–308.1**	**525.8**	**516.6**	**138.8**	**137.2**
Pro rata share of net assets	–85.7	–77.0	128.8	126.6	41.6	41.2
Adjustments/accumulated impairments	0.0	0.0	0.0	0.0	–17.6	–25.7
Investment carrying amount	**0.0**	**0.0**	**128.8**	**126.6**	**24.0**	**15.5**

Result data

€ million	Thalita/NCG		Xi'an		Hanover	
	2017	2016	2017	2016	2017	2016
Revenue	258.2	194.0	235.3	213.4	156.5	147.6
EBITDA	147.4	105.7	90.3	97.1	26.3	28.9
Regular depreciation and amortization	–37.3	–34.3	–49.3	–50.8	–20.2	–20.1
Interest income	0.0	0.0	3.0	4.1	0.0	0.0
Interest expenses	–87.3	–112.2	–7.6	–11.3	–5.3	–5.8
Currency translation differences	–26.7	63.1	0.0	0.0	0.0	0.0
Taxes on income	–11.1	–11.1	–7.3	–5.9	0.2	–1.9
Result after taxes	**–29.9**	**–0.8**	**40.0**	**30.4**	**2.3**	**2.8**
Other result	–6.9	–3.4	0.0	0.0	1.4	–1.0
Comprehensive income	**–36.8**	**–4.2**	**40.0**	**30.4**	**3.7**	**1.8**

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

€ million	Thalita/NCG		Xi'an		Hanover		Other associated companies	
	2017	2016	2017	2016	2017	2016	2017	2016
Investment carrying amount as at January 1 (Fraport share)	**0.0**	**0.0**	**126.6**	**125.7**	**15.5**	**15.0**	**2.5**	**2.4**
Share of annual net profit/losses	0.0	0.0	9.8	7.5	0.7	0.8	0.4	0.9
Share of other result	0.0	0.0	0.0	0.0	0.5	–0.3	0.0	0.0
Currency translation differences	0.0	0.0	–7.6	–3.4	0.0	0.0	0.0	0.0
Comprehensive income	**0.0**	**0.0**	**2.2**	**4.1**	**1.2**	**0.5**	**0.4**	**0.9**
Dividends	0.0	0.0	0.0	–3.2	–0.7	0.0	–0.7	–0.8
Write-up	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.0
Investment carrying amount as at December 31 (Fraport share)	**0.0**	**0.0**	**128.8**	**126.6**	**24.0**	**15.5**	**2.2**	**2.5**
Unrecorded pro rata results/losses								
In the reporting period	–7.5	–0.2	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative	–83.2	–75.7	0.0	0.0	0.0	0.0	0.0	0.0

There are no significant restrictions pursuant to IFRS 12.

24 Other Financial Assets

Other financial assets

€ million	December 31, 2017	December 31, 2016
Available for sale financial assets		
Securities	271.7	335.3
Other investments	105.3	104.7
Loans		
Loans to joint ventures	12.8	4.3
Loans to associated companies	84.8	88.2
Other loans	14.0	29.2
Total	**488.6**	**561.7**

In the year under review, investments in securities amounting to €40.1 million (previous year: €49.8 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 €97.3 million maturing in 2018 (previous year: €120.3 million) and changes arising from valuation of –€2.4 million (previous year: €0.6 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 2017 fiscal year, fund units were increased by €1.9 million (previous year: €8.5 million). As at the reporting date, acquisition costs amounted to €57.8 million (previous year: €55.9 million). These securities are measured at fair value and credited against the corresponding obligations of €50.4 million (previous year: €46.2 million) (see also note 40). At year-end, there was an overfunding from fund units of €9.3 million (previous year: €11.8 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. 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

€ million	Remaining term		Total	Remaining Term		Total
	up to 1 year	over 1 year	December 31, 2017	up to 1 year	over 1 year	December 31, 2016
Accounts receivable from joint ventures	10.6	6.7	17.3	5.4	5.7	11.1
Accounts receivable from associated companies	13.0	37.8	50.8	0.4	54.6	55.0
Accounts receivable from other investments	0.5	0.0	0.5	0.0	0.0	0.0
Financial assets available for sale	98.2	0.0	98.2	152.7	0.0	152.7
Refunds from “Passive noise abatement/wake turbulences”	11.2	79.6	90.8	11.8	91.7	103.5
Promissory note loans	15.0	0.0	15.0	28.5	0.0	28.5
Accruals	9.5	26.5	36.0	8.1	16.6	24.7
Prepayments	22.5	29.3	51.8	0.0	0.0	0.0
Other assets	65.0	11.0	76.0	52.8	4.7	57.5
Total	**245.5**	**190.9**	**436.4**	**259.7**	**173.3**	**433.0**
thereof financial assets	136.5	71.9	208.4	174.9	70.4	245.3

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, 2017 compared to the previous year results from scheduled reclassifications from the balance sheet item “Other financial assets” of around €97.3 million (previous year: €120.3 million), additions during the year under review of around €20.0 million (previous year: €70.0 million), and disposals of securities that matured in the fiscal year of around €170.6 million (previous year: €246.4 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.

The item developed as follows in the fiscal year:

Refunds from “Passive noise abatement/wake turbulences”

€ million	January 1, 2017	Receipts	Disposals	Reclassification	Interest effect	December 31, 2017
Refunds from “Passive noise abatement/ wake turbulences”	103.5	12.3	0.0	0.0	–0.4	90.8

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, 2017	up to 1 year	over 1 year	December 31, 2016
Income tax receivables	5.4	0.0	5.4	11.9	0.2	12.1

Income tax receivables as at December 31, 2017 primarily comprised refund claims from the current year/previous years.

As at December 31, 2016, income tax receivables still included the corporation income tax credit.

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. The last installment was paid in 2017. The corporation tax credit was therefore reduced to €0.0 million as at December 31, 2017 (previous year: €6.0 million).

The present value of this tax refund claim amounted to a total of €5.3 million as at the balance sheet date in 2016. Economically, this refund claim was an overpayment pursuant to IAS 12.12.

27 Deferred Tax Assets

Deferred tax assets

€ million	December 31, 2017	December 31, 2016
Deferred tax assets	41.0	36.9

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, 2017	December 31, 2016
Land and buildings for sale	10.6	20.0
Raw materials, consumables, and supplies	17.6	17.2
Work-in-process/other	1.1	0.7
Total	**29.3**	**37.9**

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. The ground value is currently €220 per square meter (equivalent to approximately 10.75 sq ft).

Based on the ongoing development of the real estate held for sale, €0.5 million was capitalized in the year under review (previous year: €0.7 million). In addition, a reclassification of €0.9 million from investment property (previous year: €0.0 million) resulted from a change in the intended use of parts of the land. Carrying amount reductions of €10.8 million (previous year: €5.4 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 was set at around 0.9% (previous year: approximately 0.5%).

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 3.0% after tax (previous year: 3.5%). 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 €5.2 million are planned for 2018 (previous year: around €4.6 million). The sale of other land and buildings (€5.4 million) should be realized in 2019 and 2020.

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, 2017	December 31, 2016
From third parties	143.5	129.6

For 2017, as at the reporting date, the maximum default risk without taking securities into account equaled the carrying amount of €143.5 million (previous year: €129.6 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, 2017	**143.5**	**106.1**	**26.3**	**7.2**	**3.9**
December 31, 2016	129.6	102.2	13.6	6.4	7.4

With regard to trade accounts receivable which are neither impaired nor in default, there is no indication as at the reporting date for 2017 that the debtors will not meet their payment obligations. This includes disputed claims arising from the provision of security services on behalf of the Federal Government. These claims are now being raised in a legal action. 25% (previous year: 26%) of outstanding accounts receivable are due from two customers.

Cash security of €6.7 million (previous year: €6.5 million) and non-cash guarantees (mainly loan guarantees) to the nominal value of €31.1 million (previous year: €30.8 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:

Allowances

€ million	2017	2016
Balance as at January 1	**43.7**	**57.2**
Allowances included in other operating expenses	0.8	0.9
Revenue-decreasing allowances	2.4	2.8
Release	–1.1	–7.2
Availments	–0.8	–10.1
Exchange rate differences	0.6	0.1
Balance as at December 31	**45.6**	**43.7**

30 Cash and Cash Equivalents

Cash and cash equivalents

€ million	December 31, 2017	December 31, 2016
Cash in hand, bank balances, and checks	629.4	736.0

The bank balances mainly include short-term time deposits as well as overnight deposits.

Cash and cash equivalents include time deposits of €112.6 million (previous year: €263.9 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 concessions in Greece, €55.8 million of bank balances are subject to a drawing restriction. In connection with the financing of the Antalya concessions, bank deposits of €23.3 million remained subject to drawing restrictions in the previous year.

31 Equity Attributable to Shareholders of Fraport AG

Equity attributable to shareholders of Fraport AG

€ million	December 31, 2017	December 31, 2016
Issued capital	923.9	923.6
Capital reserve	598.5	596.3
Revenue reserves	2,345.7	2,220.4
Total	**3,868.1**	**3,740.3**

Issued capital

Issued capital (less treasury shares) increased by €0.3 million in fiscal year 2017 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 92,391,339 (previous year: 92,357,054) 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

			Treasury shares		
	Issued shares Number	Floating shares Number	Number	Amount of capital stock in €	Share in capital stock in %
As at January 1, 2017	**92,434,419**	**92,357,054**	**77,365**	**773,650**	**0.0837**
Employee investment plan					
Capital increase	34,285	34,285			
As at December 31, 2017	**92,468,704**	**92,391,339**	**77,365**	**773,650**	**0.0837**

			Treasury shares		
	Issued shares Number	Floating shares Number	Number	Amount of capital stock In €	Share in capital stock 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**

The new shares created under the employee investment plan were issued to the employees at a price of €71.27 each in June 2017.

Authorized capital

Pursuant to Sections 202 et seqq. AktG, the Executive Board was authorized by resolution of the AGM held on May 31, 2013 to increase the capital stock by up to €3.5 million on one or more occasions until May 30, 2018 with the approval of the Supervisory Board. This was used for issuing shares to employees of Fraport AG and companies controlled by Fraport AG. It was possible to exclude the statutory subscription rights of the shareholders. In 2017, a total of €342,850 of authorized capital was used for issuing shares within the scope of the employee investment plan.

At the AGM of May 23, 2017, by canceling the existing authorized capital, new authorized capital of €3.5 million was approved. 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 22, 2022, by issuing new shares in return for cash.

Therefore, €3.5 million of authorized capital remained as at December 31, 2017, 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.

Capital reserve

The capital reserve contains the premium from the issue of Fraport AG shares. The €2.2 million increase in the capital reserve results from the excess in the issue amount (€61.27 per share) of new shares issued under the employee investment plan (34,285 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 –€1.0 million as at the balance sheet date (previous year: –€26.3 million). The reserve for the fair value valuation of financial assets available for sale totals €49.7 million (previous year: €51.6 million).

Pursuant to Section 253 (6) sentence 1 of the HGB and in accordance with Section 268 (8) of the HGB, a total of €53.8 million of the shareholders' equity attributable to Fraport AG's shareholders (previous year: €62.5 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: €1.50 per share)

In the 2017 fiscal year, the AGM of May 23, 2017 decided to pay a dividend of €1.50 per no-par value share entitled to dividends. The distributed amount thus came to €138.5 million (previous year: €124.6 million).

32 Non-controlling Interests

Non-controlling interests

€ million	December 31, 2017	December 31, 2016
Non-controlling interests (excluding the attributable Group result)	131.1	76.2
Group result attributable to non-controlling interests	29.5	24.9
Total	**160.6**	**101.1**

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 Group companies Fraport Greece A and Fraport Greece B.

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, 2017	up to 1 year	over 1 year	December 31, 2016
Financial liabilities	575.4	3,955.6	4,531.0	366.5	3,236.9	3,603.4

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, 2017	up to 1 year	over 1 year	December 31, 2016
To third parties	185.9	42.4	228.3	146.7	41.8	188.5

Trade accounts payable include liabilities in connection with compensation measures in connection with nature protection law in the amount of €24.1 million (previous year: €26.4 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 up to 1 year	Remaining term over 1 year	Total December 31, 2017	Remaining term up to 1 year	Remaining term over 1 year	Total December 31, 2016
Prepayment for orders	3.9	–	**3.9**	1.8	–	**1.8**
To joint ventures	11.2	–	**11.2**	5.1	–	**5.1**
To associated companies	11.8	–	**11.8**	4.4	–	**4.4**
To investments	–	–	**–**	–	–	**–**
Investment grants for non-current assets	1.3	8.2	**9.5**	1.2	9.6	**10.8**
Other accruals	12.4	89.7	**102.1**	6.1	33.9	**40.0**
Liabilities in connection with concession obligations	43.8	910.6	**954.4**	28.5	256.1	**284.6**
Negative fair values of derivative financial instruments	54.0	44.4	**98.4**	4.6	73.1	**77.7**
Other liabilities	111.3	37.2	**148.5**	94.0	35.3	**129.3**
Total	**249.7**	**1,090.1**	**1,339.8**	**145.7**	**408.0**	**553.7**
thereof primary financial liabilities	74.0	13.8	**87.8**	68.4	265.7	**334.1**

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 Greece, Lima, Fortaleza, Porto Alegre, Varna, and Burgas.

The remaining other liabilities, inter alia, 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 up to 1 year	Remaining term 1 – 5 years	Remaining term over 5 years	Total December 31, 2017
Lease payments	3.3	6.0	0.0	**9.3**
Discount amounts	0.4	0.3	0.0	**0.7**
Present value	**2.9**	**5.7**	**0.0**	**8.6**

€ million	Remaining term up to 1 year	Remaining term 1 – 5 years	Remaining term over 5 years	Total 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**

Discount rates are between 1.0% and 5.5% (previous year: 1.0% and 6.0%). The fair values of the liabilities from finance leases totaled €9.2 million as at December 31, 2017 (previous year: €23.2 million). For additional comments, see note 21.

36 Deferred Tax Liabilities

Deferred tax liabilities

€ million	December 31, 2017	December 31, 2016
Deferred tax liabilities	203.8	173.6

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 to the value of €23.2 million (previous year: €22.3 million), of which €1.1 million (previous year: €0.8 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 €1.0 million have been paid for 2017 (previous year: €0.9 million) and €1.0 million is expected for the next year (previous year: €0.9 million). The average weighted term of the members of the Executive Board's defined benefit plans is 15.7 years (previous year: 16.1 years) for pensions with reinsurance and 8.5 years (previous year: 8.8 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, 2017, Dr Schulte is entitled to 66.0% of his fixed annual gross salary. Dr Zieschang is entitled to 50.0% of his fixed annual gross salary as at December 31, 2017.

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 thousand 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 €2.5 thousand. 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.

Benefits for surviving dependents of 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 thousand 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 €8.0 thousand.

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 454 benefits (of which 417 vested) as at the end of the year. The present value of the non-vested benefits amounted to €0.3 million (previous year: €0.2 million); the present value of the vested benefits amounted to €10.0 million in the 2017 annual financial statements (previous year: €9.7 million). Future obligations amount to €6.9 million for active employees and €3.4 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 8.5 years (previous year: 9.4 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 15 vested pension commitments totaling €5.4 million (previous year: €5.1 million). Obligations amount to €4.5 million for active employees (previous year: €4.2 million); obligations amount to €0.9 million for former and retired employees (previous year: €0.9 million). The average weighted term of the employee-financed company pension scheme was 5.6 years (previous year: 6.3 years).

Guidelines nos. 2 and 3 as well as company agreement BV 47 expired effective January 1, 2017 and were replaced with a new version of company agreement BV 47 and an amalgamation of guidelines nos. 2 and 3. The new version differs from the previously valid version in that the interest on contributions from January 1, 2017 is no longer accrued at a fixed interest rate of 6% nor is direct interest attributed based on age factors but rather at an annual rate based on the market rate, which is no less than 2% p.a. and no more than 6% p.a. Contributions that have been paid in by December 31, 2016 still accrue interest according to the previous version. For deferred compensation (development account), starting in calendar year 2017, a special regulation applies that allows for the contributions to accrue interest in accordance with the version valid until December 31, 2016 (unchanged age factors) with the exception of interest accrual from the age of 61. The interest accrual from the age of 61 for conversion contributions for calendar year 2017 will no longer be 6% p.a., but rather 2% p.a. For deferred compensation from January 1, 2018, no direct interest is attributed based on age factors but rather at an annual interest rate based on the market rate in accordance with company agreement BV 47. For employees who have left the company before the signing of the revised agreement, the previous version of the company agreement remains in effect for 2017.

The valuation of pension obligations is based on the provisions of IAS 19. The pension obligations as at December 31, 2017 were calculated on the basis of actuarial opinions. Changes to the obligations outlined above were as follows:

Pension obligations (2017)

€ million	Present value of the obligation	Plan assets	Total
As at January 1, 2017	**55.5**	**–22.3**	**33.2**
Service cost			
Current service cost	1.9	0.0	**1.9**
Supplementary service cost	0.0	0.0	**0.0**
Gains and losses on compensation	0.0	0.0	**0.0**
Total service cost	**1.9**	**0.0**	**1.9**
Net interest income/expense			
Interest income and interest expenses	**0.9**	**–0.4**	**0.5**
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	0.7	0.0	**0.7**
Total remeasurements	**0.8**	**–0.2**	**0.6**
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	0.2	0.0	**0.2**
Payments from the plan	–1.9	0.7	**–1.2**
Overfunding	0.0	0.0	**0.0**
As at December 31, 2017	**57.4**	**–23.2**	**34.2**

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**

Offsetting

Pension obligations are offset against the plan assets reserved for insolvency insurance below:

Offsetting

€ million	2017	2016
Offsetting		
Reconciliation to assets and liabilities recognized in the financial position		
Present value of an obligation funded through a reinsurance/trust assets	27.1	25.7
Fair value of plan assets	–23.2	–22.3
Overfunding (not included in the net liability)/underfunding	3.9	3.4
Present value of an obligation not funded through a reinsurance/trust assets	30.3	29.8
(Net) liabilities recognized in the financial position	**34.2**	**33.2**

Significant actuarial assumptions

	2017	2016
Salary trend	0.00%	0.00 %
Interest rate	1.60%	1.70 %
Pension growth	1,75 %/2,25 %	1,75 %/2,25 %
Mortality	Mortality tables 2005G of Prof. Dr. Heubeck	Mortality tables 2005G of Prof. Dr. Heubeck
Retirement age	Termination of contract period, earliest pensionable age in pension commitments	Termination of contract period, earliest pensionable age in pension commitments

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, 2017)

€ million	2017	
	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	–1,2	1.2
	Reduction by one year	
Mortality[1)]	1.4	
	Increase by one year	
Retirement age	0.0	

[1)] The obligation would increase for all beneficiaries by €1.4 million as a result of the decrease in mortality of one year.

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.

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 Risk 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, €30.5 million (previous year: €29.8 million) was recorded as contributions to defined contribution plans for ZVK. 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 statutory insurance schemes totaled €70.2 million (previous year: €69.1 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, 2017	up to 1 year	over 1 year	December 31, 2016
Provisions for taxes on income	33.1	70.3	**103.4**	42.9	71.8	**114.7**

Tax provisions amounting to €103.4 million (previous year: €114.7 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, 2017	Use	Release	Additions	December 31, 2017
Personnel	**117.3**	**–81.4**	**–2.1**	**87.8**	**121.6**
thereof non-current	23.7				47.1
thereof current	93.6				74.5

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).

The provision for the company-wide program to develop the personnel structure initiated in fiscal year 2016 "Future Contract Plus (FC Plus)" amounted to €27.3 million as at the balance sheet date (last year: €37.7 million).

Other provisions

€ million	January 1, 2017	Use	Release	Additions	Interest effect	December 31, 2017
Environment	39.3	–2.6	0.0	4.2	–0.7	**40.2**
Passive noise abatement	75.5	–20.6	0.0	0.0	–0.3	**54.6**
Nature protection law compensation	29.2	–0.6	–3.0	0.0	0.3	**25.9**
Wake turbulences	17.9	–8.9	0.0	0.0	–0.2	**8.8**
Others	85.1	–20.7	–5.3	53.0	0.0	**112.1**
Total	**247.0**	**–53.4**	**–8.3**	**57.2**	**–0.9**	**241.6**
thereof non-current	123.5					100.1
thereof current	123.5					141.5

Releases include releases not reflecting net income of €3.0 million which were recognized against 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, 2017, estimated cash outflows (present value) amounted to €5.4 million within one year (previous year: €5.9 million), €14.4 million after one to five years (previous year: €18.0 million), and €20.4 million after five years (previous year: €15.4 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. As at December 31, 2017, estimated cash outflows (present value) amounted to €26.4 million within one year (previous year: €28.4 million), €27.4 million after one to five years (previous year: €41.1 million), and €0.8 million after five years (previous year: €6.0 million). 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, 2017, estimated cash outflows (present value) amounted to €0.1 million within one year (previous year: €0.5 million), €14.0 million after one to five years (previous year: €8.3 million), and €11.8 million after five years (previous year: €20.4 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, 2017, estimated cash outflows (present value) amounted to €4.2 million within one year (previous year: €10.2 million), €4.2 million after one to five years (previous year: €6.6 million), and €0.4 million after five years (previous year: €1.1 million). There is a corresponding refund claim for obligations reported under other accounts receivable (see also note 25).

The remaining provisions include provisions for rebates and refunds of €49.8 million (previous year: €29.4 million), provisions for development measures to be carried out in connection with the sale of real estate inventories (also see note 28) of €14.9 million (previous year: €17.3 million), provisions relating to legal disputes of €3.5 million (previous year: €4.3 million), and provisions for risks arising from renting and other services for which no further information is provided due to disputed facts. 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, 2017, and December 31, 2016, respectively:

Financial instruments as at December 31, 2017

€ million	Measured at amortized costs		Measured at fair value	December 31, 2017
Measurement category according to IAS 39	Loans and Receivables		Available for Sale	Total fair value
	Carrying amount	Fair value	Carrying amount[1]	
Financial assets				
Cash and cash equivalents	629.4	629.4		629.4
Trade accounts receivable	143.5	143.5		143.5
Other financial receivables and assets	110.2	134.5	98.2	232.7
Other financial assets				
Securities			271.7	271.7
Other investments			105.3	105.3
Loans to joint ventures	12.8	12.8		12.8
Loans to associated companies	84.8	109.0		109.0
Other loans	14.0	14.0		14.0
Total	**994.7**	**1,043.2**	**475.2**	**1,518.4**

	Measured at amortized costs		Measured at fair value		Total fair value
Measurement category according to IAS 39	Other financial liabilities		Held for Trading	Hedging derivative	
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	
Financial liabilities					
Trade accounts payable	228.3	233.0			233.0
Other financial liabilities	1,042.2	1,295.1			1,295.1
Financial liabilities	4,531.0	4,702.2			4,702.2
Derivative financial liabilities					
Hedging derivative				27.6	27.6
Other derivatives			19.1		19.1
Share Option			50.2		50.2
Total	**5,801.5**	**6,230.3**	**69.3**	**27.6**	**6,327.2**

[1] The carrying amount equals the fair value of the financial instrument.

Financial instruments as at December 31, 2016

€ million	Measured at amortized costs		Measured at fair value	December 31, 2016
Measurement category according to IAS 39	Loans and Receivables		Available for Sale	Total fair value
	Carrying amount	Fair value	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**	**592.7**	**1,672.6**

	Measured at amortized costs		Measured at fair value		Total fair value
Measurement category according to IAS 39	Other financial liabilities		Held for Trading	Hedging derivative	
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	
Financial liabilities	0.0	0.0			0.0
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
Derivative financial liabilities				0.0	0.0
Hedging derivative			0.0	52.4	52.4
Other derivatives			25.4	0.0	25.4
Total	**4,126.0**	**4,428.9**	**25.4**	**52.4**	**4,506.7**

[1] The carrying amount equals the fair value of the financial instrument.

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.

With regard to the fair values of the liabilities from finance leases, see note 35.

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, two of which contain floors. The fair values of these interest swaps are determined on the basis of discounted future expected cash flows, using market interest rates corresponding to the terms to maturity. The calculation of the fair market value of the floors is based on a standard option pricing model.

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 as at the reporting date is added to the cash flows.

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 to NCG 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 three 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.

The fair values of leasing liabilities are calculated by discounting the expected future cash flows based on current interest rates for similar financial liabilities with a comparable maturity.

Non-current liabilities are recognized at their present value. 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 other investments categorized as Level 3 relate to the shares in Delhi International Airport Private Ltd. Until December 31, 2016, the fair value of the shares in Delhi International Airport Private Ltd. was determined based on a current bid and taking current exchange rates into account, and categorized as Level 2. Since June 30, 2017, the fair value has been determined based on a discounted cash flow valuation. The shareholders' equity option in Level 3 relates to shares in Fraport Greece A and Fraport Greece B. Fraport holds a short position. Another shareholder has the possibility to exercise his option for shareholders' equity shares once in the next six years.

The substantial non-observable input factors, both for the shareholders' equity option and the shares in Delhi International Airport Private Ltd., for determining the fair value, are the forecast cash flows, which are based on the company's future earnings and planned capital expenditure, as well as the discount factor that is applied. The discount factor used was the WACC (country-specific, weighted average capital cost after taxes).

Fair value hierarchy level 3 reconciliation (values determined using valuation techniques)

€ million	January, 1 2017	Additions	Gains/losses in income statement	Transfers into level 3	Gains/losses in OCI	December, 31 2017
Share Option	0.0	–40.9	–9.3	0.0	0.0	–50.2
Other Investments	0.0	0.0	0.0	104.5	0.5	105.0

Sensitivities

€ million	Sensitivities with regard to unobservable input parameters					Currency rate sensitivity (INR)	
	Discount rate			Growth forcasts			
		+0,5%	–0,5%	+0,5%	–0,5%	+0,5%	–0,5%
Share Option	6.8 %	34.7	67.6	73.2	27.1	N/A	N/A
Other Investments	11.9 %	98.5	122.6	152.7	62.0	–5.0	5.5

The fair values of financial instruments belong to the following measurement categories of the hierarchy pursuant to IFRS 13 as at December 31, 2017:

Measurement categories pursuant to IFRS 13 (2017)

€ million	December 31, 2017	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	**98.2**	98.2		
Loans and receivables	**134.5**		85.8	48.7
Other financial assets				
Securities	**271.7**	271.7		
Other investments	**105.3**			105.3
Loans to joint ventures	**12.8**		12.8	
Loans to associated companies	**109.0**			109.0
Other loans	**14.0**		14.0	
Total	**745.5**	**369.9**	**112.6**	**263.0**
Financial liabilities				
Trade accounts payable	**233.0**		233.0	
Other financial liabilities	**1,295.1**		1,295.1	
Financial liabilities	**4,702.2**	948.0	3,754.2	
Liabilities from finance leases	**9.2**		9.2	
Derivative financial liabilities				
Derivatives without hedging relationships	**19.1**		19.1	
Derivatives with hedging relationships	**27.6**		27.6	
Share Option	**50.2**			50.2
Total	**6,336.4**	**948.0**	**5,338.2**	**50.2**

The fair values of financial instruments belonged 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		
Loans and receivables	**92.6**		38.0	54.6
Other financial assets				
Securities	**335.3**	300.3	35.0	
Other investments	**104.7**		104.7	
Loans to joint ventures	**4.3**		4.3	
Loans to associated companies	**88.2**			88.2
Other loans	**29.2**		29.2	
Total	**807.0**	**453.0**	**211.2**	**142.8**
Financial liabilities				
Trade accounts payable	**193.4**		193.4	
Other financial liabilities	**479.6**		479.6	
Financial liabilities	**3,755.9**	903.2	2,852.7	
Liabilities from finance leases	**23.2**		23.2	
Derivative financial liabilities				
Derivatives without hedging relationships	**25.4**		25.4	
Derivatives with hedging relationships	**52.4**		52.4	
Total	**4,529.9**	**903.2**	**3,626.7**	**0.0**

Net results of the measurement categories

€ million	2017	2016
Financial assets		
Loans and receivables	1.6	–0.8
Available for sale	–1.7	14.3
Financial liabilities		
At amortized cost	–11.8	0.9
Held for trading	–3.6	11.8

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 2017 fiscal year. In addition, the recognized change in the shareholders' equity option was included in this position.

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 swaps and interest swaps with embedded floors were concluded in order to limit the interest rate risk arising from financial instruments with floating interest rates and assure planning security.

An expense of €7.2 million was accrued within the scope of the acquisition valuation of derivatives in connection with the commitment in Greece in April 2017. In the year under review, the value dropped by €0.4 million to €6.8 million, which was recognized over the term due to the proportional release.

The Group holds 19 interest rate swaps as at the reporting date (previous year: 26). In relation to one interest rate swap (in the previous year: two), a bank has the unilateral right to terminate the interest rate swap. The value of this right was taken into account in the fair value of the interest rate swap.

Derivative financial instruments

€ million	Nominal volume		Fair value		Credit risk	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Interest rate swaps	691.2	755.0	–46.7	–77.8	0.0	0.0
thereof hedge accounting	561.2	605.0	–27.6	–52.4	0.0	0.0
thereof trading	130.0	150.0	–19.1	–25.4	0.0	0.0
Share Option	0.0	0.0	–50.2	0.0	0.0	0.0

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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Interest rate swaps - cash flow hedges	0.0	0.0	27.6	52.4
Interest rate swaps - trading	0.0	0.0	19.1	25.4
Share Option	0.0	0.0	50.2	0.0

16 interest rate swaps (previous year: 22) are already assigned to existing floating interest-bearing liabilities.

A total of 16 interest rate swaps (previous year: 22) 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. Three interest rate swaps (previous year: four) 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 (2017 hedge accounting)

€ million			December 31, 2017
Beginning of term	**End of term**	**Nominal value**	**Fair value**
2008	2018	115.0	–3.8
2009	2019	220.0	–14.9
2010	2020	85.0	–10.3
2017	2034	141.2	1.4
Total		**561.2**	**–27.6**

There were the following time periods as at December 31, 2016:

Interest rate swaps (2016 hedge accounting)

€ million			December 31, 2016
Beginning of term	**End of term**	**Nominal value**	**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
Total		**605.0**	**–52.4**

Unrealized losses of €1.6 million were recorded in shareholders' equity from the change in fair value of derivatives in the 2017 fiscal year (previous year: €4.3 million). During the year under review, losses of €26.1 million (previous year: €31.4 million) were transferred from shareholders' equity to the financial result. In addition, ineffectiveness of the interest rate swaps amounting to €0.1 million was recorded through profit and loss (previous year: €0.2 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 at the Frankfurt site are clearly assigned to the Aviation, Retail & Real Estate, Ground Handling and International 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" as well as the Group companies involved in the processes at the Frankfurt site. As at January 1, 2018, “Airport Security Management” has been fully integrated into the strategic business unit “Airside and Terminal Management, Corporate Safety and Security” of Fraport AG.

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 International 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 (International 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 Telecommunication 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 €85.7 million, EBITDA of €23.1 million and EBIT of –€11.4 million result from the internal service units and their investments as well as the acquisitions and investments section.

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 International 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 at 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, Peru, and Brazil. The revenue of Lima Airport Partners S.R.L., Lima, Peru, amounted to €325.6 million in 2017 (previous year: €305.7 million). The company holds non-current intangible assets in connection with the recognition pursuant to IFRIC 12 of around €299.1 million as at the balance sheet date (previous year: €312 million). In the “Rest of Europe” region, the two Greek companies contributed a total of €234.9 million to revenue (see also note 2). The investments in airport operating projects according IFRIC 12 amounted to €1,741.8 million as at December 31, 2017.

Additions of the fully consolidated Group companies in the fiscal year related to Fraport Brasil S.A. Aeroporto de Fortaleza, Fortaleza, Brazil, Fraport Brasil S.A. Aeroporto de Porto Alegre, Porto Alegre, Brazil and Fraport New York Inc., New York, USA. All three companies were allocated to the International Activities & Services segment. The newly founded companies were not yet active in the fiscal year and therefore had no material effects on the results of operations. The effect on the financial position is shown in note 2. In addition, the joint ventures Frankfurt Airport Retail Verwaltungs GmbH, Frankfurt/Main and Frankfurt Airport Retail GmbH & Co. KG, Hamburg were added to the Retail & Real Estate segment. The two additions did not have a material effect on the segment reporting.

The disposal of the associated company Aerodrom Portoroz d.o.o. Secovlje, Slovenia (International Activities & Services segment) had no material impact on the segment reporting.

Impairment losses on segment assets of the International Activities & Services segment were recognized pursuant to IAS 36 to the value of €8.6 million (previous year: €7.4 million) (see also note 4 and note 20).

Segment assets of the Retail & Real Estate segment include real estate inventories of €10.6 million (previous year: €20.0 million).

During the 2017 fiscal year, revenue of €969.5 million was generated in all four segments from one customer (previous year: €931.6 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 €790.7 million (previous year: €583.2 million) resulted in €1,056.0 million (previous year: €809.9 million) from operating activities, €124.8 million (previous year: €102.9million) from financing activities, and €140.5 million (previous year: €123.8 million) from cash flow used in taxes on income. The sharp increase in the operating area is primarily a result of the take-over of operations of Fraport Regional Airports of Greece and its contribution to the Group result.

For the purposes of calculating the operating cash flow, the changes to liabilities compared to the previous year according to the statement of financial position (€825.9 million) are adjusted for operations that had no direct impact on current cash flows for the period or which can be assigned to cash flow used in investing or financing activities (€759.9 million).

Cash flow from operating activities includes cash outflows for fixed and variable concession payments in connection with the airport operating projects.

Cash flow used in investing activities

Cash flow used in investing activities excluding investments in cash deposits and securities amounted to €1,869.2 million (previous year: €41.1 million), a significant increase of €1,828.1 million year on year. The large cash outflows resulted from the payment of the initial one-off fees for airport operating projects in Greece and Brazil. In addition, the payments made in the previous year from the Manila project and the sale of the shares in capital, loans and interest receivable in Thalita Trading Ltd. affected the change in cash flow. The additions to investments in the airport operating projects of €2,197.9 million are adjusted in the cash flow for non-cash accounting for the present value of the minimum concession payments (concession liability) of €618.9 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 from financing activities

Cash flow from financing activities of €879.7 million (previous year: cash outflow of €347.6 million) resulted primarily from taking on long-term financial liabilities to finance the airport operating projects in Greece and Brazil.

Other financing involved payments from long-term liabilities for financing purposes.

The following overviews show the composition of cash and cash equivalents and non-cash changes to the liabilities from financing activities.

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

€ million	December 31, 2017	December 31, 2016
Bank and cash balances	185.4	208.2
Time deposits with a remaining term of less than three months	275.6	240.6
Cash and cash equivalents as at the consolidated statement of cash flows	**461.0**	**448.8**
Time deposits with a remaining term of more than three months	112.6	263.9
Restricted cash	55.8	23.3
Cash and cash equivalents as at the consolidated statement of financial position	**629.4**	**736.0**

Changes in liabilities from financing acitivities

€ million	January 1, 2017	Cash inflow from non-current financial liabilities	Repayment of non-current financial liabilities	Cash-effective changes in current financial liabilities	Non cash-effective changes			December 31, 2017
					Foreign currency translation effects	Changes in fair value	Reclassifications and other changes	
Non-current financial liabi-lities	3,236.9	1,304.9	–356.3	0.0	–9.9	2.9	–222.9	3,955.6
Current financial liabilities	366.5	0.0	0.0	–19.3	–1.8	0.0	230.0	575.4
Other financing activities	0.0	48.4	0.0	0.0	0.0	0.0	0.0	48.4

Other Disclosures

43 Contingent Liabilities

Contingent liabilities

€ million	December 31, 2017	December 31, 2016
Guarantees	1.2	1.2
Warranties	342.7	196.8
thereof contract performance guarantees	294.2	140.2
Other contingent liabilities	22.8	39.8
Total	366.7	237.8

The warranties concluded mainly result from the respective contract terms in connection with national and international investment projects.

The guarantees primarily contain contract performance guarantees of €294.2 million, the most important of which are explained below.

As at the balance sheet date, there were contract performance guarantees in connection with the two service concession agreements concluded in 2015 for the 14 Greek Regional Airports (€51.4 million), the corresponding construction activities (€51.4 million) and financing (€7.3 million). The operations of the airports were taken over in fiscal year 2017 (see note 48).

Fraport and the Brazilian Government signed concession agreements on July 28, 2017 for the operation and further development of the Brazilian airports of Fortaleza and Porto Alegre (see note 48). This commitment resulted in performance guarantees of €97.5 million.

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 €39.2 million (previous year: €41.9 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.

The performance guarantee relating to the concession agreement for the operation of the airport in Lima, Peru, amounted to €13.3 million as at the balance sheet date (previous year: €15.2 million).

The contractual performance of its Group company Fraport USA Inc. is guaranteed to a total of €12.7 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: €7.5 million) in the context of operating the airports in Varna and Burgas, Bulgaria.

The other contingent liabilities include that Fraport AG is held liable to the amount of €9.7 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: €10.3 million), contingent liabilities at Lima from tax risks to the amount of €12.7 million (previous year: €15.2 million).

There are contingent liabilities amounting to €42.7 million (previous year: €53.6 million) in connection with investments in joint ventures.

44 Other Financial Obligations

Order commitments for capital expenditure

€ million	December 31, 2017	December 31, 2016
Orders for capital expenditure in property, plant, and equipment and intangible assets	330.5	248.3

Order commitments for intangible assets comprise an insignificant portion of the total amount.

Operating leases

€ million	December 31, 2017	December 31, 2016
Rental and lease contracts		
up to 1 year	23.2	29.3
more than 1 up to 5 years	72.7	53.1
more than 5 years	46.2	32.8
Total	**142.1**	**115.2**

In addition to order commitments, other financial obligations include future expenses arising from rental and leasing 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 €82.9 million (previous year: €74.2 million). These relate largely to obligations arising from a long-term heat supply contract (€70.5 million, previous year: €69.2 million) with Mainova AG. The other obligations include €4.5 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 relating to the operation of the airports in Varna and Burgas, Bulgaria; Lima, Peru; Fortaleza and Porto Alegre, Brazil; and the 14 Greek Regional Airports (see also note 48).

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 all performance shares allocated from fiscal year 2014 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. A total of 47,525 virtual shares were issued in the 2017 fiscal year. A provision for the LTIP of €8.9 million (previous year: €7.1 million) was reported as at December 31, 2017.

Expense reported in the 2017 fiscal year amounted to €5.4 million (previous year: €3.0 million). €3.5 million of which is attributable to the Executive Board (previous year: €1.6 million) and €1.9 million is attributable to senior managers of Fraport AG (previous year: €1.4 million).

Development of the fair values of the virtual shares for the Executive Board and Senior Managers

Tranche All figures in €	Fair value December 31, 2017 Executive Board	Fair value December 31, 2017 Senior Managers	Fair value December 31, 2016 Executive Board	Fair value December 31, 2016 Senior Managers
Fiscal year 2014	82.85	82.85	52.94	51.79
Fiscal year 2015	77.53	76.97	52.02	47.18
Fiscal year 2016	78.87	74.75	50.52	43.39
Fiscal year 2017	80.03	77.25	49.28	49.28

On January 1 of the years 2014 to 2017, 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 2017 tranche were issued on January 01, 2017. Their term is four years ending on December 31, 2020.

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 fiscal years 2014 to 2017 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 esti-mates 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, 2017	December 31, 2016
Debt instruments	388.9	524.0

Securities and promissory note loans have the following long-term issuer ratings:

Issuer ratings of securities and promissory note loans (2017)

€ million	December 31, 2017
AAA	0.0
AA+	0.0
AA	19.5
AA–	78.9
A+	72.8
A	53.4
A–	27.9
BBB+	68.6
BBB	27.2
BBB–	25.6
BB	10.0
Not rated	5.0
Total	**388.9**

In 2016, the securities and promissory note loans had the following 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**

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 (2017)

€ million	December 31, 2017
AAA	0.0
AA+	0.0
AA	0.0
AA –	73.2
A+	0.0
A	135.1
A –	112.2
BBB+	81.7
BBB	50.2
BBB –	1.0
BB+	0.0
BB	24.9
BB –	0.3
CCC+	36.7
Not rated	114.1
Total	**629.4**

In 2016, the banks where liquid funds were deposited had the following 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**

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, the Group had unused credit lines amounting to €758.0 million (previous year: €580.4 million) available, of which €276.4 million are allocated for future capital expenditure in infrastructure.

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, 2017 influence the Group's future liquidity.

Liquidity profile as at December 31, 2017

€ million	Total	2018		2019		2020 – 2024		2025 – 2029		2030 et seqq.	
		Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment
Primary financial instruments											
Financial liabilities	**5,547.6**	116.7	544.4	114.0	1,128.3	342.2	1,230.3	284.8	1,065.6	163.8	557.5
Finance leases	**9.3**	–	3.3	–	3.0	–	3.0	–	–	–	–
Concessions payable	**2,933.0**	–	44.0	–	44.1	–	242.1	–	345.4	–	2,257.4
Trade accounts payable	**228.3**	–	186.0	–	21.1	–	12.5	–	8.7	–	–
Other financial liabilities	**50.6**	–	46.0	–	–	–	4.6	–	–	–	–
Derivative financial instruments											
Interest rate swaps	**61.1**	27.4	–	19.8	–	15.1	–	–0.3	–	–0.9	–
Thereof trading	**19.8**	6.2	–	5.9	–	7.3	–	0.4	–	–	–
Thereof hedge accounting	**41.1**	21.2	–	13.9	–	7.7	–	–0.8	–	–0.9	–

The liquidity profile as at December 31, 2016 was as follows:

Liquidity profile as at December 31, 2016

€ million	Total	2017		2018		2019 – 2023		2024 – 2028		2029 et seqq.	
		Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment
Primary financial instruments											
Financial liabilities	**4,035.0**	86.3	338.7	82.7	516.5	189.9	2,169.4	82.8	293.2	17.4	258.1
Finance leases	**23.5**	–	10.5	–	6.9	–	6.1	–	–	–	–
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	–	–
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	–	–	–
Thereof trading	**26.3**	6.4	–	6.1	–	12.5	–	1.3	–	–	–
Thereof hedge accounting	**56.8**	24.3	–	18.5	–	14.0	–	–	–	–	–

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 €692.0 million (previous year: €98.8 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 of €1,397.3 million (previous year: €940 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.

All agreed borrowing terms and conditions were observed in 2017. 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, 2017		December 31, 2016	
	Net income	Loss	Net income	Loss
US$/PEN	0.80	0.80	0.14	0.15

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, floors, 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 is 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; Brazilian Real (BRL): 6.75 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, 2017 and the assumptions made, the profit or loss-related sensitivity is €0.7 million in the event of an increase (decrease) in the market interest rate (previous year: €13.0 million). This means that the financial result could hypothetically have increased (decreased) by €0.7 million. This hypothetical effect on the result would have resulted from the potential effects of interest rate derivatives of €7.6 million (previous year: €10.4 million) and an increase (decrease) in the interest result from primary floating-rate net financial positions of –€6.9 million (previous year: €2.6 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, 2017	**0.7**	**7.6**	**–6.9**
December 31, 2016	13.0	10.4	2.6

The equity-related sensitivity is –€21.7 million (previous year: €2.0 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of –€21.7 million.

Assuming a parallel shift in the interest rate curve of 35 basis points (previous year: 49 basis points) over a twelve-month period in the current interest rate environment gives the following results-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, 2017	**–5.3**	**1.6**	**–6.9**
December 31, 2016	5.6	3.0	2.6

The equity-related sensitivity for 35 basis points (previous year: 49 basis points) is –€4.5 million (previous year: €0.6 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of –€4.5 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

The financial ratios developed as follows in the period under review:

Financial debt ratios

Key figures	Corridor	December 31, 2017	December 31, 2016
Net Debt/EBITDA	max. 4 – 6 x	3.5	2.2
EBITDA/interest expense	min. 3 – 4 x	5.4	7.6

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. The minimum capital requirements were consistently met during fiscal year 2017. Capital management is performed by the company taking account of the regulatory conditions set by the EU and the Maltese financial supervisory authority.

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 com-panies	Companies controlled and significantly influenced by majority shareholders
		State of Hesse	Stadtwerke Frankfurt am Main Holding GmbH			
	2017	**0.8**	**0.3**	**142.5**	**6.6**	**6.3**
Revenue	2016	0.7	0.3	41.5	8.0	5.6
	2017	**2.2**	**9.2**	**14.0**	**31.2**	**77.0**
Purchased goods and services	2016	4.6	10.0	15.8	33.1	95.1
	2017	**0.0**	**0.0**	**0.2**	**14.6**	**0.0**
Interest	2016	–0.8	0.0	0.1	17.2	0.0
	2017	**0.0**	**0.0**	**17.6**	**50.8**	**0.2**
Accounts receivable	2016	0.0	0.0	11.4	60.5	0.0
	2017	**0.0**	**0.0**	**12.8**	**84.8**	**0.0**
Loans	2016	0.0	0.0	4.3	87.2	0.0
	2017	**0.0**	**0.2**	**11.2**	**11.8**	**0.5**
Liabilities	2016	0.1	0.5	5.1	4.6	8.5

Receivables from associated companies primarily relate to deferred interest receivables from issued loans.

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	2017	2016
Salaries and other short-term employee benefits	4.8	4.8
Termination benefits	0.0	0.0
Post-employment benefits	1.2	1.1
Other long-term benefits	0.4	0.4
Share-based remuneration	1.5	1.5
Total	**7.9**	**7.8**

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) were accounted for as other long-term employee benefits in fiscal year 2017.

The statement of share-based remuneration includes the granted amount for the Long-Term Incentive Program awarded in the 2017 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 €1.4 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.

  Airport charges rose by 1.9% beginning on January 1, 2017. The new charge table approved by the HMWEVL was published in the Air Transport Bulletin (NfL). 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 36.92% (previous year: 36.75%) of Fraport AG's revenue in the year under review.
- The remaining charges not subject to approval are classified as charges for central ground service infrastructure facilities and ground service 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 service infrastructure facilities continue to be excluded from competition (monopoly sector) and are completely segregated from the ground services when they are offset with the airlines. Of Fraport AG's revenue in 2017, 15.12% was generated by ground services (previous year: 15.17%) and 14.42% by infrastructure charges (previous year: 14.54%).

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: 33.54%) of Fraport AG's entire revenue in the year under review.

Fraport Twin Star Airport Management AD

Fraport Twin Star Airport Management AD (operator) and the Republic of Bulgaria (grantor), 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 operator 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 operator 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 operator pays an annual concession fee of 19.2% of total revenue, at least 19.2% of BGN57 million (€29.1 million), adjusted for the development of the national inflation rate, to the grantor. The operator paid an additional non-recurring concession fee in the amount of €3.0 million to the grantor after the agreement was signed. In return, the operator receives the right to use the existing and future infrastructure for airport operations and the right to generate revenues, in particular through airport charges (passenger, landing, and parking fees), and for ground handling services. Airport charges are regulated by the grantor.

The concession agreement started on November 10, 2006, and has a duration of 35 years. There are no options for renewal.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the concession term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the grantor in proper operating condition without receiving any consideration in return.

Lima Airport Partners S.R.L. (LAP)

On February 14, 2001, LAP (operator) and the Peruvian government (grantor) 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). With the upcoming expansion of the Airport, both parties concluded additional material amendments to the existing concession agreement on July 25, 2017.

The term of the concession agreement was extended from 30 to 40 years, until 2041. Furthermore, there is a 10-year extension option. By concluding the amendments, the land required for the expansion of the Airport was handed over to the company, and in return it is obliged to construct a new runway by the end of 2022 and a new passenger terminal by the end of 2024. The original contractual amount of US$100 million has already been invested. The pending capital expenditure is expected to be around US$1.5 billion.

In addition to the capital expenditure, the company has additional obligations in connection with the operation and maintenance of airport infrastructure.

The operator is 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 operator 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 grantor.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the contract term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the grantor by the operator in the contractually defined operational condition. The operator has the right to have the residual carrying amount of said infrastructure reimbursed by the grantor for a limited period of time. This does not apply if the concession agreement is terminated early.

Fraport Regional Airports of Greece

The two concession agreements, each for the operation of seven Greek regional airports, were signed between Fraport AG and its Greek consortium partner with the Hellenic Republic Asset Development Fund (HRADF) on December 14, 2015. After fulfilling all conditions precedent, the take-over of the operating business of the 14 Greek regional airports took place on April 11, 2017. The initial term of each concession agreement is 40 years.

In return for the right to operate the Greek airports, an initial one-time fee of €1,234 million was paid. Initial annual minimum concession payments of €11.3 million per annum for Fraport Greece A and €11.6 million per annum for Fraport Greece B were agreed over the term of the concessions. The minimum concession payments will be adjusted for inflation. In addition, from the beginning of the concession an additional levy of approximately €1 per departing passenger is payable to the grantor for the entire term. From 2020, a variable concession fee of 28.2% of the EBITDA of Fraport Greece A and 28.9% of the EBITDA of Fraport Greece B will also be payable.

Furthermore, the consortium partners are obliged to invest in measures to upgrade and expand the airport infrastructure by 2020. In addition, additional capital expenditure for the maintenance of the airports and transport-related capacity expansions will be made in subsequent years. The total capital expenditure over the first four years is expected to be around €400 million.

In return, the operator is entitled to charge fees for its services, in particular state-regulated airport charges (passenger, landing, and parking fees) as well as other non-regulated levies related to air traffic and other services.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the concession term, the operator must return the airports to the grantor, including any capital expenditures made, in a defined and proper operating condition. There will be no consideration given in return.

Fraport Brasil Aeroporto de Fortaleza and Fraport Brasil Aeroporto de Porto Alegre

The Fraport Group and the Brazilian Government signed concession agreements on July 28, 2017 for the operation and further development of the Brazilian airports of Fortaleza and Porto Alegre. After paying the initial one-off fees, adjusted for inflation, of BRL291.8 million (€73.5 million) for Porto Alegre and BRL426.9 million (€107.5 million) for Fortaleza as well as fulfilling other conditions precedent, the term of the concession agreements of 30 years for Fortaleza Airport and of 25 years for Porto Alegre Airport started at the end of August 2017. The Fraport Group took over operations of both airports on January 2, 2018.

In addition to the paid initial concession fees, additional acquisition costs of approximately €54.2 million were incurred by the Fraport Group within the scope of acquiring the concession.

In addition to the aforementioned payments, additional fixed minimum concession payments plus inflation-related adjustments (at the time of signing the agreements for both airports these totaled BRL1,080.7 million or approximately €272.2 million) must be made from 2023. Also, an annual variable concession payment of 5% of revenue must be effected.

Furthermore, the agreements stipulate certain specific investment obligations for the modernization and expansion of the current airport infrastructure as well as construction of new airport infrastructure. Currently, Fraport expects capital expenditure in the airport infrastructure of around €700 million, dependent on future exchange rates, in the first five years. The companies also laid out other contractually-defined standards and obligations relating to the operation, availability, use, and maintenance of the airports.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

In return for the right to operate the two airports, the operator is entitled to charge fees for its services, in particular state-regulated airport charges (passenger, landing and parking fees) as well as other non-regulated levies related to air traffic and other services.

At the end of the concession term, the operator must return the airport infrastructure to the grantor in a condition that guarantees the proper continued operation of the airports. There will be no consideration given in return.

49 Significant Events after the Balance Sheet Date

No reportable events took place after the balance sheet date.

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 2017 fiscal year:

> Airport Assekuranz Vermittlungs-GmbH
> Airport Cater Service GmbH
> Flughafen Kanalreinigungsgesellschaft mbH
> Fraport Ausbau Süd GmbH
> Frankfurter Kanalreinigungsgesellschaft mbH
> Fraport Casa GmbH
> Fraport Passenger Services GmbH
> FRA - Vorfeldkontrolle GmbH

The subsidiaries Energy Air GmbH and FraGround Fraport Ground Services GmbH claim the exemptions under Section 264 (3) of the HGB for the 2017 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 2017:

BlackRock, Inc, Wilmington, USA, informed us on December 20, 2017, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt/Main, Germany, exceeded the threshold of 3% of voting rights on December 20, 2017 and on that day amounted to 3.03% (2,803,570 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on December 21, 2017, in accordance with Section 21 (1) of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt/Main, Germany, amounted to 3.12% on December 21, 2017 (2,888,516 voting rights).

As at December 31, 2017, 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 51.34% as at December 31, 2017. They were attributed as follows: State of Hesse 31.31% and Stadtwerke Frankfurt am Main Holding GmbH 20.03%.

The voting rights in Fraport AG owned by the City of Frankfurt/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, 2017): Deutsche Lufthansa AG 8.44%, Lazard Asset Management LLC 5.05%, and BlackRock Inc. 3.12%. 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 32.05% (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 11, 2017, 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/corporategovernance.

53 Information Concerning the Executive Board, Supervisory Board, and Economic Advisory Board

Remuneration of the Executive Board and Supervisory Board in fiscal year 2017

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 €5,956.2 thousand (previous year: €5,805.6 thousand) plus service costs for pensions of €1,158.3 thousand (previous year: €1,089.5 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 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 €924 thousand as at December 31, 2017 (previous year: €535 thousand). The fair values of the LSA for Dr Schulte amounted to €149.9 thousand as at the balance sheet date, December 31, 2017, for the 2015 tranche (previous year: €106.6 thousand), €132.5 thousand for the 2016 tranche (previous year: €103.8 thousand) and €137.0 thousand for the 2017 tranche. The fair values of the LSA for Ms Giesen, Mr Müller, and Dr Zieschang amounted to €112.8 thousand each as at December 31, 2017 for the 2015 tranche (previous year: €75.8 thousand), €99.4 thousand each for the 2016 tranche (previous year: €72.8 thousand) and €102.5 thousand for the 2017 tranche.

The Executive Board received short-term remuneration components of €2,653.7 thousand for fiscal year 2017 (previous year: €2,430.5 thousand). In addition, long-term remuneration components were allocated with an issue fair value of €1,456.3 thousand (2017 LTIP tranche) and €390.0 thousand (2017 LSA tranche) as part of the LTIP and LSA programs (previous year for the 2016 LTIP tranche: €1,504.2 thousand, 2016 LSA tranche: €390.0 thousand).

All active members of the Supervisory Board received total remuneration of €894 thousand in the 2017 fiscal year (previous year: €902 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 €1,638 thousand (previous year: €1,612 thousand). The pension obligations towards active members of the Executive Board as at the balance sheet date were €13,633 thousand (previous year: €12,056 thousand) and towards former Executive Board members and their surviving dependents €24,433 thousand (previous year: €24,949 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 fiscal year 2017

In the 2017 fiscal year, aggregate remuneration of the Economic Advisory Board amounted to €104.0 thousand (previous year: €109.3 thousand).

Notifications pursuant to Article 19 of the Market Abuse Regulation (MAR)

Pursuant to Article 19 of the MAR, 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. These transactions have been published by Fraport AG in accordance with the deadlines under Article 19 of the MAR.

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 **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.) > Chairman of the Supervisory Board Fraport Brasil S.A. Aeroporto de Porto Alegre (from December 4, 2017) > Chairman of the Supervisory Board Fraport Brasil S.A. Aeroporto de Fortaleza (from December 4, 2017)
Executive Director Operations **Anke Giesen**	**Member of the Supervisory Board:** > AXA Konzern AG > Fraport Ausbau Süd GmbH
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 **Member of the Shareholders' Meeting:** > Airport Cater Service GmbH > Medical Airport Service GmbH > Terminal for Kids gGmbH
Executive Director Controlling & Finance **Dr. Matthias Zieschang**	**Member of the Supervisory Board:** > Fraport Ausbau Süd GmbH > 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.) **Member of the Shareholders' Meeting:** > Flughafen Hannover-Langenhagen GmbH **Member of the Administrative Board:** > Frankfurter Sparkasse

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 2017: €62,200; 2016: €64,600)	**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
Vice-Chairman **Gerold Schaub** ver.di Hessen (Remuneration 2017: €54,150; 2016: €57,350)	**Vice-Chairman of the Supervisory Board:** > LSG Lufthansa Service Holding AG (until August 29, 2017) > FraGround Fraport Ground Services GmbH > LSG Sky Chefs Frankfurt ZD GmbH (until August 29, 2017)
Claudia Amier Chairperson of the Works Council (Remuneration 2017: €57,350; 2016: €59,750)	**Member of the Supervisory Board:** > operational Services GmbH & Co. KG

Mandates of the Supervisory Board

Members of the Supervisory Board	**Memberships in mandatory Supervisory Boards and comparable control bodies**
Devrim Arslan Chairman of the Works Council of FraGround Fraport Ground Services GmbH (Remuneration 2017: €41,300; 2016: €41,300)	**Member of the Supervisory Board:** > FraGround Fraport Ground Services GmbH
Uwe Becker Mayor and City Treasurer of the City of Frankfurt am Main (Remuneration 2017: €45,300; 2016: €40,500)	**Membership in mandatory control bodies:** > Stadtwerke Verkehrsgesellschaft Frankfurt am Main mbH (Chairman) > 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 (until December 31, 2017) > Zentrale Errichtungsgesellschaft mit beschränkter Haftung (until December 27, 2017) > RMA Rhein-Main Abfall GmbH > RTW Planungsgesellschaft mbH
Hakan Cicek Member of the Works Council relieved of duty (Remuneration 2017: €36,300; 2016: €36,300)	
Kathrin Dahnke Member of the Executive Board at Wilh. Wehrhahn KG (Remuneration 2017: €36,300; 2016: €37,100)	**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 (unitl May 31, 2017) > Basalt-Actien-Gesellschaft (from June 1, 2017) **Vice-Chairperson of the Supervisory Board:** > Basalt-Actien-Gesellschaft (unitl May 31, 2017) > ZWILLING J.A. Henckels AG (from June 1, 2017) **Member of the Supervisory Board:** > B.Braun Melsungen AG **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

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 2017: €41,300; 2016: €38,100)	**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 **Membership in Supervisory Boards and comparable control bodies of business enterprises:** > Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH (Chairman) > Dom Römer GmbH (Chairman) > FrankfurtRheinMain GmbH International Marketing of the Region (Chairman) > Gas Union GmbH > Nassauische Heimstätte Wohnungsbau- und Entwicklungsgesellschaft mbH (Vice Chairman) > Rhein-Main-Verkehrsverbund GmbH (Chairman) > Schirn Kunsthalle Frankfurt am Main GmbH (Chairman) > Tourismus- und Congress GmbH Frankfurt am Main (Chairman) > 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 2017: €26,500; 2016: €27,300)	**Member of the Supervisory Board:** > Albatros Versicherungsdienste GmbH **Member of the Executive Board:** > Bundesvereinigung Logistik e.V. > Bundesverband der Deutschen Fluggesellschaften **Presidium membership:** > Bundesverband der Deutschen Luftverkehrswirtschaft e.V. > Chair of IATA Cargo Committee (CC) (from September 9, 2017)
Dr. Margarete Haase Member of the Executive Board of DEUTZ AG (Remuneration 2017: €67,000; 2016: €68,600)	**Membership in comparable control bodies pursuant to Section 125 of the AktG:** > DEUTZ (Dalian) Engine Co. Ltd. > Deutz Engines (Shandong) Co. Ltd. (Chairperson) **Member of the Supervisory Board:** > ZF Friedrichshafen AG > ING Groep N.V. and ING Bank N.V. Amsterdam (election April 2017; beginning of mandate 2018)
Frank-Peter Kaufmann Member of the Hessian State Parliament (Remuneration 2017: €46,900; 2016: €49,300)	**Member of the Supervisory Board:** > Hessische Staatsweingüter Kloster Eberbach GmbH Eltville
Lothar Klemm Former Hessian State Minister (Remuneration 2017: €58,150; 2016: €58,150)	**Chairman of the Supervisory Board:** > Dietz AG **Chairman of the Executive Board:** > Förderverein für integrierte Verkehrssysteme (Darmstadt) **Non executive Director:** > European Electrical Bus Company GmbH (Frankfurt)
Dr. Roland Krieg Head of the service unit Information and Telecommunication (Remuneration 2017: €37,900; 2016: €37,900)	**Chairman of the Supervisory Board:** > AirIT Services AG **Member of the Supervisory Board:** > FraSec Fraport Security Services GmbH > operational services GmbH & Co. KG (from November 22, 2017) **Member of the Shareholders' Meeting:** > AirITSystems GmbH > operational services GmbH & Co. KG (from November 1, 2017) > AirIT Services GmbH (from December 28, 2017)
Michael Odenwald State Secretary of the German Federal Ministry for Transport and Digital Infrastructure (Remuneration 2017: €34,700; 2016: €33,900)	**Member of the Supervisory Board:** > Deutsche Bahn AG

Mandates of the Supervisory Board

Members of the Supervisory Board	**Memberships in mandatory Supervisory Boards and comparable control bodies**
Mehmet Özdemir Member of the Works Council (Remuneration 2017: €36,300; 2016: €36,300)	
Arno Prangenberg Auditor, tax consultant (Remuneration 2017: €37,900; 2016: €36,300)	
Hans-Jürgen Schmidt First State Vice-Chairman komba gewerkschaft Hessen (Remuneration 2017:€37,900; 2016: €37,900)	
Werner Schmidt Task manager (Remuneration 2017: €43,700; 2016: €46,100)	**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 (until September 30, 2017) Vice-Chairman of the Group Works Council (from October 1, 2017) (Remuneration 2017: €48,500; 2016: €50,900)	**Member of the Supervisory Board:** > Airmail Center Frankfurt GmbH **Member of the Representative Committee:** > Deutsche Rentenversicherung Hessen
Prof Dr. Katja Windt Member of the Management Board SMS Group GmbH (appointed from 1.4.2018) (Remuneration 2017: €44,500; 2016: €44,500)	**Member of the Executive Board:** > Bundesvereinigung Logistik (BVL) e.V. **Member of the Supervisory Board:** > Deutsche Post AG

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
	2017	**100**	**4**	**–27** [1]
Afriport S.A., Luxembourg/Luxembourg	2016	100	31	–1,555 [1]
	2017	**100**	**2,894**	**646**
AirIT Services GmbH, Lautzenhausen	2016	100	2,704	450
	2017	**100**	**14,331**	**–2,967**
AIRMALL Boston Inc., Boston/USA	2016	100	20,175	–2,102
	2017	**100**	**3,819**	**244**
AIRMALL Cleveland Inc., Cleveland/USA	2016	100	4,075	–319
	2017	**100**	**20,991**	**2,013**
AIRMALL Maryland Inc., Maryland/USA	2016	100	21,677	1,046
	2017	**100**	**12,338**	**2,131**
AIRMALL Pittsburgh Inc., Pittsburgh/USA	2016	100	11,727	750
	2017	**100**	**–550**	**0**
AIRMALL Inc., Pittsburgh/USA	2016	100	–625	65
	2017	**100**	**–4,005**	**–1,347**
AIRMALL USA Inc., Pittsburgh/USA	2016	100	–3,105	–1,180
	2017	**100**	**162,602**	**2,176** [2]
Airport Assekuranz Vermittlungs-GmbH, Neu Isenburg	2016	100	162,593	1,917 [2]
	2017	**100**	**26**	**90** [2]
Airport Cater Service GmbH, Frankfurt am Main	2016	100	26	90 [2]
	2017	**100**	**41,781**	**1,732** [3]
Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anonim Sirketi, Istanbul/Turkey	2016	100	48,918	5,972 [3]
	2017	**100**	**443**	**–3** [1]
Daport S.A., Dakar/Senegal	2016	100	445	–23 [1]
	2017	**100**	**52**	**5,622** [2]
Energy Air GmbH, Frankfurt am Main	2016	100	52	4,278 [2]
	2017	**100**	**25**	**302** [2]
Flughafen Kanalreinigungsgesellschaft mbH, Kelsterbach	2016	100	22	282 [2]
	2017	**100**	**29**	**4**
Flughafen Parken GmbH, Frankfurt am Main	2016	100	25	0
	2017	**51**	**1,268**	**125**
FraCareServices GmbH, Frankfurt am Main	2016	51	1,283	140
	2017	**100**	**1,990**	**526**
FraGround Fraport Ground Services GmbH, Frankfurt am Main	2016	100	1,479	22
	2017	**100**	**25**	**74** [2]
Frankfurter Kanalreinigungsgesellschaft mbH, Kelsterbach	2016	100	25	72 [2]
	2017	**100**	**97,825**	**–201**
Fraport Asia Ltd., Hong Kong/China	2016	100	113,039	2,700
	2017	**100**	**25**	**0** [2]
Fraport Ausbau Süd GmbH, Frankfurt am Main	2016	100	23	–2
	2017	**100**	**70**	**–1**
Fraport Beteiligungsgesellschaft mbH, Neu-Isenburg	2016	100	71	–2
	2017	**100**	**72**	**–2**
Fraport Beteiligungs-Holding GmbH, Kelsterbach	2016	100	74	–1
Fraport Brasil S.A. Aeroporto de Fortaleza, Fortaleza/Brazil	**2017**	**100**	**118,176**	**–5,495** [4]
Fraport Brasil S.A. Aeroporto de Porto Alegre, Porto Alegre/Brazil	**2017**	**100**	**90,907**	**–2,886** [4]
	2017	**100**	**26**	**0**
Fraport Bulgaria EAD, Sofia/Bulgaria	2016	100	6	0
	2017	**100**	**42,031**	**1,327** [2]
Fraport Casa GmbH, Neu-Isenburg	2016	100	42,031	1,330 [2]
	2017	**100**	**3,115**	**–46**
Fraport Casa Commercial GmbH, Neu-Isenburg	2016	100	3,161	–33
	2017	**100**	**13,300**	**11,655** [2) 5)]
Fraport Immobilienservice- und Entwicklungs GmbH & Co. KG, Frankfurt am Main	2016	100	11,638	10,238 [2) 5)]
	2017	**100**	**428,436**	**10,048**
Fraport Malta Business Services Ltd., St. Julians/Malta	2016	100	484,436	9,278
	2017	**100**	**25,638**	**–21**
Fraport Malta Investment Ltd., St. Julians/Malta	2016	100	45	0
Fraport Malta Ltd., St. Julians/Malta	**2017**	**100**	**448,515**	**14,589**

Subsidiaries

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2016	100	498,176	13,467
Fraport New York Inc., New York/USA	**2017**	**100**	**0**	**0** [4]
Fraport Objekt Mönchhof GmbH, Frankfurt am Main	**2017**	**100**	**27**	**1**
	2016	100	26	1
Fraport Objekte 162 163 GmbH, Frankfurt am Main	**2017**	**100**	**28**	**1**
	2016	100	27	1
Fraport (Philippines) Services, Inc., Manila/Philippines	**2017**	**99.99**	**0**	**0** [1]
	2016	99.99	0	0 [1]
Fraport Peru S.A.C., Lima/Peru	**2017**	**100**	**162**	**534**
	2016	100	486	170
Fraport Passenger Services GmbH, Frankfurt am Main	**2017**	**100**	**350**	**644** [2]
	2016	100	350	878 [2]
Fraport Real Estate Mönchhof GmbH & Co. KG, Frankfurt am Main	**2017**	**100**	**6,320**	**9,614** [2) 5)]
	2016	100	4,437	7,948 [2) 5)]
Fraport Real Estate Verwaltungs GmbH, Frankfurt am Main	**2017**	**100**	**37**	**2**
	2016	100	34	2
Fraport Real Estate 162 163 GmbH & Co. KG, Frankfurt am Main	**2017**	**100**	**6,385**	**2,674** [2) 5)]
	2016	100	6,068	2,772 [2) 5)]
Fraport Regional Airports of Greece A S.A. Athens/Greece	**2017**	**73.4**	**85,581**	**13,274**
	2016	72	7,927	–1,972
Fraport Regional Airports of Greece B S.A. Athens/Greece	**2017**	**73.4**	**119,667**	**1,097**
	2016	72	7,976	–1,934
Fraport Regional Airports of Greece Management Company S.A. Athens/Greece	**2017**	**73.4**	**980**	**963**
	2016	72	16	–12
Fraport Saudi Arabia for Airport Management and Development Services Company Ltd., Riyadh/Saudi Arabia	**2017**	**100**	**4,293**	**–2,638** [1]
	2016	100	7,696	–316 [1]
Fraport Slovenija, d.o.o. Zgornji Brnik/Slovenia (previously: Aerodrom Ljublijana)	**2017**	**100**	**199,047**	**5,277**
	2016	100	212,256	1,270
Fraport Twin Star Airport Management AD, Varna/Bulgaria	**2017**	**60**	**104,467**	**20,810**
	2016	60	97,700	21,291
Fraport USA Inc., Pittsburgh/USA	**2017**	**100**	**3,566**	**105**
	2016	100	3,936	–65
FraSec Fraport Security Services GmbH, Frankfurt am Main	**2017**	**100**	**4,254**	**–3,119**
	2016	100	7,373	–3,025
FRA – Vorfeldkontrolle GmbH, Kelsterbach	**2017**	**100**	**13**	**–8** [2]
	2016	100	123	–7 [2]
GCS Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/ Main KG, Frankfurt am Main	**2017**	**100**	**2,049**	**742** [5]
	2016	100	1,910	724 [5]
Lima Airport Partners S.R.L., Lima/Peru	**2017**	**70.01**	**199,356**	**54,786**
	2016	70.01	177,174	53,887
Media Frankfurt GmbH, Frankfurt am Main	**2017**	**51**	**7,326**	**2,211**
	2016	51	7,197	2,113
VCS Verwaltungsgesellschaft für Cleaning Service mbH, Frankfurt am Main	**2017**	**100**	**43**	**1**
	2016	100	42	1

Joint ventures

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2017	**50**	**4,329**	**809**
AirITSystems GmbH, Hanover	2016	50	3,521	720
	2017	**49**	**13,478**	**2,686**
FCS Frankfurt Cargo Services GmbH, Frankfurt am Main	2016	49	11,034	320
	2017	**51/50**	**24,091**	**–79** [6]
Fraport IC Ictas Havalimani Isletme Anonim Sirketi, Antalya/Turkey	2016	51/50	24,170	835 [6]
Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi Anonim Sirketi, Antalya/Turkey	**2017**	**51/50**	**27,496**	**40,044** [6]
	2016	51/50	–28,815	–23,591 [6]
Frankfurt Airport Retail GmbH & Co. KG, Hamburg	**2017**	**50**	**23,217**	**12,546** [4]
Frankfurt Airport Retail Verwaltungs GmbH, Frankfurt am Main	**2017**	**50**	**23**	**0** [4]
	2017	**33.33**	**5,560**	**3,538**
Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	2016	33.33	2,022	–852
	2017	**50**	**10,453**	**2,024**
Medical Airport Service GmbH, Kelsterbach	2016	50	9,185	1,789
	2017	**50**	**122**	**–7**
Multi Park II Mönchhof GmbH, Walldorf (Baden)	2016	50	129	33
	2017	**50**	**3,316**	**–163**
M-Port GmbH & Co. KG, Neu-Isenburg	2016	50	24	–1
	2017	**50**	**24**	**0**
M-Port Verwaltungs GmbH, Neu-Isenburg	2016	50	155	–20
	2017	**52**	**19,269**	**1,653**
N*ICE Aircraft Services & Support GmbH, Frankfurt am Main	2016	52	17,891	113
	2017	**50**	**9,546**	**1,337**
Pantares Tradeport Asia Ltd., Hong Kong/China	2016	50	11,684	1,748
	2017	**50**	**362**	**8**
Shanghai Frankfurt Airport Consulting Services Co., Ltd., Shanghai/China	2016	50	376	10

Associated companies

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2017	**40**	**4,650**	**687**
Airmail Center Frankfurt GmbH, Frankfurt am Main	2016	40	4,763	1,313
	2017	**49**	**838**	**361**
ASG Airport Service Gesellschaft mbH, Frankfurt am Main	2016	49	1,083	823
	2017	**30**	**138,766**	**2,322**
Flughafen Hannover-Langenhagen GmbH, Hanover	2016	30	137,194	2,818
	2017	**50**	**35,953**	**17,575**
operational services GmbH & Co. KG, Frankfurt am Main	2016	50	33,584	14,853
	2017	**24.5**	**525,846**	**39,959**
Xi'an Xianyang International Airport Co., Ltd., Xianyang City/China	2016	24.5	516,721	30,427
Thalita Trading Ltd., Lakatamia/Zypern; Northern Capital Gateway LLC, St. Petersburg/Russia	**2017**	**25**	**–342,800**	**–29,920**
	2016	25	–308,100	–818

Other investments

Name and registered office		Shareholding in %	Shareholders' equity (according to local regulation) in € thousand	Result (according to local regulation) in € thousand
	2017	**10**	**348,334**	**63,694** [7]
Delhi International Airport Private Ltd., Neu Delhi/India	2016	10	295,362	70,440 [7]
	2017	**13.51**	**0**	**0** [1]
Gateways for India Airports Private Ltd., Bangalore/India	2016	13.51	0	0 [1]
	2017	**20**	**0**	**0** [1] [8] [9]
Ineuropa Handling Alicante, U.T.E., Madrid/Spain	2007	20	–575	–786 [1] [9] [10]
	2017	**20**	**0**	**0** [1] [8] [9]
Ineuropa Handling Madrid, U.T.E., Madrid/Spain	2007	20	–1,282	–2,604 [1] [9] [10]
	2017	**20**	**0**	**0** [1] [8] [9]
Ineuropa Handling Mallorca, U.T.E., Madrid/Spain	2007	20	871	270 [1] [9] [10]
	2017	**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	**2017**	**10**	**0**	**0** [10]
	2016	10	1,976	449

[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 2017.
[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, 2018

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Further Information

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, 2018

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Independent Auditor´s Report

To Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Fraport AG Frankfurt Airport Services Worldwide for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of the group management report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill and non-current assets

❷ Other provisions and valuation allowances for trade receivables

❸ Airport concessions (IFRIC 12)

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Recoverability of goodwill and non-current assets**

① In the Company's consolidated financial statements non-current assets in a total amount of EUR 9.1 billion (84.3% of total assets) are reported under the balance sheet items "Goodwill", "Investments in airport operating projects", "Other intangible assets", "Property, plant and equipment", "Investment property" and "Investment in companies accounted for using the equity method" . While goodwill must be tested for impairment ("impairment test") on an annual basis and if there are indications that goodwill may be impaired, such a test needs only to be carried out for other non-current assets if there are indications that these assets may be impaired ("triggering events"). The impairment test is performed at the level of the cash-generating units. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of measurement. The present values are calculated using discounted cash flow models. Within the Fraport Group, this is generally based on the approved medium-term plan for the 2018 to 2022 financial years. Due to the long-term investment plans at the Frankfurt location, the plans for the cash-generating units in this location are projected on an aggregated level from 2023 to 2025 and then based on assumptions about long-term rates of growth. In cases involving cash-generating units with fixed-term airport concessions, the plans are taken as a basis in line with the term of the respective concession agreements. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

The outcome of this valuation is dependent on the estimates made by the executive directors with respect to the future cash flows of the respective cash-generating unit, the discount rate used, the rate of growth and other assumptions, and is therefore subject to corresponding uncertainty. Against this background and due to the complex nature of the valuation, these matters were of particular significance in the context of our audit.

② As part of our audit, we evaluated, among other things, the methodology used for the purposes of testing the recoverability of goodwill and non-current assets. After matching the future cash flows used for the calculation against the adopted business plan of the Group, we assessed the appropriateness of the calculation, in particular by agreeing it to general and sector-specific market expectations. We discussed supplementary adjustments to the plan for the purposes of the impairment tests with the departments responsible and evaluated their appropriateness. We also assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own additional sensitivity analyses with respect to those cash-generating units with low headroom (recoverable amount compared with the carrying

amount). Taking into account the information available, we found that the respective assets were sufficiently covered by the discounted future cash flows.

Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable.

③ The Company's disclosures pertaining to impairment testing are contained in sections 4, 11, 14, 18, 19 and 20 of the notes to the consolidated financial statements.

❷ Other provisions and valuation allowances for trade receivables

① As an airport operator with global operations, the Fraport Group is exposed to various risks. In addition, Fraport AG is involved in in-court and out-of-court proceedings with authorities and other parties. The trade receivables (EUR 143.5 million) contain receivables that include risks resulting from legal disputes by way of a specific valuation allowance. In the consolidated financial statements the Fraport Group has recognized provisions for contingent obligations in the amount of EUR 363.2 million for legal disputes and legal, environmental and reimbursement risks, as well as obligations resulting from personnel measures.

Trade receivables are recognized at their nominal amount or at the lower present value of the expected future cash flows. Individual risks that can be identified are recognized by way of specific valuation allowances. The measurement of the specific valuation allowances for trade receivables is determined, in particular, by the estimates made by the executive directors regarding future defaults and the assessment of the individual legal disputes.

Provisions are set up for contingent obligations insofar as the recognition criteria set out in IAS 37 have been met. The recognition and measurement of the provisions are based on estimates and assumptions made by the executive directors. In light of this background and due to the amounts of these material items in terms of its amount, we consider these matters to be of particular significance for our audit.

② In our audit, we evaluated and assessed the appropriateness of the methodology used by the Company for recording legal, environmental and reimbursement risks, as well as personnel-related risks, for assessing any future obligation on the part of the Company/the need for impairment losses to be recognized on trade receivables and for accounting treatment.

In the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct impact on the Company's consolidated net profit/loss, we assessed the appropriateness of the carrying amounts. With respect to the recognition and measurement of obligations and risks, we evaluated, among other things, the underlying agreements and cost estimates. Furthermore, our assessment also involved meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding estimations. In addition, we obtained external legal confirmations as at the balance sheet date. These support the risk assessment performed by the executive directors. We examined the presentation of the legal disputes and the associated risk provisions in the consolidated financial statements. Within this context, we also evaluated the consistency and continuity of the calculation processes used and the underlying documents. On the basis of this, we then assessed, among other things, the calculation of the provisions/valuation allowances for trade receivables and their presentation in the consolidated statement of financial position, the consolidated statement of profit or loss and the notes to the consolidated financial statements.

Overall, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors were sufficiently documented and substantiated to justify the recognition and measurement of the in terms of their amount material trade receivables and provisions.

③ The Company's disclosures pertaining to other provisions and valuation allowances are contained in sections 4, 25, 29, 38 and 39 of the notes to the consolidated financial statements.

❸ **Airport concessions (IFRIC 12)**

① In the Company's consolidated financial statements assets and liabilities in connection with concession rights (IFRIC 12) in a total amount of EUR 2.4 billion and EUR 1.0 billion respectively are reported under the "Investments in airport operating projects" and "Other liabilities" balance sheet items. Material acquisitions during the reporting period related to two concessions in Greece and two concessions in Brazil with carrying amounts as at 31 December 2017 of EUR 1,741.9 million and EUR 388.6 million respectively. The concession rights fall under IFRIC 12.17 and are accounted for using the intangible asset model, because the Company receives the right, in each case, to charge a fee from the airport users as consideration for the obligation to pay concession fees and to perform construction and expansion services. The cost of the intangible assets with regard to the "Investments in airport operating projects" comprises one-off fees paid, ongoing minimum concession payments over the term of the respective concession and investments made in the airport infrastructure. At the time of initial recognition, the future minimum concession payments are discounted and both the concession right and a concession liability are recognized at present value.

This calculation requires assumptions to be made by the executive directors, in particular regarding the projected inflation rates that are typical for the country in question and the appropriate discount rate.

The outcome of this valuation is dependent on the estimates made by the executive directors with respect to the applicability of IFRIC 12, the projected inflation rates that are typical for the respective country and the appropriate discount rate, and is therefore subject to corresponding uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used by the Group to account for concession rights. In the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct and significant impact on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts. With respect to the recognition and measurement of assets and liabilities, we evaluated, among other things, the available concession agreements, inflation assumptions and the appropriateness of the discount rate and examined the presentation of the concessions in the consolidated financial statements. Overall, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors were sufficiently documented and substantiated to justify the recognition and measurement of the in terms of their amount material airport concessions.

③ The Company's disclosures pertaining to airport concessions are contained in sections 4, 19, 35 and 48 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Legal Disclosures" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 May 2017. We were engaged by the supervisory board on 22 November 2017. We have been the group auditor of the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Noll.

Frankfurt am Main, February 28, 2018

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Dietmar Prümm

Wirtschaftsprüfer
[German public auditor]

Thomas Noll

Wirtschaftsprüfer
[German public auditor]

Ten-Year Overview

Consolidated income statement[1]

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues	**2,934.8**	**2,586.2**	**2,598.9**	**2,394.6**	**2,375.7**	**2,442.0**	**2,371.2**	**2,194.6**	**2,010.3**	**2,101.6**
Change in work-in-process	0.4	0.4	0.5	0.6	0.6	0.5	0.4	0.4	0.9	0.4
Other internal work capitalized	36.3	34.9	29.9	28.3	32.3	44.0	40.3	36.9	39.1	33.8
Other operating income	38.9	332.9	49.8	42.5	32.5	55.8	40.9	52.1	45.3	66.1
Total revenue	**3,010.4**	**2,954.4**	**2,679.1**	**2,466.0**	**2,441.1**	**2,542.3**	**2,452.8**	**2,284.0**	**2,095.6**	**2,201.9**
Cost of materials	–720.4	–621.9	–610.4	–533.3	–595.2	–558.1	–541.1	–491.1	–471.6	–471.1
Personnel expenses	–1,092.9	–1,066.7	–1,026.7	–970.4	–928.9	–942.9	–906.3	–880.4	–866.9	–925.6
Other operating expenses	–193.9	–211.7	–193.2	–172.2	–184.1	–192.6	–203.1	–201.9	–187.4	–204.5
EBITDA	**1,003.2**	**1,054.1**	**848.8**	**790.1**	**732.9**	**848.7**	**802.3**	**710.6**	**569.7**	**600.7**
Depreciation and amortization	–360.2	–360.4	–328.3	–307.3	–294.3	–352.7	–305.7	–279.7	–268.8	–241.5
Operating result/EBIT	**643.0**	**693.7**	**520.5**	**482.8**	**438.6**	**496.0**	**496.6**	**430.9**	**300.9**	**359.2**
Interest result	–157.5	–106.9	–125.6	–141.1	–136.0	–174.1	–144.4	–137.7	–99.7	–71.0
Result from companies accounted for using the equity method	30.9	–4.6	37.6	43.5	18.5	11.7	11.5	7.0	4.3	–15.1
Income from investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Write-down on financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–7.2	0.0
Other financial result	–10.3	–0.8	1.3	–10.5	10.4	30.5	–16.4	–21.5	–3.9	24.2
Financial result	**–136.9**	**–112.3**	**–86.7**	**–108.1**	**–107.1**	**–131.9**	**–149.3**	**–152.2**	**–106.4**	**–61.8**
Result from ordinary operations/EBT	**506.1**	**581.4**	**433.8**	**374.7**	**331.5**	**364.1**	**347.3**	**278.7**	**194.5**	**297.4**
Taxes on income	–146.4	–181.1	–136.8	–122.9	–95.8	–112.6	–96.5	–7.2	–42.5	–100.5
Group result	**359.7**	**400.3**	**297.0**	**251.8**	**235.7**	**251.5**	**250.8**	**271.5**	**152.0**	**196.9**
thereof profit attributable to non-controlling interests	29.5	24.9	20.5	17.1	14.7	13.3	10.4	8.6	5.6	7.2
thereof profit attributable to shareholders of Fraport AG	**330.2**	**375.4**	**276.5**	**234.7**	**221.0**	**238.2**	**240.4**	**262.9**	**146.4**	**189.7**
Earnings per €10 share in € (basic)	**3.57**	**4.07**	**3.00**	**2.54**	**2.40**	**2.59**	**2.62**	**2.86**	**1.60**	**2.07**
Earnings per €10 share in € (diluted)	**3.56**	**4.06**	**2.99**	**2.54**	**2.39**	**2.58**	**2.60**	**2.85**	**1.59**	**2.05**

Key figures	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating cash flow	790.7	583.2	652.2	506.2	454.2	553.0	618.8	567.5	426.5	468.0
Free cash flow	393.1	301.7	393.6	246.8	34.3	–162.4	–350.1	–291.1	–711.4	–370.7
EBITDA margin in %	34.2	40.8	32.7	33.0	30.8	34.8	33.8	32.4	28.3	28.6
EBIT margin in %	21.9	26.8	20.0	20.2	18.5	20.3	20.9	19.6	15.0	17.1
Return on revenue in %	17.2	22.5	16.7	15.6	14.0	14.9	14.6	12.7	9.7	14.2
Fraport assets in € million	6,965.8	6,069.2	6,071.0	5,830.5	5,061.7	5,152.3	4,447.3	4,019.7	3,820.2	3,419.1
ROFRA in %	10.0	11.4	9.4	9.2	8.7	9.6	11.2	10.7	7.9	10.5
Year-end closing price of the Fraport share in €	91.86	56.17	58.94	48.04	54.39	43.94	38.00	47.16	36.28	30.91
Dividend per share in €	1.50[2]	1.50	1.35	1.35	1.25	1.25	1.25	1.25	1.15	1.15
Passenger numbers Frankfurt	64,500,386	60,786,937	61,032,022	59,566,132	58,036,948	57,520,001	56,436,255	53,009,221	50,932,840	53,467,450
Average number of employees	20,673	20,322	20,720	20,395	20,481	20,963	20,595	19,792	19,970	23,079

Financial position key figures	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Profit earmarked for distribution in € million	138.7	138.7	124.7	124.7	115.4	115.5	115.4	115.6	106.2	105.6
Net financial debt in € million	3,512.4	2,355.9	2,774.3	3,012.8	2,870.6	2,934.5	2,647.0	2,024.4	1,614.5	925.6
Capital employed in € million	7,241.8	5,957.5	6,086.9	6,109.2	5,808.3	5,731.5	5,362.1	4,626.9	4,043.5	3,328.0
Gearing ratio in %	94.2	65.4	83.8	97.3	97.7	104.9	97.5	77.8	66.5	38.5
Debt-to-equity ratio in %	32.4	26.6	31.4	33.4	32.6	30.4	28.7	22.1	18.2	14.1
Dynamic debt ratio in %	444.2	404.0	425.4	595.2	632.0	530.7	427.8	356.7	378.5	187.9
Working capital in € million	575.1	840.9	606.0	626.6	797.6	1,057.8	977.6	1,878.4	2,030.0	919.7
Group liquidity	1,018.6	1,247.5	1,043.1	1,179.6	1,368.1	1,663.1	1,606.9	2,384.0	2,631.3	1,315.2

[1] Due to new accounting policies, and shifts in Group definitions, figures reported in previous years may differ.
[2] Proposed dividend.

Consolidated statement of financial position[1)]

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Goodwill	19.3	19.3	41.7	41.7	22.7	38.6	38.6	38.6	40.0	22.7
Investments in airport operating projects	2,621.1	516.1	500.9	479.2	458.1	1,031.2	1,067.1	1,073.4	1,098.4	597.6
Other intangible assets	132.4	146.7	161.2	157.1	51.1	44.2	43.6	32.4	34.0	33.3
Property, plant, and equipment	5,921.5	5,954.2	6,045.4	6,127.7	5,962.3	5,927.3	5,643.8	5,013.3	4,486.4	3,968.6
Investment property	96.4	79.6	74.5	63.0	47.7	34.4	74.6	34.0	34.7	9.0
Investments in companies accounted for using the equity method	268.1	209.7	237.6	216.9	194.9	136.6	138.0	97.1	72.9	72.4
Other financial assets	488.6	561.7	659.2	773.3	728.6	742.7	648.6	394.6	474.7	205.4
Other receivables and financial assets	190.9	173.3	167.0	181.1	172.2	117.1	33.5	20.9	20.0	42.4
Income tax receivables	0.0	0.2	5.4	10.2	20.3	19.5	29.6	29.6	23.6	26.6
Deferred tax assets	41.0	36.9	33.4	31.1	27.9	49.2	48.2	43.1	68.3	30.4
Non-current assets	**9,779.3**	**7,697.7**	**7,926.3**	**8,081.3**	**7,685.8**	**8,140.8**	**7,765.6**	**6,777.0**	**6,353.0**	**5,008.4**
Inventories	29.3	37.9	42.8	43.7	42.3	77.7	81.4	77.9	54.0	47.4
Trade accounts receivable	143.5	129.6	154.0	174.7	174.4	180.0	163.9	178.3	158.4	154.9
Other receivables and financial assets	245.5	259.7	310.8	297.6	426.4	385.2	280.2	319.2	492.2	205.1
Income tax receivables	5.4	11.9	7.4	7.7	1.0	35.0	6.2	5.5	5.3	7.8
Cash and cash equivalents	629.4	736.0	406.0	401.1	486.9	821.9	927.1	1,812.6	1,802.3	1,154.8
Non-current assets held for sale	0.0	0.0	0.0	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	**1,053.1**	**1,175.1**	**921.0**	**931.9**	**1,131.0**	**1,499.8**	**1,458.8**	**2,393.5**	**2,512.2**	**1,570.0**
Issued capital	923.9	923.6	923.1	922.7	922.1	921.3	918.8	918.4	917.7	916.1
Capital reserve	598.5	596.3	594.3	592.3	590.2	588.0	584.7	582.0	578.3	573.1
Revenue reserves	2,345.7	2,220.4	1,919.9	1,706.1	1,540.8	1,403.2	1,327.0	1,217.7	1,039.2	1,018.8
Equity attributable to shareholders of Fraport AG	3,868.1	3,740.3	3,437.3	3,221.1	3,053.1	2,912.5	2,830.5	2,718.1	2,535.2	2,508.0
Non-controlling interests	160.6	101.1	74.4	64.9	45.7	35.7	29.4	21.2	22.6	60.2
Shareholders' equity	**4,028.7**	**3,841.4**	**3,511.7**	**3,286.0**	**3,098.8**	**2,948.2**	**2,859.9**	**2,739.3**	**2,557.8**	**2,568.2**
Financial liabilities	3,955.6	3,236.9	3,273.8	3,874.3	3,948.1	4,401.0	4,034.0	4,256.6	4,126.9	1,685.3
Trade accounts payable	42.4	41.8	42.5	47.1	50.8	64.4	64.9	60.0	114.7	192.9
Other liabilities	1,090.1	408.0	447.7	497.5	491.7	1,006.4	1,001.0	949.2	904.7	514.8
Deferred tax liabilities	203.8	173.6	172.2	158.7	107.2	102.5	110.8	105.5	143.9	123.5
Provisions for pensions and similar obligations	34.2	33.2	30.7	33.7	26.7	27.4	22.9	22.1	20.3	19.0
Provisions for income taxes	70.3	71.8	62.1	68.8	54.1	80.2	68.1	68.0	135.0	170.0
Other provisions	147.2	147.2	201.6	228.0	223.9	211.2	201.8	147.0	129.9	101.0
Non-current liabilities	**5,543.6**	**4,112.5**	**4,230.6**	**4,908.1**	**4,902.5**	**5,893.1**	**5,503.5**	**5,608.4**	**5,575.4**	**2,806.5**
Financial liabilities	575.4	366.5	543.6	318.1	290.6	196.6	219.9	151.8	118.9	555.5
Trade accounts payable	185.9	146.7	143.1	134.5	159.6	214.4	228.9	274.6	219.8	393.8
Other liabilities	249.7	145.7	129.4	123.7	123.0	163.2	187.4	180.5	147.7	63.6
Provisions for income taxes	33.1	42.9	56.0	14.7	7.7	5.3	2.4	12.9	6.7	1.9
Other provisions	216.0	217.1	232.9	223.8	234.6	219.8	222.4	203.0	238.9	188.9
Liabilities in the context of non-current assets held for sale	0.0	0.0	0.0	4.3	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**1,260.1**	**918.9**	**1,105.0**	**819.1**	**815.5**	**799.3**	**861.0**	**822.8**	**732.0**	**1,203.7**
Total assets	**10,832.4**	**8,872.8**	**8,847.3**	**9,013.2**	**8,816.8**	**9,640.6**	**9,224.4**	**9,170.5**	**8,865.2**	**6,578.4**

Change over the previous year in %	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Non-current assets	+27.0	–2.9	–1.9	+5.1	–5.6	+4.8	+14.6	+6.7	+26.8	+7.4
Shareholders' equity (less non-controlling interests and profit earmarked for distribution)	+3.5	+8.7	+7.0	+5.4	+5.0	+3.0	+4.3	+7.1	+1.1	+0.2
Share of total assets in %										
Non-current assets	90.3	86.8	89.6	89.7	87.2	84.4	84.2	73.9	71.7	76.1
Shareholders' equity ratio	34.4	40.6	37.4	34.4	33.3	29.0	29.4	28.4	27.4	36.5

Glossary

Rate per 1,000 employees
Reportable accidents at work × 1,000/average number of employees

Capital Employed
Net financial debt + shareholders' equity[1)]

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

Shareholders' equity ratio
Shareholders' equity[1)]/total assets

Return on shareholders' equity
Profit attributable to shareholders of Fraport AG/shareholders' equity[1)]

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.

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]

[1)] Shareholders' equity less non-controlling interests and profit earmarked for distribution.

Total employees
Employees of Fraport AG, subsidiaries, and joint ventures as at the balance sheet date (including temporary staff, apprentices, and employees on leave)

Annual performance of the Fraport share
(Year-end closing price of the Fraport share + dividend per share)/previous year-end closing price

Sickness rate
Sick days/planned days × 100 excluding absences beyond sick pay (so called extended sick leave)

Price-earnings ratio
Year-end closing price of the Fraport share/earnings per share (basic)

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

ROCE
Abbreviation for: return on capital employed = EBIT/capital employed

ROFRA
Abbreviation for: return on Fraport assets = EBIT/Fraport assets

Return on revenue
EBT/revenue

Debt-to-equity ratio
Net financial debt/total assets

Working capital
Current assets – trade accounts payable – other current liabilities

Financial Calendar 2018

Wednesday, May 9, 2018
Interim Release Q1 2018, online publication, conference call with analysts and investors

Tuesday, May 29, 2018
Annual General Meeting 2018, Frankfurt am Main, Jahrhunderthalle

Friday, June 1, 2018
Dividend payment

Wednesday, August 8, 2018
Interim Report Q2/6M 2018, online publication, conference call with analysts and investors

Wednesday, November 7, 2018
Interim Release Q3/9M 2018, online publication, conference call with analysts and investors

Traffic Calendar 2018

(Online publication)

Friday, April 13, 2018
March 2018/3M 2018

Tuesday, May 15, 2018
April 2018

Wednesday, June 13, 2018
May 2018

Thursday, July 12, 2018
June 2018/6M 2018

Monday, August 13, 2018
July 2018

Thursday, September 13, 2018
August 2018

Friday, October 12, 2018
September 2018/9M 2018

Tuesday, November 13, 2018
October 2018

Thursday, December 13, 2018
November 2018

Tuesday, January 15, 2019
December 2018/FY 2018

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Rounding
The use of rounded amounts and percentages means slight discrepancies may occur due to commercial rounding.

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