Annual Report 2003

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The Annual Report is available in German and English. The German version is binding.

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Address to shareholders

Andreas Schmid
Chairman of the Board of Directors

Josef Felder
Chief Executive Officer

Dear Shareholders,

Unique (Flughafen Zürich AG) reported a group profit of 3.8 million Swiss francs in 2003. Traffic volumes (passengers, flight movements and freight) were down versus the prior year. For the period under review, the EBITDA margin (earnings before interest, taxes, depreciation and amortisation relative to income) was 45.9 percent. Cash flow (net profit plus depreciation and amortisation and changes in non-current provisions) amounted to 160 million Swiss francs. Last year, the geopolitical situation combined with the outbreak of the lung disease, SARS, and a further reduction by Swiss in its fleet and flight plan meant that Unique (Flughafen Zürich AG) once again had to face a number of major challenges. However, the measures taken during the past two years and our now almost complete operational independence helped us overcome these.

Traffic volume and course of business

Aviation operations

The total recorded traffic volume fell by 0.9 million passengers, or the equivalent of 5.1 percent, versus the previous year. Once again this was primarily attributable to the reduction in transport capacity of Swiss, whose proportion of the total traffic volume fell from 60 to 56 percent. Transfer passengers (whose share of the overall passenger volume decreased from 38 to 35 percent) accounted for the entire decline in passenger volume.
In the area of freight operations, the recovery that began to set in during the second half of the year 2003 was insufficient to prevent a decline in volume from 421,811 to 389,843 tonnes.
The step-by-step reduction of its fleet by Swiss, which links its short-haul, medium-haul and long-haul flights to a network in Zurich, had a significant impact. Other airlines took over approximately 50 percent of the services no longer provided by Swiss. Nonetheless, a total of 64 airlines currently provide services from Zurich Airport to 75 destinations in Europe and 41 throughout the world.

Non-Aviation operations

Following the opening of stage 1 of Airport Shopping (landside) and the handover of Dock E for operation, Zurich Airport now has more than 15,540 square metres of commercially utilisable space at its disposal. Despite the inconvenience and obstacles associated with the ongoing construction and renovation work, the majority of shops and restaurants were able to achieve (and in some cases, exceed) the anticipated turnover figures. The same applies with respect to income from advertising media. The situation with respect to rental of real estate is very positive compared with the trend for the sector as a whole: only 5 percent of office and commercial space was temporarily unoccupied.

Course of business

At approximately 562 million Swiss francs, revenue was 6.5 percent higher than in the prior year. Despite a lower traffic volume, aviation revenue rose by 6.0 percent to 304 million Swiss francs. Higher passenger fees were billed for the full year versus the prior year. Non-aviation revenue rose by 7 percent from 240 million Swiss francs to 257 million. This was mainly attributable to higher revenue from real estate management and services.
During the year under review, operating costs amounted to 304 million Swiss francs, versus 320 million Swiss in 2002 (minus 5.1 percent). The increased expenditure in the areas of sales, marketing and administration (including costs associated with the acquisition of new airlines as clients), energy and waste management (here we were also able to report higher operating costs revenue), and other operating costs were offset by lower personnel and security expenses, and maintenance and material costs. The consistent implementation of cost-cutting measures (see separate section, "Market trend") proved to be effective.
Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to 257.7 million Swiss francs, versus 207.4 million in 2002 - this was equivalent to an increase by 24.3 percent. At 173.9 million Swiss francs, depreciation and amortisation was significantly higher than the prior-year level (138.3 million Swiss francs). This higher figure was attributable to the hand-over for operation of various components of expansion stage 5 (see also page 14). Earnings before interest and taxes (EBIT) rose by 21.3 percent from 69.1 million (2002) to 83.8 million Swiss francs. The financial result of 80.8 million Swiss francs (prior year, 62.8 million) was eased by extraordinary and special influences totalling 25.4 million Swiss francs. Without these, the financial result would have amounted to 106.2 million Swiss francs. Consolidated profit amounted to 3.8 million Swiss francs, and was influenced by various extraordinary and special factors. Excluding these, we would have had to show a consolidated loss of 39.5 million Swiss francs (for further details, see Comments on the financial statements, page 15).
Last year, Unique (Flughafen Zürich AG) generated cash flow (net profit plus depreciation and amortisation and changes in non-current provisions) amounting to 160

million Swiss francs (2002: 138 million), while the net outflow of resources totalled 303 million Swiss francs (prior year, 547 million), mainly due to the large investments in expansion stage 5.

In view of the reported course of business and the still unstable situation in the civil aviation sector, the Board of Directors has resolved to waive the payment of a dividend.

Market trend
The ongoing difficulties and challenging conditions facing the civil aviation sector, and the specific circumstances on the domestic market, prompted the Management Board to implement a rigid cost-cutting programme during the year under review. The investments budgeted for the coming three years have been cut by approximately 300 million Swiss francs, while annually recurring operating costs have been reduced by around 30 million Swiss francs. Here the step-by-step close-down of the nine gates of Terminal B was a significant cost-cutting factor.

Financing
The finalisation of the rating process with Standard & Poor's (S&P) at the beginning of 2003 and the resulting S&P rating of BBB paved the way for the conclusion of new financing transactions. In the course of the year, Unique (Flughafen Zürich AG) was able to raise additional capital totalling 1.2 billion Swiss francs, which it deployed to repay existing debt (bank loans, debentures) and for financing investments for expansion stage 5. Thanks to these transactions it was able to optimise and extend the maturity profile of interest-bearing borrowings.

Expansion stage 5
In the course of the year, a number of major structures and installations associated with expansion stage 5 were completed and handed over for operation, on schedule and within the approved budget. At the end of March 2003, stage 1 of the new Airport Shopping was handed over for operation together with Check-in 3 (above the railway station) and the new Swiss Federal Railways counters. The new multi-storey car park was completed in July, and the new access routes and landside traffic facilities were handed over for operation on a step-by-step basis. Passengers have been using the new Dock E (formerly "Midfield Dock"), together with the Skymetro shuttle and new arrivals hall since September 2003. An additional five million passengers a year can now board their aircraft directly via covered ramps instead of having to be taken by bus. Minor adjustments were made to the new infrastructure, and all remaining problems will have been overcome by summer 2004. Once the new Airside Center has been handed over for operation in autumn 2004, the lengthy provisional routes to the departure gates at Dock E will be a thing of the past.

General environment
Of all OECD member states, Switzerland has the highest dependency on foreign trade, and for this reason it relies on direct, efficient and closely interwoven transport networks. Good transport connections are a decisive factor when it comes to choice of location for establishing and maintaining dynamic business activities, and are a prerequisite for one of Switzerland's most important industries, namely tourism. According to a study by the Swiss International Airport Association (SIAA), approximately 120,000 people are gainfully employed (directly, indirectly and induced) at Zurich Airport and in its vicinity. With a turnover of 15.7 billion Swiss francs, the annual contribution made by Zurich Airport to Switzerland's overall gross domestic product is around 3.4 percent. In order to secure Switzerland's status as an important business and financial centre, it is essential that the federal government formulates clearly defined policies. However, the country lacks a civil aviation policy.

Flight operations
Unilateral ordinances issued by Germany
The civil aviation treaty between Switzerland and Germany was not ratified by the Swiss parliament. The German unilateral ordinance has not only remained in effect, it has also meanwhile been rendered even more stringent. As a consequence of this ordinance and other international agreements, it is only possible for Unique (Flughafen Zürich AG) to carry out its flight operations in accordance with the licence awarded by the federal government by introducing approaches from the south. For this reason, aircraft landing at Zurich Airport during the curfew periods imposed by Germany have had to approach from the south with effect from 30 October 2003. From the point of view of Unique (Flughafen Zürich AG), in the same way as the previously imposed requirement of introducing additional approaches from the east, this does not make sense topographically, in terms of area planning, economically or commercially. Over a medium to long-term horizon, Unique (Flughafen Zürich AG) is seeking a solution based on approaches from the north. It has resorted to a variety of legal measures to date with the aim of bringing about a revision of the German

ordinance. The federal government stepped in by lodging an appeal at the EU level, but this was subsequently rejected by the European Commission. On 13 February 2004, Switzerland lodged an action against this ruling at the European Court of Justice.

Operating regulations

In accordance with the stipulation by the Federal Department of Environment, Transport, Energy and Communications (DETEC), Unique (Flughafen Zürich AG) submitted its temporary operating regulations, including the required environmental impact study, on 31 December 2003. If they are approved by the federal government, they will replace the provisional fourth version of the operating regulations currently in effect, and will be applicable until the conclusion of the mediation process initiated by the federal government concerning problems relating to aircraft noise.
On 26 June 2003, Germany announced that it was abolishing two holding zones currently in use in German airspace with effect from February 2005. This means they will have to be transferred to Swiss airspace. The associated adjustment to the airspace structure is the responsibility of the federal government.

Outlook

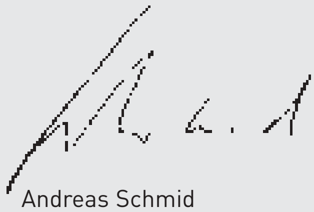
Expansion stage 5 will be brought to completion in the course of next year, on schedule and within budget. Airport Shopping and Airside Center will be handed over for operation. Airside Center is the key component of the whole expansion project, since all passengers will have to pass through this complex located right at the centre of the airport. Once everything has been handed over for operation, Zurich Airport will have modern commercial space at its disposal covering a total of 24,000 square metres. Following the completion of an expansion and upgrading project lasting several years, from the second half of 2004 onwards it will be able to present itself to customers and passengers as a new top-quality, user-friendly airport.

Thanks

At the General Meeting of Shareholders on 6 April 2004, a number of changes will occur in the Board of Directors. Jacob Schmidheiny and Martin Wetter have decided not to stand for re-election, ending their long tenures of service for the company of 22 years and 11 years respectively. During the turbulence experienced in the civil aviation industry throughout the world in recent years, both Jacob Schmidheiny and Martin Wetter have contributed in important ways to stabilising our company through their calm, considered attitudes and far-sighted thinking. Their commitment has been very valuable to Zurich Airport and we owe them our deepest gratitude. Two new members will be recommended to the General Meeting of Shareholders for election to the Board.

We wish to express our sincerest thanks to all our shareholders for their long-term commitment and the confidence they have placed in the future of Unique (Flughafen Zürich AG). We would also like to extend our thanks to our clients and visitors for their patience and understanding for the discomfort and inconvenience they have had to suffer due to provisional arrangements associated with expansion stage 5. Like you, we greatly look forward to the completion of this major project, which is scheduled for 15 September 2004 when the new Airside Center will be handed over for operation. Sincerest thanks, too, to all our employees for their valuable efforts under the difficult conditions. They have clearly demonstrated that the company is able to continue to perform soundly even when the overall circumstances are far from favourable.

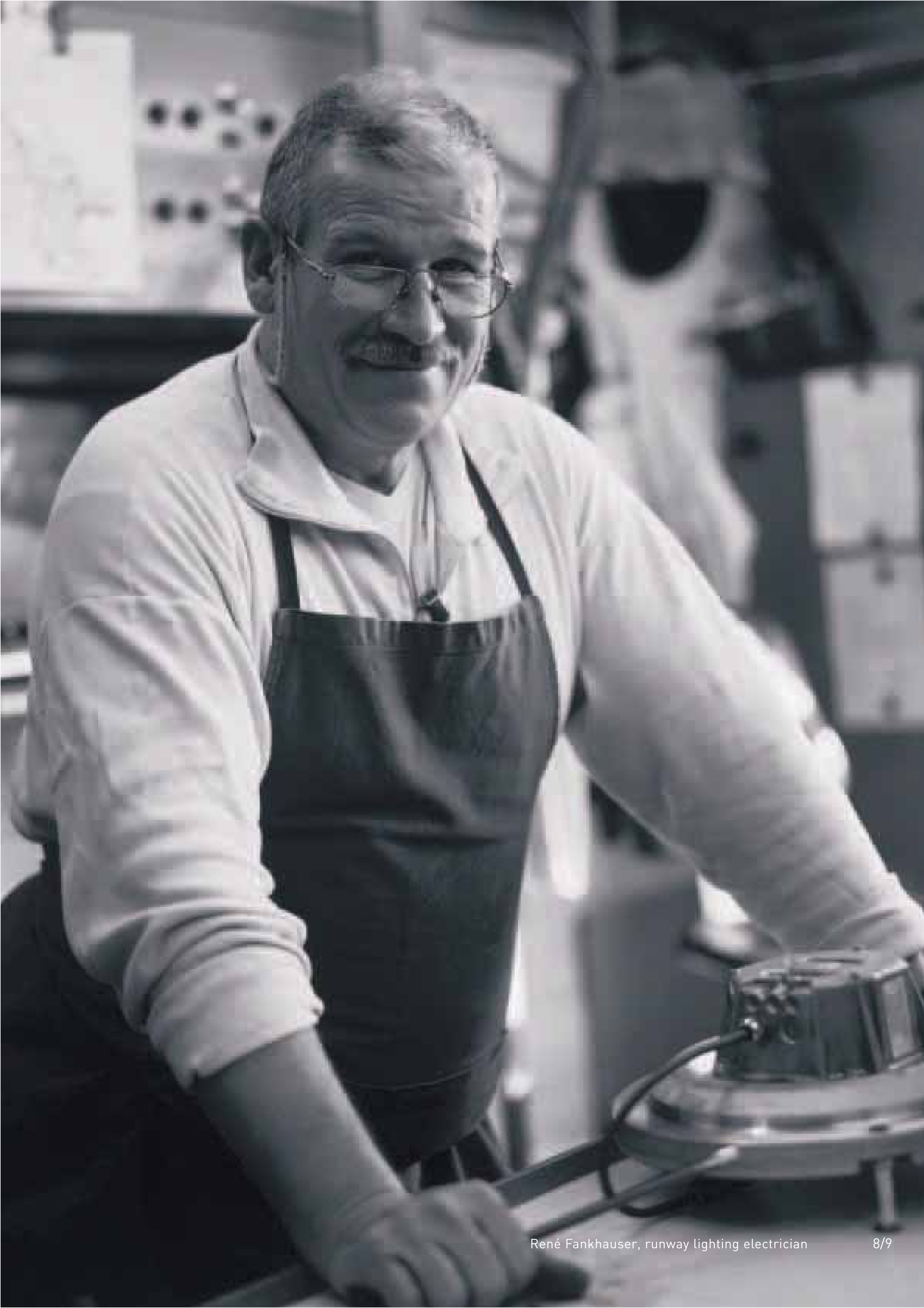
Zurich Airport, 26 February 2004



Andreas Schmid
Chairman of the
Board of Directors

Josef Felder
Chief Executive
Officer

Astrid Lüthi, bus driver



René Fankhauser, runway lighting electrician

Key data

Key financial data
(CHF thousand, all amounts in accordance with International Financial Reporting Standards [IFRS])

	2003	2002	Change in percent
Total revenue	561,599	527,555	+6.5%
of which revenue from aviation operations	304,471	287,324	+6.0%
of which revenue from non-aviation operations	257,128	240,231	+7.0%
Operating costs	303,876	320,191	–5.1%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	257,723	207,364	+24.3%
EBITDA margin	45.9%	39.3%	
Net profit	3,776	8,117	–53.5%
Investments	303,453	547,102	–44.5%
Cash flow [1]	159,592	138,008	+15.6%
Capital employed	2,774,484	2,544,873	+9.0%
Return on Ø capital employed (ROCE)	2.3%	2.1%	
Shareholders' equity as of 31 December	758,419	819,062	–7.4%
Return on equity	0.5%	1.0%	
Equity ratio	23.5%	27.5%	
Interest-bearing liabilities (net)	2,010,278	1,834,914	+9.6%
Interest-bearing liabilities / EBITDA	7.80x	8.85x	

Key operational data

	2003	2002	Change in percent
Number of passengers	17,463,807	18,401,178	–5.1%
Number of flight movements	269,392	282,154	–4.5%
Freight in tonnes	389,843	421,811	–7.6%
Number of full-time positions as of 31 December	1,260	1,286	–2.0%
Number of employees	1,425	1,449	–1.7%

Key data for shareholders

		2003	2002	Change in percent
Number of issued shares		4,912,300	4,912,300	
Proposed dividend per share (in Swiss francs)		0.00	0.00	
Dividend total (in thousand Swiss francs)		0.00	0.00	
Payout ratio		0.0%	0.0%	
Capital per share (in Swiss francs)		154.40	166.75	–7.4%
Earnings per share (in Swiss francs)		0.80	1.70	–52.9%
Share price (in Swiss francs)	high	71.00	136.75	
	low	18.00	42.00	

	Sec. number	SWIX symbol	Reuters
Flughafen Zürich AG registered share	1,056,796	UZAN	UZAZn.S

[1] Net profit plus depreciation and amortisation and change in non-current provisions

Comments on the financial statements

Comments on the result

2003 was characterised by the war in Iraq, the outbreak of the lung disease, SARS, and a further reduction in the home carrier's fleet and flight plan.

At 562 million Swiss francs, turnover in 2003 was up by 6.5 percent versus the prior year. The operating result before write-offs (EBITDA) rose by 24.3 percent to 257 million Swiss francs, which is equivalent to an EBITDA margin of 45.9 percent (prior year, 39.3 percent). The reported group profit of 3.8 million Swiss francs is slightly higher than our own expectations, but this is primarily attributable to extraordinary and special influences (for further details, see page 15, Extraordinary and special influences). Without these, we would have had to report a net loss of 39.5 million Swiss francs.

In 2003, no change was made to the composition of the group, which includes the interests in companies in Chile that operate the following three airports in that country: Calama, La Serena and Puerto Montt (see "Further details", note 6, "Composition of the group").

The Board of Directors therefore petitions the Annual Meeting of Shareholders to approve its proposal not to pay a dividend for the year under review.

Trend in traffic volume

In the key operating data, only the passenger volumes have been taken into account for the figures for the three airports in Chile, since the operating companies hold a licence to operate the respective terminals (right to collect commercial revenue such as passenger fees, retail revenue, etc.):

	Zurich	Puerto Montt (El Tepual)	Calama (El Loa)	La Serena (La Florida)	Total 2003	Total 2002	Change in percent
Number of passengers	17,024,937	244,216	115,432	79,222	17,463,807	18,401,178	–5.1%
Number of flight movements	269,392	–	–	–	269,392	282,154	–4.5%
Freight in tonnes	389,843	–	–	–	389,843	421,811	–7.6%

Result by segment

The two segments that form the basis for segment reporting are defined as follows:

Aviation

This segment secures the construction, operation and maintenance of the airport operations infrastructure. It incorporates all the core services provided to airlines and passengers by Unique in its capacity as operator of Zurich Airport.

These services include the runway system, all apron zones (including control activities), passenger zones in the terminals, freight operations, baggage sorting and handling system and aircraft energy supply system, passenger handling and services, safety and security, and airport police activities.

The main sources of income in the Aviation segment are passenger and landing fees. Third-party earnings here are determined by passenger volumes, flight volumes and the trend with respect to aircraft take-off weights.

Non-Aviation

Non-Aviation encompasses all activities relating to the development, marketing and operation of the commercial infrastructure at Zurich Airport.

This segment includes all retail operations at the airport, revenue from rented premises and supplementary costs (energy supply, etc.), parking fees plus a broad range of commercial services provided by Unique (Flughafen Zürich AG).

For reporting purposes, we have adopted the method of allocation of each profit centre to a primary segment. Any internal supplies and services that have been provided for the other segment have been booked as inter-segment earnings or offset against costs.

For example, the Information and Communication Technology (ICT) profit centre is allocated to Non-Aviation as primary segment, and proportionate costs are charged to Aviation on a "user pays" basis. Similarly, our Support sections are allocated to Non-Aviation as primary segment, and are offset accordingly.

Earnings from third parties
Breakdown of earnings by segment:

CHF million	2003	2002	Change in %
Segment			
Aviation	304.5	287.3	+6.0%
Non-Aviation	257.1	240.2	+7.0%
Total	561.6	527.5	+6.5%

Segment results

CHF million	2003	2002	Change in %
Segment			
Aviation	(3.8)	(7.0)	+45.7%
Non-Aviation	87.6	76.1	+15.1%
Profit from operations	**83.8**	**69.1**	**+21.3%**

Despite a lower traffic volume, aviation revenue rose by 6.0 percent to 304.5 million Swiss francs. Higher passenger fees (+19.3 million Swiss francs) were billed for the full year versus the prior year (including the additional increase in fees with effect from 1 September 2003). The baggage sorting and handling systems also generated increased revenue of around 3.1 million Swiss francs, and this too was attributable to higher fees. On 1 September 2002, the new check-in system (CUTE) was placed at the disposal of handling agents for accessing passenger handling systems of the various airlines. The year under review represents the first full year of operation of this new system, which is equivalent to an increase in revenue of 2.5 million Swiss francs. Revenue from all other aviation operations was down due to the decline in traffic volume.

Revenue in the Non-Aviation segment rose by 7.0 percent in the year under review. Commercial income increased by approximately 0.9 million Swiss francs. Here, the increase in parking fees had a positive impact, and revenue from retail and duty-free also rose slightly. By contrast, other licence revenue (car hire, taxis, banks, etc.) was down versus the prior year.

The fall in revenue from services in the area of real estate management was more than offset by the improved rental situation (higher occupancy rate and better rental terms) and a new model for billing energy and supplementary costs. Overall revenue from real estate management rose by 9.8 percent to 105.2 million Swiss francs.

Income from services rose by 25.3 percent in the year under review, from 26.1 million Swiss francs to 32.7 million. Thanks to intensive receivables management, we were able to reduce bad debt write-offs by 1.9 million Swiss francs last year. The active marketing of all forms of communications services also yielded positive results: here, income increased by 2.8 million Swiss francs. Furthermore, income from services includes 1.1 million Swiss francs from consulting services provided by the company outside the airport (2002: 2.1 million).

In the year under review, **personnel expenses** fell by 0.5 percent from 137.2 million Swiss francs to 136.5 million. The figure includes support costs amounting to 3.6 million Swiss francs associated with the job cuts that were resolved and implemented on the basis of the cost-cutting measures. The dissolution of the employers' reserves in the unique zurich airport staff pension fund led to further savings of 2.5 million Swiss francs.

Number of full-time positions by segment:

(as of 31 December)	2003	2002	Change in %
Segment			
Aviation	599	600	–0.2%
Non-Aviation	661	686	–3.6%
Total	1,260	1,286	–2.0%

Employees active in the area of support (Finance & Services, Human Resources, Corporate Communication) have been allocated to the Non-Aviation segment. These costs have been booked accordingly to each segment on a "user pays" basis.

Costs relating to **police and security** fell by 3.4 percent to 71.7 million Swiss francs (2002: 74.2 million). Costs for external security personnel rose by 0.2 million Swiss francs (+4.0 percent), while those for services provided by the Zurich cantonal police force fell by 2.7 million Swiss francs (–4.0 percent) to 65.5 million. Thanks to close collaboration with the Zurich cantonal police force aimed at optimising planning and performance of security services, we were able to cut costs despite the fact that additional precautions are required due to the current threats to security, and we are only able to pass on a certain proportion of these costs to the airlines.

Overall **operating costs** fell by 5.1 percent to 304 million Swiss francs, versus 320 million in 2002. The increased expenditure in the areas of sales, marketing and administration (including costs associated with the acquisition of new airlines as clients), energy and waste management (here we were also able to report higher operating costs revenue), and other operating costs (including those relating to CUTE, the new check-in system placed at the disposal of handling agents for accessing the passenger handling systems of the various airlines), were offset by lower personnel and security expenses, and maintenance and material costs. The consistent implementation of the cost-cutting measures (see separate section, "Market trend") proved to be effective.

A total of 303.5 million Swiss francs was **invested** during the year under review, versus 547.1 million in the prior year. Overview of investments by category:

CHF million	**2003**	**2002**
Movables	6.2	11.2
Projects in progress in leasing	19.6	33.9
Projects in progress	275.8	482.0
Intangible assets	1.9	17.9
Financial assets	0.0	2.0
Total	**303.5**	**547.1**
Portion of which for expansion stage 5	215.7	429.7

Alongside investments associated with expansion stage 5, the costs shown under projects in progress include the acquisition of a new parking system (5.6 million Swiss francs), the upgrading of the link road between multi-storey car parks 1 and 2 (5.5 million), investments in IT projects such as SAMAX (Swiss Airport Movement Area Control System; 4.8 million) and FIDS (Flight Information and Data System; 3.4 million), costs associated with the new airport admission system (3.0 million), investments for the upgrading of runway 16 (2.5 million) and approach path lighting for the same runway (2.0 million).

During the year under review we covered 52.6 percent of our investments (2002: 25.2 percent) via cash flow (net profit plus depreciation and amortisation and changes in non-current provisions).

With a total of 173.9 million Swiss francs, **depreciation and amortisation** was 25.8 percent higher than the prior-year figure of 138.3 million. The facilities directly associated with Dock E, encompassing Dock E, the surrounding apron, the road tunnel serving as a link to Dock E, and Skymetro, including the station in the new Airside Center, represent a special case. These facilities were completed in autumn 2002 and handed over for operation on 1 September 2003. For the period from 1 November 2002 to 31 August 2003, minimal technical wear and tear on these objects has been written off pro rata at 1/3 of the normal annual depreciation rate. The booked 1/3 pro rata write-off for the year amounts to 6.0 million Swiss francs (2002: 1.5 million Swiss francs); the amount for the full year would have been 18.2 million Swiss francs (2002: 4.5 million). Since 1 September 2003, these assets have been depreciated as normal.

Financial expenses rose by 28.6 percent to 80.8 million Swiss francs (2002: 62.8 million). This figure includes the gains of 43.4 million Swiss francs from the early redemption of outstanding debentures, and costs amounting to 18.1 million Swiss francs associated with the adjustment of the fair value of the interest rate swap that no longer fulfilled the criteria of hedge accounting. Financial expenses would have totalled 106.2 million Swiss francs without these extraordinary items. This change is mainly attributable to an increase in interest-bearing borrowings and additional expenditure associated with the interest rate swap held by the company (interest rate differential).

The extraordinary and special influences that significantly influenced the 2003 result are shown in the table below:

2003	CHF thousand	Influence on other expenses/income, net	Influence on financial result, net	Influence on income taxes	Influence on personnel expenses
Consolidated profit	**3,776**				
Revenue					
Gain on early buyback of debentures (note 5, "Financial result, net")	(43,449)		(43,449)		
Dissolution of non-current provisions that are no longer required (note 4, "Other expenses/income, net")	(11,618)	(11,618)			
Construction and operational services provided in 2002 in association with the baggage sorting and handling system and the new aircraft energy supply system, but only invoiced in 2003 (note 4, "Other expenses/income, net")	(2,722)	(2,722)			
Dissolution of employers' reserves in the unique zurich airport staff pension fund (note 2, "Personnel expenses")	(2,500)				(2,500)
Change in reporting method for interest rate swap, influence on deferred taxes (dissolution of hedge accounting since criteria were no longer met) (note 15, "Deferred tax liabilities")	(6,257)			(6,257)	
Adjustment in fair value of interest rate swap in connection with the change in reporting method for the interest rate swap; now booked via income statement (note 5, "Financial result, net")	(9,145)		(9,145)		
Total extraordinary and special income	**(75,691)**	**(14,340)**	**(52,594)**	**(6,257)**	**(2,500)**
Expenses					
Costs for support measures associated with implementation of cost-cutting measures (note 2, "Personnel expenses")	3,163				3,163
Change in reporting method for interest rate swap (dissolution of hedge accounting since criteria were no longer met) (note 5, "Financial result, net")	27,203		27,203		
Adjustment in fair value of interest rate swap in connection with the change in reporting method; now booked via income statement; influence on deferred taxes (note 15, "Deferred tax liabilities")	2,103			2,103	
Total extraordinary and special expenditure	**32,469**	**0**	**27,203**	**2,103**	**3,163**
Total influence on reported income and expenditure		**(14,340)**	**(25,391)**	**(4,154)**	**663**
"Ordinary" consolidated loss	**(39,446)**				

Without these extraordinary and special influences, the net loss would have amounted to 39.5 million Swiss francs. For further details, see cited sections in the "Explanatory notes to the consolidated financial statements".

Board of Directors and Management

Board of Directors

Chairman
- Andreas Schmid
  Chairman of the Board of Directors of Barry Callebaut AG and Kuoni Reisen Holding AG

Vice Chairman
- Dr. Ruedi Jeker (until 31 December 2003), Member of the Cantonal Government, Economic Director of the Canton of Zurich

Members
- Dorothée Fierz
  Member of the Cantonal Government, Head of Construction and Land Development, Canton of Zurich

- Rita Fuhrer (from 1 January 2004)
  Member of the Cantonal Government, Economic Director of the Canton of Zurich)

- Dr. Christian Huber
  Member of the Cantonal Government, Financial Director of the Canton of Zurich

- Dr. Elmar Ledergerber
  Mayor of the city of Zurich

- Jacob Schmidheiny
  Chairman of the Board of Directors of Conzzeta Holding

- Dr. Martin Wetter
  Member of the Executive Board of Credit Suisse

- Eduard Witta
  Civil Engineer, co-owner of MWV Bauingenieure AG

General Secretary
- Thomas Egli

Advisory Board (dissolved on 31 December 2003)

Chairman
- Andreas Schmid
  Chairman of the Board of Directors of Unique (Flughafen Zürich AG)

Vice Chairman
- Dr. Ruedi Jeker
  Vice Chairman of the Board of Directors of Unique (Flughafen Zürich AG)

Members
- Urs Adam
  Deputy Director, Federal Office for Civil Aviation

- Dr. Lukas Briner
  Director, Zurich Chamber of Commerce

- Bruno Heinzelmann
  Mayor of Kloten

- Prof. Dr. Franz Kellerhals
  Chairman of the Board of Directors of Skyguide

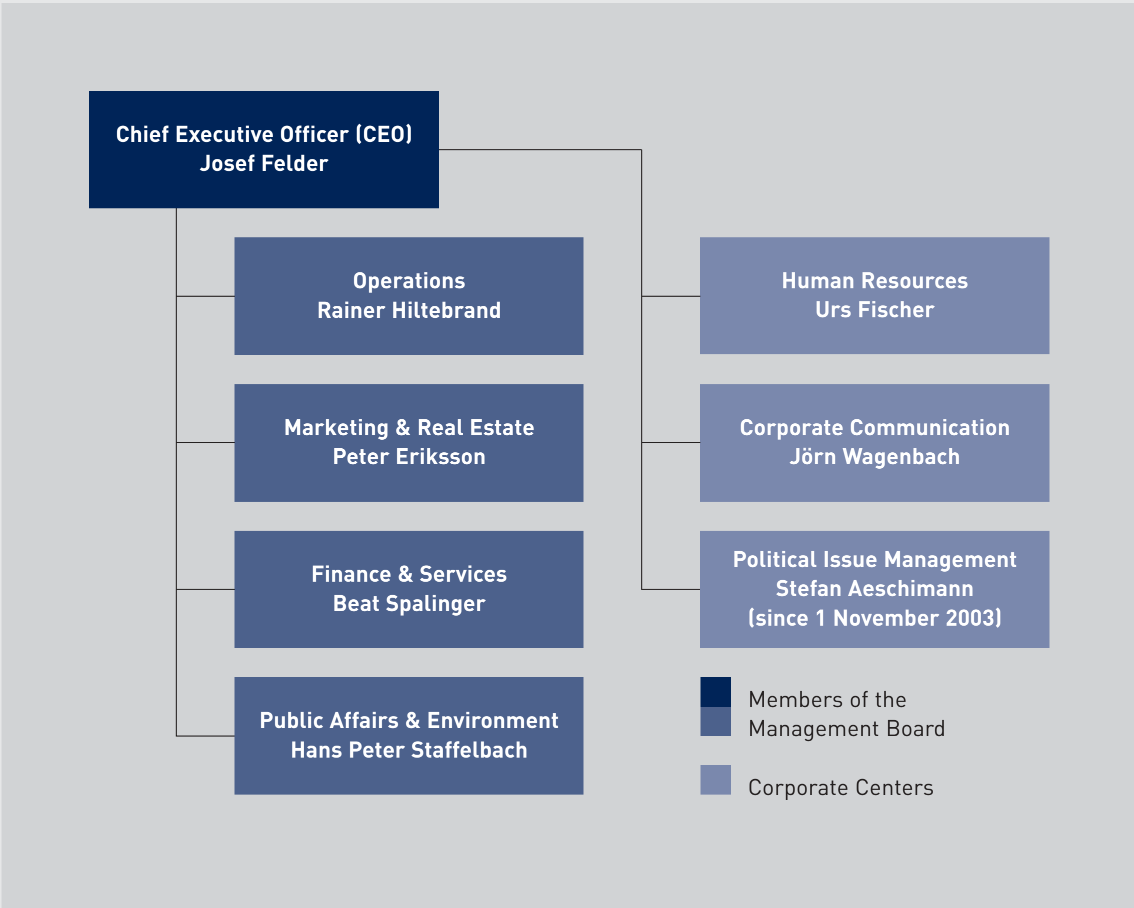
- Dr. Thierry Lalive d'Epinay
  Chairman of the Board of Directors of Swiss Federal Railways

- Vreni Spoerry
  Member of the Council of States

- Dr. Sven von Ungern-Sternberg
  Chairman of the Regional Council, Freiburg im Breisgau (Germany)

Renato Elber, joiner

Organisation 2003 (since 1 July 2003)



Corporate governance

Information concerning corporate governance
in accordance with the Corporate Governance Guidelines of SWX Swiss Exchange dated 17 April 2002

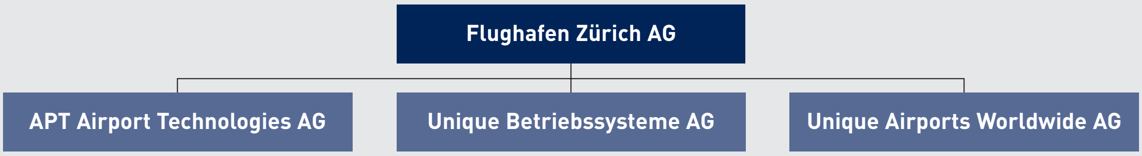
Group and capital structures

Group structure

For details concerning the group operational structure, please refer to the section on segment reporting (page 89).

Apart from Flughafen Zürich AG, Kloten (securities no. 1 056 796), which was listed on the SWX with a market capitalisation of 319,299,500 Swiss francs as of balance sheet date (31 December 2003), the consolidated group does not comprise any other listed companies, but it does include the following three unlisted companies:

Name	Domicile	Share capital	Holding
APT Airport Technologies AG	Kloten	CHF 100,000	100% Flughafen Zürich AG
Unique Betriebssysteme AG	Kloten	CHF 100,000	100% Flughafen Zürich AG
Unique Airports Worldwide AG	Kloten	CHF 100,000	100% Flughafen Zürich AG



Capital structure

The group's ordinary share capital amounts to 245,615,000 Swiss francs, which is divided into 4,912,300 fully paid-up registered shares with a nominal value of 50 Swiss francs each. All shares have the same dividend entitlements and voting rights (as long as they have been entered in the share register). No approved or conditional capital, no participation or dividend right certificates and no outstanding convertible bonds or options existed as of balance sheet date.

The changes in share capital, reserves and net balance sheet loss (financial statements according to the provisions of commercial law) during the past three years are shown below:

CHF thousand	31.12.2003	31.12.2002	31.12.2001
Share capital	245,615	245,615	245,615
Legal reserves			
– Premium	269,254	269,254	269,254
– General reserves	19,060	19,060	19,060
– Reserves for own shares	24,999	25,034	25,430
Free reserves	55,859	55,824	55,428
Balance sheet loss			
– Profit/(loss) brought forward	(17,605)	(29,377)	3,070
– Annual profit/(loss)	9,918	11,772	(32,447)
Total equity	**607,100**	**597,182**	**585,410**

For information concerning distribution of shares (no debentures are distributed), please refer to page 80, note 2, "Personnel expenses" and page 84, note 12, "Equity and reserves".

Shareholder structure and voting rights

Major shareholders

As of balance sheet date (31 December 2003), the Canton of Zurich held 48.8 percent and the City of Zurich held 5.41 percent of the company's shares/voting rights. There were no other shareholders whose holdings exceeded 5 percent of the total number of shares with voting rights. As reported in the disclosures of shareholdings as required by the provisions of the Swiss Stock Exchange Act, during the year under review UBS Fund Management (Switzerland) AG, Basel, exceeded the level of 5 percent on 28 May 2003 (5.114 percent) then reduced its holdings to 4.980 percent on 2 October 2003, and exceeded the 5 percent level again on 12 December 2003 (5.005 percent). Holdings exceeding the level of 5 percent are registered as non-voting shares.
There are no cross-holdings and no shareholder agreements of which the company is aware.

Change in control

The company's Articles of Incorporation contain an opting-up clause which stipulates that, in the event that the threshold at which an offer is required in accordance with the provisions of the Swiss Stock Exchange Act should be exceeded, it shall be raised to 49 percent.
No clauses exist regulating a change of control in favour of members of the Board of Directors or Management Board.

Limitation of transferability of shares and nominee registrations

Registration with voting rights is limited to 5 percent of the share capital. This limit applies both to individual investors and groups of shareholders, with the exception of the Canton of Zurich (limit = 49 percent) and the City of Zurich (limit = 10 percent). Other exceptions may be granted by the Board of Directors, specifically in association with contributions in kind, participations, mergers and easing of tradability of shares on the stock market. No exceptions were granted during the year under review.
The above limitations with respect to transferability are stipulated in the company's Articles of Incorporation, which may be amended by resolution of the General Meeting of Shareholders by a $^2/_3$ majority of represented votes.
Nominees are exclusively registered as shareholders without voting rights.

Voting rights at the General Meeting of Shareholders

Entries in the share register are normally made up to one week before the General Meeting of Shareholders.
With respect to the convening of the General Meeting of Shareholders and inclusion of items on the agenda, no statutory regulations exist that deviate from the relevant legal provisions.
Deadlines and cut-off dates for including items on the agenda are also not specified in the Articles of Incorporation.
In accordance with the Articles of Incorporation, all shareholders are entitled to appoint another registered shareholder to act on their behalf at the General Meeting of Shareholders upon presentation of a written power of attorney.
A qualified majority in accordance with Article 704 of the Swiss Code of Obligations is also required for the following cases in addition to those defined in the above legal provisions:
- Amendments to the Articles of Incorporation
- Easing or elimination of limitations with respect to transferability of registered shares
- Conversion of registered shares into bearer shares

Board of Directors

Election and term of office

Members of the Board of Directors are elected by the General Meeting of Shareholders for a term of office of 4 years. They may stand for re-election, though members of the Board of Directors are required to step down for age reasons at the General Meeting of Shareholders that is held in the year in which they turn 70. The current term of office for all members of the Board of Directors elected by the General Meeting of Shareholders expires as of the 2004 Annual General Meeting (AGM). For 2004, the Board of Directors is proposing an amendment to the Articles of Incorporation that limits the term of office to 1 year.
In accordance with Article 762 of the Swiss Code of Obligations, the Canton of Zurich has a statutory entitlement to appoint three of seven or eight, or four of nine persons to the Board of Directors.

Members

Andreas Schmid
Swiss citizen; MA (Law); member of the Mövenpick group executive board from 1993 to 1997, then CEO of Jacobs AG (until 2000) and Barry Callebaut AG (until mid-2002); also Chairman of the Board of Directors of Barry Callebaut AG since 1999. Member of the Board of Directors since the 2000 AGM. Other activities and commitments: Chairman of the Board of Directors of Kuoni Reisen Holding AG; member of the Board of Directors of Adecco SA; member of the Advisory Board of Credit Suisse.

Dorothée Fierz
Swiss citizen; qualified teacher; full-time politician since 1991, member of the government of the Canton of Zurich since 1999. Appointed to the Board of Directors in 2000. Other activities and commitments: Member of the Board of Directors of AXPO, EKZ and NOK.

Rita Fuhrer
Swiss citizen; 1972 to 1994, agency head in health insurance industry and freelance constributor to the daily press; member of the government of the Canton of Zurich since 1995. Appointed to the Board of Directors in 2004. Other activities and commitments: Member of the Board of Directors of AXPO, EKZ and NOK; chairman of the "Greater Zurich Area" foundation (since 2004).

Christian Huber
Swiss citizen; PhD (Law); 1981 to 1999, positions as public prosecutor, presiding judge and foreman of the jury; member of the government of the Canton of Zurich since 1999. Appointed to the Board of Directors in 2000. Other activities and commitments: Member of the Board of Directors of Vereinigte Schweizerische Rheinsalinen AG.

Ruedi Jeker
Swiss citizen; PhD (Technical Sciences), Federal Institute of Technology, Zurich; member of the government of the Canton of Zurich since 1999. Member of the Board of Directors since 1999 (appointed to the board of former Flughafen Immobilien Gesellschaft). Other activities and commitments: Member of the Board of Directors of Messe Schweiz AG, chairman of the "Greater Zurich Area" foundation.

Elmar Ledergerber
Swiss citizen; MA; member of the Zurich City Council since 1998, Mayor of the City of Zurich since 2002. Member of the Board of Directors since 1998 (originally appointed to the Board of Directors of Flughafen Immobilien Gesellschaft as part of the statutory entitlement of the City of Zurich; elected by the General Meeting of Shareholders in 2000). Other activities and commitments: none

Jacob Schmidheiny
Swiss citizen; MA (Economics); managing director of Conzzeta Holding (formerly Zürcher Ziegeleien) from 1978 to 2001, Chairman of the Board of Directors since 1984. Member of the Board of Directors since the 1982 AGM (former Flughafen Immobilien Gesellschaft). Other activities and commitments: none

Martin Wetter
Swiss citizen; PhD (Law); joined Credit Suisse Group in 1973 (focus on commercial and financial participations divisions). Member of the Board of Directors since the 1993 AGM (former Flughafen Immobilien Gesellschaft). Other activities and commitments: Member of the Board of Directors of Zürcher Freilager AG.

Eduard Witta
Swiss citizen; MA (Civil Engineering), Federal Institute of Technology, Zurich; own engineering business since 1969. Member of the Board of Directors since the 1982 AGM (former Flughafen Immobilien Gesellschaft). Other activities and commitments: none

None of the members of the Board of Directors hold executive positions, and none were members of the management board of Unique (Flughafen Zürich AG) or any of its group companies during the three financial years prior to the period under review.
The following business relationships between members of the Board of Directors or the entities they represent and Unique (Flughafen Zürich AG) are deemed significant and thus worthy of mention:
- Within the scope of a framework credit agreement, the Canton of Zurich – in the government of which members of the Board of Directors Dorothée Fierz, Christian Huber and Ruedi Jeker hold seats – has granted Unique (Flughafen Zürich AG) a loan in the amount of 826 million Swiss francs with a duration of 10 years, of which 300 million Swiss francs were drawn as of 31 December 2003.
- Credit Suisse – on the executive board of which member of the Board of Directors Martin Wetter holds a seat – is one of the principal banks of Unique (Flughafen Zürich AG).

No cross-ties exist in the form of mutual membership of boards of directors of listed companies.

Internal organisation

Chairman of the Board of Directors:	Andreas Schmid
Vice Chairman:	Ruedi Jeker

The Board of Directors has formed the following committees:

Audit & Finance Committee
Members: Jacob Schmidheiny (Chairman), Christian Huber, Elmar Ledergerber, Andreas Schmid.
Duties: This committee is responsible for close supervision of the annual accounts and monitoring of compliance with the accounting principles, evaluation of financial reporting and auditing activities, assessment of findings obtained from audits and recommendations by the auditors, definition of the group's financing policy and examining business transactions of special importance.

Nomination & Compensation Committee
Members: Martin Wetter (Chairman), Dorothée Fierz, Andreas Schmid.
Duties: This committee deals with all issues relating to nomination and/or removal of members of the executive management of the group, including their compensation and questions relating to succession planning. It defines the principles of the group's personnel and compensation policies and ensures that these are duly complied with. It is also responsible for assessing any potential conflicts of interest on the part of members of the Board of Directors or Management Board.

The executive bodies of Unique (Flughafen Zürich AG) convene meetings as required. For the Board of Directors this means approximately ten meetings a year with an average duration of approximately five hours, while the committees hold meetings two to three times a year with an average duration of approximately three hours. The committees pass on recommendations and submit recommendations to the Board of Directors, and order clarifications to be carried out by internal or external offices. The CEO, CFO and General Secretary are regularly invited to attend meetings of the Board of Directors and the Audit & Finance Committee, while the CEO and head of HRM are invited to attend meetings of the Nomination & Compensation Committee. Other members of the Management Board or representatives of the auditors are invited to attend meetings dealing with pertinent topics.

Competence regulations
Based on the Articles of Incorporation, the Board of Directors has issued a set of organisation regulations in accordance with the provisions of Article 216b of the Swiss Code of Obligations. Alongside the duties that are non-delegable by law, the Board of Directors has retained numerous fundamental strategic competencies, in particular those associated with the rights and obligations arising from federal civil aviation concessions, while entrusting the Management Board with the general management of the company.

Information and controlling tools
The Management Board reports to the Board of Directors by means of monthly updates via the Management Information System. This tool encompasses marketing activities, traffic developments, non-aviation business, personnel controlling, balance sheet management, project information and participation management. Comprehensive financial and business reports are also prepared on a quarterly basis, and the Board of Directors is informed about anticipated developments in the form of rolling long-term planning and the risk portfolio for Unique.

In close collaboration with the Audit & Finance Committee and within the scope of the internal control system, group auditors KPMG Fides Peat carried out an interim review of the implementation of the concepts for the following SAP ICT projects: new invoicing tool (SAP SD); introduction of SAP MM; change to SAP release 4.7 Enterprise; project portfolio management system including processes.
Since November 2003, the Audit & Finance Committee has utilised the function of internal auditing as an independent instrument of the Board of Directors and Audit & Finance Committee for performing its duty of overall supervision.

Management Board
Members

Josef Felder
Swiss citizen; CEO. Qualified accountant/controller; joined Crossair AG in 1989, where he was CFO until 1993, head of Marketing until 1996 and head of Product Management until 1998; joined Unique (Flughafen Zürich AG) – at that time, Flughafen Immobilien Gesellschaft – in November 1998.
Other activities and commitments: none

Peter Eriksson
Swedish citizen; head of Marketing & Real Estate. Business and management studies, specialising in commerce and retail; 1976 to 2001, various management positions in the area of marketing and sales at IKEA, Tip Top AG, Jelmoli AG and The Nuance Group AG; joined Unique (Flughafen Zürich AG) in April 2002.
Other activities and commitments: none

Rainer Hiltebrand
Swiss citizen; head of Operations. Qualified airline pilot (SLS); joined Swissair as pilot in 1978 (DC9, MD80, MD11, A320, A330); 1999, chief pilot of entire Swissair fleet; joined Unique (Flughafen Zürich AG) in April 2002.
Other activities and commitments: none

Beat Spalinger
Swiss citizen; head of Finance and Services, Chief Risk Officer. MA (Business Economics), School of Economics and Business Administration; 1983 to 1986, CFO of a general contracting group; 1986 to 1999, partner at KPMG Fides (head of Corporate Finance); joined Unique (Flughafen Zürich AG) – at that time, Flughafen Immobilien Gesellschaft – in autumn 1999.
Other activities and commitments: none

Hans Peter Staffelbach
Swiss citizen; head of Public Affairs & Environment. MA (Engineering), Federal Institute of Technology, Zurich; 1968 to 1981, various positions at IBM; 1981 to 1985, managing director of Heliswiss; 1985 to 2000, managing director of Zurich Airport.
Other activities and commitments: none

The following persons were also members of the Management Board until 30 June 2003:

Pascal Erni
Swiss citizen; head of Corporate Development. MA (Business Economics), University of St. Gallen; joined Flughafendirektion Zürich in 1992; from 1997, headed up project to separate the airport from the cantonal administration and merge Flughafendirektion Zürich and Flughafen Immobilien Gesellschaft to form Unique (Flughafen Zürich AG).
Other activities and commitments: none

Jürg Kessler
Swiss citizen; head of Buildings.
MA (Engineering), Federal Institute of Technology, Zurich; MA (Economics), University of Zurich; 1991 to 2000, various management positions at Zurich Insurance; joined Unique (Flughafen Zürich AG) in February 2001.
Other activities and commitments: none

In the year under review there were no management agreements associated with the assignment of management duties to third parties.

Remuneration, participation and loans

Specification and scope of remuneration
Remuneration of active members of the Board of Directors is based on an annual lump sum plus payments for attending meetings. The applicable amounts are specified by the Board of Directors as proposed by the Nomination & Compensation Committee. There are no participation programmes for members of the Board of Directors. The total remuneration paid to members of the Board of Directors during the year under review was 623,700 Swiss francs (2002: 519,750 million).
The highest amount paid to a member of the Board of Directors during the year under review was 147,000 Swiss francs (2002: 121,800 Swiss francs).
Remuneration of members of the Management Board is based on individual employment contracts and comprises a fixed salary and a variable performance component that mostly takes the form of shares in the company. The amounts concerned are specified by the Nomination & Compensation Committee. The total remuneration paid to the five members of the Management Board (seven members until 30 June 2003) during the year under review was 2,160,200 Swiss francs (2002: 2,337,200 Swiss francs).

During the year under review, no severance payments were made to persons who terminated their executive function, and no relevant compensation was paid to resigning members of the Board of Directors or Management Board.

Share allocation and holdings
17,834 company shares were allocated to members of the Management Board during the year under review as part of their salary.
No company shares were allocated to members of the Board of Directors during the year under review.
As of 31 December 2003, the number of company shares held by members of the Management Board and associated parties was 21,839.
As of 31 December 2003, the number of company shares held by members of the Board of Directors and associated parties was 103,074. (This figure does not include the holdings of the Canton and the City of Zurich as cited under "Major shareholders".)
There are no options on the company shares.

Other fees and remuneration
MWV Bauingenieure AG, whose co-owner Eduard Witta is a member of the Board of Directors, received payments totalling 737,300 Swiss francs for engineering work carried out in association with the airport multi-storey car parks (2002: 950,000 Swiss francs). Otherwise no member of the Board of Directors or Management Board received any remuneration during the year under review for services provided to Flughafen Zürich AG or any of its group companies, the total of which would equal or exceed half the normal remuneration of the person concerned.

Loans to executive personnel
There are no outstanding loans granted by the company to members of the Board of Directors or Management Board.

Auditors
The audit mandate is awarded each year by the General Meeting of Shareholders. The current auditors first assumed their mandate of independent accounting expert prior to 1992 (at that time for Flughafen Immobilien Gesellschaft), i.e. while the former company law was still in effect. The current auditor in charge has been responsible for this mandate since 2000.
The fee charged by the auditors for the year under review amounted to 337,530 Swiss francs (2002: 307,381 Swiss francs). The auditors also charged a total of 7,030 Swiss francs (2002: 31,885 Swiss francs) for services beyond the scope of the audit mandate.
The Audit & Finance Committee is responsible for supervising external audits.

Information policy
Shareholders regularly receive information about the company and its activities in the Interim Report and Annual Report, and ongoing developments are reported on in the form of news flashes.
Furthermore, information of a general nature may be viewed on the Investor Relations page of our web site (www.unique.ch).
Contacts: Unique (Flughafen Zürich AG), P.O. Box, 8058 Zurich Airport
Investor Relations: Daniel Schmucki,
e-mail: daniel.schmucki@unique.ch
Corporate Communications: Jörn Wagenbach,
e-mail: joern.wagenbach@unique.ch

Martina Müller, horticulture apprentice

Risk management

Comprehensive risk management
Unique (Flughafen Zürich AG) has set itself the strategic goal to have in place a comprehensive risk management, and is committed to carrying out holistic and systematic risk management. For Unique (Flughafen Zürich AG), risk management means approaching and managing risk in a clearly defined and disciplined manner, thereby securing transparency with respect to all risks associated with our business activities, and constantly improving and monitoring the group's risk situation.

Unique risk management system
Unique (Flughafen Zürich AG) has its own risk management system which serves as one of its corporate governance tools. It came into effect on 1 December 2000 and functions as a valuable practical tool for managing corporate risk. It comprises the following components:
– Risk policy objectives and principles
– Risk management organisation
– Risk management process (method for managing risk)
– Risk reporting and risk dialogue
– Auditing and review of the risk management system
– Risk culture

Risk management organisation forms the backbone of this system and it encompasses the following roles and competencies:
– Board of Directors / Management Board and Chief Risk Officer: The Board of Directors and Management Board bear the overall responsibility under company law for securing the group's existence and profitability. The Board of Directors is responsible for the overall supervision of risk management. The Chief Financial Officer is simultaneously the Management Board's risk management officer (Chief Risk Officer).
– Line management (divisions and corporate centres): Line units and individual line managers bear the responsibility for risks and they manage these risks within the scope of the risk management system.
– Risk Management Centre: The Risk Management Centre is headed by the Corporate Risk Manager. It supports line management in all matters relating to risk management and is responsible for the operation and further development of the risk management system.
– Specialised units: Specialised units perform specific risk-related cross-section functions within the group (e.g. cash management, operational safety, occupational safety and health, information security, fire prevention, contingency planning) co-ordinated through the Risk Management Centre.

Current risk situation
The current risk situation is primarily characterised by the following factors:

– **Home carrier**
The new national airline Swiss is the main client of Unique (Flughafen Zürich AG). It accounts for approximately 59 percent (2002: 63 percent) of Zurich Airport's flight traffic and 56 percent (2002: 60 percent) of its passenger volume. Approximately 16 percent (2002: 24 percent) of our total turnover (excluding passenger fees) is realised directly through this airline. Although our dependency on the home carrier has decreased, the development of our business activities still greatly depends on the operational and financial development of Swiss. As home carrier, Swiss is responsible for approximately 90.2 percent (2002: 90.6 percent) of transfer passengers at Zurich Airport. A further reduction in the size of its fleet would almost certainly mean the loss of these transfer passengers, without the chance of its replacement by another airline. Unique (Flughafen Zürich AG) is therefore keeping a close eye on the development of Swiss, and will periodically carry out a review of the situation. It has prepared corresponding packages of cost-cutting measures that are ready for implementation in the event of a further reduction in capacity by Swiss. But despite these measures, another significant reduction in the home carrier's capacity would have a lasting negative impact on the financial situation of Unique (Flughafen Zürich AG). Without underestimating the associated challenges, the company is confident that, even if this situation should arise, the continued existence of the group would be assured.

– **Legal issues**
Mediation: In autumn 2003, the federal government, the Canton of Zurich and Unique (Flughafen Zürich AG) agreed to review the controversial issues relating to flight operations in an extensive mediation process involving all interest groups. Preparations have already been initiated, and the mediation process is expected to take approximately two years.
Unilateral ordinances issued by Germany: In March 2003, the second chamber – the Council

of States – followed in the footsteps of the National Council and rejected the civil aviation treaty between Switzerland and Germany, which would have regulated approaches to Zurich Airport over German territory. This decision meant that Switzerland would definitively not be ratifying the treaty. The premature measures (regulations governing flights at night, at weekends and on public holidays) remained in effect, since Germany did not withdraw Ordinance 213 (specification of procedures for flights to and from Zurich Airport, formerly Ordinance 204), which it had brought into effect in order to implement the treaty. Instead, in April 2003 it imposed additional over-flight restrictions on Monday to Friday, 6 a.m. to 7 a.m. and 9 p.m. to 10 p.m., and announced a drastic intensification of the rules governing exceptional circumstances, to come into effect on 10 July 2003. Shortly after the federal government had granted the respective permits for approaches from the south and the construction of the necessary instrument landing system, Switzerland and Germany reached agreement on a timetable for the introduction of landings from the south, and this led to the postponement of the introduction of the more stringent regulations governing exceptional circumstances. Aircraft subsequently began approaching from the south (via the Pfannenstiel) and landing on runway 34 after 6 a.m. on 30 October 2003, to the accompaniment of protests by residents of the region.
Unique (Flughafen Zürich AG) instigated proceedings against Ordinance 213 at the administrative court of Baden-Württemberg. On 24 January 2003, the cited court rejected this petition and refused the right of appeal against this ruling. Unique (Flughafen Zürich AG) subsequently lodged an appeal with the German administrative court in Leipzig against this refusal to grant right of appeal. On 7 January 2004, the above court ruled in favour of Unique (Flughafen Zürich AG), thus permitting an appeal against the ruling of the administrative court of Baden-Württemberg dated 24 January 2003. Unique (Flughafen Zürich AG) also instigated proceedings against the amendment of Ordinance 213 dated April 2003 at the administrative court of Baden-Württemberg in the form of an urgent petition, but this was in turn rejected by the court on 31 July 2003. The Swiss Confederation also lodged a formal complaint against Ordinance 213 with the EU Commission, and on 5 December 2003 the latter ruled that Germany may continue to implement it. On 13 February 2004, the Swiss Confederation lodged an action against this ruling by the EU Commission at the European High Court. Furthermore, Germany has repeatedly threatened to intensify the provisions of the unilateral ordinance.

Operating licence and operating regulations:
The legal proceedings concerning objections to the operating licence awarded by the federal government on 31 May 2001 for a period of 50 years have almost been concluded. Objections lodged by residents, public entities and environmental associations were rejected by the Federal Tribunal on 8 July 2003, insofar as it was even able to admit cases due to a lack of legitimation on the part of complainants. The only issue still pending concerns an appeal by Unique (Flughafen Zürich AG) against a clause in the operating licence that obliges it to bear the full costs arising in association with the implementation of the civil aviation treaty between Switzerland and Germany. Appeals lodged with the DETEC appeals commission against the operating regulations submitted together with the application for an operating licence and later amendments to the operating regulations are still pending. In association with the operating regulations, petitions to reinstate suspensive effect are still pending at the Federal Tribunal. On 2 December 2003, DETEC specified 31 December 2003 as the deadline for submitting revised and adapted operating regulations, and Unique (Flughafen Zürich AG) complied with this requirement by submitting the temporary regulations on the stated date.
Additional internal political restrictions (e.g. arising from the planned mediation process or from additional requirements on the part of the federal government concerning the submitted operating regulations), combined with a possible further intensification of German Ordinance 213, could mean that Unique (Flughafen Zürich AG) will not be able to fully utilise the opportunities it has created for its business development, primarily through expansion stage 5, and instead may have to plan for additional investments and costs.

- **Noise compensation and sound insulation measures**
  In accordance with Articles 679 and 684 of the Swiss Civil Code, in combination with Article 36a

of the Civil Aviation Act and the provisions of the Federal Expropriation Act, Unique (Flughafen Zürich AG) has to bear the costs associated with **formal expropriations,** and in accordance with Articles 20 ff of the Environmental Protection Act, it has to bear the costs relating to **sound insulation measures.** According to existing legal doctrine, one of the prerequisites for any noise-related claims is that the noise thresholds for commercial airports effective since 1 June 2001 are exceeded. The operating licence and environmental protection laws form the basis for refinancing the costs arising in association with such claims via civil aviation fees (noise-related landing fee and special surcharge on passenger fees). Based on the temporary operating regulations submitted on 31 December 2003, the estimated cost for sound insulation measures will presumably lie between 200 and 300 million Swiss francs. The costs associated with formal expropriations will presumably lie between 800 million and 1.2 billion Swiss francs. In both cases, the costs depend on how the airport is operated in the future and the resulting noise emissions. The introduction of approaches from the south only has a minor influence on these figures, since the noise thresholds are not exceeded in most areas. It is assumed that these costs will be incurred over a period of several years, and refinancing will be based on special noise-related revenue. The most important source of revenue for refinancing is the noise-related passenger fee of 5 Swiss francs. Based on current estimates, this would have to be raised to 10 Swiss francs in order to cover the anticipated costs, and in the view of the company, this would still be acceptable in terms of competitive capacity of Zurich Airport.
In the balance sheet and income statement of Unique (Flughafen Zürich AG), costs and revenue relating to noise are reported under **Airport of Zurich Noise Fund** (see explanatory notes on the consolidated financial statements, note 14, "Airport of Zurich Noise Fund", pages 86/87). As of balance sheet date, this fund showed a positive balance, which is equivalent to a liability on the part of Unique (Flughafen Zürich AG) towards the fund. In other words, noise-related revenue is higher than the costs. The balance available in the fund is sufficient to cover at least the anticipated costs for the forthcoming year, without taking account of ongoing revenue.
Furthermore, in association with Zurich Airport, no rulings on legal proceedings associated with formal expropriations have been pronounced in the high court, and our assessment of ongoing legal proceedings indicates that no high court rulings are to be expected in 2004 either, in association with compensation claims arising from formal expropriation. In view of the still incomplete legislation in this area and the complexity of the evaluation of a positive or negative impact on concerned properties, it is not possible to reliably estimate both the cost as well as the timing when these costs arise and therefore the estimates have considerable uncertainties in both positive and negative terms. Therefore, this possible obligation is disclosed here as a contingent liability. For the effective future claims provision will have to be made.

- **Key financial data**
  Within the scope of existing loan agreements, Unique (Flughafen Zurich AG) has provided the standard assurances of adherence to key financial data. In all loan agreements of Unique (Flughafen Zürich AG), this assurance was provided on the basis of uniformly defined key data. However, in the event of significant discrepancies in the future development of the group versus its planning (e.g. due to a further pronounced reduction in capacity by the home carrier), the possibility that an infringement of such an assurance may occur cannot be excluded.

- **Falling demand**
  The course of business of Unique (Flughafen Zürich AG) depends on developments in the civil aviation sector throughout the world. Acts of terrorism, outbreaks of disease or epidemics such as SARS could lead to a further setback for the aviation sector.

Significant events during 2003

- 27 February
  The Board of Directors of Unique (Flughafen Zürich AG) resolves to implement its first package of measures in view of the worsening situation in Iraq. The most important measure here concerns the closure of gates B31 to B39 (Terminal B) in order to optimise costs.

- 3 March
  Topping-out ceremony for Airside Center.

- 3 March
  International rating agency Standard & Poor's announces its rating for Unique (Flughafen Zürich AG): BBB.

- 15 March
  Variety of measures implemented at Zurich Airport on behalf of the Federal Office of Public Health to prevent the spread of the SARS epidemic.

- 18 March
  Council of States rejects the civil aviation treaty between Switzerland and Germany, which means it will not be ratified by Switzerland.

- 27 March
  Opening of new section of Airport Shopping and hand-over of Check-in 3 for operation.

- 16 April
  Successful conclusion of a US private placement amounting to 365 million Swiss francs. The resulting funds make it possible for an early redemption of debentures with a total nominal value of 265 million francs following an earlier publicly announced offer.

- 17 April
  Germany puts its intensified ordinance (additional prohibition of flights over German territory, Monday to Friday 6 a.m. to 7 a.m. and 9 p.m. to 10 p.m.) into effect and announces a drastic intensification of the regulations governing exceptional circumstances with effect from 10 July 2003, resulting in additional approaches from the east.

- 12 May
  Successful conclusion of a Japanese private placement amounting to 421 million Swiss francs.

- 3 June
  Unique (Flughafen Zürich AG) lodges an urgent petition at the administrative court in Mannheim requesting provisional legal protection against the intensified German ordinance.

- 12 June
  The Board of Directors of Unique (Flughafen Zürich AG) resolves to implement its second package of optimisation measures in view of the announcement by the home carrier that it will be reducing capacity with effect from the winter flight schedule.

- 12./13 June
  Emergency drill (SERAIL) carried out in accordance with Annex 14, Chapter 9 of the ICAO provisions in order to test the existing safety programme for Zurich Airport.

- 23 June
  Successful conclusion of a US cross-border lease deal amounting to 400 million Swiss francs.

- 23 June
  Federal Office for Civil Aviation formally approves approaches from the south, new instrument landing system for runway 34 and approach route lighting.

- 25 June
  Opening of North Northwest restaurant in Terminal 2.

- 1 July
  Official handover of new access roads and carpark lanes for operation, and opening of first four new floors of multi-storey car park 3.

- 2 July
  Germany postpones effective date of intensified regulations governing exceptional circumstances from 10 July to 30 October 2003.

- 7 July
  Formation of Runway Safety Group, an airport-wide workgroup entrusted with the task of monitoring and securing the safety of flight operations on the runways and in their vicinity.

- 10 July
  Early redemption of debentures amounting to 160 million Swiss francs within the scope of a public subscription offer, thanks to additional funds resulting from financing transactions carried out in May and June.

- 31 July
  Administrative court in Mannheim rejects the urgent petition lodged by Unique (Flughafen Zürich AG) requesting provisional legal protection against the intensified German ordinance.

- 1 September
  Dock E and the northern zone of the airport handed over for operation. Swiss is the first airline to take over the new facilities.

- 15 September
  Move to Dock E completed. Half the passengers now handled here, Gates of Terminal B cleared and closed down.

- 24 September
  Initiation of mediation process within the scope of co-ordination talks concerning the Civil Aviation Infrastructure Plan (SIL).

- 1 October
  Airport Steering commences operation under the management of Unique (Flughafen Zürich AG).

- 1 October
  Completion and handover of multi-storey car park 3, with a total of 2,700 parking spaces.

- 24 October
  DETEC appeals commission rejects petitions to reinstate suspensive effect of appeals against approaches from the south.

- 27 October
  Joint press conference held by federal government, canton of Zurich and Unique (Flughafen Zürich AG) concerning approaches from the south and mediation process.

- 30 October
  Intensified restrictions governing approaches via German air space come into effect; initiation of approaches from the south and landings on runway 34.

- 5 November
  Hand-over of first stage of new bus terminal (south) for operation.

- 6 November
  DETEC appeals commission rejects petitions to reinstate suspensive effect of appeals against construction of instrument landing system on runway 34.

- 5 December
  Airport Regiment 4 dissolved at an official ceremony at Zurich Airport.

- 8 December
  Early redemption of debentures totalling 200 million Swiss francs effected in the period from September to December 2003.

- 17 December
  Emergency Call Center shared by the airport fire brigade, ambulance service and Unique rescue services certified as planned in accordance with SN EN ISO 9001 standard.

- 19 December
  Opening of new pedestrian walkway from Arrival 2 to Airport Shopping Center.

- 31 December
  Submission of temporary operating regulations.

Thomas Oberli, event manager

Expansion stage 5

Expansion stage 5

All divisions of Unique (Flughafen Zürich AG) are involved in activities associated with expansion stage 5. A number of major components of the ongoing expansion programme were brought to completion in the course of the year under review. Although the new facilities resulted in significant improvements for passengers, the ongoing construction work still caused a certain amount of inconvenience. Once expansion stage 5 has been completed, Zurich Airport will possess the necessary high-quality, ultra-modern infrastructure that it needs in order to evolve into a major transport hub and attractive commercial centre in Switzerland.

Completed components

The handover of two significant components for passengers – Check-in 3 and Dock E – was prepared, co-ordinated and successfully completed through a special inter-divisional project. The opening of Dock E called for fundamental changes to existing processes at the airport. Since the gates of Terminal B were closed down at the same time, and approximately half of all arriving and departing passengers now use Dock E, the entire passenger handling process had to be reorganised. And this was by no means an easy task, since alongside Dock E the new infrastructure encompasses the entire baggage sorting and handling system, utility tunnels, the new arrival hall beneath Airside Centre, the Skymetro shuttle, as well as extensive aprons and taxiways plus a variety of technical installations. Up to 27 aircraft can be handled simultaneously at the new dock, and this also means that new procedures and processes are required for aircraft handling and manoeuvring. Here, the significantly shorter taxiways between Dock E and the runways are a major benefit. Dock E has met with a high level of acceptance from both passengers and operating personnel. It adds an attractive architectural dimension to the airport landscape, and has received widespread praise throughout the world. The construction costs will shortly be finalised, and will be within the approved budget.

A variety of new commercial facilities were also handed over for operation in the course of the year. On 27 March 2003 the first stage of the new Airport Shopping was opened for business at the same time as Check-in 3 was handed over for operation. Its design has been well received, with both customers and personnel warmly welcoming the daylight that floods in through the enormous glass dome. The range of new shops and catering facilities has also met with the enthusiastic approval of passengers and visitors. The opening of the new North Northwest restaurant in Terminal 2 in June filled the gap that was left in the range of dining establishments following the closure of the former Top Air Restaurant. An additional attractive variety of shops is also available to passengers in Dock E.

The first stage of the new multi-storey car park 3 was opened on 1 July 2003, and the complete facility was handed over for operation in September 2003. At the beginning of July, the new landside traffic infrastructure comprising 8 kilometres of road (1 kilometre of which is in the form of bridges) was handed over for operation. The new intersection-free access road and controlled entrances to the multi-storey car parks (with more than 8,000 spaces) are now functioning smoothly and efficiently. Finally, the new bus terminal (south) was opened on 5 November 2003.

Costs and schedule

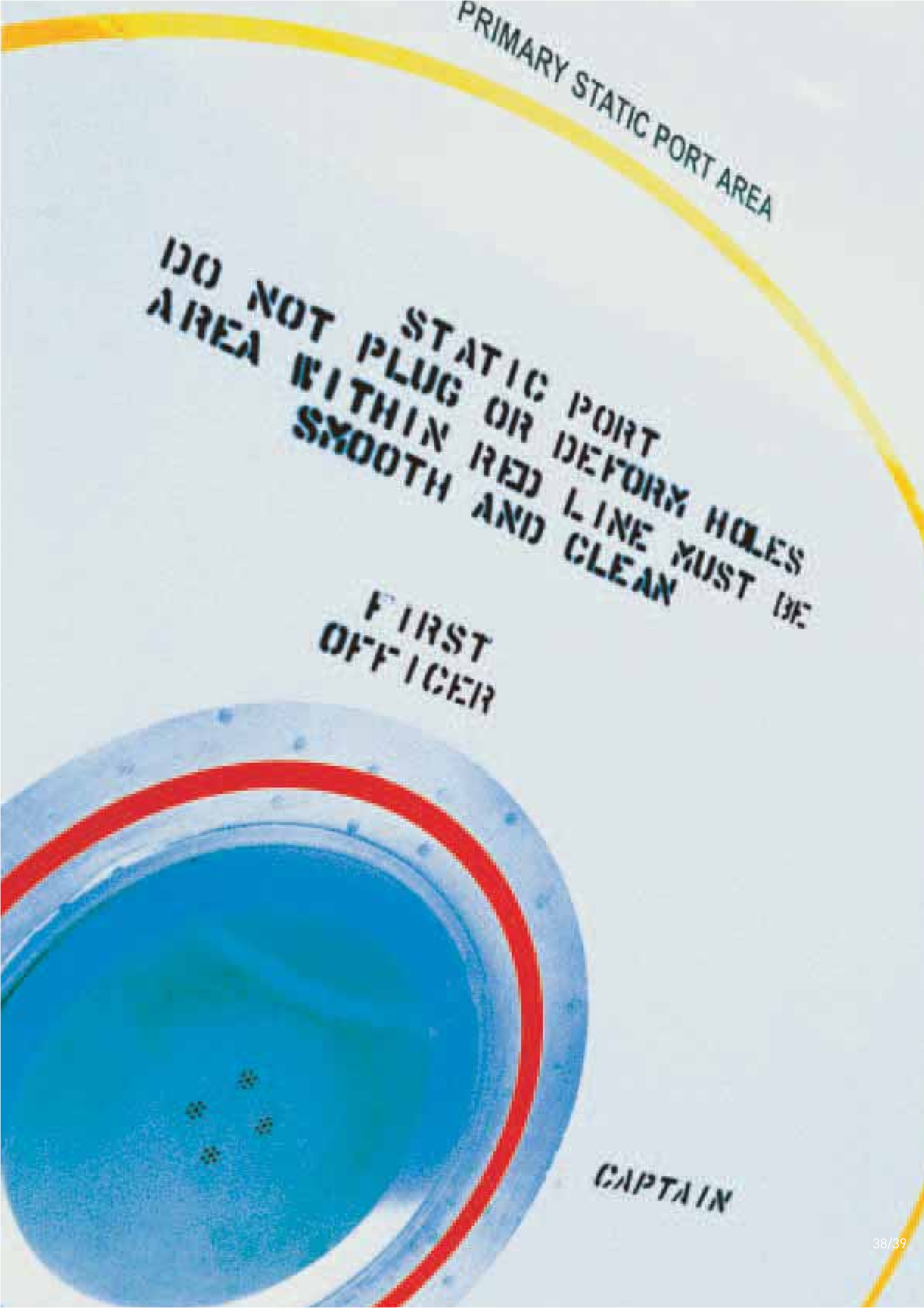
In the course of 2003 the overall investments in expansion stage 5 were reduced by more than 100 million Swiss francs to below 2.1 billion Swiss francs. This means that the total costs of the project are likely to finish up below the level originally approved in the 1995 referendum. To date, more than 1.8 billion Swiss francs have been invested in expansion stage 5, of which approximately 215 million were spent in the year under review. The project is proceeding according to schedule.

Outlook

Two major sub-projects are currently in progress. The renovation of the existing section of the landside Airport Shopping is due to be completed at the end of March 2004 (stage 2) and the end of July 2004 (stage 3). And Airside Center – the future passenger hub and airside shopping centre – will be handed over for operation on 15 September 2004.

A series of special events will be organised from 10 to 12 September 2004 to celebrate the official hand-over of the entire new infrastructure at Zurich Airport to the population of the canton of Zurich and to all passengers, visitors and customers.

Musu Cesare, luggage trolley service


PRIMARY STATIC PORT AREA
STATIC PORT
DO NOT PLUG OR DEFORM HOLES
AREA WITHIN RED LINE MUST BE
SMOOTH AND CLEAN
FIRST
OFFICER
CAPTAIN

Operations

ZRH Airport Steering, the new steering and co-ordination centre for airport operations, commenced activity on 1 October 2003 under the management of Unique (Flughafen Zürich AG). All activities relating to daily operation of the airport are now co-ordinated and controlled together with the main processes of our business partners from a specially equipped operations centre. The first modules of a data processing system developed by Unique (Flughafen Zürich AG), which enables the visualisation of important data from a variety of airport systems, have already been put into operation. Once the complete system has been installed, it will be possible to obtain a comprehensive overview of existing conditions and operational activities in addition to the documentation of the status of the airport.
The ultimate goal here is to improve the punctuality of flight operations and the quality of airport services by ensuring that the various inter-related handling processes run as smoothly and efficiently as possible.

Aviation marketing
The consequences of the step-by-step reduction in the size of the home carrier's fleet were considerable, but thanks to intensive aviation marketing, other airlines responded swiftly and stepped in to fill most of the gaps.
Following the announcement that Swiss would be joining oneworld – one of the leading alliances in the world – Unique (Flughafen Zürich AG) invited the network planners from all oneworld airlines to Zurich Airport. This gave them the opportunity to see for themselves that its location in the heart of Europe and its ultra-modern infrastructure make Zurich Airport an ideal hub for the alliance.

Airfield maintenance
This winter, for the first time we are able to simultaneously deploy two runway clearance units thanks to the availability of highly advanced equipment. This means we can use 20 snowploughs and 2 snow clearance machines that are each capable of removing 10,000 tonnes of snow per hour. We also have 7 de-icing vehicles for clearing areas used for flight operations.

Aircraft de-icing
The aircraft de-icing concept at Zurich Airport underwent a complete transformation following the opening of Dock E in September 2003. In future, 80 percent of all aircraft de-icing procedures will be carried out on the special de-icing pads (codenamed Charlie and Foxtrot), which are positioned so that aircraft are only de-iced immediately before they taxi to the runway. The shorter distance from apron to runway also means we are able to use significantly lower quantities of de-icing agents, which of course has a positive impact on the airport's environmental record.
Waste-water is collected in the vicinity of the de-icing pads. One-third of it is recycled via a special sprinkler system, while the remainder is disposed of externally. This solution means that the approximately 2,000 tonnes of de-icing agents resulting from this process no longer find their way into the Glatt river. The system sprays waste-water from the de-icing pads over an area of greenery within the airport totalling 20 hectares. As the water soaks into the ground, more than 98 percent organically decomposes.

Information technology
In the first half of the year, Unique (Flughafen Zürich AG) focused on implementing its SAP strategy (commercial systems), completing the technical upgrade to SAP version 4.7 (Enterprise), and introducing material management (SAP MM) and certain invoicing components (SAP SD). At the same time, its internal SAP competence centre received official certification in December 2003.
In the area of aviation systems information technology, the strategy of standardisation and independence was pursued, resulting in the adoption of the AIMS (airport operational database) from EDS and the introduction of the new bus dispatch system.
The adoption of the fibre optics infrastructure from Avireal means that Unique (Flughafen Zürich AG) is now able to function more comprehensively and competently as a provider of cable infrastructures and communication services at Zurich Airport.
During 2003, APT Airport Technologies AG – a wholly-owned subsidiary of Unique (Flughafen Zürich AG) – focused on the introduction of the two new networks for Cargologic and Jet Aviation, the new wireless LAN for the apron zones, the public wireless LAN in all terminals, the introduction of a new trunking system and a new telephony system in the cargo area (Cargologic) and at Jet Aviation (corporate access).

Safety
An airport-wide workgroup called "Runway Safety Group" was set up in July for the purpose of monitoring and securing the safety of flight operations on the runways and in their vicinity. For the definition of the new taxiing procedures, the aspect of safety was allocated the highest degree of priority. Additional improvements in the area of safety were achieved by marking the lines depicting taxiways with high-contrast, self-reflecting paint, installing warning lights at intersections, and examining and optimising processes taking place between air traffic control and apron control.

Security
A combined civilian/military exercise called CARAMBA was carried out on 13/14 May 2003, the purpose of which was to demonstrate the successful co-operation between Airport Regiment 4, civilian crisis management units and civil protection services.

Priska Wandeler, waste disposal services

Manfred Astl, animal care

Marketing & Real Estate

Zurich Airport as a transport hub and attractive commercial centre

Zurich Airport is evolving into Switzerland's leading domestic and international transport hub and commercial centre, as the successful opening of stage 1 of the landside Airport Shopping, with its attractive range of shops and restaurants plus additional parking facilities, clearly underscores.

Focus on clients and business partners

The focus of activities in the area of marketing is on meeting clients' needs for all end products and services at Zurich Airport (air travel, conference facilities, office premises, commercial services, etc.). The various client segments have been actively promoted on the market by drawing attention to the attractiveness of the location, the quality of products and services, and the optimal price-to-performance ratio.

A joint understanding of the expectations on the part of clients and strategic success factors also ensures more efficient co-operation between business partners at Zurich Airport. A new Marketing Committee has been formed that comprises various business partners and meets to discuss all important marketing issues in the area of commerce and services. Relations between new and existing business partners were intensified and promoted in the course of the year under review through these and other measures.

Successful conclusion of new long-term tenancy agreements

Unique (Flughafen Zürich AG) has succeeded in concluding a number of new long-term tenancy agreements. As before, the occupancy rate for office space is well above the equivalent figure in the Zurich region. This is mainly attributable to the ease of access to the airport, both by road and by public transport, and the attractive range of commercial facilities it has to offer.

The process of marketing the new landside and airside commercial space (shops and restaurants) has been largely concluded, and Zurich Airport is now able to boast almost full occupancy of its commercially utilisable space.

Increased quality and capacity

The quality and capacity of infrastructures at Zurich Airport have been significantly increased. Although the extensive construction work proved to be an obstacle, it was possible to continue providing high-quality services thanks to the outstanding level of commitment and flexibility in the area of technical and structural maintenance.

Ongoing projects

For a limited period of 5 to 8 years, the former Dock B is to be used as a landside centre for trade fairs, exhibitions and a variety of other events. Its unique location in the heart of the airport makes it an ideal venue and will ensure a high level of utilisation.

The former site of the provisional Bus Gates South is to be used as an exterior landside area for holding events, either independently or together with Dock B. Zurich Airport's status as a transport hub is to be enhanced still further as of March 2004, when two renowned bus companies will be transferring their location for departures and arrivals from the car park near the national museum/main railway station to the airport. This move will mean that the bus companies will have a more attractive terminal, while the airport will benefit from the additional number of visitors. The planned construction of a four-star hotel in 2004/2005, with 350 rooms and additional conference facilities within walking distance from check-in and arrivals, will be another welcome addition to the range of services at Zurich Airport.

Finance & Services
Corporate Centers

Management of construction projects
All components of expansion stage 5 that were scheduled for completion in 2003 were handed over for operation on schedule and within budget (for further details, please refer to the section dealing with expansion stage 5).

Legal services
In the area of legal services, the focus was primarily on proceedings relating to the unilateral German ordinance, the operating licence and operating regulations, support with the conclusion of new financial transactions and activities associated with the new temporary operating regulations.

Finance and accounting / controlling
The finalisation of the rating process with Standard & Poor's (S&P) at the beginning of 2003 and the resulting S&P rating of BBB paved the way for the conclusion of new financing transactions. In the course of the year, Unique (Flughafen Zürich AG) was able to raise additional capital totalling 1.2 billion Swiss francs, which it deployed to repay existing debt (bank loans, debentures) and for financing investments for expansion stage 5. Thanks to these transactions it was able to optimise and significantly extend the maturity profile of interest-bearing borrowings. In the areas of finance, accounting and controlling, a variety of processes were optimised in the course of the year, which resulted in simpler and faster access to data.
The two successfully implemented cost-cutting programmes were closely monitored by the Controlling section, and scenario planning was adapted to the latest market trends on an ongoing basis.

Corporate supply management
The procurement guidelines of Unique form the basis for the successful introduction of material management and procurement processes in SAP MM with effect from 1 July 2003. The introduction of a variety of procurement functions (central strategic and operational procurement; decentralised procurement) ensured that needs can be met at all levels.

Risk management and insurance
One of the priorities in 2003 was the ongoing assessment of the current risk situation. Measures for medium and high risks were reviewed and updated in close collaboration with the respective risk owners. Furthermore, the risk management system was expanded and the risk management handbook was updated. As before, activities in the area of insurance / inhouse broking were affected by a more difficult insurance market. Despite the unfavourable environment we were able to optimise the insurance portfolio in terms of both premiums and benefits. Cover was secured and claims were handled for the projects relating to expansion stage 5 and components that were handed over for operation.

Noise management and protection of residents
Activities in the area of noise management were mainly influenced by the change in take-off and landing routes resulting from German Ordinance 213 (specification of procedures for flights to and from Zurich Airport). As a consequence of this move, certain areas in the vicinity of the airport are now exposed to (additional) aircraft noise, and of course this in turn has given rise to angry and sustained protests on the part of the affected population, and thus to intensive debate. Aircraft noise measurements were carried out on a temporary basis at a variety of locations, and in September 2003 an additional permanent measuring station was installed on the approach to runway 28 (landings from the east). In order to deal with this problem, Unique (Flughafen Zürich AG), the federal government and the Canton of Zurich have jointly proposed a mediation procedure, for which the necessary preparatory work has already been initiated. The installation of noise-insulating windows within the scope of the ongoing "2010 noise insulation programme" was continued throughout the year. The associate costs amount to around 8 million Swiss francs. The attachment of tile clamps to roofs in the approach routes from the south and east was completed in the course of the year, insofar as house owners were in agreement with this measure.

Environmental protection
The focus of activities in the area of environmental protection was on the preparation of a report on air quality as part of the environmental impact report required for the approval of the new operating regulations. For this purpose a newly developed model – LASPORT – was used for measuring air pollution levels. With the completion of expansion stage 5 now just around the corner, an audit procedure was defined for verifying the implementation of the remaining environmental requirements during operation, and was brought to the attention of the relevant authorities. Our certified environmental management system underwent further development, and measures were implemented in the areas of waste management, prevention of water pollution, energy consumption and biospheres. Unique (Flughafen Zürich AG) was able to participate in a European research programme in the area of air pollution (Aeronet), and was also involved in the definition of principles and recommendations in the area of environmental protection by international civil aviation associations. Both these activities resulted in valuable findings. Finally, information brochures on a variety of environment-related topics were revised and posted on the Internet. A comprehensive environmental report is also to be published for 2003. In spring 2003, Unique (Flughafen Zürich AG) 2001 Environmental Report was awarded the 2002 "öbu Prize" for the best environmental report in Switzerland in the "large companies" category (more than 250 employees).

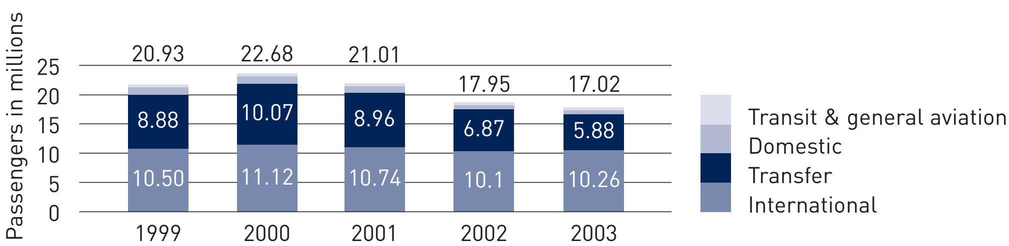
Marc Siegel, Internet content manager

Susanne Schenkel, guest relations

Flight statistics

Passenger volumes (Zurich only, excluding Chile)

	2003	2002	2001	2000	1999
Total no. of passengers	17,024,937	17,948,058	21,012,871	22,675,366	20,925,667
Change	–5.1%	–7.7%	–7.3%	8.4%	8.3%
By passenger category					
International	10,261,805	10,098,435	10,738,438	11,124,284	10,498,162
Change	1.6%	5.1%	-3.5%	6.0%	2.5%
Transfer	5,884,786	6,872,308	8,959,558	10,068,036	8,879,782
Change	–14.4%	–19.8%	–11.0%	13.4%	18.1%
Domestic	732,304	772,823	1,115,541	1,253,274	1,264,790
Change	–5.2%	–27.0%	–11.1%	–0.9%	10.4%
Transit	97,965	158,507	157,204	181,799	232,577
Change	–38.2%	–0.1%	–13.5%	–21.8%	–37.8%
General aviation	48,077	45,985	42,130	47,973	50,356
Change	4.5%	9.7%	–14.3%	–4.7%	1.1%
By flight category					
Scheduled flights	15,200,005	15,904,090	18,916,434	20,551,503	18,876,843
Change	–4.4%	–9.1%	–8.0%	8.9%	10.1%
– Domestic airlines	9,267,806	10,512,058	13,386,227	14,483,050	13,121,143
Change	–11.8%	–14.5%	–7.6%	10.4%	15.0%
– Foreign airlines	5,932,199	5,392,032	5,530,207	6,068,453	5,755,700
Change	10.0%	3.5%	–8.9%	5.4%	0.4%
Charter and special flights	1,776,855	1,997,983	2,054,307	2,075,890	1,998,468
Change	–11.1%	5.3%	–1.0%	3.9%	–6.4%
– Domestic airlines	1,237,499	1,360,692	1,524,660	1,422,044	1,421,549
Change	–9.1%	5.1%	7.2%	0.0%	–7.6%
– Foreign airlines	539,356	637,291	529,647	653,846	576,919
Change	–15.4%	5.6%	–19.0%	13.3%	–3.3%
General aviation and other flights	48,077	45,985	42,130	47,973	50,356
Change	4.5%	9.7%	–14.3%	–4.7%	1.1%
Seating capacity utilisation*)	64.4%	60.2%	63.7%	64.0%	63.8%
Change					
*) Proportion of occupied seats					
Passengers per flight	63.2	63.6	68.0	69.6	68.3
Change	–0.6%	–6.4%	–4.0%	1.9%	1.8%
Capacity	73.8	74.8	77.5	79.5	79.1
Change	–1.3%	–3.5%	–2.5%	0.5%	–0.1%
	2003				
Daily average (passengers)	46,644				
Peak day (passengers)	68,083	Saturday, 11 October 2003			



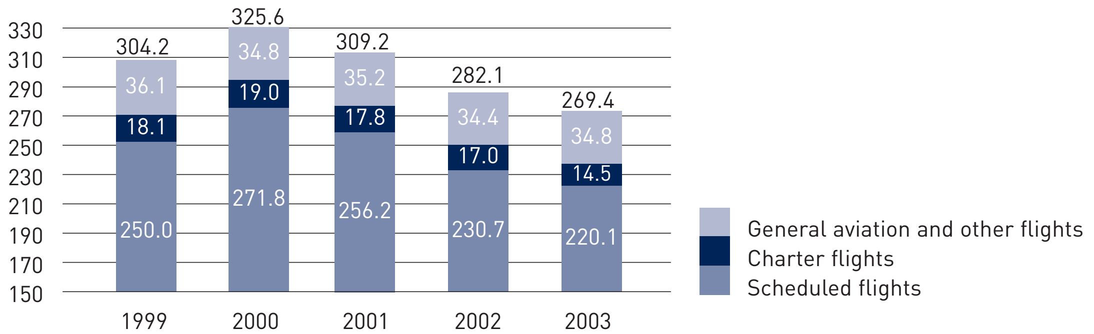
Movements

	2003	2002	2001	2000	1999
Total movements	269,392	282,154	309,230	325,622	306,182
Change	–4.5%	–8.8%	–5.0%	6.3%	6.4%
By business category					
Commercial flights	247,854	259,149	285,605	302,792	280,985
Change	–4.4%	–9.3%	–5.7%	7.7%	7.3%
Non-commercial flights	21,538	23,005	23,625	22,830	25,197
Change	–6.4%	–2.6%	3.5%	–9.4%	–2.8%
By flight category					
Scheduled flights	220,130	230,699	256,244	271,838	252,018
Change	–4.6%	–10.0%	–5.7%	7.9%	8.8%
Charter and special flights	14,497	17,021	17,810	19,029	18,088
Change	–14.8%	–4.4%	–6.4%	5.2%	–3.2%
General avitation and other flights	34,765	34,434	35,176	34,755	36,076
Change	1.0%	–2.1%	1.2%	–3.7%	–1.1%
By origin and destination					
Switzerland (domestic)	13,296	13,403	18,955	21,800	21,615
Change	–0.8%	–29.3%	–13.1%	0.9%	5.6%
Europe	193,959	203,629	219,782	225,697	208,578
Change	–4.7%	–7.3%	–2.6%	8.2%	7.9%
Africa	6,526	8,728	9,212	9,667	9,122
Change	–25.2%	–5.3%	–4.7%	6.0%	7.8%
Asia	11,002	11,418	12,610	19,891	18,709
Change	–3.6%	–9.5%	–36.6%	6.3%	4.7%
South and Central America	1,197	1,427	1,611	1,462	1,737
Change	–16.1%	–11.4%	10.2%	–15.8%	–0.5%
USA / Canada	8,647	9,120	11,883	12,350	10,347
Change	–5.2%	–23.3%	–3.8%	19.4%	7.7%
By type of aircraft					
Combined passenger/cargo	268,849	281,541	308,437	325,019	306,057
Change	–4.5%	–8.7%	–5.1%	6.2%	6.4%
Full freighters	543	613	793	603	125
Change	–11.4%	–22.7%	31.5%	382.4%	33.0%

	2003	2002	2001	2000
Daily averages				
– commercial flights	679	710	782	827
– non-commercial flights	59	63	65	63
Total	738	773	847	890

Peak day	861	Thursday, 20 March 2003
Peak hour	78	Saturday, 16 August 2003, 11 to 11.59 a.m.

Trends in traffic movements (movements in thousands)

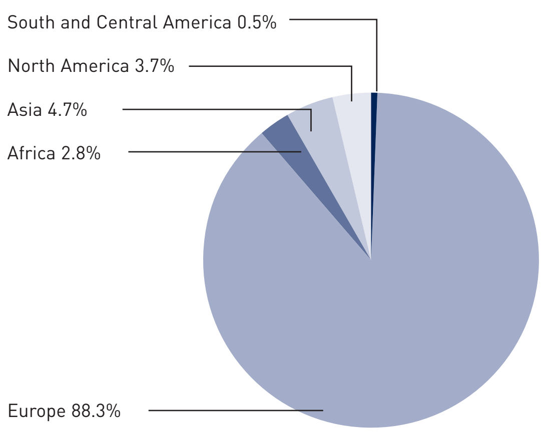


Freight and mail

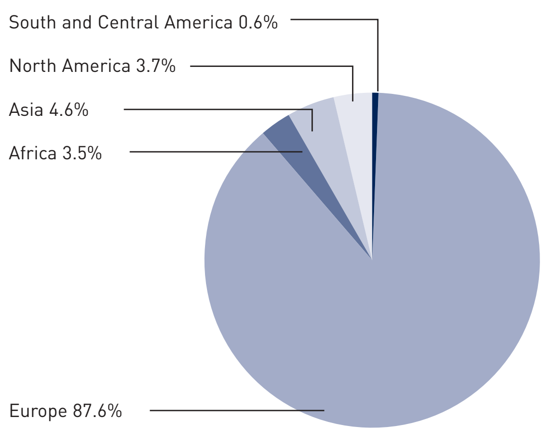
	2003	2002	2001	2000	1999
Freight in tonnes	389,843	421,811	492,872	545,423	495,090
Change	–7.6%	–14.4%	–9.6%	10.2%	4.5%
By type of transport					
Air freight	283,831	309,724	352,607	395,142	356,643
Change	–8.4%	–12.2%	–10.8%	10.8%	8.1%
Road transport	106,012	112,087	140,265	150,281	138,447
Change	–5.4%	–20.1%	–6.7%	8.5%	–3.8%
Mail in tonnes	21,650	22,990	21,680	22,843	21,806
Change	–5.8%	6.0%	–5.1%	4.8%	4.7%

	2003	2002	2001	2000	1999
Number of airlines					
Scheduled flights	67	61	70	69	71
Charter flights	41	51	61	61	60
Destinations, scheduled flights (cities)					
Europe	88	86	92	105	101
Africa	21	22	25	25	26
Asia	20	29	33	30	33
North America	11	17	17	13	11
Central & South America	3	10	9	6	8
Total	143	164	176	179	179
Destinations, scheduled flights (countries)					
Europe	34	34	34	34	35
Africa	14	13	15	17	18
Asia	17	22	24	22	23
North America	2	2	2	2	2
Central & South America	2	5	6	4	5
Total	69	76	81	79	83

Origin and destination by movements (2003)



Origin and destination by movements (2002)



Airlines in Zurich 2003 (more than 5 landings during the period under review)

Scheduled flights

Adria Airways (Slovenia)
Aeroflot Russian Intern. Airlines
Air Alps
Air Berlin *
Air Canada
Air Enterprise Pulkova
Air Europa, Lineas Aéreas S.A.
Air France
Air Malta
Air Mauritius
Air Nostrum *
Air Portugal
Air Seychelles
Alitalia
American Airlines
AUA, Austrian Airlines
Avanti Air *
British Airways
British Regional *
Bulgaria Air *
Cirrus Luftverk. Gesellschaft *
City Air *
Continental Airlines (USA)
Croatia Airlines
CSA, Czech Airlines
Cyprus Airways
Delta Air Lines (USA)
Deutsche Lufthansa
Duo Airways *
easyJet Airline Co. Ltd.
easyJet Switzerland S.A.
Egyptair
EL AL, Israel Airlines
Emirates
Eurowings (Germany)
Finnair
Germania Fluggesellschaft *
Germanwings
Hahn Air *
Hellas Air **
Helvetic Airways *
Iberia
Japan Air Lines
JAT, Yugoslav Airlines
KLM, Royal Dutch Airlines
Korean Airlines
LOT, Polskie Linie Lotnicze
Luxair *
Macedonian Airlines
MAS, Malaysian Airlines
Malev, Hungarian Airlines
Montenegro Airlines *
Portugalia *
Royal Air Maroc
Royal Jordanian Airline
SAA, South African Airways
SAS, Scandinavian Airlines System
Singapore Airlines
Skyeurope Airlines
Srilankan Airlines LTD
Styrian Airways *
Swiss International Airlines
Thai Airways International
Tunis Air
THY, Turkish Airlines
Ukraine International Airline *
Volare Airlines (Italy) **

Total 67 airlines

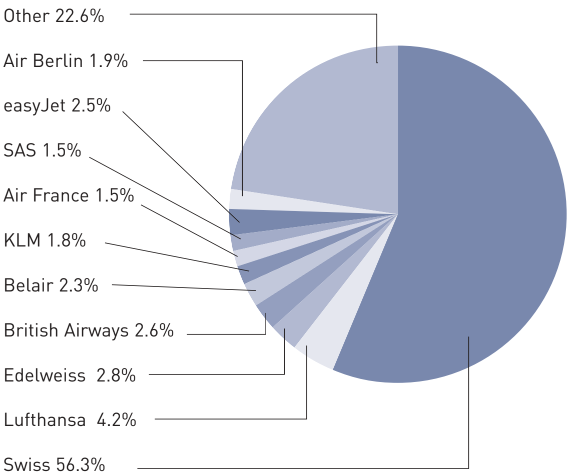
*) = commenced operation during 2003
**) = ceased operation during 2003

Charter and special flights

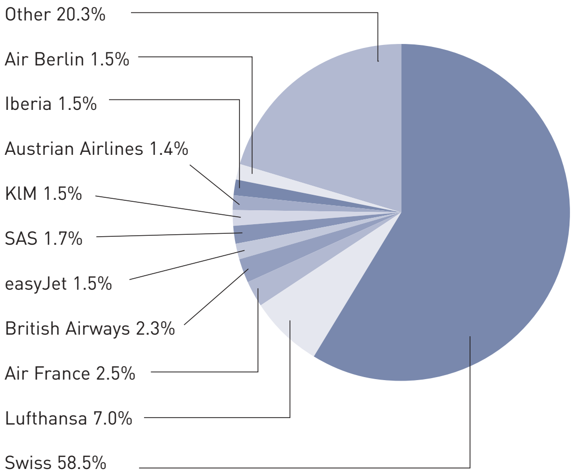
Air Excel (Netherlands)
Air Holland
Air Nostrum (Spain)
Avanti Air (Austria)
Axis Airways (France)
Azzura Air (Italy)
Belair Airlines AG (Switzerland)
BH Air (Bulgaria)
Blue Line (France)
Bonair Business Charter (Macedonia)
Classic Air AG (Switzerland)
Condor Flugdienst (Germany)
Edelweiss Air (Switzerland)
Farner Air Transport AG (Switzerland)
Fly Havayolu (Turkey)
Free Bird Airlines (Turkey)
Gestio Aerea Ajecutiva
Gazpromavia (Russia)
Helios Airlines (Cyprus)
Helvetic Airways (Switzerland)
Hola Airlines (Baleares)
Iberworld Airlines S.A. (Spain)
Lauda Air (Austria)
Luxor Air (Egypt)
Maersk Air (UK)
MNG Airlines (Turkey)
Montenegro Airlines (Yugoslavia)
Nouvel Air (Tunisia)
Odette Airways (Switzerland)
Onur Air (Turkey)
Pegasus (Turkey)
Polar Air Cargo (USA)
Sixcargo (Italy)
Spanair (Spain)
Sundor Intern. Air (Israel)
Sun Express (Turkey)
Transavia (Netherlands)
Tyrolean Jet Service (Austria)
Via Est Vita (Bulgaria)
WDL Flugdienst (Germany)
Welcome Air Luftfahrt (Austria)

Total 41 airlines

Passengers by airline (2003)



Flights by airline (2003)



Adrian Nick, superintendant, workshops and external facilities


EMERGENCY
EXIT

Origin and destination of movements by country

	Scheduled flights	Charter flights	Total	in %
Europe				
Albania	174	0	174	0.1%
Austria	11,984	116	12,100	5.2%
Belgium	4,285	19	4,304	1.8%
Bosnia-Herzegovina	163	109	272	0.1%
Bulgaria	543	181	724	0.3%
Croatia	1,426	11	1,437	0.6%
Cyprus	441	256	697	0.3%
Czech Republic	2,353	18	2,371	1.0%
Denmark	4,751	6	4,757	2.0%
Finland	1,464	10	1,474	0.6%
France	12,800	171	12,971	5.5%
Germany	53,286	724	54,010	23.0%
Greece	2,873	1,382	4,255	1.8%
Hungary	2,901	42	2,943	1.3%
Iceland	0	42	42	0.0%
Ireland	735	136	871	0.4%
Italy	15,188	1,082	16,270	6.9%
Luxembourg	2,110	7	2,117	0.9%
Macedonia	1,475	108	1,583	0.7%
Malta	488	1	489	0.2%
Netherlands	7,039	38	7,077	3.0%
Norway	1,371	5	1,376	0.6%
Poland	3,953	4	3,957	1.7%
Portugal	3,449	361	3,810	1.6%
Romania	898	4	902	0.4%
Russian Federation	2,263	13	2,276	1.0%
Slovakia	916	6	922	0.4%
Slovenia	1,616	2	1,618	0.7%
Spain	10,378	2,846	13,224	5.6%
Sweden	3,628	13	3,641	1.6%
Turkey	2,433	1,824	4,257	1.8%
Ukraine	755	7	762	0.3%
United Kingdom	21,389	123	21,512	9.2%
Yugoslavia	2,922	1,842	4,764	2.0%
Domestic flights	13,073	223	13,296	5.7%
Total Europe	**195,523**	**11,732**	**207,255**	**88.3%**
of which EU	155,383	7,132	162,515	78.7%
Africa	4,644	1,882	6,526	2.8%
Near/Middle East	4,119	42	4,161	1.8%
Far East/Australia	6,505	336	6,841	2.9%
South and Central America	721	476	1,197	0.5%
North America	8,618	29	8,647	3.7%
Total intercontinental	**24,607**	**2,765**	**27,372**	**11.7%**
Overall total	**220,130**	**14,497**	**234,627**	**100.0%**

Number of passengers

	in millions	Change in %
Heathrow	63.5	0.2%
Frankfurt	48.4	–0.2%
Paris-CDG	48.1	–0.4%
Amsterdam	40.0	–1.9%
Madrid	35.7	5.2%
Gatwick	30.0	1.3%
Rome-FCO	26.3	3.7%
Munich	24.2	4.4%
Barcelona	22.7	6.6%
Paris-Orly	22.4	–3.3%
Manchester	19.9	4.6%
Palma de Mallorca	19.2	7.6%
London Stansted	18.7	16.6%
Milan	17.6	1.1%
Zurich	**17.0**	**–5.1%**

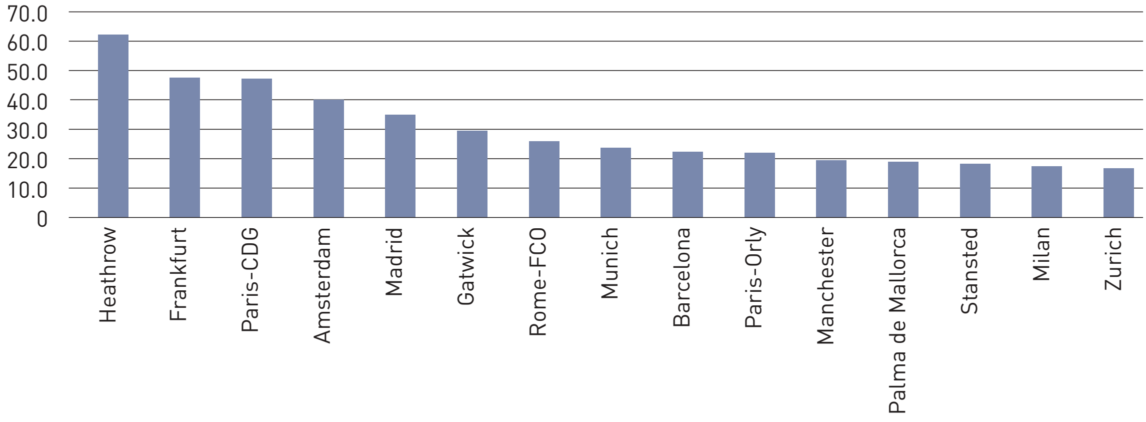
Air freight (in tonnes)

	in tonnes	Change in %
Frankfurt	1,527,171	2.1%
Paris-CDG	1,399,100	2.8%
Amsterdam	1,306,125	5.3%
Heathrow	1,223,510	–0.9%
Zurich	**389,843**	**–7.6%**
Milan Malp.	306,624	9.3%
Madrid	304,384	2.9%
Gatwick	222,963	–8.1%
Copenhagen	200,509	–9.8%
London Stansted	200,106	7.4%
Munich	140,585	–2.6%
Rome-FCO	127,596	–2.4%
Manchester	123,374	7.2%
Vienna	115,652	1.8%
Athens	99,299	2.0%

Number of commercial movements

	in thousands	Change in %
Paris-CDG	505.6	0.8%
Heathrow	457.0	–0.7%
Frankfurt	439.3	–0.7%
Amsterdam	393.0	–2.1%
Madrid	382.9	4.3%
Munich	333.0	4.0%
Rome-FCO	300.8	6.4%
Barcelona	278.9	4.1%
Copenhagen	255.9	–2.8%
Zurich	**247.8**	**–4.4%**
Gatwick	234.9	0.1%
Brussels	231.4	–2.6%
Stockholm	220.7	–6.6%
Milan	213.5	0.6%
Paris-Orly	202.9	–2.3%

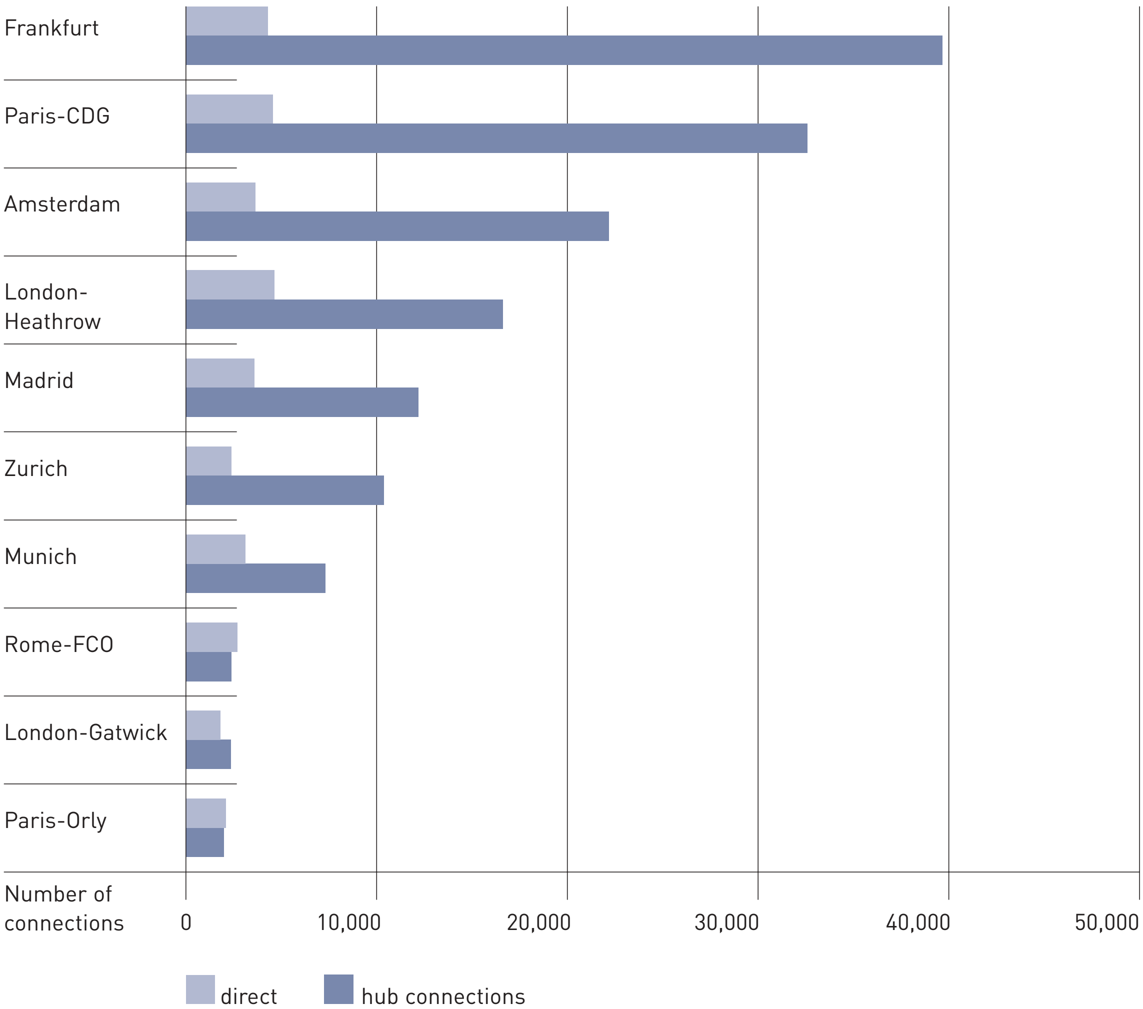
Passengers in millions



Number of connections 2002 (connectivity)

	No. of hub connections	No. of direct connections
Frankfurt	39,667	4,299
Paris-CDG	32,570	4,566
Amsterdam	22,167	3,633
Heathrow	16,610	4,635
Madrid	12,196	3,585
Zurich	**10,382**	**2,377**
Munich	7,324	3,117
Rome-FCO	2,411	2,689
Gatwick	2,358	1,813
Paris-Orly	1,981	2,094

Source: ACI Europe



Flight frequencies at Zurich Airport, 1960 to 2003

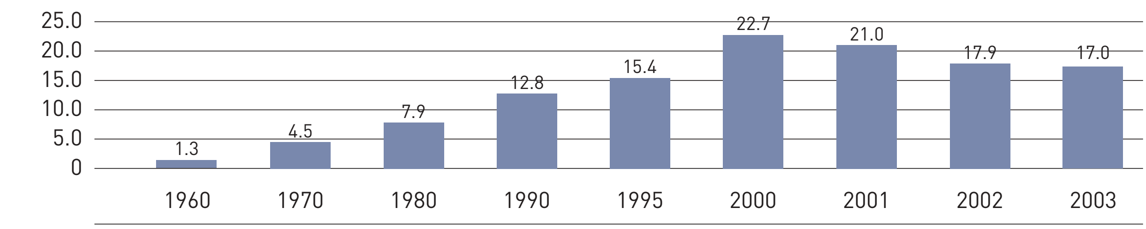
Passengers

Year	Scheduled flights	Charter flights	General aviation	Total
1960				1,330,733
1970				4,530,024
1980	6,859,629	1,072,471	59,944	7,992,044
1990	11,215,214	1,479,293	75,250	12,769,757
1991	10,541,653	1,608,800	75,089	12,225,542
1992	11,229,546	1,819,392	70,335	13,119,273
1993	11,652,100	1,859,253	62,732	13,574,085
1994	12,449,367	2,057,498	66,469	14,573,334
1995	12,999,887	2,340,562	54,957	15,395,406
1996	13,998,296	2,227,745	50,658	16,276,699
1997	15,827,572	2,440,950	49,838	18,318,360
1998	17,142,169	2,134,613	49,807	19,326,589
1999	18,876,843	1,998,468	50,356	20,925,667
2000	20,551,503	2,075,890	47,973	22,675,366
2001	18,916,434	2,054,307	42,130	21,012,871
2002	15,904,090	1,997,983	45,985	17,948,058
2003	15,200,005	1,776,855	48,077	17,024,937

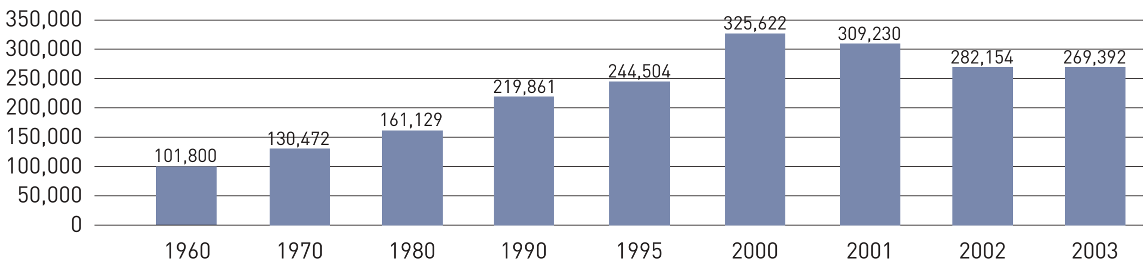
Aircraft movements

Year	Scheduled flights	Charter flights	General aviation + others	Total
1960				101,800
1970				130,472
1980	107,884	10,639	42,606	161,129
1990	158,360	13,816	47,685	219,861
1991	159,875	15,574	45,946	221,395
1992	173,325	18,188	41,518	233,031
1993	178,812	18,252	36,820	233,884
1994	184,105	19,895	38,498	242,498
1995	186,735	22,299	35,470	244,504
1996	203,214	21,218	33,599	258,031
1997	218,726	22,739	34,666	276,131
1998	231,738	19,686	36,461	287,885
1999	252,018	18,088	36,076	306,182
2000	271,838	19,029	34,755	325,622
2001	256,244	17,810	35,176	309,230
2002	230,699	17,021	34,434	282,154
2003	220,130	14,497	34,765	269,392

Passengers in millions



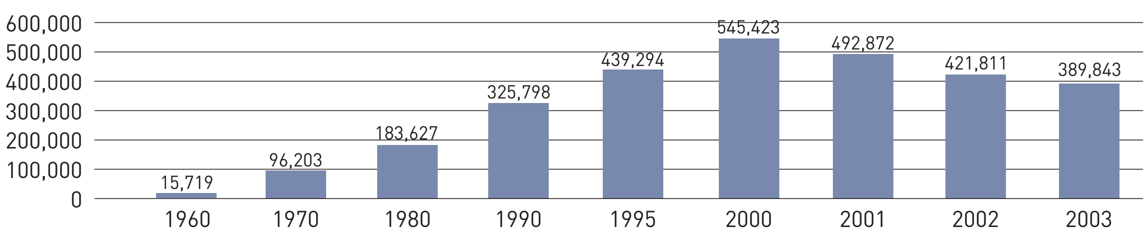
Movement in thousands

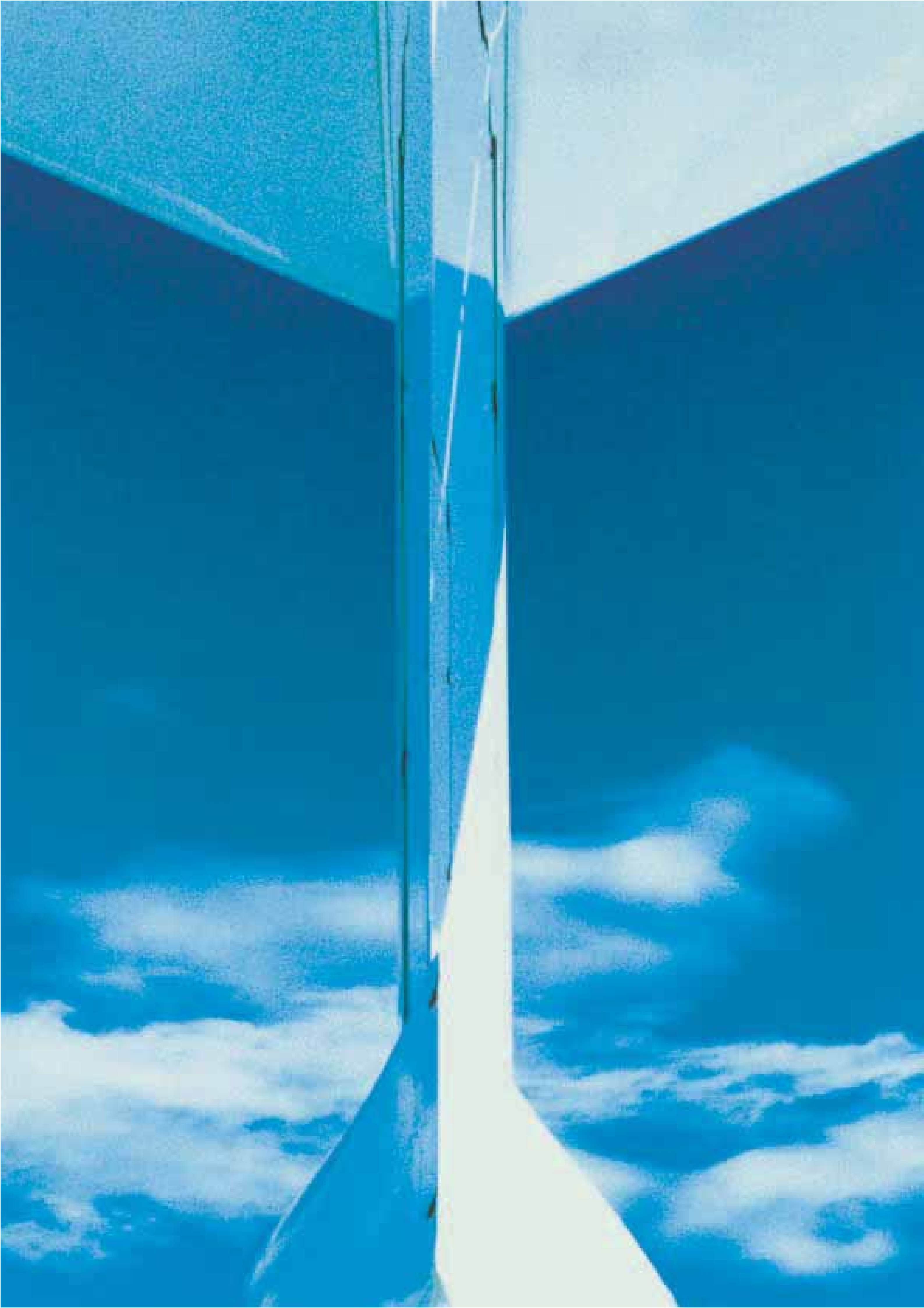


Freight in tonnes

Year	Air freight	Road freight	Total
1960			15,719
1970			96,203
1980	156,751	26,876	183,627
1990	255,513	70,285	325,798
1991	248,452	70,969	319,421
1992	271,475	73,643	345,118
1993	291,623	84,908	376,531
1994	319,968	100,300	420,268
1995	326,928	112,366	439,294
1996	322,541	123,099	445,640
1997	335,028	137,245	472,273
1998	329,842	143,862	473,704
1999	356,643	138,447	495,090
2000	352,607	140,265	492,872
2001	352,607	140,265	492,872
2002	309,724	112,087	421,811
2003	283,821	106,012	389,843

Freight in tonnes





Harald Niederkofler, technical maintenance (heating/refrigeration)

Destinations

Direct services from Zurich, 2003

Scheduled flights

Europe
Alicante
Amsterdam
Ankara
Athens
Barcelona
Basel
Belgrade
Berlin (Tegel)
Bilbao
Birmingham
Bologna
Bratislava
Bremen
Brussels
Bucharest
Budapest
Cologne
Copenhagen
Cracow
Dortmund
Dresden
Dublin
Duesseldorf
Edinburgh
Florence
Frankfurt
Geneva
Glasgow
Gothenburg
Graz
Guernsey
Hamburg
Hanover
Helsinki
Istanbul
Izmir
Jersey
Kiev
La Mole (St. Tropez)
Larnaca
Leipzig
Linz
Lisbon
Ljubliana
London (City)
London (Gatwick)
London (Heathrow)
London (Luton)
London (Stansted)
Lugano
Luxembourg
Lyons
Madrid
Malaga
Malta
Manchester
Milan
Moenchengladbach
Moscow
Muenster
Munich
Naples
Nice
Nuremberg
Ohrid
Oslo
Palma de Mallorca
Paris (CDG)
Paris (ORY)
Porto
Podgorica
Prague
Pristina
Rome
Salzburg
Santiago de Compostela
Sarajevo
Skopje
Sofia
Split
Stockholm
St.Petersburg
Stuttgart
Thessaloniki
Tirana
Tivat
Toulouse
Turin
Valencia
Venice
Vienna
Warsaw
Zagreb

Africa
Accra
Benghazi
Cairo
Casablanca
Dar es Saalam
Djerba
Douala
Hurghada
Johannesburg
Lagos
Libreville
Luxor
Mahe
Malabo
Marrakesh
Mauritius
Nairobi
Sharm el Sheikh
Tripoli
Tunis
Yaounde

Near/Middle East
Abu Dhabi
Amman
Dubai
Jeddah
Muscat
Riyadh
Tehran
Tel Aviv

Far East/Australia
Bangkok
Beijing
Bombay
Colombo
Delhi
Hong Kong
Karachi
Kuala Lumpur
Manila
Seoul
Singapore
Tokyo

South and Central America
Buenos Aires
Rio de Janeiro
São Paulo

North America
Atlanta
Boston
Chicago
Dallas
Los Angeles
Miami
Montreal
New York
Newark
Toronto
Washington

Destination airports and countries

	Cities	Countries
Europe	88	34
Africa	21	14
Near/Middle East	8	6
Far East/Australia	12	11
North America	11	2
South and Central America	3	2
Total	**143**	**69**

Financial report

Consolidated financial statements according to IFRS

Consolidated income statement for 2003 and 2002
(according to IFRS)

(CHF thousand)	Notes	2003	2002
Revenue from goods and services			
– Revenue from aviation operations		304,471	287,324
– Revenue from non-aviation operations		257,128	240,231
Total revenue	**(1)**	**561,599**	**527,555**
Depreciation and amortisation	(7)	(173,903)	(138,276)
Personnel expenses	(2)	(136,535)	(137,205)
Police and security		(71,680)	(74,175)
Maintenance and material		(38,209)	(39,888)
Sales, marketing, administration		(31,611)	(30,803)
Other operating expenses	(3)	(20,557)	(16,309)
Energy and waste		(20,114)	(18,833)
Other expenses/income, net	(4)	14,830	(2,978)
Profit from operations		**83,820**	**69,088**
Financial result, net	(5)	(80,807)	(62,836)
Profit before tax		**3,013**	**6,252**
Income taxes	(6)	711	2,015
Profit after tax		**3,724**	**8,267**
Minority interests		52	(150)
Net profit		**3,776**	**8,117**
Earnings per share in CHF [1]	(12)	0.80	1.70

[1] There are no shares that could potentially give rise to a dilution.

Consolidated balance sheet as of 31 December 2003 and 31 December 2002 (according to IFRS)

(CHF thousand)	Notes	31.12.2003	31.12.2002
Assets			
Movables	(7)	86,531	63,253
Buildings, engineering structures	(7)	2,339,202	2,138,162
Facilities in leasing	(7)	83,004	562
Land	(7)	112,267	111,164
Projects in progress	(7)	323,555	435,705
Projects in progress in leasing	(7)	1,857	66,722
Total property, plant and equipment	**(7)**	**2,946,416**	**2,815,568**
Intangible assets	(7)	30,773	36,264
Financial assets	(8)	1,028	1,058
Non-current assets		**2,978,217**	**2,852,890**
Inventories		3,019	3,172
Receivables arising from sales of goods and services	(9)	69,268	67,323
Other receivables and prepaid expenses	(10)	41,948	30,900
Cash and cash equivalents	(11)	140,804	19,486
Current assets		**255,039**	**120,881**
Total assets		**3,233,256**	**2,973,771**
Equity, minority interests and liabilities			
Share capital	(12)	245,615	245,615
Own shares	(12)	(24,999)	(25,034)
Capital reserves		335,276	342,987
Retained earnings		281,235	277,459
Hedging reserves, net		(78,372)	(20,946)
Translation reserve		(336)	(1,019)
Equity		**758,419**	**819,062**
Minority interests		**6,053**	**6,221**
Debentures and non-current loans	(13)	1,807,198	1,423,812
Lease liabilities	(13)	80,524	55,527
Airport of Zurich Noise Fund	(13/14)	79,706	52,333
Deferred tax liabilities	(15)	50,824	68,911
Retirement benefit plans	(16)	3,999	5,357
Other non-current borrowings	(13)	535	820
Non-current liabilities		**2,022,786**	**1,606,760**
Liabilities arising from purchases of goods and services		36,952	42,413
Current financial liabilities	(13)	136,849	322,317
Other current debt, accruals and deferrals	(17)	271,885	176,861
Current tax liabilities		312	137
Current liabilities		**445,998**	**541,728**
Total liabilities		**2,468,784**	**2,148,488**
Total equity, minority interests and liabilities		**3,233,256**	**2,973,771**

Consolidated statement of changes in equity (according to IFRS)

(CHF thousand)	Share capital	Own shares	Capital reserves	Retained earnings	Hedging reserves, net	Translation reserve	Total equity
Balance at 31.12.2001	**245,615**	**(25,430)**	**343,590**	**269,342**	**0**	**0**	**833,117**
Purchase of own shares [1]		(207)					(207)
Distribution of own shares [1]		603	(603)				0
Adjustment of interest rate swap to fair value [2]					(20,946)		(20,946)
Foreign exchange differences						(1,019)	(1,019)
Net profit 2002				8,117			8,117
Balance at 31.12.2002	**245,615**	**(25,034)**	**342,987**	**277,459**	**(20,946)**	**(1,019)**	**819,062**
Purchase of own shares [1]		(11,949)					(11,949)
Sale of own shares [1]		9,245	(4,972)				4,273
Distribution of own shares [1]		2,739	(2,739)				0
Changes in fair value of interest rate swap transferred to income statement due to discontinued of hedge accounting [2]					20,946		20,946
Adjustment of cross currency swaps to fair value [2]					(103,150)		(103,150)
Cross currency swaps – transfer to income statement [2]					24,778		24,778
Foreign exchange differences						683	683
Net profit 2003				3,776			3,776
Balance at 31.12.2003	**245,615**	**(24,999)**	**335,276**	**281,235**	**(78,372)**	**(336)**	**758,419**

[1] See note 12.
[2] See notes 5 and 13.

Consolidated cash flow statement for 2003 and 2002 (according to IFRS)

(CHF thousand)	Notes	2003	2002
Profit from operations		83,820	69,088
Depreciation and amortisation of			
– Buildings and engineering structures	(7)	146,325	116,816
– Movables	(7)	12,237	13,549
– Intangible assets	(7)	9,881	7,867
– Goodwill	(7)	7,810	4,969
– Facilities in leasing	(7)	2,082	0
Dissolution of government subsidies			
– Buildings and engineering structures	(7)	(4,429)	(4,919)
– Movables	(7)	(3)	(6)
Losses from disposals of property, plant and equipment (net)	(7)	2,200	0
Increase (–)/decrease (+) in current assets, excluding cash and cash equivalents		(13,255)	39,323
Increase (+)/decrease (–) in current debt excluding current financial liabilities		(61,672)	36,258
Increase (+)/decrease (–) in Airport of Zurich Noise Fund		23,878	25,694
Increase (+)/decrease (–) in provisions for retirement benefit plans		(1,358)	(42)
Increase (+)/decrease (–) in other non-current borrowings		(285)	(134)
Income taxes paid		(223)	(1,907)
Cash flow from operations[1]		**207,008**	**306,556**
Investments in property, plant and equipment			
– Projects in progress	(7)	(278,409)	(500,154)
Disposals of property, plant and equipment			
– Buildings and engineering structures	(7)	2,270	312
– Movables	(7)	373	22,764
– Intangible assets	(7)	347	0
Acquisition of subsidiary, net of cash acquired		0	(4,559)
Investments in financial assets	(7)	(67)	(194)
Disposals of financial assets	(7)	0	25,000
Interest received		48	1,766
Cash flow from investing activities		**(275,438)**	**(455,065)**
Decrease in current financial liabilities (excluding debentures)		(306,042)	(91,589)
Early redemption of outstanding debentures	(5)/(13)	(581,551)	0
Loan from Canton of Zurich		0	300,000
Japanese private placement (net of transaction costs)		414,103	0
Liabilities towards banks arising from US car park lease (net of transaction costs)		388,785	0
US private placement (net of transaction costs)		358,449	0
Change in current financial liabilities (excluding debentures)		1	(1,519)
Purchase of own shares		(11,949)	(207)
Sale of own shares		4,273	0
Interest paid		(86,927)	(72,678)
Capitalised borrowing costs[1]		10,606	23,018
Cash flow from financing activities[1]		**189,748**	**157,025**
Increase in cash and cash equivalents		**121,318**	**8,516**
Balance at beginning of financial year		19,486	10,970
Increase in cash and cash equivalents		121,318	8,516
Balance at end of financial year	**(11)**	**140,804**	**19,486**
Composition of cash and cash equivalents			
Cash on hand, at banks and in postal cheque accounts		94,534	19,404
Cash collateral		46,270	0
Current cash deposits maturing within 90 days		0	82
Balance at end of financial year	**(11)**	**140,804**	**19,486**

[1] The presentation of prior-year figures have been adjusted for comparison purposes.

Segment reporting for 2003 and 2002 (according to IFRS)

(CHF million)		Aviation	Non-Aviation	Elimination	Total
Revenue from third parties	2002	287.3	240.2		527.5
	2003	304.5	257.1		561.6
Inter-segment revenue	2002	5.8	90.0	(95.8)	0
	2003	11.6	95.6	(107.2)	0
Total revenue	**2002**	**293.1**	**330.2**	**(95.8)**	**527.5**
	2003	**316.1**	**352.7**	**(107.2)**	**561.6**
Segment result	**2002**	**(7.0)**	**76.1**		**69.1**
	2003	**(3.8)**	**87.6**		**83.8**
Total non-current assets (gross)	2002	1,212.2	3,148.2		4,360.4
excluding projects in progress	2003	1,239.9	3,571.2		4,811.1
Projects in progress	2002	113.7	388.7		502.4
	2003	33.9	289.7		323.6
Total non-current assets (gross)	**2002**	**1,325.9**	**3,536.9**		**4,862.8**
	2003	**1,273.8**	**3,860.9**		**5,134.7**
Depreciation and amortisation	2002	516.1	1,472.0		1,988.1
	2003	558.7	1,580.4		2,139.1
Government subsidies and grants	2002	0	21.9		21.9
(prior to 1989) [1]	2003	0	17.4		17.4
Depreciation/amortisation					
including offsetting of dissolution	**2002**	**516.1**	**1,450.1**		**1,966.2**
of government subsidies	**2003**	**558.7**	**1,563.0**		**2,121.7**
Total non-current assets (net)	**2002**	**809.8**	**2,043.1**		**2,852.9**
	2003	**715.1**	**2,263.1**		**2,978.2**
Total investments	**2002**	**193.5**	**353.6**		**547.1**
	2003	**77.9**	**225.6**		**303.5**
Number of employees					
(full-time positions)	**2002**	**600**	**686**		**1,286**
as of 31 December	**2003**	**599**	**661**		**1,260**

[1] See also the group accounting principles, "Government subsidies and grants"

See explanatory notes to consolidated financial statements, note 18, "Segment reporting"

Note: The allocation of total assets and total liabilities in respect of the "Aviation" and "Non-Aviation" segments would be largely arbitrary, as the majority of clients and suppliers maintain a business relationship with both segments.

Accounting principles

General remarks

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law. They have been prepared under the historical cost convention, with the exception of derivative financial instruments, which are carried at fair value.

The individual financial statements of the group's subsidiaries, which have been prepared in accordance with uniform accounting policies, have been used as the basis for consolidation. The reporting date for all subsidiaries is 31 December.

Scope and methods of consolidation

The consolidated financial statements encompass Unique (Flughafen Zürich AG) and all companies in Switzerland and abroad that are directly or indirectly under its control. Here, the term "control" means the ability to govern financial and operational activities in order to derive corresponding benefits. This is the case if the group holds more than 50 percent of the voting rights of a company or if it controls a company on a contractual or de facto basis. These companies have been fully consolidated. All assets and liabilities have been included in the consolidated financial statements together with all income and expenses in accordance with the principles of full consolidation. All unrealised gains and losses on intra group transactions and all intra group balances have been eliminated on consolidation. All business combinations have been accounted for using the purchase method. This means that the assets and liabilities of each acquired subsidiary have been recognised at fair value at the date of acquisition, and the difference between purchase price and the group's share of the fair values of the acquired net assets is recognised as goodwill. Goodwill is amortised over its estimated useful life using the straight-line method.

Subsidiaries that are acquired or disposed of in the course of the year are consolidated, or excluded from consolidation, with effect from the date of acquisition or disposal respectively.

Cash and cash equivalents

Cash and cash equivalents encompass cash on hand, in postal cheque accounts and at banks, and short-term cash deposits (including collateral) with an original maturity of 90 days or less.

Receivables

Receivables are stated at their nominal value less the necessary adjustments for non-collectible receivables. Individual allowances are made for specifically identifiable losses; general allowances are also made for expected losses based on historical patterns of collection.

Inventories

These mainly encompass fuel inventories and parts used for the maintenance and repair of property, plant and equipment which are stated at cost or, if lower, at net realisable value.

Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less accumulated depreciation and accumulated impairment losses. The production costs of buildings include direct costs for labour (3rd party services and Unique personel), materials and overheads, plus the borrowing costs arising during the construction stage, which are capitalised up until completion of the asset in question. The property, plant and equipment contributed by the Canton of Zurich on 31 December 1999 contain no overheads and borrowing costs, since restatement would entail undue cost and effort. Since 1 January 2000, borrowing costs and overheads relating to all assets under construction have been capitalised.

Components of property, plant and equipment with different periods of useful life are reported individually and depreciated separately.

Maintenance and renovation expenditure are charged to the income statement when incurred. Expenditure that enhances the related asset is capitalised and depreciated over the estimated remaining useful life of the asset. Expenditure incurred to replace components of property, plant and equipment with different periods of useful life are capitalised separately.

Assets that are acquired under finance leases are carried at the present value of the future lease payments or, if lower, the market value. A corresponding lease liability is recognised as a liability.

The leased assets are depreciated over the estimated period of useful life or over the term of the lease, whichever is shorter.

The useful life for each category of property, plant and equipment is as follows:

Buildings	maximum 40 years
Engineering structures	maximum 30 years
Equipment and vehicles	3 to 20 years

Land
Land is stated at cost and is not depreciated.
The entire airport site of 8,150,100 square metres is divided into individual plots of land on the basis of an internal grid. Each plot is valued separately. In addition to various criteria specific to the airport, e.g. potential utilisation density, the development of land prices in the region was also taken into account for valuation purposes in connection with the formation of Unique (Flughafen Zürich AG) as of 1 January 2000. Land that has already been developed or is classified as developable and is comparable to industrial real estate constitutes the highest category, followed by areas required for actual flight operations (runways, taxiways, aprons, etc.). A third category includes undeveloped agricultural land and the extended nature conservation area. On the basis of the internal grid, land values range from 675 Swiss francs per square metre for plots available for intensive use, down to 2 Swiss francs per square metre for plots reserved for nature conservation.
The overall value of these plots of land is shown in the balance sheet unchanged at 100 million Swiss francs.

Government subsidies and grants
Grants related to investments are recognised as income over the useful life of each asset. The grant is reported in the income statement as an adjustment to the depreciation of the related asset.
All government subsidies take the form of "à fonds perdu" grants and do not have to be repaid. The reported government subsidies concern those that were paid out prior to 1989.

Projects in progress
Projects in progress are stated at acquisition or production cost and include investments in projects that have not yet been completed. These mainly comprise assets under construction. Once a project has been completed, the related asset is transferred to the relevant category of property, plant and equipment. Assets that are already in use and are classified as "Projects in progress" are depreciated from the time they are brought into use. From the date of completion of an asset, no further expenditure on the asset or related borrowing costs are capitalised.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation calculated using the straight-line method.
Goodwill arising from acquisitions is capitalised and amortised using the straight-line method over the estimated useful life (maximum 20 years).
Costs directly associated with the development of computer software are capitalised, provided it is probable that the software will be successfully completed and is expected to result in future economic benefits. The useful life of software is three to five years.

Financial assets
Financial assets mainly include loans that are stated at nominal value less any necessary allowances for expected losses.

Financial liabilities
Financial liabilities are initially recognised at cost less transaction costs. The difference between the amount initially recognised and the redemption amount is amortised over the duration of the debenture using the effective interest method.

Provisions
Provisions are recognised when an obligating event occurs prior to the balance sheet date, if an outflow of resources is probable and the amount of the outflow can be estimated reliably.

Airport of Zurich Noise Fund (AZNF)
The costs associated with protection against noise and with formal expropriations, as well as corresponding fees, have been processed via the Airport of Zurich Noise Fund (AZNF). This is not an independent legal entity, but rather takes the form of a special fund within Unique (Flughafen Zürich AG), in which gross revenue and expenditure related to noise are reported. The cumulative balance resulting as of balance sheet date is reported in the consolidated financial statements under assets or liabilities, as appropriate. The average balance will be interest-bearing in accordance with the AZNF regulations. Interest is credited or debited to the income statement. In accordance with the regulations, any surplus resulting from the dissolution of the AZNF must be refunded. The status of the AZNF as of 31 December 2003 is described in note 14.

Taxes
Taxes include current and deferred taxes. Current taxes are based on the taxable profit for the period under review. Deferred taxes are calculated using the balance sheet liability method by applying the expected tax rate to all temporary differences. Temporary differences are differences between the tax values and book values of assets and liabilities. Deferred tax assets are only recognised if their future realisation is probable.

Leases
Finance leases: Lease agreements that transfer all the risks and benefits of ownership of the leased asset to the company concerned are classified as finance leases. Lease payments are allocated between an interest expense and a repayment amount. Leased assets are depreciated over the estimated useful life or over the term of the lease, whichever is shorter. Interest on finance leases and depreciation of the leased assets are charged to the income statement.
Operating leases: Income and expenses associated with operating leases are recognised in the income statement over the period of the lease.

Foreign currency
For consolidation purposes, all assets and liabilities reported in the balance sheets of companies within the group are translated into Swiss francs at the year-end exchange rate. Income statements and cash flow statements are translated at the average exchange rate for the period. Exchange differences that arise on translation are recognised directly in equity.
Transactions in foreign currencies are translated into Swiss francs at the exchange rate in effect on the day of the transaction. Foreign currency monetary items are translated at the exchange rate at the balance sheet date. Exchange differences that arise from the settlement or translation of foreign currency monetary items are reported in the income statement.

Retirement benefit plan
a) Main benefit plan of "Beamtenversicherungskasse of the Canton of Zurich" (BVK)

Since 1 January 2000, the entire workforce of Unique (Flughafen Zürich AG) has been affiliated to the "Beamtenversicherungskasse des Kantons Zürich" (BVK) pension fund. Staff actively employed and pensioners of the former Flughafendirektion Zürich were already members of this pension fund, whilst those employees taken over by Unique (Flughafen Zürich AG) from Flughafen Immobilien Gesellschaft transferred to the BVK on 1 January 2000. The BVK is a pension fund comprising approximately 55,000 employees of the local and cantonal governments of Zurich, other public and semi-public corporations and institutions and non-profit organisations domiciled in the Canton of Zurich, and companies in which the government holds a major interest. The liabilities of the BVK were funded at 90.2 percent as of 31 December 2003 as calculated according to the applicable regulations (Article 44 BVV2).

Previously, the BVK retirement benefit plan was regarded as a defined benefit plan. Owing to a lack of data from the BVK, Unique (Flughafen Zürich AG) was treated as a defined contribution plan in accordance with IAS 19, paragraph 30 and it was not reported by the projected unit credit method in the balance sheet. In 2003, the contract between Unique (Flughafen Zürich AG) and the BVK was modified so that Unique (Flughafen Zürich AG) will not be required to pay additional contributions to cover any shortfall in funding. A breach of this provision would give Unique (Flughafen Zürich AG) the right to terminate the contract without having to provide financial compensation for any potential actuarial funding deficit. The Board of Directors of Unique (Flughafen Zürich AG) has declared that under no circumstances will it pay extra contributions to cover funding deficits in the benefit plan, although it is prepared to do whatever possible to uphold the contract with BVK. The contractual modifications noted above and the declarations by the Board of Directors mean that no actuarial or investment risk associated with the benefit plan at present can be transferred to Unique (Flughafen Zürich AG) as employer. Given this situation and the fact that the BVK is a dependent entity under public cantonal law whose continuation is secured, the retirement benefit plan is treated as a defined contribution plan in accordance with IAS 19.25. This means that pension obligation is limited to the contributions paid by Unique (Flughafen Zürich AG) to the BVK, which are recognised as an expense in the income statement as incurred.

Should the Canton of Zurich cease to be the main shareholder in Unique (Flughafen Zürich AG) and the Zurich Cantonal Airport Law (Gesetz über den Flughafen Zürich) accordingly be changed, Unique (Flughafen Zürich AG) would be forced under the BVK statutes to seek an alternative pension fund solution. If an actuarial funding deficit should occur under these circumstances, Unique (Flughafen Zürich AG) could be required to provide additional funds, which would be charged to the income statement at the time any such change in pension fund provider were to become effective.

b) Other benefit plans

The following benefit schemes are also maintained by Unique (Flughafen Zürich AG):

- Agreement with Zurich Insurance Company offering benefits to the pensioners from the former Flughafen Immobilien Gesellschaft (FIG; this group of beneficiaries did not transfer to the BVK).
  This is a defined contribution plan which is fully funded. Zurich Insurance Company is responsible for providing future benefits.

- Special plan agreed with the BVK for providing compensation for early retirement. This is a defined benefit plan. In this plan, the present value of the expected claims (defined benefit obligation) is calculated by the projected unit credit method and set aside as a reserve. Pension costs related to work performed during the reporting period (current service cost) are charged to the income statement. Pension costs associated with work performed in the past, which are due to new or improved benefits (past service cost), are reported by the straight-line method with pension costs up until an entitlement for benefits is present.
  Actuarial and investment losses and gains resulting from periodic recalculations are shown in the financial statements on a straight-line basis over the average remaining service period, insofar as they do not exceed 10 percent of the provisions for retirement benefits.

Borrowing costs
Borrowing costs arising during the construction stage for movables, buildings and engineering structures are capitalised up until completion of the asset in question. All other borrowing costs are recognised in the income statement using the effective interest method.

Derivative financial instruments

Derivative financial instruments are used exclusively for the purpose of hedging interest rate and currency risks, and are reported under other receivables or other current debt. Valuation is made at fair value in accordance with IAS 39. Changes in the fair value of derivative instruments which fulfil the requirements for cash flow hedges are booked directly to the hedging reserves. As soon as the hedged transaction has been effected, the accumulated, non-realised gains and losses are charged to the income statement. For all other derivative financial instruments, changes in fair value are recognised in the income statement.

Impairment

The group's non-current assets are tested at least once a year for impairment. If there is any indicator that an asset may be impaired, a calculation of the recoverable amount of the asset is carried out (impairment test). If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

Reporting of income

Income is reported for the period during which the service is provided.

Notes to consolidated financial statements

Current risk situation

The current risk situation of Unique (Flughafen Zürich AG) is described in detail in "Risk management", pages 29 to 31. The following factors are regarded as the primary sources of risk for the company:

- Home carrier
- Legal issues
  - Mediation
  - Unilateral German ordinances
  - Operating licence and operating regulations
- Noise compensation and sound insulation measures
- Key financial data
- Falling demand

Unique (Flughafen Zürich AG) has carried out an impairment test. Details are provided in note 7.

The company monitors the above-mentioned risks and their potential consequences for Unique (Flughafen Zürich AG) on an ongoing basis and, in view of the cost-cutting measures already carried out and a number of other measures which are ready to be implemented as needed, Unique's continued operation is not considered to be in any immediate jeopardy due to these risks.

Change in the consolidation structure

The consolidation structure is unchanged for the 2003 business year.

For details concerning the group's holdings, please refer to "Further details", note 6, "Composition of the group".

Consolidated income statement

1) Revenue from goods and services

(CHF thousand)		2003		2002
Passenger fees	175,187		155,857	
Landing fees	70,781		77,941	
Baggage sorting and handling system	16,821		13,723	
Aircraft energy supply system	8,031		7,793	
Freight revenue	7,412		7,576	
Fuel charges	6,099		6,913	
CUTE charges (check-in system for handling agents)	3,654		1,101	
Parking fees	3,375		4,024	
Emission fees	3,261		3,787	
Security fees	1,092		896	
Other earnings	8,577		7,410	
Bad debt write-offs (Aviation segment)	181		303	
Total revenue from aviation operations		**304,471**		**287,324**
Revenue from multi-storey car parks	46,140		44,420	
Retail outlets and duty-free shops	45,276		44,967	
Advertising media and promotion	7,788		7,170	
Catering operations	7,334		8,045	
Other licence revenue (car rentals, taxis, banks, etc.)	12,694		13,748	
Total commercial revenue		**119,232**		**118,350**
Revenue from rental and leasing agreements	78,862		70,555	
Energy and incidental cost allocation	19,300		16,200	
Cleaning	3,664		3,845	
Other services revenue	3,341		5,153	
Total revenue from facility management		**105,167**		**95,753**
Communication services	7,366		4,586	
Conference Center	2,775		2,907	
Capitalised expenditure[1]	11,162		8,882	
Other services and miscellaneous	8,618		8,618	
Airport of Zurich Noise Fund	2,519		2,706	
Bad debt write-offs (Non-Aviation segment)	289		(1,571)	
Total revenue from services		**32,729**		**26,128**
Total revenue from Non-Aviation segment		**257,128**		**240,231**
Total revenue		**561,599**		**527,555**

[1] **Capitalised expenditures** primarily relate to the fees of in-house architects and engineers, as well as project managers who act as builder/owner representatives. Their services are allocated to each project/property.

2) Personnel expenses

(CHF thousand)	2003	2002
Wages and salaries	109,606	108,383
Pension costs		
– for defined benefit plans [1]	878	(42)
– for defined contribution plans	7,108	9,031
Social security contributions	11,816	11,785
Other personnel expenses	7,127	8,048
Total personnel expenses	**136,535**	**137,205**
Average number of employees (full-time positions)	**1,288**	**1,273**
No. of employees as of 31 December (full-time positions)	**1,260**	**1,286**
Average personnel expenses per position	**108**	**107**

[1] See note 16, "Retirement benefit plans"

In 2002, those employees who completed their first year of service received one share for free. Members of the Management Board and middle management also received 23,581 shares in 2003 within the scope of the bonus programme, which were paid as a variable component of their remuneration based on the results of the 2002 financial year (2002: 2,639 shares; see note 12, "Equity"). These shares are blocked for a period of 4 years. Personnel expenses include the costs associated with the implementation of cost-cutting measures amounting to 3.16 million Swiss francs, but these costs were partially offset by the dissolution of the employers' reserves in the unique zurich airport staff pension fund amounting to 2.5 million Swiss francs.

3) Other operating expenses

(CHF thousand)	2003	2002
Property insurance	5,324	4,231
CUTE charges (check-in system for handling agents)	3,708	1,098
Cleaning by external contractors	2,903	2,556
Rental and land leases	2,855	1,451
Communication costs	2,672	2,947
Additional operating costs	1,781	2,126
Passenger services	1,314	1,900
Total other operating expenses	**20,557**	**16,309**

4) Other expenses/income, net

(CHF thousand)	2003	2002
Other income	18,609	884
Other expenses	(3,779)	(3,862)
Total other expenses/income, net	**14,830**	**(2,978)**

Other income includes:
- 11.6 million Swiss francs from the dissolution of short-term provisions that are no longer required.
- Construction and operational services provided by Unique (Flughafen Zürich AG) in association with the installation of the new baggage sorting and handling system and the new aircraft energy supply system at Zurich Airport. Of this amount, the sum of 2.7 million Swiss francs concerns services that were already provided during 2002, but which had to be booked in the 2003 financial statements for operational reasons and for reasons relating to the finalisation of the associated lease agreements. In other words, this is aperiodic income.
- 2.6 million Swiss francs from settled disputes
- 0.6 million Swiss francs from gains on sales of non-current assets

Other expenses include:
- 2.8 million Swiss francs from losses on disposals of non-current assets
- 0.6 million Swiss francs withdrawal costs associated with the cancellation of the agreement to take over real estate from the "Cantonal Aircraft Noise Fund" (see further details, note 3, "Capital commitments").

5) Financial result, net

(CHF thousand)		2003		2002
Interest expenses on debentures and long-term loans	86,522		56,844	
less capitalised interest on borrowings for buildings under construction	(10,606)		(23,018)	
Net interest expenses on debentures and long-term loans		75,916		33,826
Changes in fair value of interest rate swap and effect of discontinued of hedge accounting		18,058		0
Interest difference related to interest rate swap		12,572		8,875
Other interest expenses		5,853		2,898
Effective interest expenses		5,299		1,987
Interest expenses on bank loans		4,085		13,626
Other financial expenses		2,537		3,342
Interest expense of finance lease payments		659		0
Valuation adjustments of financial assets		12		48
Financial expenses		**124,991**		**64,602**
Gain on early redemption of debentures		(43,449)		0
Interest income on postal cheque accounts and bank deposits		(295)		(1,208)
Net foreign exchange gains, interest on arrears		(440)		(558)
Financial income		**(44,184)**		**(1,766)**
Total financial result, net		**80,807**		**62,836**

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.34 percent in 2003 and 4.88 percent in 2002.
The group holds an interest rate swap to the value of 300 million Swiss francs. The interest rate swap no longer meets the requirements for a cash-flow hedge, and for this reason the changes in fair value of the interest rate swap (minus 9.145 million Swiss francs) are now recognised in the income statement. The changes in fair value of the interest rate swap previously recognised in equity has been transferred to the income statement (27.203 million Swiss francs), net of deferred tax, the amount transferred is 20.9 million Swiss francs (see note 15, "Deferred tax liabilities").

Composition of gains on early redemption of debentures (in Swiss francs):

Duration	Interest rate	Nominal amount in CHF as of 1 Jan. 03	Nominal amount in CHF as of 31 Dec. 03	Early redemption (nominal)	Early redemption (effective)	Gains in CHF
2001–2004	4.000%	300,000,000	125,000,000	175,000,000	169,900,000	5,100,000
2000–2005	4.625%	300,000,000	82,000,000	218,000,000	205,862,000	12,138,000
1996–2006	4.625%	175,000,000	90,000,000	85,000,000	78,512,500	6,487,500
1995–2007	5.000%	150,000,000	75,000,000	75,000,000	70,146,575	4,853,425
2001–2009	4.250%	200,000,000	128,000,000	72,000,000	57,130,000	14,870,000
		1,125,000,000	**500,000,000**	**625,000,000**	**581,551,075**	**43,448,925**

6) Income taxes

(CHF thousand)	2003	2002
Current tax	129	89
Deferred tax	(840)	(2,104)
Total income taxes	**(711)**	**(2,015)**

Tax can be analysed as follows:

(CHF thousand)	2003	2002
Profit before tax	3,013	6,252
Tax expense at anticipated tax rate (23%)	693	1,438
Offsetting of annual profit against non-capitalised losses brought forward	(3,019)	(2,708)
Waiver of capitalisation of deferred taxes on losses	589	570
Tax effect on write-offs of own shares	1,335	(1,385)
Miscellaneous transitory items	(309)	70
Total income taxes	**(711)**	**(2,015)**

Consolidated balance sheet

7) Changes in non-current assets

(CHF million)	Land	Engineering structures	Buildings	Facilities in leasing	Projects in progress in leasing	Projects in progress	Movables	Total property, plant and equipment	Intangible assets	Goodwill	Financial assets	Total
Cost												
Closing balance sheet as of 31.12.2002	111.2	1,067.7	2,940.5	0.6	66.7	435.7	170.5	**4,792.9**	37.8	31.1	1.1	**4,862.8**
Additions					19.6	283.8		**303.4**			0.1	**303.5**
Disposals		(4.8)	(7.0)				(19.4)	**(31.2)**	(1.3)		(0.2)	**(32.7)**
Transfers	1.1	116.0	230.7	84.5	(84.5)	(395.9)	35.9	**(12.2)**	12.2			**0**
Foreign exchange differences			1.1					**1.1**		(0.1)	0.1	**1.1**
Closing balance sheet as of 31.12.2003	**112.3**	**1,178.8**	**3,165.4**	**85.0**	**1.9**	**323.6**	**187.0**	**5,054.1**	**48.6**	**31.0**	**1.0**	**5,134.7**
Depreciation/amortisation and impairment losses												
Closing balance sheet as of 31.12.2002	0.0	416.2	1,432.0	0.0	0.0	0.0	107.3	**1,955.5**	17.2	15.4	0.0	**1,988.1**
Additions		33.3	113.1	2.1			12.2	**160.6**	9.9	7.8		**178.3**
Disposals		(4.8)	(2.5)				(19.0)	**(26.3)**	(1.0)			**(27.3)**
Foreign exchange differences			0.5					**0.5**		(0.5)		**0**
Closing balance sheet as of 31.12.2003	**0.0**	**444.6**	**1,543.1**	**2.1**	**0.0**	**0.0**	**100.5**	**2,090.3**	**26.1**	**22.8**	**0.0**	**2,139.1**
Government subsidies and grants												
Closing balance sheet as of 31.12.2002	0.0	1.0	20.9	0.0	0.0	0.0	0.0	**21.9**	0.0	0.0	0.0	**21.9**
Disposals		(0.2)	(4.2)					**(4.4)**				**(4.4)**
Closing balance sheet as of 31.12.2003	**0.0**	**0.8**	**16.7**	**0.0**	**0.0**	**0.0**	**0.0**	**17.4**	**0.0**	**0.0**	**0.0**	**17.4**
Net book value as of 31.12.2003	**112.3**	**733.5**	**1,605.7**	**83.0**	**1.9**	**323.6**	**86.5**	**2,946.4**	**22.6**	**8.2**	**1.0**	**2,978.2**
Net book value as of 31.12.2002	**111.2**	**650.5**	**1,487.6**	**0.6**	**66.7**	**435.7**	**63.3**	**2,815.6**	**20.6**	**15.7**	**1.1**	**2,852.9**

Note: when adding up rounded-up or rounded-down sums, it is possible that minor discrepancies may occur.

Buildings: The facilities directly associated with Dock E (Midfield), encompassing Dock E, the surrounding apron, the road tunnel serving as a link to Dock E, and Skymetro, including the station in the new Airside Center, represent a special case. These facilities were completed in autumn 2002 and handed over for operation on 1 September 2003. This means that, since 1 November 2002, no more interest on borrowings and no more expenditure has been capitalised. Also with effect from 1 November 2002, minimal technical wear and tear on these objects has been depreciated pro rata at $^1/_3$ of the normal annual depreciation rate. The booked $^1/_3$ pro rata depreciation for the year amounts to 6.0 million Swiss francs (2002: 1.5 million Swiss francs); the amount for the full year would have been 18.2 million Swiss francs (2002: 4.5 million Swiss francs). Since 1 September 2003, these assets have been depreciated as normal.
In 2003, Unique (Flughafen Zürich AG) concluded a **lease transaction** with a **US trust.** In the first stage of this deal, the utilisation rights to multi-storey car parks 1, 2, 3 and 6 were sold to a US trust and simultaneously leased back. Unique (Flughafen Zürich AG) is to retain ownership of the multi-storey car parks with a net carrying amount as of 31 December 2003 of 200.6 million Swiss francs during the entire period of validity of the lease agreement. Repayment of the additional capital is to be effected in almost identical tranches in the period from 2005 to 2012. After the full amount has been repaid, the utilisation rights will be returned to Unique (Flughafen Zürich AG). The second stage involves the option of increasing the sale price by extending the period of utilisation rights. A decision regarding the conclusion of stage 2 is to be taken during 2004. The **US trust** concerned has been consolidated in accordance with SIC-12.

Lease of baggage sorting and handling system and aircraft energy supply system: In December 2001, Unique (Flughafen Zürich AG) concluded a framework lease agreement for financing the new baggage sorting and handling system and the aircraft energy supply system over a term of 17 years. On 1 August 2003, since the systems were near completion, a first tranche of the definitive lease agreements totalling 84.5 million Swiss francs was put into effect. These lease agreements have a maturity of 17 years. Conclusion of stage two is set for 31 January 2004. Additional tranches will be taken on if necessary after six months. In terms of form and content, both the framework and the definitive lease agreements are regarded as finance leases and they have therefore been capitalised. The leased facilities were written off with effect from their date of completion.

Goodwill: The goodwill arising from the privatisation of Zurich Airport as of 1 January 2000 has a net carrying amount as of 31 December 2003 of 4.9 million Swiss francs (acquisition price, 24.8 million Swiss francs; accumulated amortisation, 19.9 million Swiss francs). The goodwill arising from the acquisition of the three airports in Chile has a net carrying amount as of 31 December 2003 of 3.3 million Swiss francs (acquisition price, 6.3 million Swiss francs; accumulated amortisation including impairment write-offs, 3.0 million Swiss francs)

Impairment calculation: Unique (Flughafen Zürich AG) carried out an assessment of the value of the group's assets (impairment test) as of balance sheet date. This was based on the anticipated future cash flows of Unique (Flughafen Zürich AG), which forms the smallest cash-generating unit. The calculation of value in use as of 31 December 2003, which was made at a discount rate of 7 percent, revealed that no impairment write-offs are required.

Depreciation and amortisation: Dissolutions of government subsidies and grants amounting to 4.4 million Swiss francs were offset against depreciation and amortisation totalling 178.3 million Swiss francs.

8) Financial assets

(CHF thousand)		31.12.2003	31.12.2002
Credit balance for future investments (Chile)		1,004	714
Miscellaneous cash deposits at banks (Chile)		2	172
NOVO Business Consultants AG, Berne	Equity share 15%, nom. share capital CHF 1.0 million	0	150
Bangalore International Airport Ltd. (India)	Equity share 17%, nom. share capital INR 3.85 million	22	22
Total financial assets		**1,028**	**1,058**

In order to focus on the core business, the stake in NOVO Business Consultants AG, Berne, was sold to the other existing shareholders in the year under review.

9) Receivables arising from sales of goods and services

(CHF thousand)	31.12.2003	31.12.2002
Receivables arising from sales of goods and services	71,155	70,151
Valuation adjustment	(1,887)	(2,828)
Total receivables arising from sales of goods and services	**69,268**	**67,323**

10) Other receivables and prepaid expenses

(CHF thousand)	31.12.2003	31.12.2002
Prepaid expenses and accruals	30,494	19,492
Tax receivables (VAT/withholding tax)	6,065	8,327
Advance payments to suppliers	2,693	2,695
Current account with unique zurich airport staff pension fund	2,125	0
Other receivables	571	386
Total other receivables and prepaid expenses	**41,948**	**30,900**

11) Cash and cash equivalents

(CHF thousand)	31.12.2003	31.12.2002
Cash on hand, at banks and in postal cheque accounts	24,534	19,404
Call deposits due within 30 days	70,000	0
Collateral due within 90 days [1]	46,270	0
Current cash deposits maturing within 90 days	0	82
Total cash and cash equivalents	**140,804**	**19,486**

[1] For information on collateral, see note 13, "Financial liabilities"

12) Equity

Equity (nominal value, CHF 50)

Number of shares	Issued registered shares	Own shares	Total shares in circulation
Balance as of 1.1.2003	4,912,300	125,765	4,786,535
Acquisition of own shares		281,989	281,989
Sale of own shares		(93,266)	(93,266)
Shares distributed to employees and third parties		(23,877)	(23,877)
Balance as of 31.12.2003	**4,912,300**	**290,611**	**4,621,689**

The holders of registered shares are entitled to participate at the General Meeting of Shareholders and cast one vote per share.

Own shares

Own shares are distributed to employees and third parties within the scope of the bonus scheme. The equivalent value was charged to the capital reserves and therefore does not affect the income statement (see note 2, "Personnel expenses" and "Further details", note 5, "Related parties"). The holdings of own shares are used for these distribution programmes and as treasury stock.

Reserves

In accordance with the provisions of commercial law, the reserves are subject to a distribution limit of 147.8 million Swiss francs.

Earnings per share

Earnings per share are calculated from the net profit of the group and the weighted average of the number of outstanding shares (issued shares less own shares). There are no shares that could potentially give rise to a dilution.

(CHF)	2003	2002
Net profit to be allocated to shareholders	3,775,646	8,117,199
Weighted average number of outstanding shares	4,691,245	4,788,352
Earnings per share	0.80	1.70

Major shareholders and shareholder structure

The shareholder structure as of 31 December was as follows:

	2003	2002
Public sector	53.04%	53.04%
Private individuals	5.10%	4.37%
Companies	6.47%	7.63%
Pension funds	5.22%	6.92%
Financial institutions	9.13%	9.05%
Balance available and non-registered shareholders	21.04%	19.00%
Number of shareholders	3,731	3,592

The following shareholders or groups of shareholders hold more than five percent of the voting rights:

	2003	2002
Canton of Zurich (including BVK pension fund)	48.80%	49.00%
City of Zurich (including pension fund of the City of Zurich)	5.41%	5.41%

13) Financial liabilities

(CHF thousand)	31.12.2003	31.12.2002
Debentures	372,881	1,118,394
Japanese private placement	423,024	0
Liabilities towards banks arising from US car park lease	370,335	0
US private placement	336,722	0
Non-current loan from Canton of Zurich	300,000	300,000
Lease liabilities	80,524	55,527
Airport of Zurich Noise Fund [1]	79,706	52,333
Non-current liabilities towards banks	4,236	5,418
Other non-current financial liabilities	535	411
Non-current financial liabilities	**1,967,963**	**1,532,083**
Debenture; repayment 14.9.2004	124,823	0
Loan from unique zurich airport staff pension fund	5,500	5,500
Current lease liabilities	4,634	11,772
Current liabilities towards banks	1,892	204,325
Current loan from Canton of Zurich	0	100,000
Current account with unique zurich airport staff pension fund	0	720
Current financial liabilities	**136,849**	**322,317**
Total financial liabilities	**2,104,812**	**1,854,400**

[1] See note 14, Airport of Zurich Noise Fund

In 2003, loans totalling 1.2 billion Swiss francs were taken up in order to repay existing debt (bank loans, debentures) and finance the investments in expansion stage 5. The following non-current financial liabilities existed in the form of fixed interest borrowings as of balance sheet date:

Description	Interest rate	Duration	Amortisation
– Debentures	Sep. table	Sep. table	Sep. table
– Non-current loan from Canton of Zurich	5.000%	2002–2012	no
– US private placement	4.753%	2003–2015	from 2011
– Japanese private placement	5.490%	2003–2024	no
– Liabilities towards banks arising from US car park lease	3.606%	2003–2012	from 2005

For details concerning outstanding debentures and early redemption, please refer to the table below (in Swiss francs):

Nominal amount in CHF as of 1 Jan. 03	Early redemption	Nominal amount in CHF as of 31 Dec. 03	Carrying amount in CHF as of 31 Dec. 03	Duration	Interest rate	Early termination	Interest payment dates
300,000,000	175,000,000	125,000,000	124,822,339	2001–2004	4.000%	no	14. Sept
300,000,000	218,000,000	82,000,000	81,732,688	2000–2005	4.625%	no	5. July
175,000,000	85,000,000	90,000,000	89,669,785	1996–2006	4.625%	no	12. April
150,000,000	75,000,000	75,000,000	74,626,051	1995–2007	5.000%	no	28. Sept
200,000,000	72,000,000	128,000,000	126,853,445	2001–2009	4.250%	no	26. March
1,125,000,000	**625,000,000**	**500,000,000**	**497,704,308**				

The gain on early redemption of debentures amounts to 43.449 million Swiss francs and is reported in financial result (see note 5, "Financial result, net").

The group holds the following derivative financial instruments for hedging the currency risks associated with the new non-current financial incurred in the year under review:
Cross-currency swaps to the value of 37 billion yen (for Japanese private placement) and 275 million US dollars (for US private placement): The currency risk associated with the Japanese private placement (participation swap) has been almost fully hedged, while that for the US private placement and US car park lease has been hedged in its entirety. These hedge transactions are classified as cash flow hedges.
In the event that the cross-currency swaps relating to the **US private placement** and the **Japanese private placement** should reach a negative fair value that exceeds a given minimum level, Unique (Flughafen Zürich AG) would be required to provide collateral in the form of cash, securities or a letter of credit. As of balance sheet date there was 46.3 million Swiss francs as collateral in form of cash (see note 11, "Cash and cash equivalents") and 50.0 million Swiss francs in the form of letters of credit. Standard guarantees and covenants are provided for external loans (see page 31, "Risk management, key financial data"), and these were complied with as of balance sheet date.
For information concerning the loan from the Canton of Zurich, please refer to "Further details", note 5, "Related parties".

The maturities of financial liabilities are shown in the table below:

(CHF thousand)	31.12.2003	31.12.2002
Within 1 year	136,849	322,317
Between 2 and 5 years	527,896	1,008,223
Longer than 5 years	1,440,067	523,860
Total financial liabilities	**2,104,812**	**1,854,400**

Lease liabilities include the lease concerning the baggage sorting and handling system and also the aircraft energy supply systems (see note 7, "Changes in non-current assets").

Lease liabilities

(CHF thousand)	31.12.2003	31.12.2002
Future minimum lease payments		
– due within 1 year	6,115	17,156
– due within 2 to 5 years	24,359	33,088
– due after 5 years	69,025	32,919
Total future minimum lease payments	**99,499**	**83,163**
Future interest payments	14,339	15,863
Present value of lease liabilities	**85,160**	**67,300**
– of which due within 1 year	4,634	11,772
– of which due within 2 to 5 years	18,894	29,904
– of which due after 5 years	61,632	25,624

The applicable interest rate for lease liabilities is 1.9 percent (2002, 4.3 percent). The interest rate is variable.

14) Airport of Zurich Noise Fund (AZNF)

The costs for sound insulation measures and formal expropriations processed via the AZNF are financed from noise-related passenger and landing fees and only the incurred expenditure has been booked in the fund. The situation of this fund as of 31 December 2003 was as follows:

(CHF thousand)	2003	2002
Airport of Zurich Noise Fund as of 1 January (liability)	**52,333**	**24,772**
Total revenue from noise-emission charges	42,638	41,514
Total costs for sound insulation and other measures	(16,241)	(13,114)
Net result before operating costs [1]	**78,730**	**53,172**
Operating costs [1]	(2,519)	(2,706)
Interest payments, Airport of Zurich Noise Fund	3,495	1,867
Airport of Zurich Noise Fund (liability)	**79,706**	**52,333**

[1] Changes relating to the AZNF are shown in the cash flow statement, net without interest, under cash flow from operating activities.

Based on the temporary operating regulations submitted on 31 December 2003, the estimated cost for sound insulation measures will presumably lie between 200 and 300 million Swiss francs. It is not possible to reliably estimate the total amount, and this is why this obligation is disclosed here as a contingent liability.
The cost associated with formal expropriations will presumably lie between 800 million and 1.2 billion Swiss francs. In view of the still incomplete legislation in this area and the complexity of the evaluation of a positive or negative impact on concerned properties, it is not possible to reliably estimate both the cost as well as the timing when these costs arise and therefore the estimates have considerable uncertainties in both positive and negative terms. Therefore, this possible obligation is disclosed here as a contingent liability.
In both cases, the costs depend on how the airport is operated in the future and the resulting noise emissions. For the effective future claims provision will have to be made.

15) Deferred tax liabilities

The balance of deferred tax liabilities evolved as follows:

(CHF thousand)	2003	2002
Opening balance	68,911	77,296
Other effects/changes in the consolidation structure	(94)	(24)
Deferred taxes on changes in fair value of interest rate swap, booked in equity (hedging reserves)	0	(6,257)
Deferred tax relating to discontinuance of hedge accounting for interest rate swap – transferred to income statement	6,257	0
Deferred taxes on changes in fair value of cross currency swaps booked in equity (hedging reserves)	(30,811)	0
Deferred tax on cross currency swaps – transferred to income statement	7,401	0
Change according to income statement	(840)	(2,104)
At end of year	**50,824**	**68,911**

Deferred tax is allocated to the following balance sheet items:

(CHF thousand)		31.12.2003		31.12.2002
	Assets	Liabilities	Assets	Liabilities
Buildings and movables		55,266		57,898
Renovation fund		20,953		19,688
Financial liabilities issuing costs		528		1,519
Financial liabilities transaction costs		5,672		0
Interest rate swap	8,411		10,514	
Changes in fair value of cross currency swaps	30,811		0	
Foreign currency fluctuations on cross currency swaps		7,401		0
Miscellaneous items		226		320
Deferred taxes (gross)	**39,222**	**90,046**	**10,514**	**79,425**
Offsetting of assets and liabilities	(39,222)	39,222	(10,514)	10,514
Deferred taxes (net)	**0**	**50,824**	**0**	**68,911**

As of 31 December 2003, Unique (Flughafen Zürich AG) and its subsidiaries had total losses brought forward of 14.123 million Swiss francs to be offset against taxes. Deferred tax assets on these transferred losses have not been recognised since it is not probable that future taxable profit will be available against which the group can utilise the benefits. Of the total amount cited above, 0.709 million Swiss francs expires in 2007, 8.375 million in 2008, 2.476 million in 2009 and 2.563 million in 2010.

16) Retirement benefit plans

The retirement benefit commitments reported for the year under review refer to the special plan with the BVK for compensation for early retirement. The retirement benefit plan cited in the contract with Zurich Insurance in favour of pensioners from the former Flughafen Immobilien Gesellschaft (FIG) was in prior years regarded as a defined benefit plan. Following a reassessment the plan is treated as a defined contribution plan for the year 2003.

Balance sheet

(CHF thousand)	31.12.2003	31.12.2002
Provision for retirement benefits, present value	3,812	38,858
Pension assets, fair value	0	(41,185)
Funding surplus/(deficit)	**3,812**	**(2,327)**
Unrecognised actuarial gains	187	1,759
Subtotal	**3,999**	**(568)**
Unrecognised pension assets	0	5,925
Liability on balance sheet	**3,999**	**5,357**

Income statement

(CHF thousand)	2003	2002
Interest expenses	878	1,393
Expected return on pension assets	0	(1,435)
Net periodic pension income (cost)	**878**	**(42)**

All pension fund costs are reported as personnel expenses (see note 2, "Personnel expenses").

Change in provisions for retirement benefits in the balance sheet

(CHF thousand)	31.12.2003	31.12.2002
Opening balance	5,357	5,718
Net periodic pension income (cost)	878	(42)
Benefits paid in directly by employer	(436)	(319)
Changes in unrecognised pension assets (change of plan)	(1,800)	0
Closing balance	**3,999**	**5,357**

The calculation of provisions for retirement benefits was based on the following assumptions:

	2003	2002
Discount rate	3.75%	3.5%
Expected return on pension assets	n/a	4.0%
Expected future pension increases	1.0%	1.0%

17) Other current debt, accruals and deferrals

(CHF thousand)	31.12.2003	31.12.2002
Fair value of interest and foreign currency hedges [1]	181,318	56,300
Deferred income and accruals	72,375	88,029
Amounts due to personnel (holidays and overtime)	9,048	8,147
Current provisions	8,000	19,618
Other liabilities	594	2,192
Social security contributions	506	2,440
Deposits and payments in advance by customers	44	135
Total other current debt, accruals and deferrals	**271,885**	**176,861**

[1] See also note 13, "Financial liabilities"

18) Segment reporting

Primary segment reporting

Segment information is presented based on the group's management and internal reporting structure. Unique (Flughafen Zürich AG) distinguishes between "Aviation" and "Non-Aviation" segments (please also refer to the comments on the financial statements, "Results by segment", page 12). Most of the inter-segment revenue comprises offset rental costs from the Non-Aviation segment for premises required for activities in the Aviation segment. The non-current assets (including terminals) have primarily been allocated to the Non-Aviation segment. The offsetting of costs for the use of premises is based on actual cost (including interest paid on invested capital). Inter-segment revenue simultaneously represents inter-segment expenses in the segment result of the segment using the facilities. Full-time employees have been allocated to the segments.

Secondary segment reporting

Unique (Flughafen Zürich AG) provides practically all its services within Switzerland. During 2003, it provided external consulting services worth 1.1 million Swiss francs (2002, 2.1 million Swiss francs). The Aviation segment includes revenue of 4.3 million Swiss francs resulting from the business activities in Chile (see "Further details", note 6, "Composition of the group"). As engagements abroad were negligible, a breakdown by geographical region was not undertaken.

Further details

1. Financial risk management

Derivative financial instruments: With the exception of the currency and interest rate swaps described on page 81 (see note 5, "Financial result, net") and on pages 85 and 86 (see note 13, "Financial liabilities"), the group does not use any derivative financial instruments.

Currency risks: Unique (Flughafen Zürich AG) is exposed to currency risk in connection with financial transactions in US dollars and Japanese yen, and uses financial instruments (see note 13, "Financial liabilities") to hedge this risk. Hedge accounting is used for qualifying hedging transactions where deemed necessary.
In the area of operations, virtually all of the group's transactions are in Swiss francs, with the exception of those associated with its interests in Chile (share of turnover, 4.3 million Swiss francs), which means no further currency risks need to be hedged.

Interest rate risks: All non-current financing transactions have been concluded at a fixed interest rate, with the exception of the lease of the baggage sorting and handling system and the aircraft energy supply system. The risk on the short-term variable advances is hedged in the form of an interest rate swap.

Credit risks: With the exception of Swiss as the main client, credit risk is distributed over a broad clientele. Where necessary, terms of payment are applied or collateral is requested in order to minimise risk. For a risk assessment concerning Swiss, please refer to "Risk management" (page 29).

Fair values: The figures shown in the balance sheet concerning cash and cash equivalents, receivables from the sale of goods and services, other receivables, other current debt and non-current liabilities approximately correspond to "fair values" as defined by IFRS.

2. Operating lease

In its capacity as landlord, Unique (Flughafen Zürich AG) does not have any non-cancellable leasing liabilities.

The tenancy agreements concluded by the group in its capacity as landlord are terminable within one year.

a) Fixed tenancy agreements
These are divided into limited term and indefinite agreements. The latter may be terminated within the normal legal period of notice of six months.

b) Turnover-based agreements
New tenancy agreements were concluded with all business partners during the year under review for all additional commercial areas available for rent on a turnover basis (this did not include transfers to new premises). Generally speaking, these new agreements concern a fixed basic rent plus a turnover-based portion, with a fixed duration of 5 years and the option of extension for another two years. The already existing turnover-based tenancy agreements may be terminated within the period of one year.

3. Capital commitments

As of the end of 2003, the group approved investments in non-current assets amounting to approximately 2.05 billion Swiss francs (2002: 2.4 billion Swiss francs). These were mainly associated with expansion stage 5, i.e. construction of the new Airside Centre, railway check-in centre, multistorey car park and Dock E. Of this amount, 1.95 billion Swiss francs had been allocated as of 31 December 2003 (2002: 1.9 billion Swiss francs), of which 1.8 billion Swiss francs (2002: 1.6 billion Swiss francs) had already been spent.

The assets that are specific to the airport and were to be taken over from the Canton of Zurich in accordance with the provisions of the reverse takeover agreement include properties and land belonging to the "Cantonal Aircraft Noise Fund". In order to allow these assets to be transferred to the group, it was necessary for the Cantonal Council of Zurich to dissolve this fund. At its meeting on

12 March 2001, the Cantonal Council approved the dissolution of the Cantonal Aircraft Noise Fund and therefore cleared the way for the group to acquire the properties concerned. The agreed take-over price was 64.5 million Swiss francs. The purchase contract was signed on 20 December 2002 and was to become effective (with transfer of risk and benefit) on 1 May 2003. Contrary to plan, the properties and land in question will now remain under the ownership of the Canton of Zurich. The altered economic conditions led Unique (Flughafen Zürich AG) to decide against following through on the purchase. The purchase contract signed on 20 December 2002 was cancelled with the approval of the government of the Canton of Zurich on 5 November 2003.

4. Contingent liabilities

A number of legal proceedings and claims against Unique (Flughafen Zürich AG) within the scope of normal business activities are still pending. In the opinion of the company, the amount required for settling these lawsuits and claims will not have a negative impact on the consolidated financial statements and cash flow.
For details concerning future commitments associated with sound insulation measures and formal expropriations, please refer to note 14, Airport of Zurich Noise Fund (AZNF).

5. Related parties

Related parties are:

– The Canton of Zurich
– Members of the Board of Directors
– Members of the Management Board

On 16 July 2002, the conditions governing use of the loan granted by the Canton of Zurich within the scope of the merger between the former Flughafendirektion (FDZ) and the former Flughafen Immobilien Gesellschaft (FIG), were regulated in a comprehensive framework agreement with the Canton of Zurich. The amount available under the terms of this loan is 826 million Swiss francs, and on 19 July 2002 the group drew 300 million Swiss francs for a fixed term of 10 years (up to 2012) at an interest rate of 5 percent. No amounts were recently drawn from this credit with interest to be paid on the basis of the CHF LIBOR rate, which means that a total of 300 million Swiss francs had been borrowed as of 31 December 2003 (400 million Swiss francs as of 31 December 2002).

During the 2003 financial year, the following amounts were paid to related parties in the form of remuneration:

(CHF thousand)	2003	2002
Board of Directors and Management Board (13 people - 15 up to 30 June 2003; prior year, 15)	2,784	2,857
MWV Bauingenieure AG, remuneration for engineering work (co-owned by a member of our Board of Directors)	737	950
Canton of Zurich (cantonal police at market conditions as per service agreement)	65,553	68,286

Furthermore, 17,834 shares were issued to five members of the Management Board (seven up to 30 June 2003) within the scope of the bonus system (see note 12, "Equity"). These shares are blocked for a period of four years.

6. Composition of the group

The group currently comprises the following companies:

Name	Domicile		Share capital	Stake held in %
Flughafen Zürich AG	Kloten	CHF	245,615,000	Parent company
Unique Betriebssysteme AG	Kloten	CHF	100,000	100%
APT Airport Technologies AG	Kloten	CHF	100,000	100%
Unique Airports Worldwide AG	Kloten	CHF	100,000	100%
Unique Chile S.A.	Santiago de Chile	Pesos	2,184 million	100%
Unique Airport Latin America (UALA) S.A.	Santiago de Chile	Pesos	2,595 million	84%
Aeropuertos Asociados de Chile S.A.	Santiago de Chile	Pesos	5,190 million	42%
Administracion de Concesiones IDC S.A.	Santiago de Chile	Pesos	185 million	42%
Concesion Aeropuerto El Loa S.A.	Santiago de Chile	Pesos	563 million	34%
Concesion Aeropuerto La Florida S.A.	Santiago de Chile	Pesos	843 million	42%
Concesion Aeropuerto El Tepual S.A.	Santiago de Chile	Pesos	895 million	34%

Unique (Flughafen Zürich AG) exercises control over its Chilean holding companies in accordance with the terms of a shareholder agreement. All interests have been fully consolidated.

7. Notes to service concession agreement

The Federal Department of Environment, Transport, Energy and Communications (DETEC) awarded Unique (Flughafen Zürich AG) the operating licence for Zurich Airport for the period from 1 June 2001 to 31 May 2051.

Main conditions:
The licence encompasses the operation of an airport in accordance with the provisions of the ICAO (International Civil Aviation Organization) governing domestic, international and intercontinental civil aviation services.
Unique (Flughafen Zürich AG) is authorised and obliged to operate Zurich Airport for the entire period cited in the operating licence, and to maintain the necessary infrastructure for this purpose. To accomplish this, it is entitled to collect fees from all users of the airport.
Furthermore, Unique (Flughafen Zürich AG) is authorised to assign specific rights and obligations arising from the operating licence to third parties. Insofar as they concern activities relating to airport operations such as refuelling, aircraft handling, passenger handling, baggage sorting and handling, post and freight handling, and catering, these rights and obligations shall be subject to the provisions of public law. Unique (Flughafen Zürich AG) regulates rights and obligations it has assigned to third parties in the form of binding entitlements (concessions).

Obligations:
The licence holder is obliged to grant access to the airport to all aircraft that are licensed to provide domestic and international flights. The volume of flight traffic and handling of licensed aircraft are governed by the regulations laid down in the Civil Aviation Infrastructure Plan (SIL) and the provisions of the operating regulations.
The licence holder is obliged to implement all measures relating to regulations governing the use of German air space for landings at, and take-offs from, Zurich Airport without delay, and to submit the necessary applications for approval by the authorities in good time. Within the period of one year following the mutual ratification of the civil aviation treaty between Germany and Switzerland, the licence holder is obliged to submit the revised and accordingly amended operating regulations to the Federal Office for Civil Aviation, together with the required environmental impact report. In an order dated December 2003 amending the above provision, DETEC stipulated that the licence holder is required to submit a set of operating regulations by 31 December 2003. Unique (Flughafen Zürich AG) submitted the temporary operating regulations in accordance with the stipulated deadline.
The licence holder shall meet all obligations to which it is bound through clauses of the civil aviation treaty between Germany and Switzerland without entitlement to compensation. This provision is the subject of pending legal proceedings instigated by Unique (Flughafen Zürich AG), in which it calls for the above clause to be declared null and void. No ruling has been made to date.
The licence holder is empowered and obliged to enforce sound insulation measures and to implement them where they are not the subject of dispute.
The building permits and planning approvals granted to the Canton of Zurich as former proprietor of the airport shall be transferred to Unique (Flughafen Zürich AG).

Assignment of parts of operating licence to third parties:
As part of the bilateral agreements that came into effect on 1 June 2002, the EU ground handling guidelines (Directive 96/67/EU dated 15 October 1996 concerning free access for ground handling service providers to airports within the EU) also became applicable to Switzerland. Unique (Flughafen Zürich AG) was subsequently entrusted with the task of incorporating this directive into its own operating regulations. For this purpose, a supplement to the operating regulations came into effect on 1 January 2003. As a consequence, requests for tenders relating to the award of licences for ground handling operations have been initiated in those areas in which the number of admissible service providers has to be limited. Provisional licences are being issued until such time as the request for tenders procedure has been concluded.

8. Events occurring after the balance sheet date

The Board of Directors authorised the 2003 consolidated financial statements for issue on 26 February 2004. These also have to be approved by the General Meeting of Shareholders. No events occurred between 31 December 2003 and the date on which the consolidated financial statements were authorised for issue by the Board of Directors which would require the modification of any of the carrying amounts concerning the assets and liabilities of the group or which would have to be reported here.

Consolidated financial statements according to IFRS

Report of the Group Auditors to the General Meeting of **Flughafen Zürich AG, Zürich**

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes; pages 68 to 93) of Flughafen Zürich AG for the year ended 31 December 2003.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Without qualifying our opinion, we draw attention to the current risks described on page 78 in the notes to the consolidated financial statements. The risks and uncertainties referred to therein, which to a great extent are beyond the company's control, could have a significant negative impact on the company's operations and in turn on its financial situation and performance. The impact of such risks and uncertainties cannot presently be conclusively determined.

KPMG Fides Peat

Hanspeter Stocker Swiss Certified Accountant	Roger Neininger Swiss Certified Accountant Auditor in Charge

Zurich, 26 February 2004

Financial statements of Flughafen Zürich AG pursuant to the provisions of the Swiss Code of Obligations (CO)

Income statement for 2003 and 2002
(Financial statement according to the provisions of commercial law; Flughafen Zürich AG)

(CHF thousand)	Notes	2003	2002
Revenue from sales of products and services		552,542	521,817
Total revenue		**552,542**	**521,817**
Depreciation and amortisation		(159,874)	(121,026)
Personnel expenses		(138,364)	(136,812)
Police and security		(71,629)	(74,119)
Sales, marketing, administration		(50,709)	(28,436)
Maintenance		(27,947)	(32,702)
Energy and waste		(19,893)	(18,560)
Other operating expenses		(16,979)	(15,792)
Cost of materials used		(10,090)	(6,979)
Deposits into renovation fund		(5,500)	(5,500)
Ordinary profit before interest and taxes		**51,557**	**81,891**
Financial result, net	(1)	(52,399)	(65,460)
Extraordinary result, net	(2)	14,306	(2,099)
Non-operating result, net	(3)	(1,718)	(923)
Profit before taxes		**11,746**	**13,409**
Taxes		(1,828)	(1,637)
Net profit		**9,918**	**11,772**

Balance sheet as of 31 December 2003 and 31 December 2002
(Financial statement according to the provisions of commercial law; Flughafen Zürich AG)

(CHF thousand)	Notes	31.12.2003	31.12.2002
Assets			
Movables		77,938	62,039
Buildings, engineering structures		2,094,695	1,887,718
Land		112,267	111,164
Projects in progress		323,525	430,507
Total property, plant and equipment		**2,608,425**	**2,491,428**
Intangible assets		22,452	20,215
Financial assets	(4)	11,492	9,896
Non-current assets	**(5)**	**2,642,369**	**2,521,539**
Inventories		3,019	3,173
Receivables arising from sales of goods and services		67,533	66,717
Other receivables and prepaid expenses	(6)	40,867	30,815
Cash and cash equivalents, securities	(7)	157,328	24,003
Current assets		**268,747**	**124,708**
Total assets		**2,911,116**	**2,646,247**
Equity and liabilities			
Share capital		245,615	245,615
Legal reserves			
– Premium		269,254	269,254
– General reserves		19,060	19,060
– Reserves for own shares	(7)	24,999	25,034
Other reserves		55,859	55,824
Balance sheet loss			
– Loss brought forward		(17,605)	(29,377)
– Net profit		9,918	11,772
Equity		**607,100**	**597,182**
Debentures & non-current loans	(8)	1,861,923	1,425,000
Renovation fund		91,102	85,602
Airport of Zurich Noise Fund		79,706	52,333
Non-current provisions	(9)	5,499	7,265
Non-current liabilities		**2,038,230**	**1,570,200**
Liabilities arising from purchases of goods and services		33,780	38,072
Current financial liabilities	(10)	130,500	309,020
Other current debt, accruals and deferrals		92,043	121,626
Current provisions	(11)	9,463	10,147
Current liabilities		**265,786**	**478,865**
Total liabilities		**2,304,016**	**2,049,065**
Total equity and liabilities		**2,911,116**	**2,646,247**

Notes to the financial statements of Flughafen Zürich AG

Accounting principles

1. General remarks

The presentations and explanations below refer to the financial statements pursuant to the provisions of Swiss commercial law (Swiss Code of Obligations). These financial statements also serve for tax purposes and form the basis for the statutory business of the Annual Meeting of Shareholders.

2. Valuation principles

Unless stated otherwise, the same principles apply as those used in the consolidated financial statements in accordance with IFRS.

Fixed assets

In contrast to the consolidated financial statements according to IFRS, the influence of the reverse take-over is irrelevant (revaluation of the FIG fixed assets as of 1 January 2000, including deferred taxes).

Goodwill

The goodwill amounting to 24.8 million Swiss francs arising as a result of the reverse take-over is not relevant in the financial statements according to commercial law.

Renovation fund

As in previous years, the renovation fund, which is used for future renovation in order to preserve the value of existing buildings, was increased by with 5.5 million Swiss francs (only in financial statements according to commercial law).

Own shares

In contrast to the consolidated financial statements in accordance with IFRS, holdings of own shares as of 31 December 2003 are reported under securities. Under the heading "Equity", these are reported as prescribed by the provisions of the Code of Obligations. Furthermore, the provision of free shares to employees and the unrealised loss on holdings as of 31 December 2003 were charged to the income statement.

Costs associated with the issue of debentures and the conclusion of foreign long-term loans

In the financial statements prepared according to commercial law, the transaction costs are charged directly to the income statement, instead of being capitalised and amortised over the duration of the debenture or respective long-term loan using the effective interest method, as is the case in the consolidated financial statements prepared in accordance with IFRS.

Financial lease

In the IFRS consolidated financial statements, finance leases are recognised in the balance sheet, while in the commercial law accounts they are treated as off-balance-sheet transactions and disclosed in the notes ("Further details").

Derivative financial instruments

These are not reported in the financial statements according to commercial law.

Current risk situation

The current risk situation of Unique (Flughafen Zürich AG) is described in detail in "Risk management", pages 29 to 31. The following factors are regarded as the primary sources of risk for the company:

- Home carrier
- Legal issues
  - Mediation
  - Unilateral German ordinances
  - Operating licence and operating regulations
- Noise compensation and sound insulation measures
- Key financial data
- Falling demand

Unique (Flughafen Zürich AG) has carried out an impairment test (see notes to the consolidated financial statements according to IFRS, note 7).

The company monitors the above-mentioned risks and their potential consequences for Unique (Flughafen Zürich AG) on an ongoing basis and, in view of the cost-cutting measures already carried out and a number of other measures which are ready to be implemented as needed, Unique's continued operation is not considered to be in any immediate jeopardy due to these risks.

Notes

Income statement

1) Financial result, net

(CHF thousand)		2003		2002
Interest expenses on debentures and long-term loans	86,522		56,844	
Less capitalised interest on borrowings for buildings under construction	(10,606)		(23,018)	
Net interest expenses on debentures and long-term loans		75,916		33,826
Interest difference related to interest rate swap		12,572		8,875
Other interest expenses		6,500		3,837
Issuing costs		4,453		0
Interest expenses on bank loans		3,148		11,788
Other financial expenses		2,699		3,202
Interest expense of finance lease payments		659		0
Valuation adjustments of financial assets		0		5,541
Financial expenses		**105,947**		**67,069**
Gain on early redemption of debentures		(43,449)		0
Valuation adjustments of financial assets		(8,766)		0
Interest income on postal cheque accounts and bank deposits		(903)		(1,051)
Net foreign exchange gains, interest on arrears		(430)		(558)
Financial income		**(53,548)**		**(1,609)**
Total financial result, net		**52,399**		**65,460**

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.34 percent in 2003 and 4.88 percent in 2002.

Composition of gain on early redemption of debentures (in Swiss francs):

Duration	Interest rate	Nominal amount in CHF as of 1 Jan. 03	Nominal amount in CHF as of 31 Dec. 03	Early redemption (nominal)	Early redemption (effective)	Gain in CHF
2001–2004	4.000%	300,000,000	125,000,000	175,000,000	169,900,000	5,100,000
2000–2005	4.625%	300,000,000	82,000,000	218,000,000	205,862,000	12,138,000
1996–2006	4.625%	175,000,000	90,000,000	85,000,000	78,512,500	6,487,500
1995–2007	5.000%	150,000,000	75,000,000	75,000,000	70,146,575	4,853,425
2001–2009	4.250%	200,000,000	128,000,000	72,000,000	57,130,000	14,870,000
		1,125,000,000	**500,000,000**	**625,000,000**	**581,551,075**	**43,448,925**

2) Extraordinary result, net

(CHF thousand)	2003	2002
Extraordinary income	17,977	840
Extraordinary expenses	(3,671)	(2,939)
Extraordinary result, net	**14,306**	**(2,099)**

Extraordinary income includes:
- 11.6 million Swiss francs from the dissolution of short-term provisions that are no longer required.
- Construction and operational services provided by Unique (Flughafen Zürich AG) in connection with the installation of the new baggage sorting and handling system and the new aircraft energy supply system at Zurich Airport. Of this amount, the sum of 2.7 million Swiss francs concerns services that were already provided during 2002, but which had to be booked in the 2003 financial statements for operational reasons and for reasons relating to the finalisation of the associated loan agreements. In other words, this is aperiodic income.
- 2.6 million Swiss francs from settled disputes

Extraordinary expenses include:
- Waiver of loan to APT Airport Technologies AG in the amount of 2.1 million Swiss francs.
- 0.6 million Swiss francs withdrawal costs associated with the cancellation of the agreement to take over real estate from the “Cantonal Aircraft Noise Fund” (see “Capital commitments”, page 90).

3) Non-operating result, net

(CHF thousand)	2003	2002
Non-operating income	632	0
Non-operating expenses	(2,350)	(923)
Non-operating result, net	**(1,718)**	**(923)**

This includes all income and expenses not directly associated with the company's business activity.

Balance sheet

4) Financial assets

(CHF thousand)		31.12.2003	31.12.2002
NOVO Business Consultants AG, Berne	Equity share 15%, nom. share capital CHF 1.0 million	0	150
APT Airport Technologies AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
APT Airport Technologies AG, Kloten	Loan [1]	6,829	3,626
Unique Betriebssysteme AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Betriebssysteme AG, Kloten	Loan	(46)	(46)
Unique Betriebssysteme AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Airports Worldwide AG, Kloten	Loan [1]	4,409	5,866
Total financial assets		11,492	9,896

[1] Entirely subject to subordination

NOVO Business Consultants AG provides consulting and IT services. In order to focus on the core business, the stake in NOVO Business Consultants AG, Berne, was sold to the other existing shareholders in the year under review.
The purpose of APT Airport Technologies AG is to provide technical, operational and commercial design, planning, project implementation and operation of communication and strategic management systems for airports. As part of its ongoing efforts to improve the balance sheet of APT Airport Technologies AG, Unique (Flughafen AG) waived a loan in the amount of 2.1 million Swiss francs.
The purpose of Unique Betriebssysteme AG is to operate the infrastructure of relevance to Zurich Airport.
Unique Airports Worldwide AG is responsible for advising, operating or owning airports and/or airport-related companies throughout the world.
Loans to subsidiaries bear interest at market rates.

5) Fire insurance values

(CHF thousand)	31.12.2003	31.12.2002
Buildings incl. loading bridges	2,654,418	2,283,688
Movables	820,342	756,642

The figures shown above do not include engineering structures since these cannot be insured via the Building Insurance of the Canton of Zurich (GVZ). Buildings under construction (which are included in projects in progress) are covered by a construction period insurance with GVZ. These figures are therefore not included in this statement. Upon completion, the buildings concerned will be insured on the basis of estimates by GVZ.

6) Other receivables and prepaid expenses

These include the following:

(CHF thousand)	31.12.2003	31.12.2002
Current account with unique zurich airport staff pension fund	2,125	0

The current account bears interest at market rates.

7) Cash and cash equivalents, securities

(CHF thousand)	31.12.2003	31.12.2002
Cash and cash equivalents	138,438	18,595
Own shares	18,890	5,408
Total cash and cash equivalents, securities	**157,328**	**24,003**

Reserves for own shares are reported separately under equity.

Number of shares	2003	2002
Holdings at beginning of financial year	**125,765**	**124,883**
Acquisitions (at applicable market price)	281,989	3,843
Sales (at applicable market price)	(93,266)	0
Free distribution of shares	(23,877)	(2,961)
Holdings at end of financial year	**290,611**	**125,765**

The number of own shares held as treasury stock was 231,456 as of 31 December 2003 (31 December 2002; 113,968).

8) Debentures & non-current loans

(CHF thousand)	31.12.2003	31.12.2002
Debentures	375,000	1,125,000
Japanese private placement	421,173	0
Liabilities towards banks arising from US car park lease	400,000	0
US Private Placement	365,750	0
Non-current loan from Canton of Zurich	300,000	300,000
Total debentures & long-current loans	**1,861,923**	**1,425,000**

The following **non-current financial liabilities** are fixed interest-bearing borrowings:

Description	Interest rate	Duration	Amortisation
– Debentures	Sep. table	Sep. table	Sep. table
– Non-current loan from Canton of Zurich	5.000%	2002–2012	no
– US private placement	4.753%	2003–2015	from 2011
– Japanese private placement	5.490%	2003–2024	no
– Liabilities towards banks arising from US car park lease	3.606%	2003–2012	from 2005

For details concerning outstanding debentures and early redemption, please refer to the table below (in Swiss francs):

Nominal amount in CHF as of 1 Jan. 03	Early redemption	Nominal amount in CHF as of 31 Dec. 03	Duration	Interest rate	Early redemption	Interest payment dates
300,000,000	175,000,000	125,000,000	2001–2004[1]	4.000%	no	14. Sept
300,000,000	218,000,000	82,000,000	2000–2005	4.625%	no	5. July
175,000,000	85,000,000	90,000,000	1996–2006	4.625%	no	12. April
150,000,000	75,000,000	75,000,000	1995–2007	5.000%	no	28. Sept
200,000,000	72,000,000	128,000,000	2001–2009	4.250%	no	26. March
1,125,000,000	**625,000,000**	**500,000,000**	**Total**			

[1] Reported under current financial liabilities, since repayment due on 14 September 2004.

The gain on early redemption of debentures amounts to 43,449 million Swiss francs and is reported in financial result (see note 1, "Financial result, net").

9) Non-current provisions

(CHF thousand)	31.12.2003	31.12.2002
Pension liabilities	3,999	5,357
Provisional tenancy agreements	1,500	1,500
Long-service benefits (employees)	0	408
Total non-current provisions	**5,499**	**7,265**

10) Current financial liabilities

These include the following items:

(CHF thousand)	31.12.2003	31.12.2002
Debenture; repayment 14.9.2004	125,000	0
Loan from unique zurich airport staff pension fund[1]	5,500	5,500
Current account with unique zurich airport staff pension fund	0	720

[1] See note 6, "Other receivables and prepaid expenses"

The loan and current account bear interest at market rates.

11) Current provisions

(CHF thousand)	31.12.2003	31.12.2002
Amounts due to personnel (holidays and overtime)	9,048	8,147
Other liabilities	380	2,000
Tax liabilities	35	0
Total current provisions	**9,463**	**10,147**

Further details

Major shareholders

The following shareholders or groups of shareholders hold more than five percent of the voting rights:

	2003	2002
Canton of Zurich (including BVK pension fund)	48.80%	49.00%
City of Zurich (including pension fund of the City of Zurich)	5.41%	5.41%

Miscellaneous

(CHF thousand)	2003	2002
In the year under review, the dissolution of the employers' reserves in the unique zurich airport staff pension fund were reduced by	2,500	0
Remaining finance lease liabilities not reported in the balance sheet[1]	84,569	66,721

In connection with the US car park lease, the utilisation rights to multi-storey car parks 1, 2, 3 and 6 serve as collateral.

As of balance sheet date there were 46.3 million Swiss francs in the form of cash as collateral and 50 million Swiss francs in the form of letters of credit for the US private placement and Japanese private placement (cross currency swaps).

There are no further facts present which would require disclosure in accordance with Article 663b of the Swiss Code of Obligations.

[1] See accounting principles in financial statements, section 2, "Valuation principles".

Proposal by the Board of Directors concerning the distribution of retained earnings for 2003

The Board of Directors proposes to the General Meeting of Shareholders that the balance sheet loss of 7,687,113 Swiss francs should be carried forward to next year's financial statements.

Financial statements pursuant to the provisions of the Swiss Code at Obligations (CO)

Report of the Statutory Auditors to the General Meeting of Flughafen Zürich AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 95 to 102) of Flughafen Zürich AG for the year ended 31 December 2003.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Without qualifying our opinion, we draw attention to the current risks described on page 98 in the notes to the financial statements. The risks and uncertainties referred to therein, which to a great extent are beyond the company's control, could have a significant negative impact on the company's operations and in turn on its financial situation and performance. The impact of such risks and uncertainties cannot presently be conclusively determined.

KPMG Fides Peat

Hanspeter Stocker Swiss Certified Accountant	Roger Neininger Swiss Certified Accountant Auditor in Charge

Zurich, 26 February 2004

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