


# Annual Report 2006





Unique (Flughafen Zürich AG), P.O. Box, CH-8058 Zurich-Airport  
Phone +41 (0)43 816 22 11, [www.unique.ch](http://www.unique.ch)  
Corporate Communications, Jörn Wagenbach,  
Phone +41 (0)43 816 59 80, Fax +41 (0)43 816 46 15, [joern.wagenbach@unique.ch](mailto:joern.wagenbach@unique.ch)  
Investor Relations, Daniel Schmucki,  
Phone +41 (0)43 816 24 31, Fax +41 (0)43 816 47 80, [daniel.schmucki@unique.ch](mailto:daniel.schmucki@unique.ch)

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

**Zurich Airport is much more than just Switzerland's gateway to the world, it is also a major hub that is located in the heart of Switzerland's business world and brings together more than 70,000 people every day from a broad variety of countries and cultures.**

As the teddy bear in our film already knows, Zurich Airport is a great place to spend some time – whether you have just arrived, are waiting to catch a plane or simply want to make use of the numerous exciting shopping opportunities. So join him on his tour and learn more about the many fascinating sides of Switzerland's most important airport.

Simply load the enclosed CD and you are on your way – bon voyage!





## Contents



---

## 5 Key data (5-year comparison)

---

### General reports

9	Address to shareholders
13	Board of Directors and Management
17	Aviation business
21	Development of non-aviation business
23	Real estate and facility management (non-aviation)
27	Public affairs and corporate communications
29	Noise management and protection of residents
33	International activities
37	Corporate governance
47	Risk management
55	Significant events during 2006

---

### Business report

59	<b>Strategy and value management</b>
59	Strategic focus
59	Financial value management
59	Personnel
60	Environment

---

## 63 Key financial data

---

### 65 Business development

65	Trend in traffic volume
66	Total revenue and earnings trend
73	Segment reporting
75	Holdings and subsidiaries

---

### 76 Assets and financial position

76	Investments
76	Consolidated cash flow statement
77	Balance sheet structure

---

### 79 Outlook

---

## 81 Traffic statistics

---

### Financial report

98	Consolidated financial statements according to IFRS
135	Audit report
137	Financial statement according to the Swiss Code of Obligations (OR)
151	Audit report

---

## Key data (5-year comparison)



**Key financial data**

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

	2006	2005	2004	2003	2002
Total revenue	737,109	702,229	683,686	601,719	566,362
of which revenue from aviation operations	444,238	418,877	411,754	347,110	328,837
of which revenue from non-aviation operations	292,871	283,352	271,932	254,609	237,525
Operating expenses	358,837	338,282	328,712	304,215	320,693
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	378,272	363,947	354,974	297,504	245,669
EBITDA margin	51.3%	51.8%	51.9%	49.4%	43.4%
Profit	87,448	59,123	52,268	32,883	34,773
<i>Of which attributable to shareholders of Flughafen Zürich AG</i>	<i>87,448</i>	<i>59,123</i>	<i>52,406</i>	<i>32,935</i>	<i>34,623</i>
<i>Of which attributable to minority interests</i>	<i>0</i>	<i>0</i>	<i>(138)</i>	<i>(52)</i>	<i>150</i>
Investments	218,722	124,300	200,115	303,453	547,102
Cash flow <sup>1)</sup>	252,460	236,340	245,630	217,183	174,250
Ø Capital employed	2,614,618	2,569,922	2,644,421	2,638,304	2,408,216
Return on Ø capital employed (ROCE)	5.7%	5.4%	4.9%	3.6%	3.4%
Equity as of 31 December	1,230,464	805,999	756,446	708,687	740,339
<i>Of which attributable to shareholders of Flughafen Zürich AG</i>	<i>1,230,464</i>	<i>805,999</i>	<i>750,126</i>	<i>702,634</i>	<i>734,118</i>
<i>Of which attributable to minority interests</i>	<i>0</i>	<i>0</i>	<i>6,320</i>	<i>6,053</i>	<i>6,221</i>
Return on equity	8.6%	7.6%	7.2%	4.6%	4.8%
Equity ratio	38.8%	26.3%	24.0%	21.9%	24.9%
Interest-bearing liabilities (net, in accordance with IFRS)	1,177,985	1,745,299	1,770,910	1,930,572	1,782,990
Interest-bearing liabilities (IFRS) / EBITDA	3.11x	4.80x	4.99x	6.49x	7.26x
Interest-bearing liabilities (nominal)	1,290,360	1,786,198	1,919,134	1,987,191	1,782,581
Interest-bearing liabilities (nominal) / EBITDA	3.41x	4.91x	5.41x	6.68x	7.26x
<b>Key operational data</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Number of passengers	19,237,216	17,884,652	17,252,906	17,024,937	17,948,058
Number of flight movements	260,786	267,363	266,660	269,392	282,154
Freight in tonnes	363,325	372,415	363,537	389,843	421,811
Number of full-time positions as of 31 December	1,290	1,262	1,289	1,260	1,286
Number of employees	1,523	1,470	1,478	1,425	1,449
<b>Key data for shareholders</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Number of issued shares	6,140,375	4,912,300	4,912,300	4,912,300	4,912,300
Proposed dividend per share (in Swiss francs)	3.00	1.00	0.00	0.00	0.00
Dividend total (in thousand Swiss francs)	18,421	4,912	0	0	0
Payout ratio	21.1%	8.3%	0.0%	0.0%	0.0%
Capital per share (in Swiss francs)	200.39	164.08	153.99	144.27	150.71
Earnings per share (in Swiss francs)	15.35	12.08	10.97	7.02	7.23
Share price (in Swiss francs) high	380.00	236.00	150.00	71.00	136.75
low	235.00	147.00	66.75	18.00	42.00

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

<sup>1)</sup> Profit plus depreciation and amortisation and change in non-current provisions.



The following key data are shown excluding the influence of aircraft noise:

**Selected key data excluding the influence of aircraft noise**

<b>(CHF thousand)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total revenue	686,933	656,031	637,313	561,599	527,555
of which revenue from aviation operations	390,215	368,543	362,138	304,471	287,324
of which revenue from non-aviation operations	296,718	287,488	275,175	257,128	240,231
Operating expenses	358,837	338,282	328,712	304,215	320,693
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	328,096	317,749	308,601	257,384	206,862
EBITDA margin	47.8%	48.4%	48.4%	45.8%	39.2%
Profit	46,952	21,045	16,104	3,463	7,881
<i>Of which attributable to shareholders of Flughafen Zürich AG</i>	<i>46,952</i>	<i>21,045</i>	<i>16,242</i>	<i>3,515</i>	<i>7,731</i>
<i>Of which attributable to minority interests</i>	<i>0</i>	<i>0</i>	<i>(138)</i>	<i>(52)</i>	<i>150</i>
Investments	103,985	124,300	200,115	303,453	547,102
Cash flow <sup>1)</sup>	222,855	208,804	218,706	195,359	154,518
Earnings per share (in Swiss francs)	8.24	4.30	3.40	0.75	1.61

<sup>1)</sup> Profit plus depreciation and amortisation and change in non-current provisions.





Anja Frei  
Head of VIP service

## Address to shareholders



**Andreas Schmid**  
Chairman of the Board of Directors

**Josef Felder**  
Chief Executive Officer

Dear Shareholders,

Following a satisfactory development in 2005, the 2006 financial year was pleasing for Unique (Flughafen Zürich AG). The takeover of home carrier Swiss by Lufthansa, and the associated integration of Swiss into the Star Alliance, had a favourable impact on the development of the market, as the trend in passenger volume clearly shows. The figures were above expectations for both local and transfer passengers. With an increase of almost 32 percent, the trend in the transfer passengers segment was especially pleasing. A sharp rise in the passenger volume became apparent in the first half of the year, and persisted through to the end of 2006, resulting in a total volume of 19.2 million passengers. This is the highest number of passengers to use Zurich Airport as the gateway to the world in any single year since the founding of Swiss. Flughafen Zürich AG has thus been further strengthened and is well equipped for the future.

As far as **operations** are concerned, Flughafen Zürich AG was able to reinforce its position in terms of punctuality despite competitive disadvantages resulting from the unilateral German ordinance. The restrictions imposed by this ordinance continue to result in significant delays to air traffic, especially at weekends, and as before they place Zurich Airport at a considerable disadvantage versus its European competitors. Nonetheless, Zurich has succeeded in holding its own in terms of punctuality in an international comparison by maintaining its position in the upper third of the table. Since the completion of expansion stage 5, a high percentage of passengers has consistently judged Zurich Airport as a leading civil aviation hub in the heart of Europe, as a result of which it has won numerous international awards. Of special note are the Airport Service Quality Awards bestowed by the ACI (Airport Council International) to Europe's top airports in terms of the overall satisfaction of departing passengers, and our third-place ranking worldwide in the category of airports serving 15 to 25 million passengers per year. As of the end of 2006, the number of people employed at Zurich Airport was approximately 20,700, of which 1,523 were employed by Flughafen Zürich AG. This represents an increase of around 100 jobs (plus 53 at Flughafen Zürich AG).

The last two months of the year under review saw the introduction of more stringent security regulations relating to hand luggage, and these gave rise to high additional costs. In October 2006, the Swiss Federal Office for Civil Aviation (FOCA) decided that, for practical reasons, the new regulations governing the carriage of liquids in hand luggage that were applicable at all EU airports should also be adopted in Switzerland. At the international level, urgent efforts are required in order to ensure that uniform security regulations apply throughout the world. In view of these new regulations, the Federal Council decided to make it possible also for incoming passengers to purchase duty-free items, but this will take some time since the current legislation relating to alcohol, tobacco and VAT will first have to be amended.

**Profit** in the 2006 financial year amounted to 87.5 million Swiss francs (plus 48 percent) and thus exceeded expectations. Without taking noise-related data into account, profit would amount to 47 million Swiss francs (plus 123 percent). The Board of Directors is proposing the payment of a dividend of 3 Swiss francs per share.

#### **Aircraft noise and questions relating to compensation**

On 16 March 2006, Flughafen Zürich AG was able to present a comprehensive solution by means of which the financial and balance-sheet risks associated with compensation for aircraft noise can be sustainably reduced and limited. This solution comprised the following main elements:

- A capital increase of approximately 310 million Swiss francs
- Premature repayment of the loan of 300 million Swiss francs to the Canton of Zurich (without additional costs)
- Issue of a debenture in the amount of 150 million Swiss francs
- A new committed credit line of 200 million Swiss francs that is reserved exclusively for covering any financing gap that may arise in association with aircraft noise
- Investing liquid funds of Airport of Zurich Noise Fund separately in financial assets and cash equivalents.



All activities were successfully implemented in the first half of 2006. Within the scope of the above solution, the Canton of Zurich reduced its investment in Flughafen Zürich AG to the legal minimum of 33.33 percent, plus one share.

In association with the initial specific proceedings concerning noise compensation at Zurich Airport, in December 2006 the Federal Assessments Commission pronounced its rulings on 18 pilot cases in the municipality of Opfikon. It found that compensation should be paid in 3 out of the 18 cases. The parties involved in the 18 pilot cases are appealing to the Swiss Federal Tribunal as ultimate authority, and the ruling by the latter is not expected before the end of 2007.

#### **Future development**

In the political sphere, the main focus was on the process associated with the Civil Aviation Infrastructure Plan (SIL). Under the guidance of the Swiss Federal Office for Civil Aviation (FOCA), this process took a major step forward in 2006. The SIL is to define the background conditions for the future development of Zurich Airport, which will result in an official plan for the airport. The aim is to provide the population and the airport with the necessary degree of planning and legal security. A demand forecast by the federal government, which serves as the basis for the tasks associated with the SIL process, indicates that society's mobility requirements will continue to grow in the course of the next few years. It is the duty of Zurich Airport, and thus of our company as its operator, to meet this demand and provide the necessary infrastructure. In the SIL process, decisions have to be taken that will also enable future generations to meet their mobility requirements. In order to accomplish this, Zurich Airport and its operator need to have the conditions and solutions at their disposal that are necessary for creating legal security and stability. This will make it possible to secure the sustainable development of Zurich Airport as the country's most important transport infrastructure, and create the necessary degree of acceptance among the population.

#### **Changes within the Board of Directors**

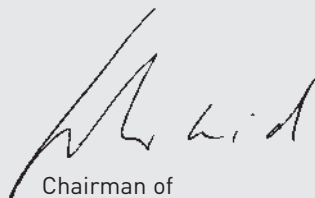
One change occurred in the composition of the Board of Directors in the year under review. At the General Meeting of Shareholders on 11 April 2006, Eduard Witta declared that he would not be standing for re-election. He served on the Board of Directors of Flughafen Zürich AG and the former Flughafen-Immobilien-Gesellschaft FIG for a total of 24 years. As President of the FIG Construction Commission, which was responsible for implementing the various expansion and renovation projects at the airport on behalf of the Board of Directors, he was heavily involved in the ongoing development of the airport's civil engineering infrastructure and greatly influenced the appearance of the airport as we know it today. During his long tenure of committed, constructive service to Zurich Airport, Eduard Witta contributed notably towards maintaining the stability of the organisation through many difficult and challenging years. His efforts on behalf of Flughafen Zürich AG were enormously valuable, and the company wishes to express its sincerest gratitude. On 11 April 2006, the General Meeting of Shareholders elected Thomas Kern to the Board of Directors. Thomas Kern was CEO of the Globus group until the end of 2006. With his broad experience and comprehensive knowledge of market conditions in the retail trade, he brings new impulses to Zurich Airport and support for the ongoing development of non-aviation business.

**Thanks**

We wish to express our appreciation to all our shareholders for their long-term commitment and the trust they have placed in Flughafen Zürich AG. The company's share price once again rose continually last year, and we regard this as an indication of your ongoing confidence. We would also like to extend our thanks to our business clients, especially all airlines, licensees, commercial partners and tenants for their support and co-operation. Our sincerest thanks also go to all our employees for their valuable efforts throughout the year. Their achievements consistently demonstrate the sound constitution of the company and its ability to sustain good performance in a highly dynamic environment.

Zurich-Airport, 8 March 2007

Andreas Schmid



Chairman of  
the Board of Directors

Josef Felder



Chief Executive Officer



## Board of Directors and Management



**Chairman**

- Andreas Schmid  
Vice Chairman of the Board of Directors of Barry  
Callebaut AG

**Vice Chairman**

- Dr. Lukas Briner  
Director of the Zurich Chamber of Commerce  
Appointed by the government of the Canton of  
Zurich

**Members**

- Martin Candrian  
Chairman of the Board of Directors of Candrian  
Catering AG
- Rita Fuhrer  
Member of the Cantonal Government, Economic  
Director of the Canton of Zurich  
Appointed by the government of the Canton of  
Zurich
- Thomas Kern (from 11 April 2006)  
CEO of the Globus group until 31 December 2006
- Dr. Elmar Ledergerber  
Mayor of the City of Zurich
- Dr. Kaspar Schiller  
Attorney-at-law, partner in the legal practice of  
Schiller Denzler Dubs, Winterthur
- Dr. Martin Wetter  
Appointed by the government of the Canton of  
Zurich
- Eduard Witta (until 11 April 2006)  
Civil engineer, co-owner of MWV Bauingenieure  
AG

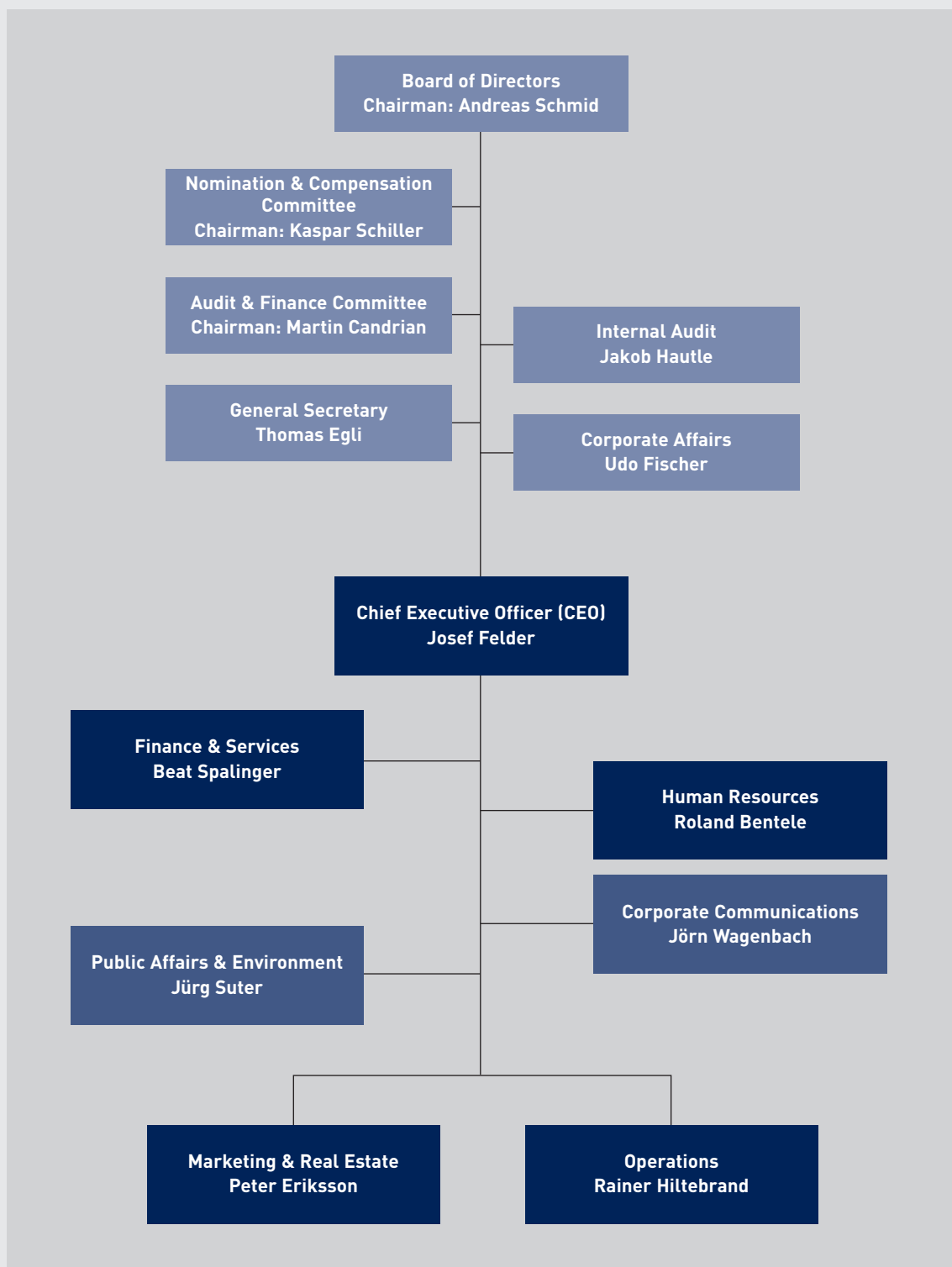
**General Secretary**

- Thomas Egli



Gabriela Linner  
Public Affairs & Environment assistant

Organisation chart, 2006





## Aviation business





## Infrastructure and planning

### Civil Aviation Infrastructure Plan (SIL)

Federal government planning processes like the SIL are area planning instruments that aim to secure national interests over the long term. Cantonal authorities have been pursuing their own area planning interests for many years in the form of guideline plans, and have made no efforts to keep the landing and take-off axes free from residential development. By contrast, the plans for Zurich Airport have still not been finalised, even though the Area Planning Act was introduced almost 30 years ago. The SIL process for Zurich was initiated in 2001, but came to a standstill again the following year, and the ensuing mediation process broke down almost before it got off the ground. The federal government subsequently re-started the SIL process in autumn 2004, and since then the Swiss Federal Office for Civil Aviation (FOCA), the Department of Economics of the Canton of Zurich and Flughafen Zürich AG have been working together on this project as partners. In October 2005, a number of fundamental documents were published following an in-depth co-ordination discussion. Since then the partners in the project have been pushing ahead with the development of future operating options in order to define comprehensive and transparent principles for the purpose of political debate. On 8 December 2006, in the first part of the second round of co-ordination talks the FOCA presented the comprehensive results of this project phase – a total of 19 different operating options involving three runway systems developed to varying degrees – to federal authorities and representatives of the neighbouring cantons and the relevant German authorities. At the same time it informed the general public about these results. While the option based on a parallel runway system would be able to meet the demand anticipated by the federal government once in operation, the options based on the existing runway system or extensions of runways 28 and 32 would not be able to meet the expected demand. This means that as of 2030, it would not be possible to meet the anticipated demand for air transport. Since modifications of airport infrastructure require at least 15 years in Switzerland, given the existing forecast, an interim supply shortfall is inevitable, even if rapid progress should be made in implementing a solution.

With 19 operating options on the table, there is now a great deal of material to be discussed, and it is up to the federal government to decide on the space that is to be reserved for meeting future mobility requirements and the space that is to be declared free for residential development. According to the

current planning schedule, the federal government's decision is to be expected by the end of 2009.

Until this decision has been made, it will not be possible to achieve the necessary legal and planning security for Zurich Airport and its vicinity.

### Instrument landing system on runway 28

The installation of the instrument landing system on runway 28 was completed in 2005, and the new landing procedure was put into operation as planned on 26 October 2006. Before this could be effected, however, a lengthy period was required for testing the transmitter, training air traffic controllers, adjusting the airspace parameters to the east of the airport and obtaining various safety certificates. In addition, the suspensive effect of the objections that had been lodged against the changes to the landing regime had to be nullified by the Federal Tribunal. In accordance with the associated ruling by the Federal Tribunal, however, the existing regulations governing the minimum visibility distance for landings is to remain unchanged for the time being. This means that, when the visibility conditions are poor, evening approaches will have to be made from the south as before. Flughafen Zürich AG aims to continue securing the maximum availability of runway 28 for landings, even in adverse weather conditions, and to this end a variety of additional clarifications and safety studies are currently in progress.

### Alternative flight path along Switzerland's northern border

In order to at least partially ease the burden on the most densely populated areas to the south of the airport, Flughafen Zürich AG submitted a petition to the Swiss Federal Office for Civil Aviation (FOCA) on 31 December 2004 for an alternative flight path along Switzerland's northern border with visual approach. The aim here is to reduce the number of approaches from the south between 6 a.m. and 7 a.m. The modifications to the approach procedure requested by the FOCA on the basis of its test flights resulted in a revision of the initial application. This process was completed when the revised application was submitted to the FOCA on 31 October 2006. The required adjustments primarily concern the final approach curve, which now forms an integral part of the visual approach, and the expansion of the Stadlerberg obstacle lighting system. The FOCA has confirmed that the application is complete, and is ready for public presentation. At the same time, Skyguide is working on the definition of the airspace parameters and making the necessary preparations for the introduction of the new flight path.

### **The “Zurich 2010” project**

For the implementation of the Schengen Agreement, it will be necessary to separate passenger flows and modify the passport control facilities, as well as create additional gates. The project planning was intensified in 2006, and in the middle of the year it was incorporated into a project called “Zurich 2010”, together with the planning for centralised security check facilities.

For the necessary additional gates a variety of options have been studied in depth, and detailed cost estimates have been made. In January 2007, the Board of Directors decided to initiate detailed planning for an additional bus gate and renovation/extension of Dock B. Whether these projects are ultimately implemented depends on the outcome of the initiative calling for restrictions on flight operations (“Plafonierungsinitiative”), which is set to be voted on by the electorate probably sometime in autumn 2007, but no later than in March 2008. The federal government is responsible for specifying the introduction date for the Schengen Agreement, and at present this is planned to coincide with the change of flight plan in autumn 2008.

The centralisation of security checks involves the transfer of facilities to a location in front of Airside Center. This move will enhance the quality of services for passengers (security checks at the beginning of the passenger handling process) and simultaneously cut operating costs. Furthermore, centralised security check facilities will give rise to greater flexibility with respect to further modifications to security procedures that may be required in the future.

### **Operations**

#### **Quality of the airport from the point of view of its users**

The quality of Switzerland’s most important international airport was improved again in the course of 2006. The high volume of positive feedback from users, the reduction in the number of complaints, plus a variety of external awards won, are confirmation of the recognition of the high quality of services at Zurich Airport. For example, readers of “Business Traveller” voted Zurich the leading major and transfer airport in Europe. Zurich Airport also received Airport Service Quality Awards from the ACI (Airport Council International) recognising Zurich as Europe’s best airport based on the overall satisfaction of departing passengers and as the third best airport worldwide in the

category of airports serving 15 to 25 million passengers per year. In June, Zurich Airport received the RIBA (Royal Institute of British Architects) International Award for Excellent Architecture for Airside Center and the airport railway terminal. And in September, within the scope of the World Travel Awards, Zurich Airport was named “Europe’s Leading Airport” for the third year in succession.

### **Punctuality**

Punctuality is an important indicator for the quality of an airport. During 2006, Flughafen Zürich AG and its partners were able to increase the degree of punctuality (departures with a delay of less than 15 minutes) at Zurich Airport by a further one percent (in accordance with the declared target), despite the harsh winter and difficult weather conditions during the summer. This meant that, in a comparison of the 27 most important airports in Europe, Zurich was able to hold its place in the top ten throughout the entire year. Contributing factors here include the modification of the bus boarding procedure, the more efficient procedure for boarding aircraft, and in particular the reopening of runway 28 for take-offs between 7 a.m. and 9 a.m. at weekends and on public holidays in Baden-Württemberg. The comprehensive safety review required for the operation of the runway intersection – due to simultaneous landings on runway 34 and take-offs from runway 28 – in association with the introduction of the procedure for approaches from the south in autumn 2003, was concluded in the first half of the year. This means that aircraft can now take off from the main runway again from 7 a.m. onwards, even during periods in which over-flight restrictions apply over southern German territory.

### **Staff screening**

In accordance with the bilateral agreements between Switzerland and the European Union, Swiss airports are obliged to adopt EU security regulations. In the past, security measures in Switzerland were based on a culture of trust and confidence in airport employees, but this concept now has to be replaced by a screening and monitoring system that meets EU requirements. The relevant EU directive governing staff screening calls for security checks to be carried out on all employees and vehicles as they enter and leave security zones. At Zurich Airport, the new regulations are to be introduced in three stages. Phase I (dock zones) was implemented on 4 October 2004; this was followed by phase II on

1 January 2006, which included the passenger ramps and bus services in areas that are only accessible to security personnel. This means that everyone involved in passenger flows is now subjected to a security check.

The planning for phase III was initiated in the course of 2006. Here the aim is to incorporate the entire apron areas and baggage handling process, including all vehicles, into the security check process. This means that facilities for performing security checks now have to be installed at all approaches and staff access points for personnel to the apron areas.

The introduction of phase III was initiated in January 2007, and it will give rise to major changes to a variety of handling processes, as well as to higher costs due to the need for additional security personnel.

#### **Ban on liquids**

On 10 August 2006, plans for terrorist attacks were discovered in the UK, in which the aim was to blow up a number of aircraft over American cities using liquid explosives. As a consequence, on 17 October 2006 the EU Security Commission introduced new regulations that Switzerland adopted with effect from 6 November 2006, and which ban the carriage of liquids in hand luggage and also place special requirements on the sale of duty-free goods. The introduction of the new regulations called for additional security procedures, and resulted in additional costs for Zurich Airport, as well as longer waiting times for passengers in an initial stage.

#### **ISO certification**

The Flughafen Zürich AG fire brigade is the first professional fire brigade in Switzerland to qualify for ISO certificate 9001:2000. This means that Safety & Security, Flight Operations and Airfield Maintenance, which are responsible for operational activities, have all been awarded ISO 9001:2000 and ISO 14001:2004.

#### **Safety management system**

The International Civil Aviation Organisation (ICAO) has set itself the goal of promoting and enhancing safety in the civil aviation sector by introducing uniform international technical and procedural standards. Airports are obliged to guarantee safe and proper operation, and thus to observe the standards and recommendations of the ICAO. One of these standards requires airports to introduce a safety management system.

Flughafen Zürich AG has had a safety management system certified by the Swiss Federal Office for Civil Aviation (FOCA) in place since June 2006, and thus makes its own contribution towards guaranteeing a high level of operational safety. The main elements of this system at Zurich Airport are as follows:

- Safety policy
- Documentation of safety processes
- Evaluation of incidents and accidents for the purpose of accident prevention
- Safety audits and inspections within Flughafen Zürich AG and other companies at the airport
- Continual improvement and educational measures.

The above elements are documented in the Zurich Airport manual, which summarises the relevant safety processes, and forms an integral part of agreements with external providers of handling services. All companies operating at Zurich Airport are required to establish an internal safety organisation and to nominate a safety officer who is answerable to Flughafen Zürich AG. All companies at the airport are thus obliged to co-operate with Flughafen Zürich AG and are integrated into the safety management system.

## Development of non-aviation business



### Expansion of products and services

In the course of 2006, Flughafen Zürich AG introduced a variety of new products and services with the aim of strengthening its market position. In January it placed trolleys at the disposal of passengers in the non-public area after passport control for convenient transport of hand luggage and shopping bags. This service has proved to be extremely popular. An arrivals/transfers video was created and placed at the disposal of airlines in order to provide passengers with more detailed information about the services and procedures at Zurich Airport. Nursery and daycare facilities are available to provide professional care to children of airport personnel or of working parents from neighbouring towns and villages. A total of 16 smoking lounges are now available at Zurich Airport. This service is unmatched at any other airport in the world, and it means that all public areas are completely smoke-free as of January 2007.

A number of new shops were opened during the year under review, including Manor Papeterie, Navyboot (ladies' and men's fashion wear) and Casa Fantastica (gifts and household accessories), and the floor space of the Migros supermarket was also enlarged. Expansions were also carried out to cafés, bars and restaurants, including Starbucks Café, Segafredo Café and the Bye Bye Bar, and other providers enlarged their menus or gave their premises a facelift, e.g. Center Bar and Pearl Bar. In November the Federal Council gave its approval for an arrivals duty-free service, and referred the corresponding motion to Parliament. However, due to the necessary amendments to existing legislation it is likely to be some time before incoming passengers will be able to make duty-free purchases.

### Increased attractiveness as the result of special events and promotions

Some of the older sections of the airport have been given a gentle facelift. Those locations that were already earmarked in 2005 as suitable for promotions and events were actively marketed during 2006, and are now enjoying frequent use for a broad range of purposes, e.g. presentations of new motor vehicles, live TV transmissions of major events, and sales promotions. The highlight of 2006 was a "Best of Switzerland" marketing campaign that was organised by Flughafen Zürich AG in close collaboration with Confiserie Sprüngli, Lindt &

Sprüngli and The Nuance Group, under the title "Soul of Chocolate". This promotion documented the traditional skills of Swiss chocolate-makers in a truly impressive manner, and underscored the importance of strategic partnerships. In May, an Avro RJ 100 "Jumbolino" operated by Swiss International Air Lines AG took off for the first time with its fuselage decorated with the wording "Shopping Paradise Zurich Airport" – an event that was also greatly appreciated by aviation buffs. In October, a new attraction in the form of brief "video" sequences was installed in both tunnels of the Skymetro shuttle as part of the strategic partnership with Switzerland Tourism – passengers inside the shuttle suddenly see an appealing sequence of images depicting Swiss motifs created on the basis of the "flip show" phenomenon. The quality of time spent by visitors to Zurich Airport was also enhanced through quality controls and a broad range of other measures, all intended to make everyone's stay as pleasant as possible.

### Strategic partnerships

The first issue of the new "Partner Newsletter" was sent out in May. Every month, all clients and partners receive this newsletter containing information about all the activities going on at the airport. The degree of co-operation with clients and service providers in the various daily activities was improved during the year. The commercial conference (which is held twice a year) and the annual meeting for tenants at the airport have met with a positive response.

Decisive progress was achieved in the area of strategic partnerships both at the airport itself and with respect to marketing efforts at the national and international levels, in particular with Swiss International Air Lines and Switzerland Tourism. We were also able to enter into a new strategic partnership with the Swiss Transport Museum in Lucerne. The main aim of these strategic partnerships is to market Switzerland with Zurich Airport as an integrated transport hub and commercial centre.



## Real estate and facility management (non-aviation)



**More active marketing and development of real estate**

With its 1.2 million square metres of floor space, Flughafen Zürich AG is one of Switzerland's largest infrastructure providers. Its rental premises range from logistics and storage space, operations areas and hangars to customer desks and lounges, office space and parking facilities. In 2006, the market environment in the vicinity of the airport was once again characterised by over-capacities, especially with respect to business premises. The improving economy and resulting corporate growth will push up demand for floor space again. However, the volume of vacant space remains fairly high due to the numerous construction projects in the vicinity of the airport. In 2006, Flughafen Zürich AG was able to keep the volume of vacant space at a constant level that was fairly low in comparison with the overall market, but in the next few years additional space will come onto the market owing to the departure of Skyguide and some of the operations of Swiss International Air Lines AG, and the creation of new floor space, such as the new hotel currently being constructed at the airport. This situation generates opportunities for optimising tenancies, as the first successful steps taken in this direction in 2006 have shown. Larger clients who until now have had to rent premises in different buildings can consolidate at locations optimally suited to them. A long-term rental agreement with an international services group has already been concluded for most of the new office space on the upper floors of the new hotel complex, which has been rented by Flughafen Zürich AG from ACRON L&R Immobilien. However, as a consequence of the cited departures of tenants, the volume of vacant space is also likely to increase somewhat in the next two to three years, though we hope to keep it to a minimum through intensive and proactive marketing.

The only two residential properties owned by Flughafen Zürich AG (namely in Embrach and Rümlang) were sold in 2006 in order to strategically optimise the company's real estate portfolio. At the same time, the centrally located building formerly used by Skyguide for training purposes was acquired by exercising the associated purchase option.

**Conclusion of accounting activities relating to expansion stage 5**

The most important buildings and installations resulting from expansion stage 5 were put into operation during 2003 and 2004, though various completion and removal activities still had to be carried out up to mid-2005. As of the end of 2006, the financial side of this enormous expansion project was concluded after a 12-year period of planning and construction, with the finalisation of the remaining construction costs. The total costs of 1,980.9 million Swiss francs (including VAT) were approximately 6 percent lower than the approved credits amounting to 2,103.9 million Swiss francs (including VAT).

The basis for the expansion project was the new master plan for Zurich Airport that was approved by the government of the Canton of Zurich in June 1992. In June 1995, the Zurich electorate approved the share to be contributed by the canton, namely 873 million Swiss francs, and thus implicitly gave the go-ahead for the expansion of the airport. The realisation of the expansion project was the sole responsibility of Flughafen Zürich AG, which commenced activity as airport operator on 1 April 2000. The expansion work was carried out during a period of sharply rising traffic volumes, followed by a phase of very low traffic movement and numerous uncertainties as a result of the grounding of Swissair. The entire expansion stage was completed on schedule and within budget. The total costs were more than 120 million Swiss francs lower than the approved credits, despite an increase in construction costs by around 6 percent during the period concerned. The additional orders versus the approved credits only accounted for around 1 percent of the overall costs.

**Ongoing construction projects**

In March, all contracts associated with the construction of the airport hotel were signed, so that the go-ahead for construction could be given. Flughafen Zürich AG is owner of the land and grantor of the development rights, while ACRON L&R Immobilien AG is investor and recipient of the development rights. The ground-breaking ceremony took place in May, and by the end of the year the hotel structure was already taking shape. The commencement in October of the construction work for stage 2 of the Glattalbahn (tram service), which is being financed by the Canton of Zurich, was another milestone last year. In two years time, this service will provide residents, airport personnel and travellers with even better connections to and from the airport. At the same time, work began to improve the approach roads by constructing an optimal approach route without intersections. As preparation for the Glattalbahn, in September 2006 Flughafen Zürich AG commenced the construction of a new intersection in front of Operations Centre, which will connect the approach roads from Butzenbühlring via a bridge over the Glattalbahn tramline, which is currently under construction. The new bridge will be handed over for operation in autumn 2007, and the Glattalbahn will begin its service to the airport in December 2008. There will be a total of three stops at the airport. The connection of the Glattalbahn to the Zurich Airport transport hub will further add to the significance and uniqueness of this comprehensive networking of public and private transport.





Jens Förster  
IT order manager



**Public affairs and  
corporate communications**



### Public affairs – political issues as key factors

In order for Flughafen Zürich AG to fulfil the operating mandate entrusted to it by the federal government and meet the mobility demand as forecast by the latter, it is essential that adequate development perspectives and competitive operating conditions are guaranteed for Zurich Airport. Flughafen Zürich AG keeps a close eye on the political decision-making processes at the municipal, cantonal and federal levels, and utilises the various consultation procedures to draw attention to the interests of Zurich Airport. The existing relations with political and economic players and trade associations are being intensified and broadened with the objectives of enhancing the level of acceptance of Zurich Airport as an international transport hub and national civil aviation infrastructure, and underscoring the important role the airport plays for Switzerland's economy. In the interests of promoting sound cross-border relations with Switzerland's close neighbours, it pays special attention to maintaining and expanding its existing relations with the region of southern Baden-Württemberg. In co-operation with *economiesuisse*, the Swiss International Airports Association and other partners from the civil aviation industry, Flughafen Zürich AG played a significant part in the organisation of the first Swiss Civil Aviation Congress, which was held at Zurich Airport. It was attended by more than 350 representatives from trade and industry, the political arena and scientific circles, who were provided with detailed information about the importance of the civil aviation industry for Switzerland. The periodically released bulletin, "Politikbrief" (which is published in German only) has meanwhile become an established aspect of the airport's communication activities. Each bulletin communicates complex technical and economic aspects of operations at Zurich Airport directly to political decision-makers.

### Media and PR

Flughafen Zürich AG uses a variety of channels to communicate with target groups. It maintains intensive contacts with the media. For example, in addition to periodical media releases and conferences, it organises annual background discussions with all members of the Management Board as well as visits to the most important editorial offices. Internal communication takes place in close consultation with Human Resources and Financial Market Communication (Investor Relations), under the leadership of the Finance & Services division.

### Internal communication and exchanges with communication partners

In addition to securing internal communication with

employees of Flughafen Zürich AG, which is co-ordinated within the Management Board and takes place via media such as the Intranet, staff newsletters and minutes of the fortnightly meetings of the Management Board, Corporate Communications also carries out exchanges of information on a regular basis with the relevant personnel of the main companies operating at the airport. These activities are carried out in line with the principle that Flughafen Zürich AG talks to its partners, not about them. Constant direct dialogue is especially valuable when sensitive issues or crisis situations arise. Its partners also include the relevant communication offices of the Canton of Zurich, namely the Department of Economics and the Department of Construction and Land Development, as well as the federal authorities that are of particular relevance for Flughafen Zürich AG. In 2006, the preparation of the communication activities associated with the second co-ordination discussion on the Civil Aviation Infrastructure Plan (SIL) was especially intensive.

### Zurich Airport as an events location

In addition to functioning as a transport hub, Zurich Airport is increasingly becoming an attractive commercial centre in line with its declared strategy. Corporate Communications contributes to this development in a variety of ways, including through the activities of Team Events & Visitor Services. Since August 2005, the airport has offered a number of other attractions in addition to the extremely popular spectators' terraces and guided tours. For example, there is "Event Dock" (an area of 8,000 square metres at the former Dock B), plus an open-air site measuring 11,000 square metres. In the year under review, the new event facilities attracted some 170 events (some private, others public) attended by a total of around 300,000 guests.

### Visitor Services

The Visitor Services section is responsible for all guided tours and sightseeing tours at Zurich Airport, including the tours that numerous independent companies (in addition to Flughafen Zürich AG) offer to visitors to the airport. In 2006, spectator terraces B and E were visited by approximately 300,000 people, while some 45,000 visitors booked a sightseeing or guided tour of the airport. The traditional Terrace Festival attracted around 10,000 visitors. Airport tour guides receive periodical training and are kept up to date with all security regulations, while numerous volunteers help with the organisation of major events without remuneration for their efforts. Since autumn 2006, the airport has operated a further popular attraction, namely its own "Bike & Blade" facility.

## Noise management and protection of residents





### Aircraft noise development

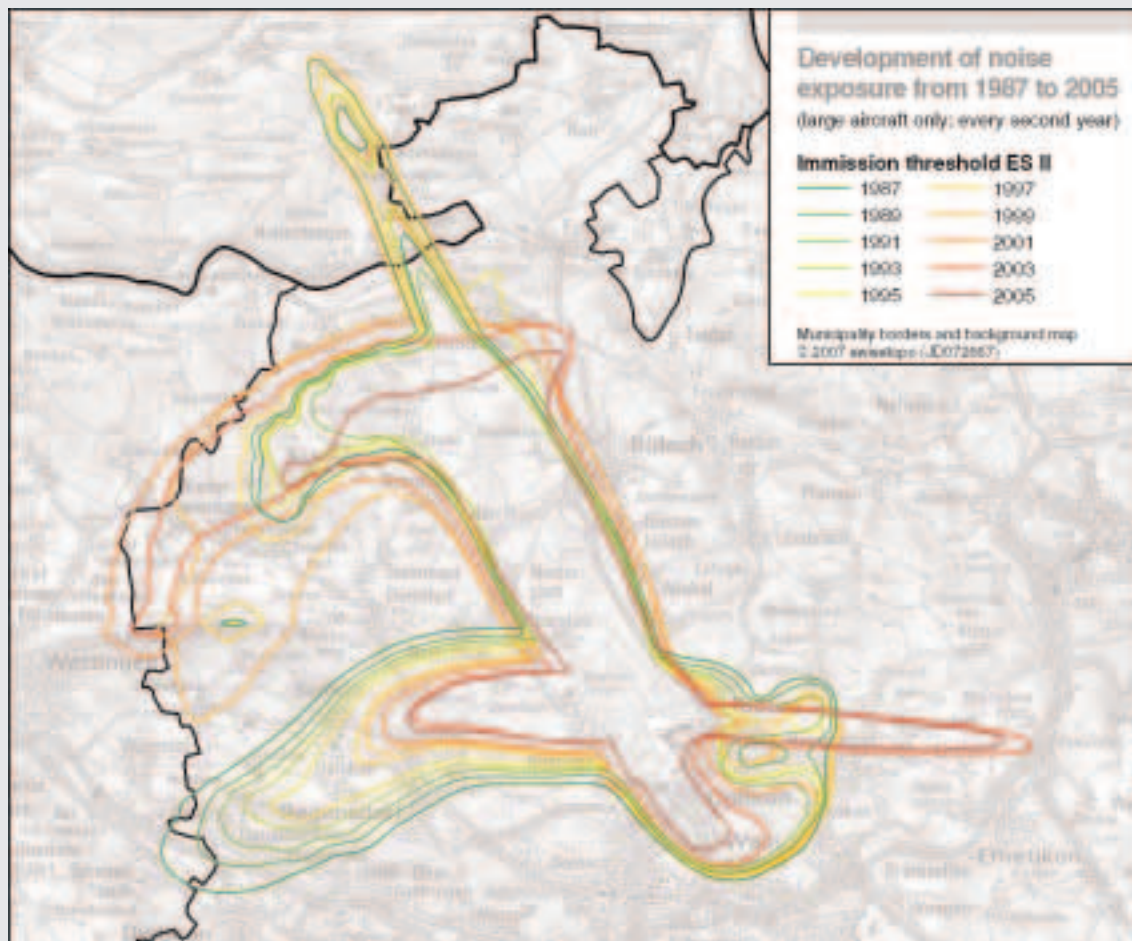
Aircraft noise has been the predominant topic for many years in public debates concerning present-day flight operations and the future development of Zurich Airport. Last year the main topics of the often intensive public debate were the introduction of the instrument landing system for runway 28, the Civil Aviation Infrastructure Plan (SIL), the future operating regulations, the cantonal initiative calling for a realistic airport policy ("Plafonierungs-initiative"), and the alternative flight path along the country's northern border.

Contrary to widespread public opinion, the effective level of exposure to aircraft noise has in fact fallen over the past few years despite an increase in air traffic, as can be seen from the illustration below, which shows the development of the noise

threshold of relevance to compensation since 1987. During this period the number of flight movements doubled, whereas the area of exposure to noise fell to only a quarter of that recorded in 1987.

This positive trend is the result of constantly improved aircraft engine technology. Aircraft manufacturers are endeavouring to cut engine noise levels by a further 50 percent by 2020. Zurich Airport already introduced noise-related landing charges as early as 1980, at which time it was one of the first airports in the world to do so. These charges are collected per landing and are based on the category to which each aircraft belongs. Noise-related charges encourage airlines to use low-noise aircraft at Zurich Airport.

### Development of noise exposure from 1987 to 2005





### Aircraft noise: distribution or concentration?

In the past few years, all discussions relating to aircraft noise have focused on the question of which area should be exposed to aircraft noise at which times of day and with how many aircraft (take-offs and landings), and whether these flight movements should be restricted to a narrow corridor or be more broadly distributed. Zurich Airport has always set out to restrict air traffic to sparsely populated areas. Take-off and approach paths have always been conceived as “minimum-noise routes”, i.e. as routes that expose as few residents as possible to aircraft noise.

But implementing this policy in the densely populated and fast-growing agglomeration of Zurich has become even more difficult today. In order to pursue as reliable and consistent a noise policy as possible, Flughafen Zürich AG has defined the following objectives:

- Steering mechanisms are to be developed that promote the use of low-noise aircraft. In addition, options for formulating regulations aimed at reducing aircraft noise are to be closely examined in order to reduce exposure to aircraft noise.
- To minimise the number of people exposed to aircraft noise, i.e. noise should be concentrated to the greatest possible extent, and flight paths should pass over the most sparsely populated areas.
- To minimise the number of new people exposed to aircraft noise, i.e. attention should be paid to the greatest possible extent to the development of residential zones that has taken place on the basis of the confidence placed in the operating concepts that have been in place to date.

The aim here is to find acceptable solutions for meeting the requirements of the various involved groups (population, airlines, the economy) that want a highly efficient national airport that offers the necessary capacities.



### Aircraft noise and area planning

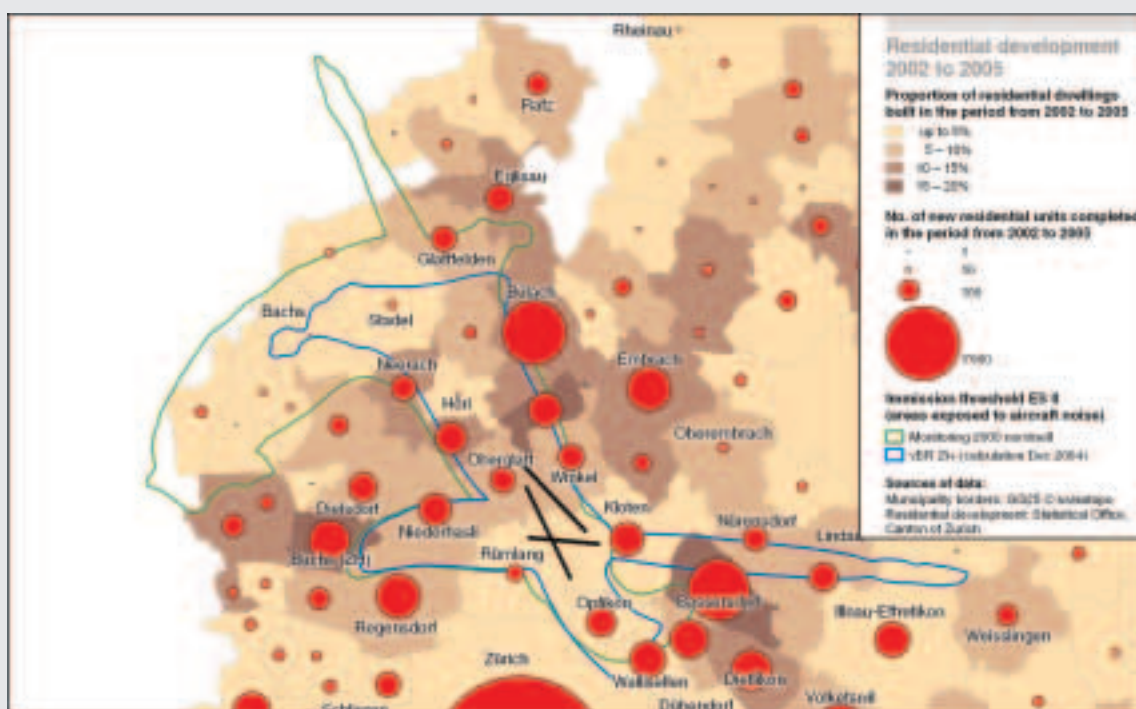
As noted in the comments on the Civil Aviation Infrastructure Plan (SIL) on page 17, there is still no area planning in place for Zurich Airport that takes its current needs and future development into account. While politicians take decades to draw up a basic area planning instrument, residential development in the vicinity of the airport continues unabated. As the illustration below shows, more residential dwellings have been built in the region surrounding the airport during the past few years than in any other region in the canton of Zurich.

Hardly have people moved into a new building before posters begin to appear demanding a reduction or "fairer distribution" of aircraft noise. It is only with a long-term planning horizon and through early area planning and zoning that it will be possible to leave future generations any room for manoeuvre at all.

### Aircraft noise reporting

In its aircraft noise reporting, Flughafen Zürich AG sets out to ensure the highest possible degree of reliability and transparency. Its Noise Management and Protection of Residents section publishes the readings obtained from the 10 permanent measuring stations both on the Internet and in a special monthly bulletin. All take-offs are monitored in order to ensure that each aircraft remains within the prescribed flight corridor. Furthermore, a noise hotline is available daily, and there is also a dedicated e-mail address for enquiries and complaints relating to aircraft noise. During 2006, approximately 4,500 people made use of these facilities. Within the scope of the ongoing "2010 sound insulation programme", approximately 85 million Swiss francs have been spent to date on the installation of noise-insulating windows in the neighbouring municipalities with the greatest exposure to aircraft noise. This programme is being pursued despite the continued lack of a legal basis. On the basis of the temporary operating regulations submitted on 31 December 2003, the remaining costs are estimated at around 155 million Swiss francs.

### Overview of residential development, 2002 to 2005



## International activities



## Markets

The focus of the international activities of Flughafen Zürich AG is on India and South America. These two regions offer good market opportunities, and Flughafen Zürich AG is already actively involved in both in the form of ongoing projects and co-operation with strong partners.

### Bangalore (India)

Construction work on the new intercontinental airport in Bangalore (India) commenced in July 2005, and is progressing according to schedule. Flughafen Zürich AG holds a 17 percent stake in Bangalore International Airport Ltd. (BIAL), and is assisting the latter with the planning and construction of the airport, as well as with its later operation, on the basis of an operating, management and service agreement that has been concluded for approximately ten years.

Air travel has undergone a tremendous boom in India over the past few years. In 2006, the existing airport is expected to be used by approximately 7.1 million passengers, which represents an increase of 51 percent. On the basis of current traffic forecasts, BIAL has ascertained that the new international airport that is currently under construction in Bangalore will already be too small to handle the anticipated future volume. In view of this, a re-design project had to be initiated at the same time as construction work is in progress on the original project. The supplementary project encompasses an expansion of the terminal, aircraft stands, taxiways and landside buildings. The associated planning activities were completed in June 2006. The re-design is to be integrated into the existing project schedule so that the airport can be handed over for operation in April 2008 as originally planned, with a new maximum capacity of up to 11 million passengers.

### Bogotá (Colombia)

The OPAIN S.A. consortium, in which Flughafen Zürich AG is involved on the basis of a management agreement, has been awarded the operating licence for Bogotá Airport. The takeover of this airport (which handled approximately 6 million passengers in 2006) from the Colombian government was effected on 20 January 2007. This is the third-largest airport in Latin America in terms of passenger volume, and the largest in terms of freight volume. In the next few years an investment volume of around 650 million US dollars will be spent on its modernisation and expansion. The operator agreement between the consortium and the government of Colombia has been concluded for a period of 20 years. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., have jointly founded a company called Unique IDC Colombia S.A., which holds a formal stake of one share in the operating company, OPAIN S.A.

### Chile

In Chile, Flughafen Zürich AG holds an interest in the licences for terminal and landside utilisation at three regional airports (Puerto Montt, Calama and La Serena) together with its Chilean partner, Administración de Concesiones IDC S.A. All three airports are operating at a profit and (with the exception of Puerto Montt) their traffic volumes are also increasing. The operating licence for Puerto Montt expires in 2008, and the Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium will be applying for an extension in the course of 2007.



## **Venezuela**

As before, collaboration with the government on Isla de Margarita (Venezuela) remains difficult. The Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium contested the repeated interventions by the governor of the province of Nueva Esparta, and in June 2006 the Administrative High Court of Venezuela ruled in favour of the consortium, once again declaring the licence agreement to be valid. At present the airport is being operated by a "junta interventora", which comprises representatives of the federal high court, the local government and the Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium. It is hoped that this unsatisfactory situation can be resolved by no later than the middle of 2007.

## **Honduras**

In spring 2006, the Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium concluded a management agreement with InterAirports S.A. (Aeropuertos de Honduras) for the Toncontin, Ramón Villeda Morales, El Golosón and Juan Manuel Gálvez airports. These four international airports with a combined passenger volume of 0.75 million are currently undergoing modernisation. The necessary financing is being secured via a variety of investors. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., have jointly founded a company called Unique IDC S.A. de C.V., which has no financial involvement in Honduras other than a minor stake in the share capital.

## **Projects in progress**

In addition to the commitments described above, Flughafen Zürich AG is currently considering other projects, particularly in India. For example, it plans to participate in the request for tenders associated with the privatisation of the airport in Chennai.



Susan Heule  
Head of nursery / dayrooms

## Corporate governance



### Information concerning corporate governance

in accordance with the Corporate Governance Guidelines of SWX Swiss Exchange dated 17 April 2002/29 March 2006.

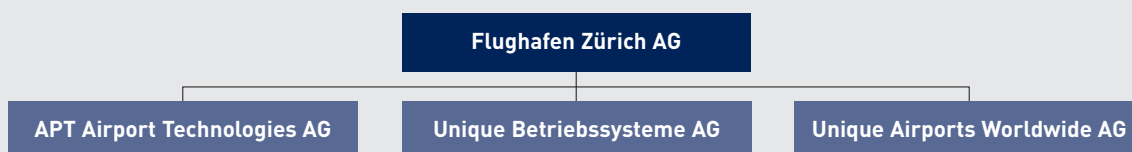
### Group and capital structures

#### Group structure

For details concerning the group operational structure, please refer to the section on segment reporting [see "Financial report", "Consolidated financial statements according to IFRS", "Accounting policies", "Segment reporting"].

Apart from Flughafen Zürich AG, Kloten (securities no. 1,056,796), which was listed on the SWX with a market capitalisation of 2,333,342,500 Swiss francs as of balance sheet date, the consolidated group does not comprise any other listed companies, but it does include the following unlisted companies:

Name	Domicile	Share capital	Holding
APT Airport Technologies AG	Kloten	CHF 1,800,000	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 307,018,750 Swiss francs, which is divided into 6,140,375 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 available earnings (financial statements according to the provisions of commercial law) during the past three years are shown below:

(CHF thousand)	31.12.2006	31.12.2005	31.12.2004
Share capital	307,019	245,615	245,615
Legal reserves			
– Premium	533,290	269,254	269,254
– General reserves	19,060	19,060	19,060
– Reserves for own shares	693	1,735	2,328
Other reserves	80,165	79,123	78,540
Available earnings			
– Profit/(loss) brought forward	20,809	13,392	(7,687)
– Net profit	26,564	12,320	21,079
<b>Total equity</b>	<b>987,600</b>	<b>640,499</b>	<b>628,189</b>

For information concerning distribution of shares (no debentures are distributed), please refer to "Financial report", "Consolidated financial statements according to IFRS", note 2, "Personnel expenses".



## **Shareholder structure and voting rights**

### **Major shareholders**

As of balance sheet date (31 December 2006), the Canton of Zurich held 33.33 percent, plus one share, and the City of Zurich held 5 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.

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 two-thirds 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 one year. 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 seventy.

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; born in 1957; MA (Law); member of the Mövenpick Executive Board of Management 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 from 1999 to 2005; Vice Chairman of the Board of Directors of Barry Callebaut AG since 9 December 2005. Member of the Board of Directors since the 2000 General Meeting of Shareholders. Other activities and commitments: Member of the Advisory Board of Credit Suisse AG

### Lukas Briner

Swiss citizen; born in 1947; PhD (Law); clerk of the court in Uster (until 1979), then legal consultant, deputy director and (since 2001) director of the Zurich Chamber of Commerce. Appointed to the Board of Directors in May 2005. Other activities and commitments: Chairman of the Board of Directors of Zürcher Oberland Medien AG; member of the Board of the "Greater Zurich Area" Foundation

### Martin Candrian

Swiss citizen; born in 1945; since 1979, lessee of the "Bahnhofbuffet" Zurich, Chairman of the Board of Directors and Chief Executive Officer of Candrian Catering AG, Zurich. Elected to the Board of Directors in 2004. Other activities and commitments: Chairman of the Board of Directors of Candrian Seafood AG and AG Suvretta House St. Moritz; member of the Board of Directors of Dolder Hotel AG; member of the Advisory Board of Credit Suisse AG

### Rita Fuhrer

Swiss citizen; born in 1953; 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 and EKZ; chairwoman of the "Greater Zurich Area" Foundation

### Thomas Kern

Swiss citizen; born in 1953; MA (Law); expansions manager (from 1984 to 1985) and executive manager (from 1986 to 2000) at Interio AG; executive manager at Globus Warenhäuser (2001); CEO of the Globus group from 2002 to 2006; member of the Board of Directors since the 2006 General Meeting of Shareholders. Other activities and commitments: Vice Chairman of the Board of Directors of AG Zentrum Glatt

### Elmar Ledergerber

Swiss citizen; born in 1944; PhD (Economics); member of the Zurich City Council since 1998, Mayor 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)

### Kaspar Schiller

Swiss citizen; born in 1947; PhD (Law); attorney-at-law; since 1978, partner in the legal practice of Schiller Denzler Dubs, Winterthur. Elected to the Board of Directors in 2004

### Martin Wetter

Swiss citizen; born in 1946; PhD (Law); with Credit Suisse Group from 1973 to 2005 (focus on commercial and financial participations divisions). Member of the Board of Directors from 1993 (former Flughafen-Immobilien-Gesellschaft) to 2004; then in 2005, appointed to the Board of Directors by the Canton of Zurich. Other activities and commitments: Chairman of the Board of Directors of Zürcher Freilager AG; member of the Board of Directors of PSP Swiss Property AG, Zug

### Eduard Witta

Swiss citizen; born in 1937; MA (Civil Engineering), Federal Institute of Technology, Zurich; own engineering business since 1969. Member of the Board of Directors since the 1982 General Meeting of Shareholders (former Flughafen-Immobilien-Gesellschaft) until the 2006 General Meeting of Shareholders

None of the members of the Board of Directors hold executive positions at Flughafen Zürich AG, and none were members of the Management Board of 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 Flughafen Zürich AG are deemed significant and thus worthy of mention:

- The Canton of Zurich – in the government of which member of the Board of Directors Rita Fuhrer holds a seat – has contractually agreed with Flughafen Zürich AG to assume the prefinancing for “old” aircraft noise compensation payments (see “Risk management”, “Noise compensation and sound insulation measures”, “Reduction and limitation of risks associated with aircraft noise”). Furthermore, the Canton of Zurich has granted Flughafen Zürich AG a credit facility with a duration of 10 years within the scope of a framework credit agreement. The maximum available amount of this credit facility corresponds to the total investments in engineering structures relating to expansion stage 5, after adjustment for the depreciation to be carried out on these investments. The credit facility limit was 717.8 million Swiss francs as of 31 December 2006. It is presently not being used.

#### **Internal organisation**

Chairman of the Board of Directors: Andreas Schmid  
Vice Chairman: Lukas Briner

The Board of Directors has formed the following committees:

#### **Audit & Finance Committee**

Members: Martin Candrian (Chairman), Rita Fuhrer, Elmar Ledergerber, Martin Wetter, Andreas Schmid.

Duties: This committee is responsible for close supervision of the annual accounts and monitoring of compliance with the accounting policies, 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: Kaspar Schiller (Chairman), Lukas Briner, Thomas Kern, 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 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 six hours, while the committees hold meetings three to four times a year with an average duration of between two and three hours. The committees pass on recommendations and submit proposals to the Board of Directors, and order clarifications to be carried out by internal or external offices, but they do not take any definitive material decisions.

The CEO, Airfield Manager, CFO and General Secretary are regularly invited to attend meetings of the Board of Directors, while the CEO, CFO, head of Finance, Risk and Supply Management and the General Secretary are invited to attend meetings of the Audit & Finance Committee, and the CEO, the head of HRM and the General Secretary 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 716b 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, significant planning approval applications, requests for amendments to the operating regulations and adjustments of charges, but has otherwise entrusted 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 traffic developments, marketing activities, 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.

In close collaboration with the Audit & Finance Committee, and, as appropriate, with Internal Auditing, group auditors KPMG Fides Peat examined various key processes (e.g. the construction costs of expansion stage 5) in the course of an interim review. In the year under review, within the scope of internal auditing, which functions as an independent instrument of the Board of Directors and Audit & Finance Committee for performing its duty of overall supervision, processes such as the degree of protection of access to data and software in the areas of information and communication technology, compliance in the area of buildings and engineering, rental of advertising space and controls relating to salary calculations, were examined. The internal auditor reports directly to the chairman of the Audit & Finance Committee.



## **Management Board Members**

### **Josef Felder**

Swiss citizen; born in 1961; 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 Flughafen Zürich AG – at that time, Flughafen-Immobilien-Gesellschaft – in November 1998

### **Roland Bentele**

Swiss citizen; born in 1961; head of Human Resources.  
PhD (Law); 1993 to 1998, legal functions in law courts, law firms and other companies; joined SAirGroup in 1997; transferred to Swissair HR division in 1998, then joined its management board; 2002 to 2004, head of HR at Hilti; joined Flughafen Zürich AG in June 2004

### **Peter Eriksson**

Swedish citizen; born in 1955; 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, Top Tip AG, Jelmoli AG and The Nuance Group AG; joined Flughafen Zürich AG in April 2002

### **Rainer Hildebrand**

Swiss citizen; born in 1954; head of Operations; Airfield Manager.  
Qualified airline pilot (SLS); joined Swissair as pilot in 1978 (DC9, MD80, MD11, A320, A330); 1999, chief pilot of entire Swissair fleet; joined Flughafen Zürich AG in April 2002

### **Beat Spalinger**

Swiss citizen; born in 1958; head of Finance & Services.  
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 Flughafen Zürich AG (at that time, Flughafen-Immobilien-Gesellschaft) in autumn 1999

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 608,800 Swiss francs (2005: 595,500 Swiss francs). The highest amount paid to a member of the Board of Directors during the year under review was 159,700 Swiss francs (2005: 128,100 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 Board of Directors as proposed by the Nomination & Compensation Committee.

The total remuneration paid to the five members of the Management Board during the year under review was 2,337,000 Swiss francs (2005: 2,264,800 Swiss francs).

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

### Share allocation and holdings

For the year under review, members of the Management Board are entitled to shares in the company equivalent to 302,000 Swiss francs (2005: 299,000 Swiss francs) as part of their salary. However, the exact number of shares cannot be calculated since the number of shares to be distributed depends on the share price at grant date. If the shares had been granted as of the end of the year, a total of 2,154 would have been distributed (see "Financial report", "Notes to consolidated financial statements", note 2, "Personnel expenses").

No company shares were allocated to members of the Board of Directors during the year under review.

As of 31 December 2006, the number of company shares held by members of the Management Board and associated parties was 30,949.

As of 31 December 2006, the number of company shares held by members of the Board of Directors and associated parties was 408, not including the holdings of the Canton and the City of Zurich as cited under "Major shareholders".

There are no options on company shares.

### **Other fees and remuneration**

In the year under review, Eduard Witta, who served as a member of the Board of Directors until the 2006 General Meeting of Shareholders, received payments for advisory services totalling 85,100 Swiss francs. MWV Bauingenieure AG, whose co-owner is Eduard Witta, received payments totalling 5,500 Swiss francs for engineering work carried out in association with the airport multi-storey car parks (2005: 61,700 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, and has been performing the mandate of sole auditor in charge since 2001.

The fee charged by the auditors for the year under review amounted to 363,000 Swiss francs (2005: 404,000 Swiss francs). The auditors also charged a total of 353,500 Swiss francs (2005: 14,500 Swiss francs) for services beyond the scope of the audit mandate.

The Audit & Finance Committee is responsible for supervising and controlling external audits. It formulates the priorities for the main and interim audits, and assesses and analyses auditors' reports. The auditors are also invited to attend meetings of the Audit & Finance Committee as necessary.

### **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, permanent information of a general nature may be viewed on the Investor Relations page of our web site [www.unique.ch](http://www.unique.ch).

#### **Contacts:**

Unique (Flughafen Zürich AG)  
P.O. Box  
CH-8058 Zurich-Airport

#### **Investor Relations:**

Daniel Schmucki  
e-mail: [daniel.schmucki@unique.ch](mailto:daniel.schmucki@unique.ch)

#### **Corporate Communications:**

Jörn Wagenbach  
e-mail: [joern.wagenbach@unique.ch](mailto:joern.wagenbach@unique.ch)



Felix Mensah  
Member of cleaning crew



## Risk management



### **Comprehensive risk management**

Flughafen Zürich AG has set itself the strategic goal of formulating a comprehensive risk management system, and is committed to carrying out uniform and systematic risk management in the future. For Flughafen Zürich AG, risk management means approaching and managing risk in a clearly defined and conscious manner, thereby securing transparency with respect to all risks associated with its business activities, and constantly improving and monitoring the group's risk situation.

### **Unique risk management system**

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, and it fulfils this duty with the aid of internal audits. 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 owner concept).

#### **• 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.

The risk management system is periodically reviewed in order to ensure that any changes within the commercial and regulatory environments, and modifications to the corporate structure, are adequately reflected.

Risk reporting encompasses detailed descriptions of each identified risk, together with an assessment of the probability of occurrence as well as of potential operational and/or financial damage. A plan of measures is also defined, which outlines how each identified risk can be minimised. The defined measures are constantly monitored and verified.

#### **Current risk situation**

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

#### **• Additional security regulations**

Additional security regulations imposed by the authorities can also give rise to increasing security costs and reduced revenue from commercial activities in the future. Here, in view of the delay between the time at which costs arise and the earliest possible refinancing via security charges, a negative impact on the result cannot be ruled out.

- **Hub carrier**

The national airline, Swiss International Air Lines AG, is the main client of Flughafen Zürich AG. It accounts for approximately 51 percent (2005: 48 percent) of Zurich Airport's flight movements and approximately 53 percent (2005: 51 percent) of its passenger volume. Approximately 13 percent (2005: 12 percent) of our total revenue (excluding passenger fees) is realised directly through this airline. In the same way as any other hub airport, Flughafen Zürich AG greatly depends on the operational and financial development of its hub carrier.

- **Legal issues**

Various internal and external political restrictions could mean that 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 give rise to additional investments and costs. These include:

**Initiative in the Canton of Zurich calling for restrictions on flight operations ("Plafonierungsinitiative")**

This people's initiative petitions the Council of the Canton of Zurich to take measures to prevent the number of flight movements at Zurich Airport from exceeding 250,000 p.a., and to extend the night-time curfew to nine hours. The Council of the Canton of Zurich is against this initiative and has put forward a counter-proposal in the form of a Zurich aircraft noise index that limits the number of people severely affected by aircraft noise to 47,000. Flughafen Zürich AG in its turn is opposed to this index since it specifies a ceiling, but it prefers this solution to any regulation that imposes a strict limit on flight movements. The Commission on Energy, Transport and Environment (KEVU) appointed by the Parliament of the Canton of Zurich is opposed to both the initiative and the index, and has put forward its own counter-proposal, namely a maximum of 320,000 flight movements p.a. and a night-time curfew of seven hours (without additionally cutting the time allowed for delays). This matter is now in the hands of the cantonal Parliament, which has to decide on the form and content of its counter-proposal, after which the initiative will probably be submitted to the electorate at the end of 2007. The federal government would be responsible for deciding on the implementation of

the initiative or counter-proposal, depending on how the Zurich electorate votes. In its civil aviation policy report dated December 2004, the Federal Council favours a demand-based development for the national airports, though certain restrictions can be examined on grounds of sustainability. The federal government will be defining the scope for the development of Zurich Airport in the Civil Aviation Infrastructure Plan (SIL). In accordance with present-day planning, a decision is to be expected at the end of 2009.

Flughafen Zürich AG will accept any restrictions imposed by the federal government as a result of this process as general political conditions, but in certain scenarios reserves the right to claim compensation.

It has prepared various scenarios according to which the airport could still be operated economically, even in the event of artificially restricted supply.

**Restarted SIL process (Civil Aviation Infrastructure Plan) as the basis for definitive operating regulations**

Flughafen Zürich AG views this process as an opportunity to establish the basis for creating the future definitive operating regulations, and thus providing both Zurich Airport and the population of the region with legal and planning security. However, it is also possible that decisions may be taken in the course of this process that could prevent Flughafen Zürich AG from utilising the available infrastructure to the full or result in additional costs for the group.

**Rulings by the supervisory authorities relating to landing and take-off procedures**

Rulings of this nature, which for example might be made on the basis of safety considerations, could give rise to further capacity restrictions and thus have an impact on business development.

**Possible additional intensification of the unilateral ordinance issued by Germany**

If the unilateral ordinance issued by Germany is intensified still further, this could give rise to additional capacity restrictions and thus have a significant impact on business development.

- **Falling demand**

Experience over the past few years has shown that civil aviation is a highly volatile business that reacts sensitively to external occurrences such as acts of terrorism and epidemics (SARS, bird flu). This means that such events could lead to a fall in demand at Zurich Airport.

- **Refund of Swissair payment effected on 4 October 2001 (demand by creditors' trustee)**

On 4 October 2001, Swissair Schweizerische Luftverkehr Aktiengesellschaft (Swissair) paid the amount of 21.8 million Swiss francs to Flughafen Zürich AG in settlement of airport charges for the month of July 2001. On 2 October 2001, Swissair had already ceased operation due to lack of liquidity. Swissair then applied for deferment of bankruptcy, which was granted on 5 October 2001. On 23 May 2005, the liquidator of Swissair Schweizerische Luftverkehr Aktiengesellschaft in Nachlassliquidation contested the cited payment and demanded that it be refunded, since in his view, Flughafen Zürich AG had been given preference over other creditors. Flughafen Zürich AG regards this payment as lawful. On 17 November 2005, a lawsuit was filed within the stated deadline with the commercial court by Swissair, represented by its liquidator. A ruling by the commercial court is expected in the course of 2007.

- **Noise compensation and sound insulation measures**

In accordance with Articles 679 and 684 of the Swiss Civil Code, in conjunction with Article 36a of the Civil Aviation Act and the provisions of the Federal Expropriation Act, 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 charges (noise charges and special surcharge on passenger charges).

### **Sound insulation measures**

There is neither an approved sound insulation concept nor a valid report on noise levels for Zurich Airport that would form the legal basis concerning the nature and extent of sound insulation measures in the airport's vicinity. However, the Federal Tribunal has ruled that this should not prevent the holder of the operating licence from initiating the implementation of such measures in those areas in which they are not the subject of dispute. The extent and realisation of such measures may provisionally be defined by Flughafen Zürich AG itself, or will depend on the future definitive operating regulations. To date, Flughafen Zürich AG has spent a total of around 85 million Swiss francs on sound insulation measures. On the basis of the temporary operating regulations submitted on 31 December 2003, the remaining costs associated with sound insulation measures (insulation in other areas, remuneration of costs to house owners who have installed sound insulation windows at their own expense) will presumably be around 155 million Swiss francs.

### **Formal expropriations**

As of balance sheet date, no final rulings had been pronounced on compensation claims arising from formal expropriations on the basis of excessive aircraft noise or direct overflights, though a number of cases are pending. Initial conciliation proceedings were held in November 2005 concerning 18 "pilot" cases in the municipality of Opfikon, but no agreements were reached. In these cases, valuation hearings were held in March and April 2006. The Federal Assessments Commission ("Eidgenössische Schätzungskommission") published the written decisions reached in these pilot cases in December 2006 (first-instance rulings). It found that compensation should be paid in 3 out of the 18 cases. The parties involved in the 18 pilot cases are appealing to the Swiss Federal Tribunal as ultimate authority, and a corresponding ruling by the latter is not expected before the end of 2007.



It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, since:

- a) there are gaps in the relevant legislation
- b) there is a lack of legal practice relating to many fundamental issues, and existing rulings are sometimes conflicting
- c) the influence of political debate cannot be underestimated
- d) the costs will be influenced by the definitive operating regulations, which are still awaiting approval.

The Management Board believes that it will be able to reliably estimate the anticipated costs after the Federal Tribunal (as final instance) has ruled on the fundamental issues raised in the Opfikon pilot cases.

Flughafen Zürich AG has made numerous estimates for internal scenarios concerning the assessment of risks and the definition of measures aimed at reducing these risks. In view of the uncertain situation, a very large number of different scenarios are conceivable, but none of these have a significant mathematical probability.

From today's perspective, the previously disclosed potential costs (in the form of a risk assessment) associated with formal expropriations amounting to between 800 million and 1.2 billion Swiss francs can be regarded as a cautious and conservative estimate. In the event that the Federal Tribunal should fully accept the decisions of the Federal Assessments Commission, the costs would be less than 800 million Swiss francs.

However, the effective costs could deviate significantly in either direction from the costs cited above.

Flughafen Zürich AG assumes that these costs would have to be paid over a period of several years. This is assuming that they should even reach the estimated level.

### **Refinancing and competitiveness**

The refinancing of costs arising in association with aircraft noise is to be carried out via special noise-related revenue. The most important source of revenue for refinancing is the noise-related passenger charge of 5 Swiss francs. If the costs should reach the original estimate of between 800 million and 1.2 billion Swiss francs, this charge would have to be raised to around 10 Swiss francs in the medium term in order to cover the anticipated costs.

### **Reporting noise-related data in the consolidated financial statements according to International Financial Reporting Standards (IFRS)**

The revenue from noise charges collected on a "user pays" basis, the costs associated with sound insulation measures and operating costs relating to aircraft noise are recognised in the income statement.

### **Sound insulation measures**

The costs for sound insulation measures are recognised as a provision as soon as they can be reliably estimated and if they are undisputed or if the company has assumed a constructive obligation.

### **Formal expropriations**

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments. This right is capitalised as an intangible asset. Capitalisation takes place at the time at which the probable total costs can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21. The timing of capitalisation may vary from region to region around the airport. At the same time as an intangible asset is recognised at present value of the expected future payments, an equal amount is recognised as a provision. Any future changes in the carrying amount of the provision will be accounted for as an adjustment to the intangible asset. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051). Flughafen Zürich AG assumes that no final-instance court ruling will be made during the 2007 financial year that would lead to recognition of assets or liabilities.

### **Reporting noise data in the financial statements according to the provisions of the Swiss Code of Obligations (OR)**

Costs associated with formal expropriations qualify as an intangible asset in accordance with the Swiss Code of Obligations. They are capitalised not later than the time at which the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same time. Adequate provisions are recognised for liabilities arising from sound insulation measures. Full amortisation of capitalised costs for formal expropriations is based on the consolidated financial statements at least. Beyond this, special write-offs are carried out from case to case to the extent to which the noise charges recognised as an expense exceed the costs for sound insulation measures and other operating costs in a given period. Any balance of revenue from noise charges after deduction of noise-related costs (sound insulation measures, operating costs, financing costs) is transferred to provisions for aircraft noise.

### **Risks for Flughafen Zürich AG in association with aircraft noise**

As already noted, Flughafen Zürich AG has the right to refinance any costs that may arise in association with aircraft noise through charges. This means that our ability to refinance such costs is secured over the long term.

However, up to the middle of 2006 there were two risks that had to be taken into account:

#### **The risk of a financing gap**

If the noise-related costs should arise sooner than anticipated by Flughafen Zürich AG, or prove to be higher than expected, this could result in a financing gap that Flughafen Zürich AG might not be able to cover with available credit limits.

#### **The risk of impacts of noise-related costs on the consolidated financial statements (according to IFRS) and the financial statements according to the provisions of the Code of Obligations (OR)**

The consolidated financial statements (IFRS) and the financial statements according to the provisions of the Code of Obligations could be negatively influenced depending on the amount of effective costs and any future changes in applicable accounting standards. With respect to the consolidated financial statements, any negative influences could affect standard guarantees and covenants in regard of outstanding financial liabilities.

### **Reduction and limitation of risks associated with aircraft noise**

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplement to the merger agreement dated 14 December 1999 regulating the sustainable reduction and limitation of risks to Flughafen Zürich AG associated with aircraft noise. The main content of this supplementary agreement is as follows:

1. Flughafen Zürich AG is obliged to implement measures by means of which the ability to tolerate balance sheet and financing risks associated with aircraft noise up to approximately 1.1 billion Swiss francs can be assured. On 11 April 2006 the Board of Directors asked the General Meeting of Shareholders to approve a capital increase with a market value of approximately 300 million Swiss francs in order to strengthen the company's equity. The capital increase of 10 May 2006 resulted in a net inflow of funds to the company amounting to 310.3 million Swiss francs. Since Flughafen Zürich AG did not need to use these funds in the immediate future – an effective outflow of funds due to formal expropriations is not expected before the end of 2007 – the outstanding debt owed to the Canton of Zurich amounting to 300 million Swiss francs was paid back prematurely and without any additional costs. Furthermore, Flughafen Zürich AG obtained a credit limit of 200 million Swiss francs to cover any financing gap that may arise.
2. In the event that, upon payment of the first formal expropriations, the risk should arise that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) may exceed 1.1 billion Swiss francs (threshold), the Canton of Zurich would assume the prefinancing of all "old" noise-related liabilities. "Old" noise-related liabilities are liabilities that came into being prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence. As before, the Canton of Zurich is jointly liable for such claims in an external capacity, while in an internal capacity, Flughafen Zürich AG assumed responsibility for these liabilities in the merger agreement dated 14 December 1999. With the newly agreed solution, this general obligation resulting from the merger agreement has been more precisely defined and regulated in greater detail. For the

financing of the costs arising from its adoption of responsibility, the Canton of Zurich is to receive a portion of the revenue from noise-related charges in accordance with a specified key. As a result of the adoption of "old" noise-related liabilities by the Canton of Zurich, the requirement for Flughafen Zürich AG to recognise a provision for compensation no longer applies, and the costs will therefore no longer be capitalised.

3. In the event that, in the course of the legal proceedings, the risk cited in point 2 should fall below the level of 1.1 billion Swiss francs (threshold), Flughafen Zürich AG will assume the remaining "old" noise-related liabilities and associated charges.

The objective of this agreement is therefore to limit the overall noise-related risk of Flughafen Zürich AG to "new" noise-related liabilities. The capital increase and a new special credit limit created the accounting and financial prerequisites for bearing any noise-related liabilities up to 1.1 billion Swiss francs.



Angelika Lins  
Attorney-at-law



## Significant events during 2006



- 6 January  
Council of the Canton of Zurich rejects the initiative calling for restrictions on flight operations ("Plafonierungsinitiative") and puts forward its counter-proposal for a Zurich aircraft noise index.
- January  
Successful trial involving use of shopping trolleys in airside area (Airside Center).
- January  
Completion of remaining construction activities relating to expansion stage 5. Facilities handed over for operation on schedule and within budget.
- 6 February  
According to a study carried out by the Association of European Airlines (AEA), Zurich is the European hub with the most reliable baggage handling services.
- 4/8 March  
Conclusion of an agreement with the Canton of Zurich concerning the prefinancing of "old" (i.e. originating from the time when the Canton of Zurich was holder of the airport operating licence) liabilities for compensation associated with aircraft noise. As a result, the financing and balance sheet risks identified in this context have been sustainably reduced and limited.
- 6 March  
On the occasion of the 2006 Airport Council International (ACI) conference, Zurich is voted second-best airport in Europe within the scope of the "Airport Service Excellence Award" which is based on a world-wide passenger survey.
- 29 March  
Signature of all contracts associated with the construction of the airport hotel, and go-ahead for construction. Flughafen Zürich AG is owner of the land and grantor of the development rights, while ACRON L&R Immobilien AG is investor and recipient of the development rights.
- 31 March  
Opening of new Center Bar in Airside Center.
- 11 April  
General Meeting of Shareholders approves the proposed capital increase, which is effected on the following day by resolution of the Board of Directors. Capital is increased by 61,403,750 Swiss francs to 307,018,759 Swiss francs through the issue of 1,228,075 new registered shares with a nominal value of 50 Swiss francs each. All members of the Board of Directors standing for re-election are re-elected. Thomas Kern is elected as a new member of the Board of Directors.
- 18 April  
Zurich Airport receives the 2006 "Excellence Cargo Award" from the aviation magazine "Air Cargo World". This award is based on criteria such as quality of freight handling services and operational processes.
- 22 April  
Reduction of delays thanks to the use of runway 28 for take-offs from 7 a.m. at weekends and on German public holidays when aircraft are approaching from the south.
- 3 May  
Conclusion of capital increase.
- 4 May  
Commencement of construction of airport hotel.
- 29 May  
Presentation and publication of study by the KOF (Institute for Business Cycle Research at the Federal Institute of Technology, Zurich) concerning the role played by civil aviation and Zurich Airport in the development of Switzerland's economy (Professor Dr. Bernd Schips).
- 30 May  
More than 350 representatives from trade and industry, the political arena and scientific circles attend the 1st Civil Aviation Congress, jointly organised by economiesuisse and partners from the civil aviation industry. Guest speaker is Federal President Moritz Leuenberger.
- 30 May  
Distribution of the first issue of the new "Partner Newsletter".

- May  
Commencement of operation by Swiss International Air Lines AG of an Avro RJ 100 "Jumbolino" with its fuselage decorated with the wording "Shopping Paradise Zurich Airport".
- 6 June  
As first Swiss airport operator, Flughafen Zürich AG receives certification of its safety management system from the Swiss Federal Office for Civil Aviation (FOCA) based on the criteria of the ICAO (International Civil Aviation Organisation).
- 6 June  
Zurich Airport named eighth best airport in the world by aviation research institute Skytrax within the scope of the "World Airport Award". This award is based on a comprehensive passenger survey.
- 23 June  
Airside Center and the airport railway terminal receive the "RIBA International Award" as recognition by architecture experts for buildings that meet especially high architectural standards.
- June  
Definitive introduction of shopping trolleys in Airside Center.
- 3 July  
69 towns and municipalities submit an initiative to the government of the Canton of Zurich calling for the number of flight movements per annum to be limited to 320,000, and for a night-time curfew of 8 hours.
- 28 July  
Commencement of construction of "Bike and Blade" circuit around the airport.
- August  
Results of ACI/ASQ study confirm the strong positioning of Zurich Airport.
- August  
New arrivals/transfers and information video for Zurich Airport.
- 25 August  
As part of a consortium, Flughafen Zürich AG succeeds in its bid to take over the responsibility for operating El Dorado Airport in Bogotá.
- 2/3 September  
Around 10,000 visitors attend the Terrace Festival on spectators' terrace B.
- 14 September  
Opening of nursery and day care facilities at Zurich Airport.
- 15 September  
Opening of "Soul of Chocolate" exhibition in Airside Center.
- 20 September  
Within the scope of the World Travel Award, Zurich Airport voted "Europe's Leading Airport" for the third year in succession. This award is based on the results of a world-wide survey of tourism specialists.
- 3 October  
A new attraction ("flip show" images visible from the moving train) is installed in both tunnels of the Skymetro shuttle as part of the strategic partnership with Switzerland Tourism.
- 3 October  
During the parliamentary session held in Flims, a study prepared by Infras concerning the economic importance of civil aviation for Switzerland is presented to the parliamentary civil aviation workgroup and the general public.
- 26 October  
Instrument landing system for runway 28 (approaches from the east) put into operation after modification of approach procedure (radar vectoring).
- 27 October  
Commencement of stage 2 of the construction work for the Glattalbahn tram service.

- 29 October  
As of the start of the winter flight plan, all European members of Star Alliance, plus United Airlines, transferred to Check-in 1. Partners of OneWorld and Sky Team moved to Check-in 2.
- 30 October  
Flughafen Zürich AG submits revised application to Swiss Federal Office for Civil Aviation (FOCA) for alternative flight path along Switzerland's northern border with visual approach.
- 1 November  
Federal Council gives its approval for the requested arrivals duty-free service, and refers the corresponding motion to Parliament.
- 6 November  
In response to the mandate from the Swiss Federal Office for Civil Aviation (FOCA), Flughafen Zürich AG and the cantonal police implement the new EU regulations governing the carriage of liquids in hand luggage. The introduction of the new regulations calls for broad-ranging communication activities.
- 10 November  
In Check-in 1, the 20-year-old departure information display boards are replaced by a large screen incorporating 24 frameless flat screens.
- 21/22 November  
After 25 years of operation, the existing control mechanism for the runway, taxiway and apron lighting systems with approximately 5,000 signals is replaced by a new device.
- 27 November  
42 municipalities submit a joint initiative to the government of the Canton of Zurich opposing changes to the runway system.
- 6 December  
The Commission for Energy, Transport and the Environment (KEVU) appointed by the Parliament of the Canton of Zurich rejects both the people's initiative calling for restrictions on flight operations ("Plafonierungsinitiative") and the counter-proposal by the cantonal Parliament, and puts forward its own proposal calling for the restriction of flight movements to 320,000 p.a. and a night-time curfew of 7 hours.
- 8 December  
As part of the Civil Aviation Infrastructure Plan (SIL) process, federal government proposes 19 operational options as the basis for subsequent political debate.
- 20 December  
National Council approves the motion for the introduction of duty-free shopping for incoming passengers, and refers it to the Council of States.
- 30 December  
Acquisition of building formerly used by Skyguide as a training centre.



## Business report



## Strategy and value management

### Strategic focus

Zurich Airport is extensively networked at the international, national and regional levels, and as the country's largest national airport, it functions as a hub that connects civil aviation with other forms of public and private transport to form a comprehensive nation-wide network. In view of its importance as a transport hub, Zurich Airport is fully committed to the highest possible quality. Flughafen Zürich AG operates Zurich Airport on the basis of a landlord principle. Core processes are operated or controlled by Flughafen Zürich AG, but wherever core competencies for services and processes lie with third parties, responsibility for their performance is assigned to the latter. In the international arena, Flughafen Zürich AG offers its hub carrier an attractive infrastructure for operating an intercontinental flight network. At the same time, the modern infrastructure is ideally suited for point-to-point services of all other airlines, including low-cost carriers. In keeping with its own quality criteria, Flughafen Zürich AG offers all its clients a uniform infrastructure, i.e. it does not provide special low-cost facilities. As a transport hub, Zurich Airport operates an attractive and successful commercial centre with a broad range of shops, services and entertainment facilities of national and international appeal, and is constantly expanding these facilities. As a listed company, Flughafen Zürich AG has a business orientation and offers its shareholders a suitable return on investment. It focuses on "airport value added" and sets out to fulfil its ecological and social responsibilities while taking account of its operating mandate and the existing political conditions.

### Financial value management

Flughafen Zürich AG focuses on increasing its corporate added value and sustainable development. To measure its progress in this area it has implemented a value-based control system (airport value added) that indicates the amount that is generated over and above the capital costs, i.e. earnings before interest and taxes (EBIT) are measured against the average invested capital. All investment decisions of Flughafen Zürich AG are taken on the basis of airport value added, which also serves as the financial measurement criterion for calculating the performance-based portion of management staff.

### Personnel

Our policy is to employ the right people with the right skills for the right job. To accomplish this, a tool ("Navigator") was developed for determining the best location and direction for employees. This tool takes the form of a catalogue of the essential skills for achieving success. It creates a uniformly comprehensible language for the whole organisation and ensures the use of uniform criteria for the recruitment, assessment and development of all employees. For Flughafen Zürich AG, its employees are its key to success. For this reason, their concerns and opinions are of great importance to us, and we monitor these by organising a variety of personnel and leadership events, as well as by conducting a staff survey every two years. The survey conducted in summer 2005 revealed that employees of Flughafen Zürich AG have a high level of job satisfaction and show a strong level of commitment. Wherever a specific need for action was identified, appropriate measures were defined and implemented.

## Environment

Flughafen Zürich AG acknowledges its most important areas of action relating to aircraft noise (separate report), air pollution, water pollution and energy consumption. While in the same way as in large areas of north-west Switzerland it is not possible to fully meet the specified emission thresholds for nitrogen oxide (NO<sub>2</sub>), ozone (O<sub>3</sub>) and particulate matter (PM10), the level of NO<sub>x</sub> emissions at the airport itself is well below the prescribed threshold of 2,400 tonnes. Energy consumption at Zurich Airport has remained constant versus 1994 (which serves as the reference year), and the general drainage plan has been implemented on schedule.

With respect to monitoring activities, a variety of additional environmental studies were carried out, including technical examinations of residual pollution, soil analyses and analyses of the impacts of measures in the area of nature conservation. Initial findings indicate that no major action is required. Comprehensive preparatory tasks and background studies concerning the status of the various systems and methods help us continually develop and optimise environmental data management.

Monitoring construction and planning projects is an important factor that ensures the integration and observation of various environmental aspects right from the start. The resulting findings flow into planning applications as well as into the subsequent implementation activities.

Careful attention is paid to securing compliance with (and/or step-by-step implementation of) legal provisions as well as requirements specified by the relevant authorities. Furthermore, Flughafen Zürich AG continually optimises existing environmental processes and enhances its levels of efficiency and know-how in the area of environmental protection, while taking account of the associated business aspects. Since 2001, all activities have been handled by our environmental management

system, which has been certified in accordance with ISO standard 14001, and reconfirmed by the Management Board in view of its importance. Thanks to its high level of know-how and proven environmental record, Flughafen Zürich AG received numerous consulting mandates again in 2006, and organised various training events in Switzerland and abroad, primarily in the areas of environmental management and air quality. These activities are evidence of the fact that the achievements of Flughafen Zürich in the area of environmental protection are recognised by the industry and are based on the principle of sustainability.

The latest environmental report for Zurich Airport will be posted on the following web site in May 2007: [www.unique.ch/environment](http://www.unique.ch/environment).



Richard Ehrensperger  
Head of apron service





**Key financial data**

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

	2006	2005	Change in %
Total revenue	737,109	702,229	+5.0
of which revenue from aviation operations	444,238	418,877	+6.1
of which revenue from non-aviation operations	292,871	283,352	+3.4
Operating expenses	358,837	338,282	+6.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	378,272	363,947	+3.9
EBITDA margin	51.3%	51.8%	
Profit	87,448	59,123	+47.9
<i>Of which attributable to shareholders of Flughafen Zürich AG</i>	<i>87,448</i>	<i>59,123</i>	<i>+47.9</i>
<i>Of which attributable to minority interests</i>	<i>0</i>	<i>0</i>	<i>n/a</i>
Investments	218,722	124,300	+76.0
Cash flow <sup>1)</sup>	252,460	236,340	+6.8
Ø Capital employed	2,614,618	2,569,922	+1.7
Return on Ø capital employed (ROCE)	5.7%	5.4%	
Equity as of 31 December	1,230,464	805,999	+52.7
<i>Of which attributable to shareholders of Flughafen Zürich AG</i>	<i>1,230,464</i>	<i>805,999</i>	<i>+52.7</i>
<i>Of which attributable to minority interests</i>	<i>0</i>	<i>0</i>	<i>n/a</i>
Return on equity	8.6%	7.6%	
Equity ratio	38.8%	26.3%	
Interest-bearing liabilities (net, in accordance with IFRS)	1,177,985	1,745,299	(32.5)
Interest-bearing liabilities (IFRS) / EBITDA	3.11x	4.80x	
Interest-bearing liabilities (nominal)	1,290,360	1,786,198	(27.8)
Interest-bearing liabilities (nominal) / EBITDA	3.41x	4.91x	
<b>Key operational data</b>	<b>2006</b>	<b>2005</b>	<b>Change in %</b>
Number of passengers	19,237,216	17,884,652	+7.6
Number of flight movements	260,786	267,363	(2.5)
Freight in tonnes	363,325	372,415	(2.4)
Number of full-time positions as of 31 December	1,290	1,262	+2.2
Number of employees	1,523	1,470	+3.6
<b>Key data for shareholders</b>	<b>2006</b>	<b>2005</b>	<b>Change in %</b>
Number of issued shares	6,140,375	4,912,300	+25.0
Proposed dividend per share (in Swiss francs)	3.00	1.00	n/a
Dividend total (in thousand Swiss francs)	18,421	4,912	n/a
Payout ratio	21.1%	8.3%	
Capital per share (in Swiss francs)	200.39	164.08	+22.1
Earnings per share (in Swiss francs)	15.35	12.08	+27.1
Diluted earnings per share (in Swiss francs)	15.34	12.06	+27.2
Share price (in Swiss francs) high	380.00	236.00	n/a
low	235.00	147.00	n/a

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

<sup>1)</sup> Profit plus depreciation and amortisation and change in non-current provisions.







## Business development

### Trend in traffic volume

The traffic volume in Zurich rose versus the prior year by 1.4 million passengers, or 7.6 percent, to 19.2 million passengers – mainly thanks to an increase in the number of local passengers (plus 15.7 percent) who use Zurich Airport as a hub. The proportion of transfer passengers reached 31.9 percent as of the end of 2006. The 2.3 percent increase versus the prior year indicates a further strengthening of Zurich as a hub airport. Growth in local passengers also increased versus the prior year with a year-end rate of 3.8 percent. With a total of 12.9 million, the volume of local passengers exceeded the record level achieved in 2005. Swiss posted the biggest increase in passenger volume, followed by Air Berlin, Lufthansa, Edelweiss, Air Canada and Spanair. Overall, the 7.6 percent increase in passenger volume in Zurich in 2006 was above the European average of 5.4 percent (source: ACI, Airports Council International). The trend in low-cost traffic was positive in Zurich, with a plus of 9.9 percent. This resulted in an increase in the proportion of low-cost operations from 8.0 to 8.5 percent. Hub carrier Swiss was able to strengthen its market position in 2006 and thus again increase its market share (which is based on passenger figures) from 51 to 53 percent.

By contrast with the passenger volume, the number of flight movements fell slightly versus 2005 by 2.5 percent to 260,786. The average number of passengers per flight increased by 12.2 percent from 78 to 87. This was partly attributable to a 4.7 percent improvement in seat load factors from 67 to 70 percent, but also to an increase in the number of seats per flight, from 117 to 126. The average maximum take-off weight only rose by 8.1 percent. The reasons for this include the new seating configuration of the A320 aircraft operated by Swiss, and the replacement of 50-seater Embraer by 100-seater Avro aircraft.

The volume of air freight fell by 2.4 percent to 363,325 tonnes. The volume of substitute air freight transported by road rose slightly by 0.2 percent, while that of flown freight fell by 3.5 percent.

In the year under review, 73 airlines offered scheduled services to 106 European and 45 intercontinental destinations from Zurich Airport. While the number of intercontinental destinations fell by three, six European destinations were added. New destinations included Santiago de Chile, Riga, Bari and Rimini, while services to Dortmund, Graz and Salzburg were discontinued.

Please refer to pages 81 to 95 for further details concerning traffic statistics.

### Changes in the consolidation structure

The consolidation structure changed as follows in the year under review:

#### Additions

On 8 March 2006, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC Colombia S.A. in which Flughafen Zürich AG holds a 49.5 percent stake.

On 4 September 2006, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC S.A. de C.V., in which Flughafen Zürich AG holds a 49.5 percent stake.

Since the respective foundation dates, the new companies have been included in the consolidated financial statements by applying the equity method.

#### Disposals

No disposals took place during the year under review.



### Total revenue and earnings trend

Total revenue rose by 5.0 percent versus the prior year, from 702.2 million to 737.1 million Swiss francs.

Revenue from **aviation operations** increased to 444.2 million Swiss francs (plus 6.1 percent).

(CHF thousand)	2006	2005	Change in %
Passenger fees	245,954	230,328	6.8
Landing fees	71,550	68,842	3.9
Noise charges	54,023	50,334	7.3
Baggage sorting and handling system	22,806	21,248	7.3
Other earnings	13,956	11,834	17.9
Aircraft energy supply system	9,766	9,178	6.4
Freight revenue	7,672	7,687	(0.2)
Fuel charges	6,039	5,725	5.5
Parking fees	4,813	4,693	2.6
CUTE charges (check-in system for handling agents)	4,658	4,727	(1.5)
Emission fees	2,855	2,912	(2.0)
Security fees	1,030	1,197	(14.0)
Bad debt write-offs (Aviation segment)	(884)	172	n/a
<b>Total revenue from aviation operations</b>	<b>444,238</b>	<b>418,877</b>	<b>6.1</b>

Revenue from **passenger fees** rose by 6.8 percent to 246 million Swiss francs. This means that the growth in passenger fees was slightly lower than the increase in the passenger volume (plus 6.7 percent). The reason for this is the stronger growth in transfer passengers, who pay a lower charge than local passengers.

**Landing fees** increased by 3.9 percent to 71.6 million Swiss francs, despite a simultaneous 2.5 percent reduction in flight movements. Landing fees are based on the maximum take-off weight, and this has increased as a result of changes in the fleet structure of the airport's clients.

The noise surcharge as a component of the passenger fees together with a portion of the noise-related landing fees forms the **noise charges** revenue. The noise surcharge as part of the passenger fees is 5 Swiss francs per departing passenger (local and transfer passengers), and the increase in revenue by 7.3 percent thus corresponds very closely to the growth in passenger volume.

The strong growth in **other earnings** is attributable partly to the higher capitalised expenditure (plus 0.7 million Swiss francs) and partly to earnings of 1.3 million Swiss francs from new services (accompaniment and new IT services).

The figures above do not include the amount of 10 million Swiss francs from **utilisation fees**, which were introduced on 1 January 2006. The billed amounts were recognised as a provision, since the introduction of utilisation fees was challenged by a number of airport partners. Legal proceedings are currently in progress, and an initial ruling is expected in the course of 2007. The utilisation fees were billed for one year and suspended as of 1 January 2007. Should the court rule in favour of Flughafen Zürich AG, the amounts invoiced in 2006 will be reported in the income statement as other expenses/income, net.

**Non-aviation revenue** rose by 3.4 percent from 283.4 million Swiss francs to 292.8 million.

(CHF thousand)	2006	2005	Change in %
Retail outlets and duty-free shops	62,815	55,755	12.7
Revenue from multi-storey car parks	58,197	55,118	5.6
Advertising media and promotion	11,323	9,488	19.3
Other licence revenue (car rentals, taxis, banks, etc.)	10,676	13,476	(20.8)
Food and beverage operations	9,855	9,485	3.9
<b>Total commercial revenue</b>	<b>152,866</b>	<b>143,322</b>	<b>6.7</b>
Revenue from rental and leasing agreements	81,036	82,403	(1.7)
Energy and incidental cost allocation	22,224	22,592	(1.6)
Cleaning	3,267	2,758	18.5
Trade fairs and events	2,754	535	n/a
Other services revenue	1,281	2,452	(47.8)
<b>Total revenue from facility management</b>	<b>110,562</b>	<b>110,740</b>	<b>(0.2)</b>
Communication services	9,853	9,897	(0.4)
Passenger services	6,157	5,793	6.3
Capitalised expenditure	5,110	7,299	(30.0)
Conference Center	4,356	3,543	22.9
Other services and miscellaneous	4,151	2,848	45.7
Bad debt write-offs (Non-Aviation segment)	(184)	(90)	n/a
<b>Total revenue from services</b>	<b>29,443</b>	<b>29,290</b>	<b>0.5</b>
<b>Total revenue from Non-Aviation segment</b>	<b>292,871</b>	<b>283,352</b>	<b>3.4</b>

The trend in the **retail, duty-free and food & beverages** segments was very pleasing in the year under review. The increase in both the turnover (net) in shops and restaurants operated by our commercial partners as well as the company's commercial revenue was higher than the growth in the passenger volume, which was 7.6 percent. This result was attributable to a further increase in the average spending per passenger to 40.63 Swiss francs (plus 3.9 percent).

(CHF million)	2006	2005	Change in %
Trend in revenue of commercial partners	390.8	349.8	+11.7
Commercial revenue of Flughafen Zürich AG			
– Retail outlets and duty-free shops	62.8	55.8	+12.7
– Food and beverage operations	9.9	9.5	+3.9
Average revenue per departing passenger (in Swiss francs)	40.63	39.11	+3.9

This increase occurred despite the introduction on 6 November 2006 of the EU regulations restricting the carriage of liquids in hand luggage and the resulting uncertainties among passengers.

**Parking revenue** rose by a pleasing 3 million Swiss francs to 58.2 million (plus 5.6 percent). The growth in revenue was thus higher than that of the volume of local passengers (3.8 percent), which indicates that the airport is being used as a commercial centre to an increasing extent.

Revenue from **advertising media and promotion** increased by 19.3 percent to 11.3 million Swiss francs, thanks to higher demand for "megaposters" and branding revenue associated with smoking lounges. By contrast, **other licence revenue** fell by 20.8 percent to 10.7 million Swiss francs. This reduction is attributable to the elimination of non-recurring licence payments that were reported in 2005.

In the year under review, **revenue from facility management** totalled 110.6 million Swiss francs, which was almost the same as in the prior year (minus 0.2 percent). At 81 million Swiss francs, **revenue from rental and leasing agreements** fell by 1.4 million Swiss francs versus the prior year. Last year, this position included a non-recurring payment associated with the new hotel. The slightly lower revenue from **energy and incidental cost allocation** was to some extent attributable to the decision by the company to cease in-house electricity production due to the high energy prices. **Revenue from trade fairs** and events rose thanks to the pleasing trend in rentals of Event Dock B.

At 29.4 million Swiss francs, **revenue from services** rose by 0.2 million Swiss francs (plus 0.5 percent) versus the prior year. The trend was very pleasing for all services, and the Airport Conference Center recorded its best figures since it was opened. The only decrease was in capitalised expenditure, and this was attributable to the reduction in building activity at the airport.

In the year under review, **operating expenses** rose by 6.1 percent from 338.3 million Swiss francs to 358.8 million. Without taking into account other expenses/income, the increase in operating expenses would have been 4.0 percent.

(CHF thousand)	2006	2005	Change in %
Personnel expenses	146,674	139,895	4.8
Police and security	82,907	78,336	5.8
Maintenance and material	45,966	49,232	(6.6)
Sales, marketing, administration	36,363	32,592	11.6
Energy and waste	22,506	21,135	6.5
Other operating expenses	21,441	21,113	1.6
Other expenses/income, net	2,980	(4,021)	n/a
<b>Total operating expenses</b>	<b>358,837</b>	<b>338,282</b>	<b>6.1</b>

**Personnel expenses** account for around 41 percent of the operating expenses. In the year under review, these rose by 4.8 percent to 146.7 million Swiss francs.

(CHF thousand)	2006	2005	Change in %
Personnel expenses, reported	146,674	139,895	4.8
Change in retirement benefit commitments	(449)	(364)	23.4
<b>Adjusted personnel expenses</b>	<b>146,225</b>	<b>139,531</b>	<b>4.8</b>

In the year under review, Flughafen Zürich AG granted its employees an individual, performance-based salary increase of 2 percent on average. On top of this, the addition of 28 full-time positions – primarily in the areas of surveillance and operations – resulted in higher personnel expenses, and expenditure for social contributions also rose slightly.

As of 31 December 2006, Flughafen Zürich AG employed 1,523 staff (2005: 1,470), with 1,290 equivalent full-time jobs (2005: 1,262).

In the year under review, **expenses relating to police and security** operations rose by 5.8 percent from 78.3 million Swiss francs to 82.9 million.

(CHF thousand)	2006	2005	Change in %
Zurich cantonal police force	73,924	71,633	3.2
Security expenses relating to third parties	8,983	6,703	34.0
<b>Total police and security expenses</b>	<b>82,907</b>	<b>78,336</b>	<b>5.8</b>

The increased costs include approximately 2.5 million Swiss francs that were incurred in November and December solely as a consequence of the introduction on 6 November 2006 of the restrictions on the carriage of liquids in hand luggage. Most of the necessary additional personnel requirements were met via external providers. The other cost increases were attributable to the growth in the passenger volume.

The **maintenance and material** expenses amounted to 46 million Swiss francs and were 3.2 million below the prior-year figure (minus 6.6 percent), which means they were brought down to approximately the level reported in 2004. These costs were lower than originally budgeted. Due to unfavourable climatic conditions in the first half of the year, various maintenance projects could not be completed as planned.

Expenses relating to **sales, marketing and administration** rose by 11.6 percent, or 3.6 million Swiss francs, to 36.3 million. This increase was primarily attributable to intensified marketing activities, but projects relating to the Civil Aviation Infrastructure Plan (SIL) also gave rise to considerable costs.

Expenses relating to **energy and waste** rose by 1.4 million Swiss francs from 21.1 million to 22.5 million. The sharp increase in energy costs was mainly due to the significantly higher prices of oil and gas.

**Other operating expenses** rose in 2006 by 0.3 million Swiss francs, or 1.6 percent, to 21.4 million Swiss francs. As a result of lively activities on the events front, rental costs for the necessary technical infrastructure rose by 0.7 million Swiss francs. By contrast, communication expenses fell by 0.4 million Swiss francs, or 17.6 percent.

**Other expenses/income, net** includes 0.2 million Swiss francs in income from trade receivables that had already been written off in preceding years, plus 1.2 million Swiss francs from losses on disposals of non-current assets. Last year, this position included non-recurring income of approximately 6.6 million Swiss francs in the form of repayment of accrued costs associated with the Bangalore project.

**Earnings before interest, taxes, depreciation and amortisation (EBITDA)** reached 378.3 million Swiss francs, compared with 364 million in 2005. The EBITDA margin is currently 51.3 percent (2005: 51.8 percent). Without taking account of other expenses/income, the EBITDA margin would have increased from 51.3 percent in 2005 to 51.7 percent.

At 188.9 million Swiss francs, **depreciation and amortisation** reached the same level as last year.

Earnings before **interest and taxes (EBIT)** rose by 14.4 million Swiss francs from 175 million to 189.4 million (plus 8.2 percent).



At 79.7 million Swiss francs, the **financial result** was 29.8 million francs better than in the prior year (minus 20.2 percent).

<b>(CHF thousand)</b>	<b>2006</b>	<b>2005</b>	<b>Change in %</b>
Financial expenses	88,268	103,272	(14.5)
Change in fair value of interest rate swap	(12,515)	(8,472)	47.7
Capitalised interest on borrowings for buildings under construction	(99)	(681)	(85.5)
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	4,022	5,694	(29.4)
<b>Total financial result</b>	<b>79,676</b>	<b>99,813</b>	<b>(20.2)</b>

Financial expenses were reduced by 14.5 percent thanks to a significant reduction in interest-bearing borrowings.

In the 2006 financial year:

- the 1996-2006 debenture (90 million Swiss francs; interest rate, 4.625 percent) was repaid on schedule;
- the loan of 300 million Swiss francs was repaid prematurely to the Canton of Zurich (from the funds resulting from the capital increase carried out in May 2006);
- a further repayment of the car park lease of 45.9 million Swiss francs was carried out in accordance with the terms of the agreement;
- a debenture was issued with a nominal value of 150 million Swiss francs and an interest rate of 3.125 percent for the purpose of investing liquid funds of Airport of Zurich Noise Fund separately in financial assets and cash equivalents.

The change in fair value of the interest rate swap once again had a positive influence on the result.

The reported **profit** of 87.5 million Swiss francs (plus 48.0 percent) was above the original expectations of Flughafen Zürich AG. Increased revenue thanks to the unexpectedly high growth in the passenger volume, plus a positive trend in the change in fair value of the interest rate swap, compensated for the non-realised income from utilisation fees.

If noise-related data are eliminated from the equation, the profit would have risen by 123.1 percent from 21 million Swiss francs to 47 million.

	<b>2006</b>		<b>2006</b>		<b>2005</b>		<b>2005</b>	
<b>(CHF thousand)</b>	<b>With aircraft noise</b>	<b>Elimination of aircraft noise</b>	<b>Without aircraft noise</b>		<b>With aircraft noise</b>	<b>Elimination of aircraft noise</b>	<b>Without aircraft noise</b>	
Revenue from aviation operations	444,238	(54,023)	390,215		418,877	(50,334)	368,543	
Revenue from non-aviation operations	292,871	3,847	296,718		283,352	4,138	287,490	
<b>Total revenue</b>	<b>737,109</b>	<b>(50,176)</b>	<b>686,933</b>		<b>702,229</b>	<b>(46,196)</b>	<b>656,033</b>	
Operating expenses	(358,837)		(358,837)		(338,282)		(338,282)	
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>378,272</b>	<b>(50,176)</b>	<b>328,096</b>		<b>363,947</b>	<b>(46,196)</b>	<b>317,751</b>	
EBITDA margin	51.3%		47.8%		51.8%		48.4%	
Depreciation and amortisation	(188,856)		(188,856)		(188,921)		(188,921)	
<b>Profit from operations (EBIT)</b>	<b>189,416</b>		<b>139,240</b>		<b>175,026</b>		<b>128,830</b>	
EBIT margin	25.7%		20.3%		24.9%		19.6%	
<b>Profit</b>	<b>87,448</b>	<b>(40,496)</b>	<b>46,952</b>		<b>59,123</b>	<b>(38,078)</b>	<b>21,045</b>	
Profit in % of total revenue	11.9%		6.8%		8.4%		3.2%	

The Board of Directors is proposing the payment of a dividend of 3 Swiss francs per share (prior year, 1 Swiss franc).



Marcel Cohen  
Radio engineering project manager



# Information



## Segment reporting

Notes on segment reporting by Flughafen Zürich AG can be found under "Financial report", "Consolidated financial statements according to IFRS", "Accounting policies", "Segment reporting".

### Aviation segment: flight operations

(CHF million)	2006	2005	Change in %
Revenue from third parties	390.2	368.5	+5.9
Inter-segment revenue	9.9	10.6	(6.6)
<b>Total revenue</b>	<b>400.0</b>	<b>379.2</b>	<b>+5.5</b>
<b>Profit from operations</b>	<b>(7.6)</b>	<b>(39.4)</b>	<b>n/a</b>
<b>Total segment assets</b>	<b>916.7</b>	<b>955.8</b>	<b>(4.1)</b>
<b>Depreciation and amortisation</b>	<b>55.1</b>	<b>55.0</b>	<b>+0.2</b>
<b>Capital expenditure</b>	<b>34.5</b>	<b>37.7</b>	<b>(8.5)</b>
<b>Number of employees (full-time positions) as of 31 December</b>	<b>586</b>	<b>571</b>	<b>+2.6</b>

With a loss of 8 million Swiss francs, the segment result (before interest and taxes) is still negative, although it has been improved by around 31 million Swiss francs versus the prior year. On the one hand, this result is attributable to the positive trend in the traffic volume in 2006, and thus to higher external earnings (plus 22 million Swiss francs), and on the other hand inter-segment costs - especially for the provision and management of floor space - were lower (minus 18 million Swiss francs<sup>1)</sup>). In the year under review, it was possible to adjust all floor space allocations - in particular in the terminals and non-public facilities - thanks to the receipt of the final billing for the various structures belonging to expansion stage 5, and this resulted in the cited reduction. In addition to increased external revenue and lower internal costs, there were also higher external costs of 9 million Swiss francs.

<sup>1)</sup> The decrease in inter-segment costs and reallocations is based on the following cost groups:

Internal floor space costs	minus 14.5 million Swiss francs
Internal cleaning costs	minus 1 million Swiss francs
Internal communication costs	minus 0.5 million Swiss francs
Miscellaneous reallocations	minus 2 million Swiss francs

### Aviation segment: aircraft noise

(CHF million)	2006	2005	Change in %
Revenue from third parties	54.0	50.3	+7.4
Inter-segment revenue	0.0	0.0	n/a
<b>Total revenue</b>	<b>54.0</b>	<b>50.3</b>	<b>+7.4</b>
<b>Profit from operations</b>	<b>50.2</b>	<b>46.2</b>	<b>+8.7</b>
<b>Total segment assets</b>	<b>197.5</b>	<b>1.5</b>	<b>n/a</b>
<b>Depreciation and amortisation</b>	<b>0.1</b>	<b>0.1</b>	<b>n/a</b>
<b>Capital expenditure</b>	<b>114.7</b>	<b>0.0</b>	<b>n/a</b>
<b>Non-current provisions for sound insulation and formal expropriations</b>	<b>131.9</b>	<b>137.1</b>	<b>(3.8)</b>
<b>Number of employees (full-time positions) as of 31 December</b>	<b>10</b>	<b>9</b>	<b>+11.1</b>

The increase in profit from operations (EBIT) by 4 million Swiss francs resulted primarily from the positive trend in the traffic volume in 2006, while various cost cuts also made a positive contribution towards the segment result.



## Non-Aviation

<b>(CHF million)</b>	<b>2006</b>	<b>2005</b>	<b>Change in %</b>
Revenue from third parties	292.8	283.4	+3.3
Inter-segment revenue	125.8	143.6	(12.4)
<b>Total revenue</b>	<b>418.6</b>	<b>426.9</b>	<b>(1.9)</b>
<b>Profit from operations</b>	<b>146.8</b>	<b>168.2</b>	<b>(12.7)</b>
<b>Total segment assets</b>	<b>1,881.9</b>	<b>1,947.7</b>	<b>(3.4)</b>
<b>Depreciation and amortisation</b>	<b>133.6</b>	<b>133.8</b>	<b>(0.1)</b>
<b>Capital expenditure</b>	<b>69.4</b>	<b>86.7</b>	<b>(20.0)</b>
<b>Number of employees (full-time positions) as of 31 December</b>	<b>694</b>	<b>682</b>	<b>+1.8</b>

Despite an increase in revenue from third parties by 10 million Swiss francs, total revenue is still 8 million Swiss francs lower than last year's figure. This is due to the described lower inter-segment earnings and offsetting of 18 million Swiss francs. After taking into account the higher external costs of around 14 million Swiss francs, the segment result is 147 million Swiss francs, which is 22 million lower than in the prior year. The disproportional increase in costs versus the prior year is attributable to the fact that, in 2005, this position included non-recurring income of approximately 6.6 million Swiss francs in the form of repayment of accrued costs associated with the Bangalore project.

## Holdings and subsidiaries

### Bangalore (India)

In June 2005, the project stage for the new international airport in Bangalore was completed following the attainment of the financial close. Construction work commenced in July 2005, and the new airport will be ready for operation in April 2008. With the financial close, the accumulated project costs amounting to around 6.6 million Swiss francs flowed back to the company.

Owner and operator of the new airport is Bangalore International Airports Ltd. (BIAL), in which Flughafen Zürich AG holds a 17 percent stake. Flughafen Zürich AG is to secure the construction and operation of the airport on the basis of an operation, management and service level agreement. Revenue has been flowing to Flughafen Zürich AG from this agreement ever since construction work was commenced.

The share capital of BIAL will be paid in during the construction stage up until 2008. As of the end of 2006, Flughafen Zürich AG had subscribed share capital totalling 8.9 million Swiss francs. The total capital investment will amount to approximately 16 million Swiss francs as of the end of the construction stage.

### Bogotá (Colombia)

El Dorado Airport in Bogotá, Colombia, was used by approximately 6 million passengers in 2006. International studies project annual growth of 4.7 percent, and predict a passenger volume of around 13 million for 2012, rising to 25 million by 2027. Flughafen Zürich AG holds a 49.5 percent stake in Unique IDC Colombia S.A., which was founded for administrative purposes, and which in its turn holds a formal stake of one share in the operating company, OPAIN S.A.

### Chile

The traffic trends were positive at all three Chilean airports – Puerto Montt, Calama and La Serena – in which Flughafen Zürich AG holds a stake. The overall passenger volume rose to around 1.1 million last year (plus 6.5 percent).

The three Chilean airports are operating profitably. Flughafen Zürich AG currently holds a 48 percent stake, which it will be reducing to 20 percent in 2007.

### Honduras

Flughafen Zürich AG advises and supports Interairports S.A. in the areas of operations and commercial activity, within the scope of a management agreement. Interairports S.A. holds the operating licences for the four international airports in Tegucigalpa, San Pedro Sula, La Ceiba and Roatán. All four are operating profitably, and their passenger volume in 2006 was 0.75 million. Flughafen Zürich AG holds a 49.5 percent stake in Unique IDC S.A. de C.V., which was founded for administrative purposes.

### Venezuela

Due to the continued intervention by the local government concerning the airport on Isla de Margarita, figures for the 2006 financial year are not available.

It is hoped that the unsatisfactory situation in Venezuela can be resolved by no later than the middle of 2007.

### APT Airport Technologies AG

APT Airport Technologies AG is a wholly owned subsidiary of Flughafen Zürich AG. In 2006 it generated revenue of 13.7 million Swiss francs and further expanded its range of services. On 1 July 2006 it took over the full range of telephony services, the Airport Operational Database, the Flight Information Display System and all other network services from Flughafen Zürich AG. These services are now offered to the more than 350 clients of APT Airport Technologies AG. With the takeover of these services it also created a new web site ([www.airporttech.com](http://www.airporttech.com)), which it launched on 1 July 2006. With the introduction of the new self-service check-in machines on 1 August 2006, and the baggage reconciliation system on 30 November 2006, it successfully launched two important additional ICT services. Its contracts with Jet Aviation and Cargologic were renewed for 3 and 4 years respectively.

## Assets and financial position

### Investments

A total of 218.7 million Swiss francs was invested during the year under review, versus 124.3 million in the prior year. Overview of investments by category:

(CHF million)	2006	2005
Movables	11.5	9.8
Projects in progress in leasing	2.7	1.7
Projects in progress	85.5	105.1
Associates	4.7	5.7
Goodwill	0.0	0.2
Financial assets of		
Airport of Zurich Noise Fund <sup>1)</sup>	114.3	0.0
Other financial assets	0.0	1.8
<b>Total</b>	<b>218.7</b>	<b>124.3</b>
Of which for expansion stage 5	8.5	46.6

<sup>1)</sup> On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents.

Expenses are included for the following projects, in addition to investments for expansion stage 5:

- Renovation work in multi-storey car parks (7.8 million Swiss francs)
- Apron renovations (5.8 million Swiss francs)
- New intersection in front of Operations Center (4.2 million Swiss francs)
- Purchase of new security check devices (1.7 million Swiss francs)
- Replacement of airfield fire-fighting vehicles (1.4 million Swiss francs)
- Investments in IT projects such as CUSS self-service check-in machines (1.5 million Swiss francs)

### Consolidated cash flow statement

(CHF thousand)	2006	2005	Change in %
<b>Cash flow from operations</b>	<b>367,213</b>	<b>338,285</b>	<b>8.6</b>
<b>of which related to aircraft noise</b>	<b>36,922</b>	<b>39,372</b>	<b>(6.2)</b>
<i>Total revenue from noise charges</i>	<i>46,106</i>	<i>50,334</i>	<i>(8.4)</i>
<i>Total expenses for sound insulation and formal expropriations</i>	<i>(9,184)</i>	<i>(10,962)</i>	<i>(16.2)</i>
<b>Cash flow from investing activities</b>	<b>(258,772)</b>	<b>(117,173)</b>	<b>n/a</b>
<b>of which related to aircraft noise</b>	<b>(176,634)</b>	<b>0</b>	<b>n/a</b>
<i>Total non-current financial assets of Airport of Zurich Noise Fund</i>	<i>(114,313)</i>	<i>0</i>	<i>n/a</i>
<i>Total current financial assets of Airport of Zurich Noise Fund</i>	<i>(62,321)</i>	<i>0</i>	<i>n/a</i>
<b>Cash flow from financing activities</b>	<b>(82,716)</b>	<b>(230,165)</b>	<b>(64.1)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>25,725</b>	<b>(9,053)</b>	
Balance at beginning of financial year	36,737	45,790	
Increase/(decrease) in cash and cash equivalents	25,725	(9,053)	
<b>Balance at end of financial year</b>	<b>62,462</b>	<b>36,737</b>	
<b>of which included in Airport of Zurich Noise Fund</b>	<b>20,578</b>	<b>0</b>	

Cash flow from operations rose in 2006 by 8.6 percent to 367.2 million Swiss francs, of which cash flow from charges related to aircraft noise amounted to 36.9 million Swiss francs (2005: 39.4 million). Cash flow from investing activities rose by 142 million Swiss francs to 258.8 million, of which 176.6 million were used to invest the liquid funds of Airport of Zurich Noise Fund separately in financial assets and cash equivalents.

On 12 April 2006, the 4.625 percent 1996-2006 debenture with a nominal value of 90 million Swiss francs was repaid and on 20 December 2006 the second repayment of liabilities towards banks arising from the US car park lease was effected (3.606 percent, 45.9 million Swiss francs nominal value) using available funds and in accordance with the respective agreements.

On 10 May 2006 the non-current loan from the Canton of Zurich with a duration from 2002 to 2012 (5.0 percent; 300 million Swiss francs) was repaid prematurely, and without additional costs, from liquid funds flowing into the company (310.3 million Swiss francs, net) from the share capital increase.

A debenture was issued on 14 June 2006 with duration until 2010, a nominal value of 150 million Swiss francs and an interest rate of 3.125 percent for the purpose of investing the liquid funds of the Airport of Zurich Noise Fund (AZNF) separately in financial assets and cash equivalents. Cash flow from financing activities was reduced by 147.4 million Swiss francs to 82.7 million (2005: 230.1 million Swiss francs).

As of the end of the year under review, the balance of cash and cash equivalents was 62.5 million Swiss francs (plus 25.8 million). A portion of 20.6 million Swiss francs belongs to the Airport of Zurich Noise Fund (AZNF).

**Nominal net debt** fell in the year under review to 1.290 billion Swiss francs (minus 495.8 million Swiss francs). For the calculation of nominal net debt, borrowings are shown at their nominal values in Swiss francs taking into account the cash flow hedges.

(CHF thousand)	31.12.2006	31.12.2005	Change in %
Financial liabilities, nominal	1,526,351	1,819,695	(16.1)
Less cash and cash equivalents	(235,991)	(33,497)	n/a
<b>Nominal net debt</b>	<b>1,290,360</b>	<b>1,786,198</b>	<b>(27.8)</b>
Decrease	(495,838)	(132,936)	

#### Balance sheet structure

In the year under review, the **balance sheet total** increased by 111.1 million Swiss francs, primarily due to the increase of **current assets** (plus 102.8 million Swiss francs). The **investment intensity** decreased versus the prior year from 94.9 to 91.9 percent.

**Equity** was increased by 424.5 million Swiss francs and now amounts to 1,230.5 million, which corresponds to a proportion of 38.8 percent (2005: 26.3 percent).

Non-current liabilities fell sharply in 2006. The reduction of total borrowings amounted to almost 313.4 million Swiss francs.

The **return on average capital employed (ROCE)** rose from 5.4 to 5.7 percent.

**Return on equity** increased from 7.6 percent in the prior year to 8.6 in the year under review, despite the capital increase that was carried out in the spring, and thanks to the higher profit.

#### Key balance sheet data

(CHF thousand)	in %	2006	in %	2005
Non-current assets	91.9%	2,913,241	94.9%	2,904,965
Current assets	8.1%	257,700	5.1%	154,884
Balance sheet total	100.0%	3,170,941	100.0%	3,059,849
Total equity	38.8%	1,230,464	26.3%	805,999
Non-current liabilities	47.4%	1,504,113	59.6%	1,823,001
Current liabilities	13.8%	436,364	14.1%	430,849
Balance sheet total	100.0%	3,170,941	100.0%	3,059,849
Capital employed		2,614,617		2,569,922
Return on average capital employed (ROCE)	5.7%		5.4%	
Return on equity	8.6%		7.6%	
Interest-bearing liabilities (net, in accordance with IFRS)		1,177,985		1,745,299
Interest-bearing liabilities (IFRS) / EBITDA		3.11x		4.80x
Interest-bearing liabilities (nominal)		1,290,360		1,786,198
Interest-bearing liabilities (nominal) / EBITDA		3.41x		4.91x





## Outlook

### General outlook

2007 is expected to be a good year for the Swiss economy: for example, the State Secretariat for Economic Affairs (seco) anticipates economic growth of 1.7 percent. The economic development of Switzerland influences both the traffic trend and earnings in the commercial segment.

### Trend in traffic volume and aviation revenue

Past experience has shown that, at Zurich Airport, the volume of local passengers grows twice as quickly as the economy. Hub carrier Swiss has announced that it will be operating a number of additional aircraft in 2007, and this should give rise to further growth in the volume of transfer passengers.

In view of this assessment of the market, Flughafen Zürich AG expects traffic growth in 2007 to be similar to the rate recorded in 2006 (plus 7.6 percent). Specifically, a total of around 20.7 million passengers is anticipated for 2007 (plus 7.6 percent), with the volume of transfer passengers increasing more rapidly than that of local passengers. Flughafen Zürich AG expects the proportion of transfer passengers to reach around 33 percent.

With respect to flight movements, Flughafen Zürich AG expects moderate growth as a result of the announced increase in the hub carrier's fleet.

For refinancing the sharply increased security costs, and in view of the implementation of EU regulations (including the restriction on liquids and the introduction of staff screening phase III), Flughafen Zürich AG plans to increase the security charge as of 1 July 2007 by an average of 4 Swiss francs per departing passenger (plus 4.50 Swiss francs for local passengers, and plus 3 Swiss francs for transfer passengers).

### Non-Aviation segment

No exceptional developments are expected with respect to commercial revenue in 2007. Total non-aviation revenue is expected to increase at a lower rate than the traffic volume, since revenue

from real estate management and from a major proportion of other services is largely independent of passenger growth. Revenue from fixed rentals of premises and floor space is expected to fall slightly due to a number of forthcoming tenancy changes.

### Investments

The investment budget of Flughafen Zürich AG in 2007 will be in the region of 180 million Swiss francs. The largest single project is the planned renovation of runway 16/34, budgeted at around 45 million Swiss francs. In the same year, approximately 10 million Swiss francs will be invested in the implementation of EU regulations.

### Financing

An outstanding debenture (75 million Swiss francs, 28 September) and the repayment of a further tranche of car park financing (approximately 43 million Swiss francs, 20 December) become due in 2007. Both repayments, as well as planned investments, are to be made from available funds. It will therefore be possible to reduce net debt again as planned.

### Outlook for 2007 result

Flughafen Zürich AG expects total revenue to increase by around eight to nine percent next year. In view of the fact that the costs for implementing the EU regulations will be incurred at an early stage in 2007, but the corresponding refinancing will only begin to take effect from 1 July 2007, the operating expenses are likely to increase disproportionately to revenue. Thus, the EBITDA margin is not likely to remain at last year's level, but instead will probably be around 50 percent in 2007. Thanks to higher revenue, however, Flughafen Zürich AG expects a 20 percent higher profit versus 2006.

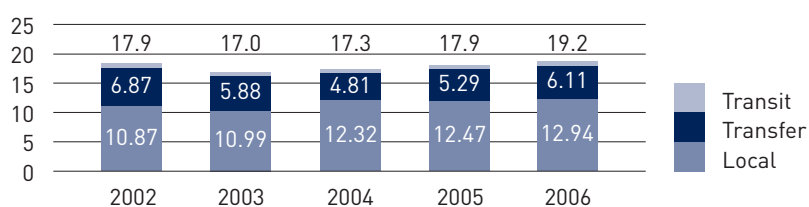
## Traffic statistics



## Passenger volumes

	2006	2005	2004	2003	2002
Total passengers	19,237,216	17,884,652	17,252,906	17,024,937	17,948,058
Change versus previous year (in %)	7.6	3.7	1.3	(5.1)	(14.6)
<b>By type of passenger</b>					
Airline passengers	19,185,989	17,835,291	17,206,742	16,976,860	17,902,073
Change versus previous year (in %)	7.6	3.7	1.4	(5.2)	(14.6)
Local passengers	12,942,023	12,468,199	12,323,227	10,994,109	10,871,258
Change versus previous year (in %)	3.8	1.2	12.1	1.1	(8.3)
Transfer passengers	6,114,226	5,286,570	4,809,390	5,884,786	6,872,308
Change versus previous year (in %)	15.7	9.9	(18.3)	(14.4)	(23.3)
Transit passengers	129,740	80,522	74,125	97,965	158,507
Change versus previous year (in %)	61.1	8.6	(24.3)	(38.2)	0.8
General aviation & other passengers	51,227	49,361	46,164	48,077	45,985
Change versus previous year (in %)	3.8	6.9	(4.0)	4.5	9.2
<b>By type of flight</b>					
Scheduled flights	17,843,548	16,284,752	15,313,073	15,200,005	15,904,090
Change versus previous year (in %)	9.6	6.3	0.7	(4.4)	(15.9)
Traditional carriers	16,221,750	14,859,211	13,800,433	14,217,828	15,475,389
Change versus previous year (in %)	9.2	7.7	(2.9)	(8.1)	(17.1)
Low-cost carriers	1,621,798	1,425,541	1,512,640	982,177	428,701
Change versus previous year (in %)	13.8	(5.8)	54.0	129.1	64.9
Non-scheduled flights (charter)	1,342,441	1,550,539	1,893,669	1,776,855	1,997,983
Change versus previous year (in %)	(13.4)	(18.1)	6.6	(11.1)	(2.7)
General aviation & other flights	51,227	49,361	46,164	48,077	45,985
Change versus previous year (in %)	3.8	6.9	(4.0)	4.5	9.2
<b>By origin/destination (airline passengers only)</b>					
Europe	14,752,426	13,559,627	12,835,196	12,495,246	12,716,552
Change versus previous year (in %)	8.8	5.6	2.7	(1.7)	(15.7)
Intercontinental	4,433,563	4,275,664	4,371,546	4,481,614	5,185,521
Change versus previous year (in %)	3.7	(2.2)	(2.5)	(13.6)	(11.9)
North America	1,519,604	1,416,844	1,416,307	1,437,141	1,590,843
Change versus previous year (in %)	7.3	0.0	(1.4)	(9.7)	(20.1)
Asia	1,935,510	1,851,763	1,882,254	1,896,692	2,101,857
Change versus previous year (in %)	4.5	(1.6)	(0.8)	(9.8)	(4.5)
Africa	782,212	798,946	828,267	876,606	1,214,342
Change versus previous year (in %)	(2.1)	(3.5)	(5.5)	(27.8)	(11.9)
Latin America	196,237	208,111	244,718	271,175	278,479
Change versus previous year (in %)	(5.7)	(15.0)	(9.8)	(2.6)	(13.4)
<b>Seat load factor</b>	69.8%	66.7%	65.1%	64.8%	64.1%
Change versus previous year (in %)	4.7	2.4	0.5	1.1	0.5
<b>Passengers per movement</b>					
(passenger aircraft movements only)	87.4	78.0	74.7	72.5	72.4
Change versus previous year (in %)	12.2	4.4	3.0	0.1	(5.6)

## Passenger development (millions)

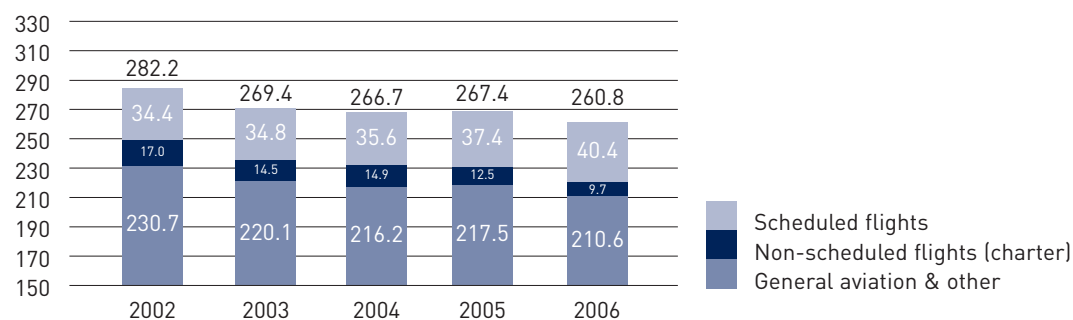




## Flight movements

	2006	2005	2004	2003	2002
<b>Total movements</b>	260,786	267,363	266,660	269,392	282,154
Change versus previous year (in %)	(2.5)	0.3	(1.0)	(4.5)	(8.8)
<b>By type of operation</b>					
Scheduled & charter airlines	220,342	229,980	231,086	234,627	247,720
Change versus previous year (in %)	(4.2)	(0.5)	(1.5)	(5.3)	(9.6)
Passenger aircraft	219,436	228,781	230,370	234,084	247,107
Change versus previous year (in %)	(4.1)	(0.7)	(1.6)	(5.3)	(9.6)
Freight aircraft	906	1,199	716	543	613
Change versus previous year (in %)	(24.4)	67.5	31.9	(11.4)	(22.7)
General aviation & other	40,444	37,383	35,574	34,765	34,434
Change versus previous year (in %)	8.2	5.1	2.3	1.0	(2.1)
<b>By type of flight</b>					
Scheduled flights	210,634	217,494	216,224	220,130	230,699
Change versus previous year (in %)	(3.2)	0.6	(1.8)	(4.6)	(10.0)
Traditional carriers	192,161	198,320	194,263	208,873	226,145
Change versus previous year (in %)	(3.1)	2.1	(7.0)	(7.6)	(10.9)
Low-cost carriers	18,473	19,174	21,961	11,257	4,554
Change versus previous year (in %)	(3.7)	(12.7)	95.1	147.2	97.5
Non-scheduled flights (charter)	9,708	12,486	14,862	14,497	17,021
Change versus previous year (in %)	(22.2)	(16.0)	2.5	(14.8)	(4.4)
General aviation & other	40,444	37,383	35,574	34,765	34,434
Change versus previous year (in %)	8.2	5.1	2.3	1.0	(2.1)
<b>By origin/destination (airlines only)</b>					
Europe	193,221	203,670	204,890	207,255	217,032
Change versus previous year (in %)	(5.1)	(0.6)	(1.1)	(4.5)	(9.1)
Intercontinental	27,121	26,310	26,196	27,372	30,688
Change versus previous year (in %)	3.1	0.4	(4.3)	(10.8)	(13.1)
North America	9,280	8,463	8,089	8,647	9,120
Change versus previous year (in %)	9.7	4.6	(6.5)	(5.2)	(23.3)
Asia	11,421	10,812	10,853	11,002	11,418
Change versus previous year (in %)	5.6	(0.4)	(1.4)	(3.6)	(9.5)
Africa	5,524	5,943	6,108	6,526	8,728
Change versus previous year (in %)	(7.1)	(2.7)	(6.4)	(25.2)	(5.3)
Latin America	896	1,092	1,145	1,197	1,427
Change versus previous year (in %)	(17.9)	(4.6)	(4.3)	(16.1)	(11.4)
<b>Average MTOW</b>					
(maximum take-off weight)	73.8	68.3	68.2	69.1	71.8
Change versus previous year (in %)	8.1	0.1	(1.3)	(3.8)	(6.1)

## Development of flight movements (thousands)



## Freight and mail

	2006	2005	2004	2003	2002
<b>Freight in tonnes</b>	363,325	372,415	363,537	389,843	421,811
Change in %	(2.4)	2.4	(6.7)	(7.6)	(14.4)
<b>By type of transport</b>					
Air freight	257,057	266,401	257,601	283,831	309,724
Change in %	(3.5)	3.4	(9.2)	(8.4)	(12.2)
Road transport	106,268	106,015	105,936	106,012	112,087
Change in %	0.2	0.1	(0.1)	(5.4)	(20.1)
<b>Mail in tonnes</b>	22,853	21,475	22,963	21,650	22,990
Change in %	6.4	(6.5)	6.1	(5.8)	6.0

	2006	2005	2004	2003	2002
<b>Number of airlines</b>					
Scheduled flights	73	78	76	67	61
Non-scheduled flights (charter)	30	42	42	41	51

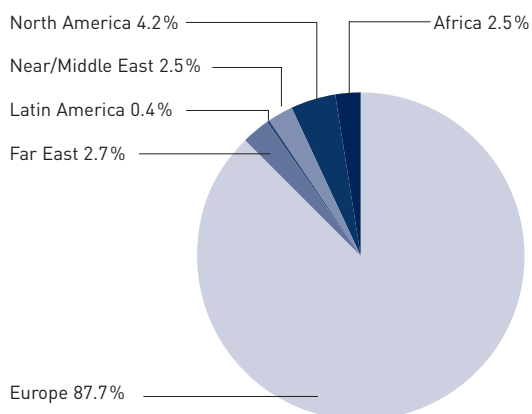
## Destinations, scheduled flights (cities)

Europe	106	100	91	88	86
Africa	15	15	15	21	22
Asia	16	18	18	20	29
North America	12	12	12	11	17
Latin America	2	3	3	3	10
<b>Total</b>	<b>151</b>	<b>148</b>	<b>139</b>	<b>143</b>	<b>164</b>

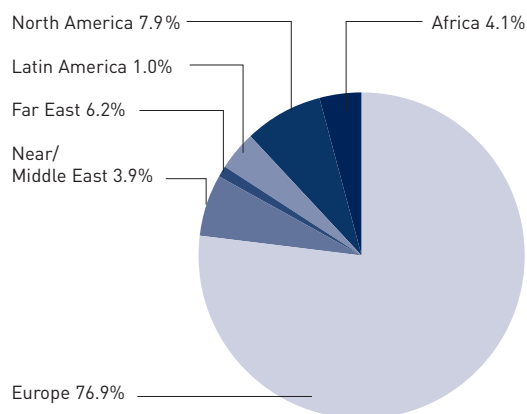
## Destinations, scheduled flights (countries)

Europe	35	35	35	34	34
Africa	10	11	11	14	13
Asia	14	16	16	17	22
North America	2	2	2	2	2
Latin America	2	3	3	2	5
<b>Total</b>	<b>63</b>	<b>67</b>	<b>67</b>	<b>69</b>	<b>76</b>

## Origin and destination by movements (2006)



## Origin and destination by passengers (2006)



## Airlines in Zurich in 2006 (more than 5 landings in the period under review)

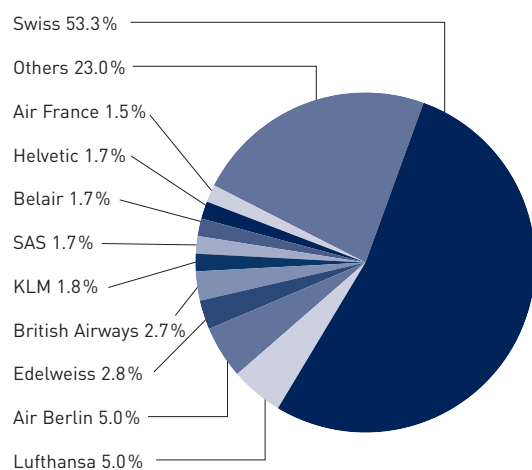
### Scheduled

Adria Airways	CSA, Czech Airlines	Montenegro Airlines
Aer Lingus	Cyprus Airways	Ostfriesische Lufttransport
Aeroflot Russian Inter. Airlines	Dauair **	Portugalia
Air Baltic *	Delta Air Lines	Qatar Airways Company
Air Berlin	Deutsche Lufthansa	Royal Air Maroc
Air Bosna	EL AL, Israel Airlines	Royal Jordanian Airlines
Air Canada	Emirates	SAS, Scandinavian Airlines System
Air Enterprise Pulkova (seasonal)	European Air Express	SATA International Azore
Air Europa, Lineas Aéreas S.A.	Finnair	Singapore Airlines
Air France	Flybaboo **	South African Airways
Air Malta	Fly Niki	Spanair *
Air Mauritius	Germanwings	Styrian Airways **
Air Nostrum **	Hapag Lloyd Fluggesellschaft *	Sun Express
Air Srpska (seasonal)	Hamburg Internationale	Swiss International Airlines
Albanian Airlines **	Luftfahrtsgesellschaft **	TAP Portugal
Alitalia	Helvetic Airways	Thai Airways International
American Airlines	Iberia	Tunis Air
Austrian Airlines	Icelandair (seasonal)	Turkish Airlines
BA Connect	Intersky Luftfahrt GmbH (seasonal)	Ukraine International Airline
Blue 1 *	Japan Air Lines	United Airlines
British Airways	Jat Airways	
Bulgaria Air	KLM, Royal Dutch Airlines	<b>Total 73 airlines</b>
Cirrus Luftverkehrsgesellschaft	Korean Air	
City Airline	LOT, Polskie Linie Lotnicze	*) = commenced operation
Clickair *	Macedonian Airlines	during 2006 (5)
Continental Airlines	Malaysia Airlines	**) = ceased operation during 2006 (6)
Croatia Airlines	Malev, Hungarian Airlines	

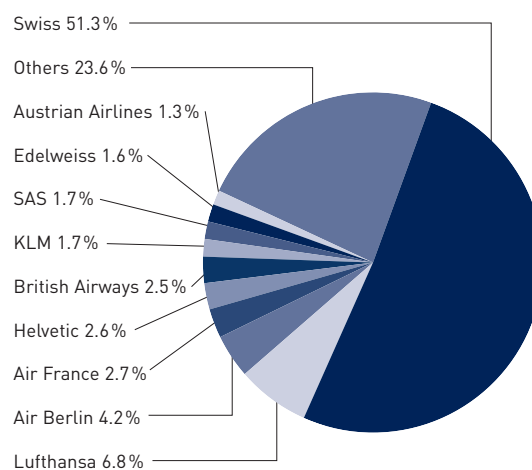
### Charter

Aegean Aviation (Greece)	DBA Luftfahrtgesellschaft	Montenegro Airlines (Montenegro)
African Safari Airways (Kenya)	(Germany)	Onur Air (Turkey)
Air Adriatic (Italy)	Dubrovnik Airline (Croatia)	Pegasus (Turkey)
Air Alps (Switzerland)	Edelweiss Air (Switzerland)	Sky Airlines (Germany)
Air Cairo (Egypt)	Farnair Hungary (Hungary)	Sun Express (Turkey)
Aircraft Maintenance Company (Egypt)	Farnair Switzerland (Switzerland)	Titan Airways (UK)
Air Europa (Spain)	Free Bird Airlines (Turkey)	Uzbekistan Airways (Uzbekistan)
Atlas International (Turkey)	Futura Int. Airways (Spain)	WDL Flugdienst (Germany)
Belair Airlines AG (Switzerland)	Hello AG (Switzerland)	
BH Air (Bulgaria)	Helvetic Airways (Switzerland)	<b>Total 30 airlines</b>
Darwin Airline (Switzerland)	Karthago Airlines (Tunis)	
	Luxair (Luxembourg)	

**Passengers by airline 2006**



**Movements by airline 2006**





**Origin and destination of movements by country (scheduled and charter)**

	<b>Scheduled</b>	<b>Charter</b>	<b>Total</b>	<b>in %</b>
<b>Europe</b>				
Albania	2	0	2	0.0
Austria	8,104	56	8,160	3.7
Belgium	4,160	3	4,163	1.9
Bosnia and Herzegovina	333	0	333	0.2
Bulgaria	283	178	461	0.2
Croatia	1,372	160	1,532	0.7
Cyprus	664	76	740	0.3
Czech Republic	3,623	0	3,623	1.6
Denmark	4,245	9	4,254	1.9
Finland	2,018	4	2,022	0.9
France	13,213	72	13,285	6.0
Germany	50,725	266	50,991	23.1
Greece	2,864	1,315	4,179	1.9
Hungary	3,474	10	3,484	1.6
Iceland	24	21	45	0.0
Ireland	1,046	47	1,093	0.5
Italy	13,558	211	13,769	6.2
Latvia	56	0	56	0.0
Luxembourg	1,431	6	1,437	0.7
Malta	450	0	450	0.2
Macedonia	1,412	128	1,540	0.7
Netherlands	6,674	12	6,686	3.0
Norway	605	7	612	0.3
Poland	3,833	1	3,834	1.7
Portugal	3,783	110	3,893	1.8
Romania	731	8	739	0.3
Russian Federation	2,819	9	2,828	1.3
Slovakia	0	2	2	0.0
Slovenia	1,198	0	1,198	0.5
Spain	14,325	1,452	15,777	7.2
Sweden	3,095	32	3,127	1.4
Turkey	2,775	1,091	3,866	1.8
Ukraine	725	6	731	0.3
United Kingdom	19,349	129	19,478	8.8
Yugoslavia	3,523	1,464	4,987	2.3
Domestic flights	9,756	88	9,844	4.5
<b>Total Europe</b>	<b>186,248</b>	<b>6,973</b>	<b>193,221</b>	<b>87.7</b>
of which EU	162,902	3,995	166,897	75.7
 Africa	3,512	2,012	5,524	2.5
Near/Middle East	5,444	25	5,469	2.5
Far East	5,681	271	5,952	2.7
Latin America	528	368	896	0.4
North America	9,221	59	9,280	4
 <b>Total intercontinental</b>	<b>24,386</b>	<b>2,735</b>	<b>27,121</b>	<b>12.3</b>
 <b>Overall total</b>	<b>210,634</b>	<b>9,708</b>	<b>220,342</b>	<b>100.0</b>



Walter Huber  
Head of cargo operations



## Market positioning



## Traffic statistics 2006

## Number of commercial passengers

	in millions	Change in %
London Heathrow	67.5	(0.6)
Paris (CDG)	56.8	5.6
Frankfurt	52.8	1.1
Amsterdam	46.1	4.4
Madrid	45.5	8.1
London Gatwick	34.2	4.2
Munich	30.8	7.5
Rome	30.1	5.2
Barcelona	30.0	10.5
Paris (Orly)	25.6	3.1
London Stansted	23.7	7.6
Manchester	22.8	0.2
Palma de Mallorca	22.4	5.5
Milan	21.8	10.9
Dublin	21.2	14.9
Copenhagen	20.8	4.5
<b>Zurich</b>	<b>19.2</b>	<b>7.6</b>

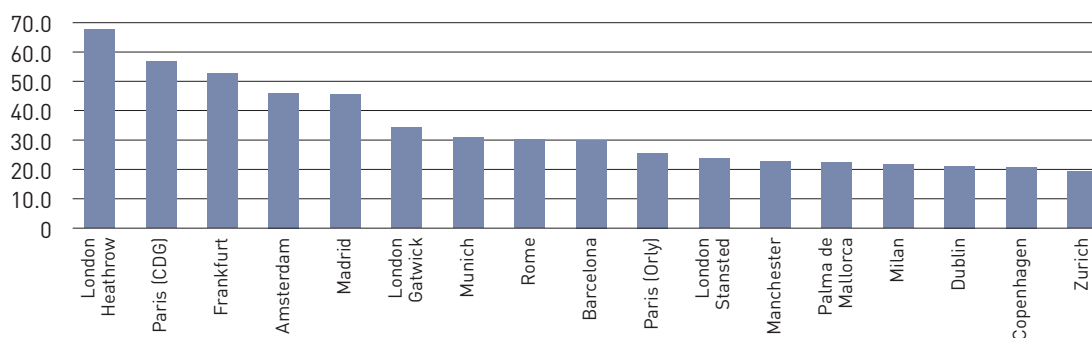
## Air freight

	in thousand tonnes	Change in %
Frankfurt	2,031.0	8.9
Amsterdam	1,519.0	4.8
London Heathrow	1,264.0	(3.2)
Brussels	681.0	(0.3)
Milan	405.0	9.9
Madrid	316.0	(5.1)
<b>Zurich</b>	<b>257.0</b>	<b>(3.5)</b>
London Stansted	228.0	(4.4)
Munich	224.0	10.6
London Gatwick	212.0	(4.8)
Vienna	188.0	12.2
Manchester	150.0	1.0
Copenhagen	149.0	5.6
Rome	123.0	(5.1)
Dublin	117.0	(0.8)
Helsinki	110.0	(3.2)
Athen	109.0	3.5

## Number of commercial movements

	in thousands	Change in %
Paris (CDG)	533.0	3.8
Frankfurt	474.0	0.9
London Heathrow	471.0	(0.3)
Madrid	433.0	4.5
Amsterdam	423.0	4.6
Munich	386.0	3.1
Barcelona	324.0	6.4
Rome	310.0	2.3
Copenhagen	255.0	(3.9)
London Gatwick	254.0	0.9
Milan	247.0	8.7
Vienna	235.0	2.9
Brussels	232.0	0.3
Paris (Orly)	229.0	2.9
<b>Zurich</b>	<b>223.0</b>	<b>(3.8)</b>
Stockholm	214.0	(3.5)
Manchester	214.0	(2.0)

## Passengers in millions





## Traffic frequencies



## Traffic frequencies and payload figures at Zurich Airport, 1980–2006

### Passengers

Year	Schedule flights	Non-scheduled flights (charter)	General aviation	Total
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
2004	15,313,073	1,893,669	46,164	17,252,906
2005	16,284,752	1,550,539	49,361	17,884,652
2006	17,843,548	1,342,441	51,227	19,237,216

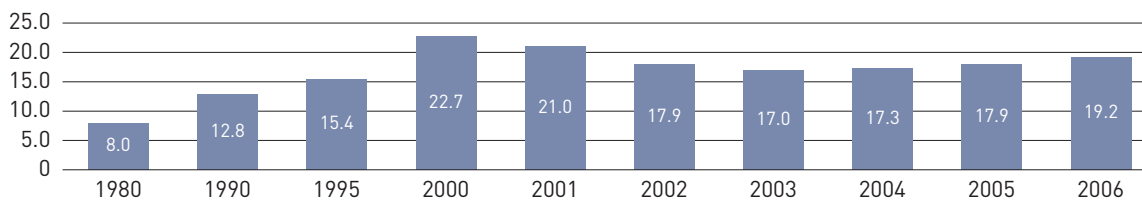
### Aircraft movements

Year	Scheduled flights	Non-scheduled flights (charter)	General aviation & others	Total
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
2004	216,224	14,862	35,574	266,660
2005	217,494	12,486	37,383	267,363
2006	210,634	9,708	40,444	260,786

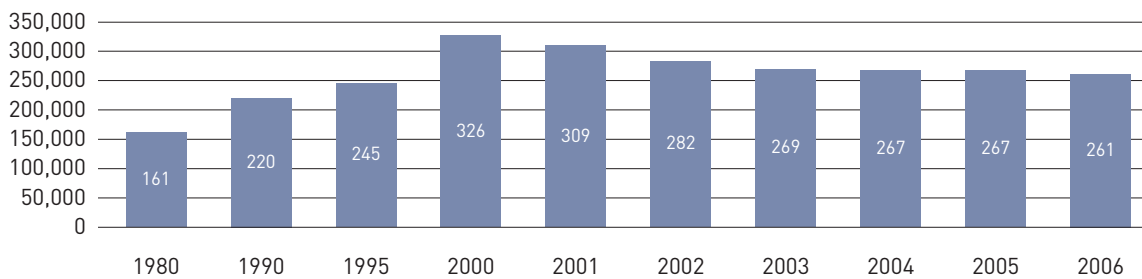
## Freight

Year	Air freight	Road freight	Total
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	395,142	150,281	545,423
2001	352,607	140,265	492,872
2002	309,724	112,087	421,811
2003	283,831	106,012	389,843
2004	257,601	105,936	363,537
2005	266,400	106,015	372,415
2006	257,057	106,268	363,325

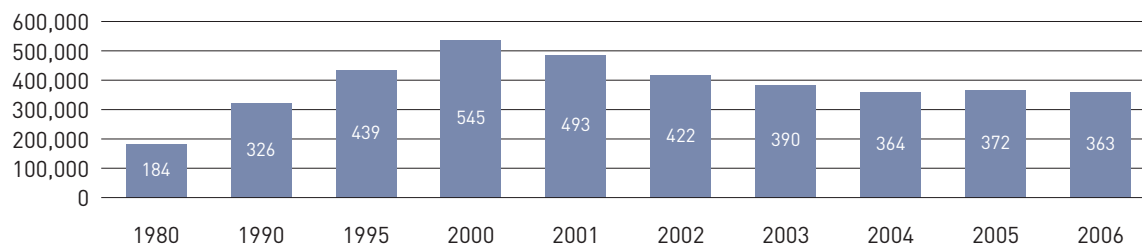
## Passengers in millions



## Movements in thousands



## Freight in tonnes





Mirjam Stamm  
HR assistant / responsible for trainees



## Destinations



### Direct services from Zurich Airport, 2006 Scheduled flights

<b>Europe</b>	Izmir	Pula	Tunis
Alicante	Kiev	Reggio Calabria	Yaounde
Amsterdam	Kittila	Reykjavic	
Ankara	Klagenfurt**	Rhodes*	<b>Near/Middle East</b>
Antalya	Kuopio	Riga*	Amman
Arrecife*	Lamezia	Rimini	Doha
Athens	Larnaca	Rome	Dubai
Balaton	Las Palmas*	Rostock*	Jeddah
Barcelona	Lisbon	Rovaniemi	Muscat
Bari*	Ljubljana	Salzburg**	Riyadh
Basel	London City	Santiago de Compostela	Tel Aviv
Belgrade	London Gatwick	Sarajevo	
Berlin (Tegel)	London Heathrow	Skopje	<b>Far East</b>
Birmingham	London Luton**	Sofia	Bangkok
Bremen	Lugano	Split	Bombay
Brindisi	Luxembourg	Stockholm	Delhi
Bristol	Lyons	St. Petersburg	Hong Kong
Brussels	Madrid	Stuttgart	Karachi**
Bucharest	Malaga	Tenerife*	Kuala Lumpur
Budapest	Malta	Thessaloniki	Seoul
Cagliari*	Manchester	Tivat	Singapore
Catania	Milan	Valencia	Tokyo
Cologne	Moscow Domodedovo	Venice	
Copenhagen	Moscow Sheremetyevo	Vienna	<b>Latin America</b>
Cracow	Muenster/Osnabrueck	Warsaw	Santiago*
Dortmund**	Munich	Zadar	Sao Paulo
Dresden	Naples	Zagreb	
Dublin	Nice		<b>North America</b>
Duesseldorf	Nis	<b>Africa</b>	Atlanta
Elba	Nuremberg	Agadir*	Boston
Frankfurt	Ohrid	Benghazi**	Chicago
Fuerteventura*	Olbia*	Cairo	Dallas
Funchal	Oslo	Casablanca	Los Angeles
Geneva	Ostersund/Frosson	Dar es Salaam	Miami
Gothenburg	Palermo	Djerba	Montreal
Graz**	Palma de Mallorca	Douala	New York
Hamburg	Paris (CDG)	Johannesburg	Newark
Hanover	Pisa*	Malabo	San Francisco
Helsinki	Podgorica	Marrakesh	Toronto
Heraklion*	Porto	Mauritius	Washington
Ibiza*	Prague	Nairobi	
Istanbul	Pristina	Tripoli	

\*) = destination commenced during 2006 (15)  
 \*\*) = destination ceased during 2006 (8)

### Direct services from Zurich Airport

	Cities	Countries
Europe	106	35
Africa	15	10
Near/Middle East	7	6
Far East	9	8
North America	12	2
Latin America	2	2
<b>Total</b>	<b>151</b>	<b>63</b>





Self Service Restaurant  
Shopping

Information

E  
Gates





**Consolidated financial statements  
according to IFRS**

---

99	Consolidated income statement
100	Consolidated balance sheet
101	Consolidated statement of changes in equity
102	Consolidated cash flow statement

**Notes**

---

103	Segment reporting
104	Accounting policies
112	Notes to consolidated financial statements

---

135	Audit report
-----	--------------

---

**Consolidated income statement for 2006 and 2005**  
**(according to IFRS)**

<b>(CHF thousand)</b>	<b>Notes</b>	<b>2006</b>	<b>2005</b>
Revenue from goods and services			
– Revenue from aviation operations		444,238	418,877
– Revenue from non-aviation operations		292,871	283,352
<b>Total revenue</b>	<b>(1)</b>	<b>737,109</b>	<b>702,229</b>
Depreciation and amortisation		(188,856)	(188,921)
Personnel expenses	(2)	(146,674)	(139,895)
Police and security		(82,907)	(78,336)
Maintenance and material		(45,966)	(49,232)
Sales, marketing, administration		(36,363)	(32,592)
Energy and waste		(22,506)	(21,135)
Other operating expenses	(3)	(21,441)	(21,113)
Other expenses/income, net	(4)	(2,980)	4,021
<b>Profit from operations</b>		<b>189,416</b>	<b>175,026</b>
Financial expenses	(5)	(95,826)	(109,509)
Financial income	(5)	16,150	9,696
Share of profit or loss of associates		(477)	239
<b>Profit before tax</b>		<b>109,263</b>	<b>75,452</b>
Income taxes	(6)	(21,815)	(16,329)
<b>Profit</b>		<b>87,448</b>	<b>59,123</b>
Profit attributable to:			
Shareholders of Flughafen Zürich AG		87,448	59,123
Minority interests		0	0
Basic earnings per share (in Swiss francs)	(14)	15.35	12.08
Diluted earnings per share (in Swiss francs)	(14)	15.34	12.06

**Consolidated balance sheet as of 31 December 2006 and 31 December 2005  
(according to IFRS)**

<b>(CHF thousand)</b>	<b>Notes</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
<b>Assets</b>			
Land	(7)	112,084	112,326
Buildings, engineering structures	(7)	2,452,402	2,530,474
Facilities in leasing	(7)	71,503	75,113
Projects in progress	(7)	33,112	39,908
Projects in progress in leasing	(7)	2,112	1,181
Movables	(7)	101,087	98,081
<b>Total property, plant and equipment</b>	<b>(7)</b>	<b>2,772,300</b>	<b>2,857,083</b>
Non-current financial assets of Airport of Zurich Noise Fund	(8)	112,927	0
Intangible assets	(7)	17,326	24,958
Investments in associates	(9)	9,663	6,103
Other financial assets	(10)	1,025	16,821
<b>Non-current assets</b>		<b>2,913,241</b>	<b>2,904,965</b>
Inventories		4,665	3,198
Current financial assets of Airport of Zurich Noise Fund	(8)	62,321	0
Trade receivables	(11)	109,729	94,823
Other receivables and prepaid expenses	(12)	15,402	19,771
Current tax assets		3,121	355
Cash and cash equivalents	(13)	62,462	36,737
<b>Current assets</b>		<b>257,700</b>	<b>154,884</b>
<b>Total assets</b>		<b>3,170,941</b>	<b>3,059,849</b>
<b>Equity and liabilities</b>			
Share capital		307,019	245,615
Own shares		(693)	(1,735)
Capital reserves		588,473	338,535
Hedging reserve, net		(81,683)	(112,874)
Fair value reserve, net		(1,386)	0
Translation reserve		(437)	(168)
Other retained earnings		419,171	336,626
<b>Equity of shareholders of Flughafen Zürich AG</b>		<b>1,230,464</b>	<b>805,999</b>
Minority interests		0	0
<b>Total equity</b>		<b>1,230,464</b>	<b>805,999</b>
Debentures and non-current loans	(15)	1,219,436	1,565,813
Non-current provisions for sound insulation and formal expropriations	(16)	131,929	137,091
Lease liabilities	(15)	72,063	73,721
Deferred tax liabilities	(18)	68,416	44,572
Non-current provisions	(19)	10,016	0
Retirement benefit plans	(20)	2,253	1,804
<b>Non-current liabilities</b>		<b>1,504,113</b>	<b>1,823,001</b>
Trade payables		30,902	30,005
Current financial liabilities	(15)	122,477	139,262
Other current debt, accruals and deferrals	(21)	282,985	261,582
<b>Current liabilities</b>		<b>436,364</b>	<b>430,849</b>
<b>Total liabilities</b>		<b>1,940,477</b>	<b>2,253,850</b>
<b>Total equity and liabilities</b>		<b>3,170,941</b>	<b>3,059,849</b>

# Consolidated statement of changes in equity (according to IFRS)

(CHF thousand)	Share capital	Own shares	Capital reserves	Hedging reserve, net	Fair value reserve, net	Translation reserve	Other retained earnings	Equity of shareholders of Flughafen Zürich AG	Minority interests	Total equity
<b>Balance at 31.12.2004</b>	<b>245,615</b>	<b>(2,328)</b>	<b>337,844</b>	<b>(107,632)</b>	<b>0</b>	<b>(877)</b>	<b>277,504</b>	<b>750,126</b>	<b>6,320</b>	<b>756,446</b>
Adjustment of cross currency interest rate swaps to fair value <sup>1)</sup>				83,713				83,713		83,713
Cross currency interest rate swaps – transfer to income statement <sup>1)</sup>				(88,955)				(88,955)		(88,955)
Foreign exchange differences						248		248		248
Effect of partial sale of subsidiary					462		462		462	
<b>Income and expense recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,242)</b>	<b>0</b>	<b>710</b>	<b>0</b>	<b>(4,533)</b>	<b>0</b>	<b>(4,533)</b>
Profit							59,123	59,123		59,123
<b>Total recognised income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,242)</b>	<b>0</b>	<b>710</b>	<b>59,123</b>	<b>54,590</b>	<b>0</b>	<b>54,590</b>
Effect of partial sale of subsidiary									(6,320)	(6,320)
Purchase of own shares		(7,982)						(7,982)		(7,982)
Sale of own shares		7,409	508					7,917		7,917
Distribution of own shares		1,166	(631)					535		535
Share-based payments			814					814		814
<b>Balance at 31.12.2005</b>	<b>245,615</b>	<b>(1,735)</b>	<b>338,535</b>	<b>(112,874)</b>	<b>0</b>	<b>(168)</b>	<b>336,626</b>	<b>805,999</b>	<b>0</b>	<b>805,999</b>
Adjustment of cross currency interest rate swaps to fair value <sup>1)</sup>				(30,593)				(30,593)		(30,593)
Cross currency interest rate swaps – transfer to income statement <sup>1)</sup>				61,784				61,784		61,784
Changes in fair value of available-for-sale securities <sup>2)</sup>					(1,386)			(1,386)		(1,386)
Foreign exchange differences						(269)		(269)		(269)
<b>Income and expense recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,191</b>	<b>(1,386)</b>	<b>(269)</b>	<b>0</b>	<b>29,536</b>	<b>0</b>	<b>29,536</b>
Profit							87,448	87,448		87,448
<b>Total recognised income and expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,191</b>	<b>(1,386)</b>	<b>(269)</b>	<b>87,448</b>	<b>116,984</b>	<b>0</b>	<b>116,984</b>
Dividends paid relating to the 2005 financial year							(4,903)	(4,903)		(4,903)
Share capital increase, nominal value <sup>3)</sup>	61,404							61,404		61,404
Share capital increase, premium <sup>3)</sup>			264,036					264,036		264,036
Share capital increase, transaction costs <sup>3)</sup>			(15,120)					(15,120)		(15,120)
Purchase of own shares		(47,940)						(47,940)		(47,940)
Sale of own shares		48,027	359					48,386		48,386
Distribution of own shares		955	(412)					543		543
Share-based payments			1,075					1,075		1,075
<b>Balance at 31.12.2006</b>	<b>307,019</b>	<b>(693)</b>	<b>588,473</b>	<b>(81,683)</b>	<b>(1,386)</b>	<b>(437)</b>	<b>419,171</b>	<b>1,230,464</b>	<b>0</b>	<b>1,230,464</b>

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

<sup>1)</sup> See "Notes to consolidated financial statements", note 5, "Financial result" and note 15, "Financial liabilities".

<sup>2)</sup> See "Notes to consolidated financial statements", note 8, "Financial assets of Airport of Zurich Noise Fund".

<sup>3)</sup> The proceeds from the share capital increase of 10 May 2006 amounting to 310.3 million Swiss francs (net) were immediately used the same day to repay the non-current loan of 300 million Swiss francs to the Canton of Zurich (duration 2002 to 2012) ahead of schedule without any additional costs (see also note 15, "Financial liabilities").



## Consolidated cash flow statement (according to IFRS)

(CHF thousand)	Notes	2006	2005
Profit from operations		189,416	175,026
Depreciation and amortisation of			
– Buildings and engineering structures	(7)	158,058	160,102
– Movables	(7)	18,093	15,952
– Intangible assets	(7)	10,327	11,077
– Goodwill (impairment)	(7)	0	179
– Facilities in leasing	(7)	5,399	5,210
Dissolution of government subsidies on buildings and engineering structures	(7)	(3,021)	(3,599)
Impairment losses on investments in associates	(9)	614	0
Losses from disposals of property, plant and equipment (net)	(4) (7)	1,259	2,325
Share-based payments		1,618	1,349
Increase (-)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		(11,988)	360
Increase (+)/decrease (-) in current debt, excluding current financial liabilities		4,894	(13,100)
Increase (+)/decrease (-) in provisions for retirement benefit plans	(20)	449	364
Increase (+)/decrease (-) in other non-current borrowings, excluding financial liabilities	(19)	10,016	0
Total expenses for sound insulation and formal expropriations	(16)	(9,184)	(10,962)
Income taxes paid		(8,737)	(5,998)
<b>Cash flow from operations</b>		<b>367,213</b>	<b>338,285</b>
<b>of which related to aircraft noise</b>	<b>(17)</b>	<b>36,922</b>	<b>39,372</b>
– Total revenues from noise charges	(17)	46,106	50,334
– Total expenses for sound insulation and formal expropriations	(17)	(9,184)	(10,962)
Investments in projects in progress	(7)	(96,651)	(115,485)
Disposals of property, plant and equipment			
– Buildings and engineering structures	(7)	1,187	2,017
– Movables	(7)	31	0
– Land	(7)	748	927
Cash flow from partial sale of subsidiaries		0	(850)
Cash flow from reduction of capital in subsidiary	(9)	547	0
Capital contributions paid to associates	(9)	(4,854)	(4,354)
Investments in non-current financial assets of Airport of Zurich Noise Fund	(8)	(114,313)	0
Investments in current financial assets of Airport of Zurich Noise Fund	(8)	(62,321)	0
Investments in other financial assets		0	(889)
Disposals of other financial assets	(10)	15,765	463
Interest received	(5)	1,089	998
<b>Cash flow from investing activities</b>		<b>(258,772)</b>	<b>(117,173)</b>
<b>of which related to aircraft noise</b>	<b>(8)</b>	<b>(176,634)</b>	<b>0</b>
– Total non-current financial assets of Airport of Zurich Noise Fund	(8)	(114,313)	0
– Total current financial assets of Airport of Zurich Noise Fund	(8)	(62,321)	0
Repayment of loan from Canton of Zurich	(15)	(300,000)	0
Redemption of outstanding debentures	(15)	(90,000)	(82,000)
Repayment of liabilities towards banks arising from US car park lease	(15)	(45,865)	(44,359)
Repayment of lease liabilities	(15)	(4,358)	(4,344)
Issue of new debenture	(15)	148,540	0
Repayment to Zurich Airport Staff Pension Fund	(15)	(32)	0
Payment of dividend for the 2005 financial year	(12) (15)	(4,903)	0
Share capital increase, nominal value		61,404	0
Share capital increase, premium		264,036	0
Share capital increase, transaction costs		(15,120)	0
Purchase of own shares		(47,940)	(7,982)
Sale of own shares		48,386	7,917
Interest paid	(5)	(96,962)	(100,078)
Capitalised borrowing costs	(5)	98	681
<b>Cash flow from financing activities</b>	<b>(13)</b>	<b>(82,716)</b>	<b>(230,165)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(13)</b>	<b>25,725</b>	<b>(9,053)</b>
Balance at beginning of financial year	(13)	36,737	45,790
Increase/(decrease) in cash and cash equivalents	(13)	25,725	(9,053)
<b>Balance at end of financial year</b>	<b>(13)</b>	<b>62,462</b>	<b>36,737</b>
Composition of cash and cash equivalents			
– Cash on hand, at banks and in postal cheque accounts	(13)	9,843	12,497
– Cash deposits and call deposits	(13)	50,900	21,000
– Collateral	(13)	1,719	3,240
<b>Balance at end of financial year</b>	<b>(13)</b>	<b>62,462</b>	<b>36,737</b>
<b>of which included in Airport of Zurich Noise Fund</b>	<b>(13)</b>	<b>20,578</b>	<b>0</b>
– Cash on hand, at banks and in postal cheque accounts	(13)	678	0
– Cash deposits	(13)	19,900	0

## Notes

### Segment reporting for 2006 and 2005 (according to IFRS)

	Aviation (flight operations)		Aviation (aircraft noise)		Non- Aviation		Eliminations		Consolidated	
(CHF million)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from third parties	390.2	368.5	54.0	50.3	292.8	283.4			737.1	702.2
Inter-segment revenue	9.9	10.6			125.8	143.6	(135.7)	(154.2)	0.0	0.0
<b>Total revenue</b>	<b>400.0</b>	<b>379.2</b>	<b>54.0</b>	<b>50.3</b>	<b>418.6</b>	<b>426.9</b>	<b>(135.7)</b>	<b>(154.2)</b>	<b>737.1</b>	<b>702.2</b>
<b>Segment result</b>	<b>(7.6)</b>	<b>(39.4)</b>	<b>50.2</b>	<b>46.2</b>	<b>146.8</b>	<b>168.2</b>			<b>189.4</b>	<b>175.0</b>
Unallocated expenses									0.0	0.0
<b>Profit from operations</b>									<b>189.4</b>	<b>175.0</b>
Financial expenses	(2.2)	(1.8)	(4.0)	(5.7)	(13.0)	(14.6)			19.2	(22.1)
Unallocated financial expenses									(76.6)	(87.4)
Financial income			2.6						2.6	0.0
Unallocated financial income									13.5	9.7
Share of profit or loss of associates	(0.5)	0.2							(0.5)	0.2
Unallocated income taxes									(21.8)	(16.3)
<b>Profit</b>									<b>87.4</b>	<b>59.1</b>
Tangible and intangible assets	906.0	932.9	1.7	1.5	1,881.9	1,947.7			2,789.6	2,882.1
Financial assets	1.0	16.8	112.9						113.9	16.8
Investments in associates	9.7	6.1							9.7	6.1
Current financial assets and cash and cash equivalents			82.9						82.9	0.0
<b>Total segment assets</b>	<b>916.7</b>	<b>955.8</b>	<b>197.5</b>	<b>1.5</b>	<b>1,881.9</b>	<b>1,947.7</b>			<b>2,996.1</b>	<b>2,905.0</b>
Unallocated current financial assets and cash and cash equivalents									41.9	36.7
Unallocated other assets									132.9	118.2
<b>Consolidated assets</b>									<b>3,170.9</b>	<b>3,059.9</b>
<b>Total segment liabilities</b>	<b>76.7</b>	<b>78.3</b>	<b>131.9</b>	<b>137.1</b>	<b>280.6</b>	<b>346.7</b>			<b>489.1</b>	<b>562.1</b>
Unallocated liabilities									1,451.3	1,691.8
<b>Consolidated liabilities</b>									<b>1,940.5</b>	<b>2,253.9</b>
<b>Capital expenditure</b>	<b>34.5</b>	<b>37.7</b>	<b>114.7</b>		<b>69.4</b>	<b>86.7</b>			<b>218.7</b>	<b>124.3</b>
Depreciation and amortisation	55.1	55.0	0.1	0.1	133.6	133.8			188.9	188.9
Other non-cash expenses			4.0	5.7					4.0	5.7
<b>Number of employees (full-time positions) as of 31 December</b>	<b>586</b>	<b>571</b>	<b>10</b>	<b>9</b>	<b>694</b>	<b>682</b>			<b>1,290</b>	<b>1,262</b>

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

## Accounting policies

### General remarks

The consolidated financial statements are prepared in accordance with 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 and the valuation of associates. 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. The preparation of financial statements in accordance with IFRS means that the Management Board has to make estimates and assumptions, as well as exercise its discretion, when applying the accounting policies. This may affect reported income, expenses, assets, liabilities and contingent liabilities at the time of preparation of the financial statements. In the event that such estimates and assumptions made in good faith by the Management Board at the time of preparation of the financial statements should subsequently prove to deviate from the actual circumstances, the estimates and assumptions originally made are revised in the financial year in which the circumstances changed. Judgements made by the Management Board in its application of IFRS that have a significant effect on the consolidated financial statements, and estimates with a significant risk of adjustment in the following financial year, are discussed in "Significant estimates and assumptions in the application of accounting policies" (see also note 7, "Changes in non-current assets").

### Change in accounting policies

With the exception of the changes noted below, the accounting policies were the same as those applied in the prior year. In 2005, the International Accounting Standards Board (IASB) published IFRS 6 "Exploration for and Evaluation of Mineral Resources", amendments to IAS 19 "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement (Cash Flow Hedge Accounting of Forecast Intragroup Transactions, The Fair Value Option and Financial Guarantee Contracts)". The IASB also issued the following interpretations: IFRIC 4 "Determining whether an Arrangement Contains a Lease" and IFRIC 6 "Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment".

These standards and interpretations have to be used for the first time in the 2006 annual report. As already explained in the 2005 annual report, the standards and interpretations referred to above do not have a significant impact on the financial position, results of operations or cash flows of Flughafen Zürich AG. Amended IAS 19 only had an impact on the disclosures given.

### Introduction of new standards in 2007, 2008 and 2009

The following new and revised standards and interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Flughafen Zürich AG has not yet been systematically analysed. The expected effects as disclosed below the table reflect a first assessment by the Management Board.

Standard / Interpretation		Effective date	Planned application by Flughafen Zürich AG
IFRS 7 – Financial Instruments: Disclosures	**	1 January 2007	Reporting year 2007
Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures	**	1 January 2007	Reporting year 2007
IFRS 8 – Operating Segments	***	1 January 2009	Reporting year 2009
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	*	1 March 2006	Reporting year 2007
IFRIC 8 – Scope of IFRS 2	*	1 May 2006	Reporting year 2007
IFRIC 9 – Reassessment of Embedded Derivatives	*	1 June 2006	Reporting year 2007
IFRIC 10 – Interim Financial Reporting and Impairment	*	1 November 2006	Reporting year 2007
IFRIC 11 – Group and Treasury Share Transactions	*	1 March 2007	Reporting year 2008
IFRIC 12 – Service Concession Arrangements	*	1 January 2008	Reporting year 2008

\* No or no significant impacts are expected on the consolidated financial statements of Flughafen Zürich AG.

\*\* Mainly additional disclosures are expected in the consolidated financial statements of Flughafen Zürich AG.

\*\*\* The impacts on the consolidated financial statements of Flughafen Zürich AG can not yet be determined with sufficient reliability.



### Scope and methods of consolidation

The consolidated financial statements comprise Flughafen Zürich AG and all companies in Switzerland and abroad that are directly or indirectly under its control. Here, the term "control" means the power to govern financial and operating policies of an entity in order to obtain 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 that 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, liabilities and contingent 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 not amortised, but is tested for impairment annually. Subsidiaries that are acquired or disposed of in the course of the year are consolidated, or excluded from consolidation, with effect from the date control commences or control ceases respectively.

### 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 currency are converted 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 recognised in the income statement.

### Reporting of revenue

Revenue is reported in the period in which the service is provided.

### Leases

**Finance leases:** Lease agreements that transfer substantially all the risks and rewards 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 reduction of a liability. 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.

### Financial result

The financial result comprises interest payments on borrowings calculated using the effective interest rate method (excluding borrowing costs relating to buildings under construction), the unwinding of the effect of discounting on provisions, interest income, dividend income, foreign currency gains and losses and gains on / losses from hedging instruments recognised in the income statement.

Interest income is recognised in the income statement using the effective interest method. Dividend income is recognised in the financial statements at due date.

Borrowing costs arising during the construction of movables, buildings and engineering structures are capitalised up until completion of the asset in question.

### 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 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 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 as 100 million Swiss francs.

### 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 (third-party services and internal personnel), 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. Expansion and replacement expenditure is capitalised if it is probable that Flughafen Zürich AG will gain future economic benefits. Maintenance and renovation expenditure are charged to the income statement when incurred.

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

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
Tunnels and bridges	maximum 50 years
Equipment and vehicles	3 to 20 years

### Government subsidies and grants

The reported government subsidies and grants concern those that were paid out prior to 1989. Grants and subsidies related to investments are recognised as income over the useful life of each asset, and they are 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.

### 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 is capitalised.

### Intangible assets and goodwill

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The intangible assets are amortised using the straight-line method.

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments. This right is capitalised as an intangible asset. Capitalisation takes place at the time at which the probable total costs can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21. The timing of capitalisation may vary from region to region around the airport. At the same time as an intangible asset is recognised at present value of the expected future payments, an equal amount is recognised as a provision. Any future changes in the carrying amount of the provision will be accounted for as an adjustment to the intangible asset. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051).

Goodwill arising from acquisitions is not amortised but tested for impairment annually.

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.

Flughafen Zürich AG does not hold any intangible assets with an indefinite useful life.

### **Financial assets**

Financial assets include securities of the Airport of Zurich Noise Fund classified as available-for-sale financial assets. These are initially measured at fair value, including transaction costs. The securities are subsequently measured at fair value with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these securities are derecognised, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Financial assets also include loans that are stated at cost, less impairment losses.

### **Investments in associates and joint ventures**

Associates are companies where the group is able to exercise significant influence, but not control, over the financial and operating policies (normally where the group is entitled to 20 to 50 percent of the voting rights). The consolidated financial statements include the group's share of the recognised gains and losses of associates on an equity accounted basis.

Investments in associates where the group is entitled to less than 20 percent of the voting rights but where it nonetheless is able to exercise significant influence, are also included in the consolidated financial statements by applying the equity method.

Interests in joint ventures are included in the consolidated financial statements by applying the equity method. Joint ventures are companies over whose activities the group has joint control established by contractual agreements.

### **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. They are carried 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 reserve, net. As soon as the hedged transaction has occurred, the accumulated, non-realised gains and losses are charged to the income statement. For all other derivative instruments, changes in fair value are recognised in the income statement.

### **Inventories**

Inventories mainly comprise fuel inventories and parts used for the maintenance and repair of property, plant and equipment and are stated at cost or, if lower, at net realisable value. The first-in, first-out method is applied when calculating the cost.

### **Receivables**

Receivables are stated at their nominal value less impairment losses. For information concerning impairment, please refer to "Accounting policies", "Impairment".

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, in postal cheque accounts and at banks (including collateral) with a maturity of 90 days or less from the date of acquisition.

### **Impairment**

The group assesses every year if there are any indications that its assets, other than inventories and deferred taxes (following special accounting rules), are impaired. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test). For goodwill, other intangible assets with indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is calculated annually, even if there are no indications that they may be impaired.

If the carrying amount of an asset or related cash generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

The recoverable amount of receivables and loans is equivalent to the present value of the estimated future cash flows.

The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use. To determine the value in use, the estimated future cash flows are discounted. The discount rate is a pre-tax rate that reflects the risks associated with the corresponding asset. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses on receivables and loans are reversed if the amount of the impairment loss decreases and the decrease can be related to an event that occurred in a period after the impairment was recognised.

Impairment losses on goodwill are not reversed. Impairment losses on other assets are reversed if indications exist that the impairment loss has decreased or no longer exists, and if estimates that were used for calculating the recoverable amount have changed.

The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

**Total equity****Share capital**

Shares are classified as equity since they are non-redeemable, and dividend payments are at the discretion of the company.

**Own shares**

Acquisition costs (purchase price and directly attributable transaction costs) of own shares are deducted from equity.

**Dividends**

Dividends are recognised as a liability as soon as they have been approved at the General Meeting of Shareholders.

**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 liability using the effective interest method.

**Provisions**

Provisions are recognised when the entity has a present obligation as a result of a past event that occurred prior to the balance sheet date, if an outflow of resources is probable and the amount of the outflow can be estimated reliably. If the effect is significant, provisions are reported in the balance sheet at their present value.

Provisions for the constructive obligation for **sound insulation measures** are recognised on the basis of the Environmental Protection Act as soon as they can be estimated reliably.

Provisions for **formal expropriations** are recognised for compensation payments as soon as these have been reliably estimated on the basis of final-instance court rulings (see "Intangible assets and goodwill").

**Retirement benefit plans**

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

Since 1 January 2000, the entire workforce of Flughafen Zürich AG has been affiliated to the "Beamtenversicherungskasse des Kantons Zürich" (BVK) pension fund. Staff actively employed and pensioners of the former Flughafen Direktion Zürich were already members of this pension fund, whilst those employees taken over by Flughafen Zürich AG from Flughafen-Immobilien-Gesellschaft

transferred to the BVK on 1 January 2000. The BVK is a pension fund comprising approximately 60,000 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 a level of 101.43 percent as of 31 December 2006 as calculated according to the applicable regulations (Article 44 BVV2).

Up to the end of 2002, the BVK retirement benefit plan was regarded as a defined benefit plan. Owing to a lack of data from the BVK, Flughafen Zürich AG treated it as a defined contribution plan in accordance with IAS 19.30 and it was not reported by the projected unit credit method in the balance sheet. In 2003, the contract between Flughafen Zürich AG and the BVK was modified so that Flughafen Zürich AG will not be required to pay any additional contributions to cover any shortfall in funding. A breach of this provision would give Flughafen Zürich AG the right to terminate the contract without having to provide financial compensation for any actuarial funding deficit. The Board of Directors of 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 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 the pension obligation is limited to the contributions paid by 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 Flughafen Zürich AG and the Zurich Cantonal Airport Law accordingly be changed, 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, 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 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 on a straight-line basis as part of pension costs until the benefits become vested. 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 defined benefit obligation.

**Share-based payments**

Flughafen Zürich AG issues shares to its employees as part of its bonus and staff participation programme. The fair value of the shares is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period.

**Income taxes**

Income taxes comprise current and deferred taxes. They are recognised in the income statement, with the exception of taxes on transactions recognised

directly in equity. In these cases, taxes are also recognised in equity.

Current taxes comprise the expected taxes to be paid on the taxable result, using tax rates enacted or substantively enacted at balance sheet date. Deferred taxes are recognised on temporary differences between tax values and book values using the balance sheet liability method. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Measurement of deferred taxes takes into account the expected manner of realisation or settlement of the assets and liabilities concerned using tax rates that are enacted or substantively enacted at balance sheet date.

Deferred tax assets are only recognised if it is probable that the deductible temporary differences can be offset against future taxable profits.

**Non-current assets held for sale**

Non-current assets and groups of assets, including liabilities directly associated with those assets (disposal groups) are classified as “held for sale” and recognised separately in the balance sheet under current assets or liabilities if their carrying amount will not be recovered from continuing use, but rather through a sale transaction. The assets must be available for immediate sale in their present condition and the sale must be highly probable. For a sale to be highly probable, various criteria have to be met, including that the sale must be expected to take place within a year. Immediately before non-current assets are classified as held for sale, the carrying amounts have to be determined in accordance with the applicable IFRS standards. After reclassification, the assets are recognised at the lower of carrying amount and fair value less costs to sell. Assets that were previously depreciated are no longer depreciated.

### Segment reporting

Flughafen Zürich AG is structured on the basis of functional criteria. For segment reporting purposes, a distinction is made between Aviation and Non-Aviation segments, which correspond to the functions of Operations and Marketing & Real Estate respectively, and thus to the internal reporting structure. Flughafen Zürich AG provides practically all its services within Switzerland. During 2006, it provided external consulting services worth 1.6 million Swiss francs (2005: 0.8 million). As engagements abroad are negligible, a breakdown by geographical region has not been undertaken.

#### Aviation

This segment encompasses the construction, operation and maintenance of the airport operating infrastructure. It incorporates all the core services provided to airlines and passengers by Flughafen Zürich AG 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. All income and expenses associated with aircraft noise are reported separately within the Aviation segment. Furthermore, a liquidity-based statement of noise-related data is presented in the notes to the consolidated financial statements since the Airport of Zurich Noise Fund was de-recognised retrospectively as of 1 January 2004. This statement presents the accumulated surplus or shortfall as of balance sheet date arising from noise charges collected on a "user pays" basis, less expenses for formal expropriations, sound insulation measures and related operating costs (see "Notes to consolidated financial statements", note 17, "Airport of Zurich Noise Fund").

#### 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 Flughafen Zürich AG. For reporting purposes, each profit centre has been allocated to a primary segment. Any internal supplies and services that have been provided to 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.

#### Principles of segment reporting

Assets and liabilities are allocated to the two segments if they are either directly attributable to them or can reasonably be allocated to them. Interest-bearing debt, taxes and some of the financial instruments (including cash and cash equivalents) are not allocated to the segments. Most of the clients and suppliers of Flughafen Zürich AG maintain business relationships with both segments. Dividing each segment into total assets and total liabilities would require an unreasonable amount of extra accounting work. Debt allocated to the segments is limited to liabilities associated with noise-related costs allocated to the Aviation segment, and to financial liabilities that can be directly allocated to segments. Most of the inter-segment revenue comprises offset rental costs from the Non-Aviation segment for premises required for activities in the Aviation segment. 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 results of the divisions using the facilities. Full-time employees are allocated to both segments.

## Notes to consolidated financial statements

### Significant estimates and assumptions in the application of accounting policies

#### Value of property, plant and equipment and intangible assets

Flughafen Zürich AG owns property, plant and equipment and intangible assets with a total carrying amount of 2.9 billion Swiss francs. These assets are tested for impairment when there is an indication of impairment. Goodwill is tested for impairment every year. The basis is the estimated future cash flows of Flughafen Zürich AG, and a variety of assumptions have to be made in order to estimate them. Cash flows can be negatively influenced by the following risk factors (see also note 7, "Changes in non-current assets").

#### • Additional security regulations

Additional security regulations imposed by the authorities can also give rise to increasing security costs and reduced revenue from commercial activities in the future. Here, in view of the delay between the time at which costs arise and the earliest possible refinancing via security charges, a negative impact on the result cannot be ruled out.

#### • Hub carrier

The national airline, Swiss, is the main client of Flughafen Zürich AG. In the same way as any other hub airport, Flughafen Zurich AG greatly depends on the operational and financial development of its hub carrier.

#### • Legal issues

Various internal and external political restrictions could mean that 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 give rise to additional investments and costs. These include:

- People's initiative in the Canton of Zurich calling for restrictions on flight operations ("Plafonierungsinitiative")
- SIL process (Civil Aviation Infrastructure Plan)
- Rulings by the supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany.

#### • Falling demand

Experience over the past few years has shown that civil aviation is a highly volatile business that reacts sensitively to external occurrences (acts of terrorism, outbreaks of disease or epidemics). This means that such events could lead to a fall in demand at Zurich Airport.

#### • Contingent liabilities

A number of legal proceedings and claims against Flughafen Zürich AG are still pending (for further information, please refer to note 22.4, "Contingent liabilities"), for which Flughafen Zürich AG has not set aside provisions. However, the possibility that additional expenses may arise for Flughafen Zürich AG cannot be ruled out, depending on the outcome of the pending legal proceedings.

- **Reporting of noise-related costs in the financial statements**

The reporting of noise-related costs in the financial statements is a complex matter that involves significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise provisions. This complexity is attributable to a large variety of relevant legal bases, unclear or pending legal practice, political debate, and the interpretation and application of IFRS.

Following a careful review process, Flughafen Zürich AG has concluded that the costs for formal expropriations should be capitalised, while the costs for sound insulation measures should be recognised in the income statement. A great deal of judgement is involved regarding the timing of recognition of the costs. The costs for sound insulation measures are recognised as a provision if they are undisputed or if the company has assumed a constructive obligation. The costs for formal expropriations are capitalised and recognised as a provision as soon as they can be reliably estimated on the basis of final-instance court rulings. For further information, please refer to the accounting policies.

As of 31 December 2006, Flughafen Zürich AG had not capitalised any costs for formal expropriations as assets and liabilities, whereas it had recognised a provision of 131.9 million Swiss francs for sound insulation measures (see note 16, "Non-current provisions for sound insulation and formal expropriations").

#### **Changes in the consolidation structure**

The consolidation structure changed as follows in the year under review::

##### **Additions**

On 8 March 2006, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC Colombia S.A. in which Flughafen Zürich AG holds a 49.5 percent stake.

On 4 September 2006, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC S.A. de C.V., in which Flughafen Zürich AG holds a 49.5 percent stake.

Since the respective foundation dates, the new companies have been included in the consolidated financial statements by applying the equity method.

##### **Disposals**

No disposals took place during the year under review.



## Consolidated income statement

### 1) Revenue from goods and services

(CHF thousand)	2006	2005
Passenger fees	245,954	230,328
Landing fees	71,550	68,842
Noise charges	54,023	50,334
Baggage sorting and handling system	22,806	21,248
Other earnings	13,956	11,834
Aircraft energy supply system	9,766	9,178
Freight revenue	7,672	7,687
Fuel charges	6,039	5,725
CUTE charges (check-in system for handling agents)	4,813	4,693
Parking fees	4,658	4,727
Emission fees	2,855	2,912
Security fees	1,030	1,197
Bad debt write-offs (Aviation segment)	(884)	172
<b>Total revenue from aviation operations</b>	<b>444,238</b>	<b>418,877</b>
Retail outlets and duty-free shops	62,815	55,755
Revenue from multi-storey car parks	58,197	55,118
Advertising media and promotion	11,323	9,488
Other licence revenue (car rentals, taxis, banks, etc.)	10,676	13,476
Food and beverage operations	9,855	9,485
<b>Total commercial revenue</b>	<b>152,866</b>	<b>143,322</b>
Revenue from rental and leasing agreements	81,036	82,403
Energy and incidental cost allocation	22,224	22,592
Cleaning	3,267	2,758
Trade fairs and events	2,754	535
Other services revenue	1,281	2,452
<b>Total revenue from facility management</b>	<b>110,562</b>	<b>110,740</b>
Communication services	9,853	9,897
Passenger services	6,157	5,793
Capitalised expenditure <sup>1)</sup>	5,110	7,299
Conference Center	4,356	3,543
Other services and miscellaneous	4,151	2,848
Bad debt write-offs (Non-Aviation segment)	(184)	(90)
<b>Total revenue from services</b>	<b>29,443</b>	<b>29,290</b>
<b>Total revenue from Non-Aviation segment</b>	<b>292,871</b>	<b>283,352</b>
<b>Total revenue</b>	<b>737,109</b>	<b>702,229</b>

<sup>1)</sup> Capitalised expenditure primarily relates 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)	2006	2005
Wages and salaries	114,846	110,695
Pension costs		
– for defined benefit plans <sup>1)</sup>	70	70
– for defined contribution plans	10,034	9,555
Social security contributions	12,914	11,626
Other personnel expenses	8,810	7,949
<b>Total personnel expenses</b>	<b>146,674</b>	<b>139,895</b>
<b>Average number of employees (full-time positions)</b>	<b>1,283</b>	<b>1,258</b>
<b>No. of employees as of 31 December (full-time positions)</b>	<b>1,290</b>	<b>1,262</b>
<b>Average personnel expense per position</b>	<b>114</b>	<b>111</b>

<sup>1)</sup> See note 20, "Retirement benefit plans".

### Staff participation programme

Flughafen Zürich AG gives one share for free to those employees who have completed their first year of service.

### Bonus programme for members of the Management Board and middle management personnel

The total of annual remuneration to members of the Management Board and middle management personnel comprises a fixed salary and a variable performance component (bonus), which is based on the consolidated result and the degree of achievement of personal objectives. The criterion for defining the consolidated result is the degree of achievement of budgeted airport value added (see "Business report", "Strategy and value management", "Financial value management"), or the difference between the budgeted and achieved airport value added. The assessment of the degree of achievement of personal objectives is based on the annual Management by Objectives process. In both cases, the decision for the previous year is taken or confirmed in the following financial year by the Nomination & Compensation Committee. Two-thirds of the performance component is paid out in cash and one-third in shares (see also note 22.5, "Related parties").

Recipient	2006 CHF thousand	2005 CHF thousand	2005 Number of shares	2005 Average value per share
Personnel	36	35	175	201.26
Members of the Management Board	302	299	2,095	262.65
Middle management personnel	494	480	1,795	262.65
Adjustment of share price in subsequent year to market price <sup>1)</sup>	243	0		
<b>Total</b>	<b>1,075</b>	<b>814</b>	<b>4,065</b>	<b>260.01</b>

<sup>1)</sup> The value of the shares comprising the bonus for the 2005 financial year was 0.2 million Swiss francs higher in April 2006 (grant date) than the accrued amount for the bonus for the 2005 financial year as of year-end (best assessment).

The bonus for the 2006 financial year was estimated (best assessment) on the basis of the available data as of balance sheet date relating to the degree of achievement of the consolidated result and personal objectives. However, the number of shares to be granted cannot be precisely calculated since the number depends on the share price at grant date. If the shares had been granted as of year-end, a total of 2,154 would have been distributed.

### Bonus programme for the Board of Directors

No bonus programme exists for members of the Board of Directors. Their remuneration comprises an annual lump sum plus payments for attending meetings (see note 22.5, "Related parties").

### Option programme

No option programme exists at Flughafen Zürich AG.

### 3) Other operating expenses

(CHF thousand)	2006	2005
Insurance	5,783	5,779
CUTE charges (check-in system for handling agents)	4,347	4,320
Rental and land leases	3,895	3,164
Cleaning by external contractors, incl. snow clearing	2,809	2,907
Additional operating costs	2,198	2,127
Communication costs	1,991	2,416
Passenger services	418	400
<b>Total other operating expenses</b>	<b>21,441</b>	<b>21,113</b>

### 4) Other expenses/income, net

(CHF thousand)	2006	2005
Other income	1,388	6,750
Other expenses	(4,368)	(2,729)
<b>Total other expenses/income, net</b>	<b>(2,980)</b>	<b>4,021</b>

Other income in 2006 includes:

- 0.2 million Swiss francs in income from trade receivables that had already been written off in preceding years

Other income in 2005 includes:

- 6.6 million Swiss francs from a non-recurring repayment of accrued costs associated with the Bangalore project which in the past were charged to the income statement

Other expenses in 2006 include:

- 1.2 million Swiss francs from losses on disposals of non-current assets

Other expenses in 2005 include:

- 2.3 million Swiss francs from losses on disposals of non-current assets

### 5) Financial result

(CHF thousand)	2006	2005
Interest expenses on debentures and non-current loans	73,382	86,300
Less capitalised interest on borrowings for buildings under construction	(98)	(681)
<b>Net interest expenses on debentures and non-current loans</b>	<b>73,284</b>	<b>85,619</b>
Interest difference related to interest rate swap	9,744	11,396
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	4,022	5,694
Effective financial expenses	3,734	2,563
Other financial expenses	2,362	2,274
Interest expenses on finance lease payments	2,213	1,844
Interest expenses on bank loans	431	63
Other interest expenses	36	55
<b>Financial expenses</b>	<b>95,826</b>	<b>109,509</b>
Changes in fair value of interest rate swap	(12,515)	(8,472)
Interest income on financial assets on Airport of Zurich Noise Fund	(2,572)	(0)
Interest income on postal cheque accounts and bank deposits/loans	(920)	(1,051)
Net foreign exchange gains, interest on arrears	(143)	(173)
<b>Financial income</b>	<b>(16,150)</b>	<b>(9,696)</b>
<b>Total financial result</b>	<b>79,676</b>	<b>99,813</b>

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.63 percent in 2006 and 5.65 percent in 2005.

The group holds an interest rate swap to the value of 300 million Swiss francs. This swap does not meet the requirements for cash flow hedge accounting, and for this reason the changes in fair value of the interest rate swap (12.5 million Swiss francs; 2005: 8.5 million Swiss francs) are recognised in the income statement.

## 6) Income taxes

(CHF thousand)	2006	2005
Current tax	6,357	3,666
Deferred tax	15,458	12,663
<b>Total income taxes</b>	<b>21,815</b>	<b>16,329</b>

Taxes can be analysed as follows:

(CHF thousand)	2006	2005
Profit before tax	111,195	75,452
Tax expense at anticipated tax rate <sup>1)</sup>	23,351	15,845
Miscellaneous transitory items	443	361
Waiver of capitalisation of deferred taxes on losses	48	564
Elimination of tax accruals from previous years	(1,932)	0
Tax effect on own shares	(95)	(132)
Offsetting of annual profit against non-capitalised losses brought forward	0	(309)
<b>Total income taxes</b>	<b>21,815</b>	<b>16,329</b>

<sup>1)</sup> See note 18, "Deferred tax liabilities".



## Consolidated balance sheet

### 7) Changes in non-current assets

(CHF million)	Land	Engineering structures	Buildings	Facilities in leasing	Projects in progress	Projects in progress in leasing	Movables	Total property, plant and equipment	Non-current financial assets of Airport of Zurich Noise Fund	Intangible assets	Investments in associates	Other financial assets	Goodwill	Total
<b>Cost</b>														
<b>Closing balance sheet as of 31.12.2004</b>	112.3	1,224.7	3,524.3	87.4	65.6	0.2	203.6	5,218.0	0.0	61.2	0.4	16.0	31.0	5,326.7
Restatement according to IFRS 3													(28.8)	(28.8)
<b>Opening balance on 1.1.2005</b>	112.3	1,224.7	3,524.3	87.4	65.6	0.2	203.6	5,218.0	0.0	61.2	0.4	6.0	2.2	5,297.9
Effect of partial sale of subsidiary			(16.2)	(0.6)			(0.2)	(17.0)		(0.1)		(1.0)	(2.2)	(20.2)
Additions					114.9	1.7		116.6			5.7	1.8	0.2	124.3
Disposals	(1.3)	(3.4)	(28.3)				(7.2)	(40.3)		(0.3)				(40.6)
Transfers	1.4	30.3	73.8	0.8	(140.5)	(0.8)	24.1	(10.9)		10.9				0.0
<b>Closing balance sheet as of 31.12.2005</b>	112.3	1,251.6	3,553.6	87.5	40.0	1.2	220.3	5,266.5	0.0	71.8	6.1	16.8	0.2	5,361.4
Additions					97.0	2.7		99.7	114.3		4.7			218.7
Disposals	(0.7)		(7.2)				(6.4)	(14.3)			(1.2)	(15.8)		(31.4)
Transfers	0.5	31.9	46.7	1.8	(103.8)	(1.8)	22.0	(2.7)		2.7				0.0
<b>Closing balance sheet as of 31.12.2006</b>	112.1	1,283.5	3,593.1	89.3	33.2	2.1	235.9	5,349.2	114.3	74.4	9.7	1.0	0.2	5,548.8
<b>Depreciation/amortisation and impairment losses</b>														
<b>Closing balance sheet as of 31.12.2004</b>	0.0	479.9	1661.6	7.2	0.0	0.0	113.6	2,262.5	0.0	35.8	0.0	0.0	28.8	2,327.1
Restatement according to IFRS 3													(28.8)	(28.8)
<b>Opening balance on 1.1.2005</b>	0.0	479.9	1661.6	7.2	0.0	0.0	113.6	2,262.5	0.0	35.8	0.0	0.0	0.0	2,298.3
Effect of partial sale of subsidiary			(8.3)				(0.1)	(8.4)						(8.4)
Additions		37.7	122.4	5.2			15.9	181.2		11.2			0.2	192.6
Disposals		(2.0)	(26.1)				(7.2)	(35.3)		(0.1)				(35.4)
<b>Closing balance sheet as of 31.12.2005</b>	0.0	515.7	1,749.6	12.4	0.0	0.0	122.3	2,400.0	0.0	46.8	0.0	0.0	0.2	2,447.0
Additions		39.4	118.6	5.4			18.0	181.5		10.3				191.8
Changes in fair value									1.4					1.4
Disposals			(5.6)				(5.5)	(11.1)						(11.1)
<b>Closing balance sheet as of 31.12.2006</b>	0.0	555.1	1,862.7	17.8	0.0	0.0	134.8	2,570.3	1.4	57.1	0.0	0.0	0.2	2,629.1
<b>Government subsidies and grants</b>														
<b>Closing balance sheet as of 31.12.2004</b>	0.0	0.6	12.4	0.0	0.0	0.0	0.0	13.0	0.0	0.0	0.0	0.0	0.0	13.0
Dissolutions		(0.2)	(3.4)					(3.6)						(3.6)
<b>Closing balance sheet as of 31.12.2005</b>	0.0	0.4	9.0	0.0	0.0	0.0	0.0	9.4	0.0	0.0	0.0	0.0	0.0	9.4
Dissolutions		(0.2)	(2.9)					(3.0)						(3.0)
<b>Closing balance sheet as of 31.12.2006</b>	0.0	0.2	6.1	0.0	0.0	0.0	0.0	6.4	0.0	0.0	0.0	0.0	0.0	6.4
<b>Net carrying amount</b>														
<b>as of 31.12.2004</b>	112.3	744.2	1,850.3	80.2	65.5	0.2	90.0	2,942.6	0.0	25.5	0.4	16.0	2.2	2,986.6
<b>as of 31.12.2005</b>	112.3	735.5	1,795.0	75.1	39.9	1.2	98.1	2,857.1	0.0	25.0	6.1	16.8	0.0	2,905.0
<b>as of 31.12.2006</b>	112.1	728.1	1,724.3	71.5	33.1	2.1	101.1	2,772.3	112.9	17.3	9.7	1.0	0.0	2,913.2

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

### Buildings

In 2003, 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. Flughafen Zürich AG is to retain ownership of the multi-storey car parks with a net carrying amount as of 31 December 2006 of 172.2 million Swiss francs (31 December 2005: 177.9 million Swiss francs) during the entire period of the lease agreement. Repayment of the additional capital is to be effected in almost identical annual tranches in the period from 2005 to 2012. After the full amount has been repaid, the utilisation rights will be returned to Flughafen Zürich AG. The option of increasing the sale price by extending the period of utilisation rights was not used. The US trust has been consolidated in accordance with SIC-12.

### Lease of baggage sorting and handling system and aircraft energy supply system

In December 2001, 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. The second to seventh tranches took effect on 31 January 2004 (1.8 million Swiss francs), 31 July 2004 (0.5 million Swiss francs), 31 January 2005 (0.4 million Swiss francs), 31 July 2005 (0.4 million Swiss francs), 31 January 2006 (1.2 million Swiss francs) and 31 July 2006 (0.6 million Swiss francs). 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 financial leases and they have therefore been capitalised. The leased facilities available for use have been depreciated with effect from their date of completion.

### Impairment calculation

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 Flughafen Zürich AG, which form the smallest cash-generating unit. The calculation of value in use as of 31 December 2006 revealed that no recognition of impairment losses is required.

The impairment calculation is based on the following assumptions:

- Discount rate of 7 percent
- Zurich will maintain its hub status
- The volume of local passengers will increase twice as fast as GDP growth in Switzerland
- Growth in the volume of flight movements will be disproportionately slower than growth in passenger volumes
- Investments in airport infrastructure will at least secure the present-day quality standard.

### Depreciation and amortisation

Dissolutions of government subsidies and grants amounting to 3 million Swiss francs were offset against depreciation and amortisation totalling 191.8 million Swiss francs.

## 8) Financial assets of Airport of Zurich Noise Fund

(CHF thousand)	31.12.2006	
Available-for-sale securities (non-current)	112,927	
Available-for-sale securities (current)	62,321	
<b>Total financial assets of Airport of Zurich Noise Fund</b>	<b>175,248</b>	

On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents (see also note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund"). These funds are managed by professional investment advisers on the basis of a conservative, money-market-oriented investment strategy (see note 5, "Financial result").

## 9) Investments in associates

(CHF thousand)	31.12.2006	31.12.2005
Bangalore International Airport Ltd., India, equity share 17%, nom. share capital INR 3,850 million <sup>1)</sup>	8,944	4,359
Unique Chile S.A., Chile, equity share 48%, nom. share capital CLP 244 million	549	1,118
Contribution to 2005 profit	12	12
Contribution to 2006 profit	36	1,130
Administradora Unique IDC S.A., Venezuela, equity share 49.5%, nom. share capital VEB 25 million <sup>2)</sup>	2	2
Contribution to 2004 profit	384	384
Contribution to 2005 profit	227	227
Contribution to 2006 profit	0	613
Impairment loss 2006	(613)	0
Aeropuertos Asociados de Venezuela S.A., Venezuela, equity share 49.5%, nom. share capital VEB 10 million <sup>2)</sup>	1	1
Impairment loss 2006	(1)	0
Unique IDC S.A. de C.V., Honduras, equity share 49.5%, nom. share capital HNL 40,000 <sup>3)</sup>	3	
Contribution to 2006 profit	76	79
Unique IDC Colombia S.A., Columbia, equity share 49.5%, nom. share capital COP 34 million <sup>4)</sup>	18	
Contribution to 2006 profit	25	43
<b>Total investments in associates</b>	<b>9,663</b>	<b>6,103</b>

<sup>1)</sup> Flughafen Zürich AG holds 17 percent of the share capital in Bangalore International Airport Ltd. Since Flughafen Zürich AG is able to exercise significant influence over Bangalore International Airport Ltd. due to its involvement in executive and supervisory bodies, its participation in decision-making processes, the exchange of management personnel and by providing of important know-how, the investment is accounted for using the equity method.

As of 31 December 2006, Flughafen Zürich AG provided a bank guarantee to Bangalore International Airport Ltd. in the amount of 6.4 million Swiss francs or INR 231.2 million (31 December 2005: 11.9 million or INR 406.6 million) (see note 22.3, "Capital commitments").

<sup>2)</sup> Due to the continued intervention by the local government concerning the airport on Isla de Margarita, figures for the 2006 financial year are not available. It is hoped that this unsatisfactory situation can be resolved by no later than the middle of 2007. In view of the current assessment of the situation by the Management Board of Flughafen Zürich AG, the values of the two associates, Administradora Unique IDC S.A. and Aeropuertos Asociados de Venezuela S.A. were fully impaired (100%) as of 31 December 2006.

<sup>3)</sup> In spring 2006, the Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium concluded a management agreement with InterAirports S.A. (Aeropuertos de Honduras) for the Toncontin, Ramón Villeda Morales, El Golosón and Juan Manuel Gálvez airports. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC S.A. de C.V. on 8 March 2006, in which Flughafen Zürich AG holds a 49.5 percent stake.

<sup>4)</sup> The OPAIN S.A. consortium, in which Flughafen Zürich AG is involved on the basis of a management agreement, has been awarded the operating licence for Bogotá Airport. The takeover of this airport from the Colombian government was effected on 20 January 2007. The operator agreement between the consortium and the government of Colombia has been concluded for a period of 20 years. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC Colombia S.A. on 4 September 2006, which holds a formal stake of one share in the operating company, OPAIN S.A. Flughafen Zürich AG holds a 49.5 percent stake in Unique IDC Colombia S.A.

See also note 22.6, "Composition of the group".

**10) Other financial assets**

(CHF thousand)	31.12.2006	31.12.2005
Loan to Swiss International Air Lines AG <sup>1)</sup>	0	15,000
Loan to Swissport Zürich AG	593	889
Loan to third-party shareholders in Unique Chile SA	432	932
<b>Total other financial assets</b>	<b>1,025</b>	<b>16,821</b>

<sup>1)</sup> On 31 January 2006, Swiss International Air Lines AG repaid its loan (15 million Swiss francs) ahead of schedule.

**11) Trade receivables**

(CHF thousand)	31.12.2006	31.12.2005
Trade receivables <sup>1)</sup>	110,481	95,503
Valuation adjustment	(752)	(680)
<b>Total trade receivables, net</b>	<b>109,729</b>	<b>94,823</b>

<sup>1)</sup> Trade receivables include an amount of 35.4 million Swiss francs due from Swiss International Air Lines AG (2005: 30.8 million Swiss francs) (see "Significant estimates and assumptions in the application of accounting policies", "Value of property, plant and equipment and intangible assets", "Hub carrier" and note 22.1, "Financial risk management", "Credit risks"). In the period between balance sheet date and the preparation of the 2006 annual report, Swiss International Air Lines AG paid all but 0.5 million Swiss francs of the outstanding amount as of 31 December 2006.

**12) Other receivables and prepaid expenses**

(CHF thousand)	31.12.2006	31.12.2005
Prepaid expenses and accruals	10,437	14,366
Advance payments to suppliers	2,585	2,702
Tax receivables (VAT/withholding tax)	1,763	2,024
Other receivables	597	679
Current account with Zurich Airport Staff Pension Fund	20	0
<b>Total other receivables and prepaid expenses</b>	<b>15,402</b>	<b>19,771</b>

**13) Cash and cash equivalents**

(CHF thousand)	31.12.2006	Of which AZNF <sup>1)</sup>	31.12.2005
Cash on hand, at banks and in postal cheque accounts	9,843	678	12,497
Call deposits due within 30 days	31,000		21,000
Collateral due within 90 days <sup>2)</sup>	1,719		3,240
Cash deposits due within 90 days	19,900	19,900	0
<b>Total cash and cash equivalents</b>	<b>62,462</b>	<b>20,578</b>	<b>36,737</b>

<sup>1)</sup> On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents (see also note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund").

<sup>2)</sup> For information on collateral, see note 15, "Financial liabilities".

## 14) Equity

Number of shares	Issued registered shares (nominal value, CHF 50)	Own shares	Total shares in circulation
<b>Balance as of 1 January 2006</b>	<b>4,912,300</b>	<b>11,841</b>	<b>4,900,459</b>
Issue of new shares (share capital increase)	1,228,075		1,228,075
Purchase of own shares		182,366	(182,366)
Sale of own shares		(182,293)	182,293
Distribution of own shares to employees and third parties		(6,524)	6,524
<b>Balance as of 31 December 2006</b>	<b>6,140,375</b>	<b>5,390</b>	<b>6,134,985</b>

### Share capital increase

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplement to the merger agreement dated 14 December 1999 regulating the sustainable reduction and limitation of risks to Flughafen Zürich AG associated with aircraft noise. Flughafen Zürich AG is thus obliged to implement measures by means of which the ability to tolerate balance sheet and financing risks associated with aircraft noise up to approximately 1.1 billion Swiss francs can be assured. On 11 April 2006 the Board of Directors asked the General Meeting of Shareholders to approve a capital increase with a market value of approximately 300 million Swiss francs in order to strengthen the company's equity. Liquid funds amounting to CHF 310.3 million net flowed into the company from the share capital increase on 10 May 2006 (see "Consolidated statement of changes in equity", page 101).

### Share rights

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 programme (see note 2, "Personnel expenses" and note 22.5, "Related parties"). Own shares are used for the bonus programme and are held as treasury stock.

### Reserves

In accordance with the provisions of commercial law, the reserves are subject to a distribution limit of 154.2 million Swiss francs.

### Dividends

The Board of Directors is proposing the payment of a dividend of 3 Swiss francs gross per share for the 2006 financial year. This results in a total dividend payment of 18.4 million Swiss francs.

In accordance with the resolution of the General Meeting of Shareholders on 11 April 2006, Flughafen Zürich AG paid out a dividend of 4.9 million Swiss francs for the 2005 financial year, or 1 Swiss franc per share (gross) (2004: zero).

### Earnings per share

Basic and diluted earnings per share are calculated from the results and share data as of 31 December, which are composed as follows:

	2006	2005
Profit attributable to shareholders of Flughafen Zürich AG in Swiss francs	87,448,070	59,122,725
Weighted average number of outstanding shares	5,695,977	4,895,048
Effect of dilutive shares	3,534	7,578
Adjusted weighted average number of outstanding shares	5,699,511	4,902,626
Basic earnings per share (in Swiss francs)	15.35	12.08
Diluted earnings per share (in Swiss francs)	15.34	12.06



**Major shareholders and shareholder structure**

The shareholder structure as of 31 December was as follows:

	2006	2005
Public sector	38.60%	51.00%
Private individuals	2.92%	3.78%
Companies	1.59%	2.78%
Pension funds	1.08%	1.10%
Financial institutions	28.25%	13.51%
Balance available and non-registered shareholders	27.56%	27.83%
Number of shareholders	3,773	3,841

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

	2006	2005
Canton of Zurich (including BVK pension fund)	33.42%	45.60%
City of Zurich (including pension fund of the City of Zurich)	5.06%	5.38%

**15) Financial liabilities**

(CHF thousand)	31.12.2006	31.12.2005
Japanese private placement	374,958	406,830
US private placement	330,668	354,941
Debentures	276,208	202,087
Non-current liabilities towards banks arising from US car park lease	237,602	301,955
Lease liabilities	72,063	73,721
Non-current loan from Canton of Zurich	0	300,000
<b>Non-current financial liabilities</b>	<b>1,291,499</b>	<b>1,639,534</b>
Debenture (redemption 28.9.2007/12.4.2006)	74,926	89,959
Current liabilities towards banks arising from US car park lease	42,961	44,721
Current lease liabilities	4,590	4,570
Current account with Zurich Airport Staff Pension Fund	0	12
<b>Current financial liabilities</b>	<b>122,477</b>	<b>139,262</b>
<b>Total financial liabilities</b>	<b>1,413,976</b>	<b>1,778,796</b>

On 12 April 2006, the 4.625 percent 1996-2006 debenture with a nominal value of 90 million Swiss francs was repaid and on 20 December 2006 the second repayment of liabilities towards banks arising from the US car park lease was effected (3.606 percent, 45.9 million Swiss francs nominal value) using available funds and in accordance with the respective agreements.

On 10 May 2006 the non-current loan from the Canton of Zurich with a duration from 2002 to 2012 (nominal value, 300 million Swiss francs) was repaid prematurely, and without additional costs, from liquid funds flowing into the company (301.3 million Swiss francs, net) from the share capital increase (see "Consolidated statement of changes in equity", page 101 and note 14, "Equity").

A debenture with duration until 2010, a nominal value of 150 million Swiss francs and an interest rate of 3.125 percent was issued on 14 June 2006 for the purpose of investing the liquid funds of Airport of Zurich Noise Fund separately in financial assets and cash equivalents (see note 8, "Financial assets of Airport of Zurich Noise Fund", note 13, "Cash and cash equivalents" and note 17, "Airport of Zurich Noise Fund").

The following **non-current financial liabilities** existed in the form of fixed interest borrowings as of balance sheet date:

Financial liability	Nominal amount as of 31.12.2006 in thousand	Carrying amount as of 31.12.2006 in CHF thousand	Duration	Interest rate	Early repayment	Interest payment date
Debentures	CHF 75,000	74,926	1995–2007 <sup>1)</sup>	5.000%	no	28 Sept.
	CHF 128,000	127,479	2001–2009	4.250%	no	26 March
	CHF 150,000	148,729	2006–2010	3.125%	no	14 June
<b>Subtotal, debentures</b>	<b>CHF 353,000</b>	<b>351,134</b>				
Japanese private placement	JPY 37,000,000	374,958	2003–2024	5.730%	no	23 May/ 23 Nov.
US private placement	USD 275,000	330,668	2003–2015	4.7525%	from 2011	11 April/ 11 October
Liabilities towards banks arising from US car park lease	USD 236,000	237,602 42,961 <sup>2)</sup>	2003–2012	3.606%	from 2005	20 Dec.

<sup>1)</sup> Reported under current financial liabilities, since repayment due on 28 September 2007.

<sup>2)</sup> Reported under current financial liabilities, since third repayment due on 20 December 2007.

The following derivative instruments are held by Flughafen Zürich AG to hedge the currency risks associated with interest payments and repayments relating to non-current financial liabilities held in foreign currencies:

Derivative financial instruments	Duration	Contract amount in million	Negative fair value as of 31.12.2006 in CHF thousand	Negative fair value as of 31.12.2005 in CHF thousand
Cross currency interest rate swap for Japanese private placement	2003–2024	JPY 37,000	106,180	97,663
Cross currency interest rate swap for US private placement	2003–2015	USD 275	50,928	34,012
Cross currency interest rate swap for US car park lease	2003–2012	USD 236	36,908	23,616
<b>Total</b>			<b>194,016</b>	<b>155,291</b>

The fair value of the derivative instruments is recognised under current debt, accruals and deferrals (see also note 21, "Other current debt, accruals and deferrals").

The hedge transactions are classified as cash flow hedges. Changes in the fair value of hedging instruments are accordingly recognised in equity (see also "Consolidated statement of changes in equity", page 101).

(CHF thousand)	2006	2005	Net change
<b>Gross amount as of 1 January</b>	<b>(155,291)</b>	<b>(261,257)</b>	
(Loss)/gain relating to changes in fair value of cross currency interest rate swaps	(38,725)	105,966	
<b>Gross amount as of 31 December</b>	<b>(194,016)</b>	<b>(155,291)</b>	
Less deferred taxes	40,743	32,611	
<b>Net amount as of 31 December</b>	<b>(153,273)</b>	<b>(122,680)</b>	<b>(30,593)</b>

The accumulated losses on hedging instruments increased by 30.6 million Swiss francs (after deduction of deferred taxes) from 122.7 million Swiss francs to 153.3 million Swiss francs. By contrast, the accumulated foreign currency fluctuations on the hedged financial liabilities during the year under review rose from 9.8 million Swiss francs to 71.6 million Swiss francs (plus 61.8 million Swiss francs, which was transferred to the income statement, after deduction of deferred taxes).

In the event that the cross currency interest rate swaps relating to the US private placement and the Japanese private placement should reach a negative fair value that exceeds a given minimum level, Flughafen Zürich AG is required to provide collateral in the form of cash and cash equivalents, securities or letters of credit. As of balance sheet date the following collateral existed:

(CHF thousand)	31.12.2006	31.12.2005
Cash and cash equivalents	1,719	3,240
Letter of credit	142,000	116,000

Flughafen Zürich AG also has an interest rate swap with a contract amount of 300 million Swiss francs which runs from 2000 to 2009 and does not meet the requirements for cash flow hedge accounting.

Standard guarantees and covenants are provided for external loans, and these were complied with as of balance sheet date.

Furthermore, as of balance sheet date an unused credit facility of the Canton of Zurich exists in the amount of 717.8 million Swiss francs (see note 22.5, "Related parties").

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

(CHF thousand)	31.12.2006	31.12.2005
Due within 1 year	122,477	139,262
Due between 2 and 5 years	549,124	418,319
Due longer than 5 years	742,375	1,221,215
<b>Total financial liabilities</b>	<b>1,413,976</b>	<b>1,778,796</b>

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)	31.12.2006	31.12.2005
<b>Future minimum lease payments</b>		
Due within 1 year	7,010	6,345
Due within 2 to 5 years	28,041	25,381
Due after 5 years	59,698	60,588
<b>Total future minimum lease payments</b>	<b>94,749</b>	<b>92,314</b>
 Future interest payments	 18,096	 14,023
<b>Present value of lease liabilities</b>	<b>76,653</b>	<b>78,291</b>
Due within 1 year	4,590	4,570
Due within 2 to 5 years	19,913	19,381
Due after 5 years	52,150	54,340

The applicable interest rate for lease liabilities is 3.25 percent (2005: 2.32 percent). The interest rate is variable, but may be converted to a fixed rate at any time.

## 16) Non-current provisions for sound insulation and formal expropriations

### Provisions for sound insulation costs

Flughafen Zürich AG has effectively committed itself to bearing approximately 240 million Swiss francs in costs for sound insulation measures, some of which have already been carried out and others which have been announced. As of the balance sheet date, a total of 85.4 million Swiss francs had been paid. The remaining amount is stated at the present value in the breakdown of provisions shown below. The discount rate is 4 percent.

(CHF thousand)	Sound insulation	Formal expropriations	Total
<b>Provisions as of 31 December 2004</b>	<b>142,359</b>	<b>0</b>	<b>142,359</b>
Provision used	(10,962)	0	(10,962)
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	5,694	0	5,694
<b>Provisions as of 31 December 2005</b>	<b>137,091</b>	<b>0</b>	<b>137,091</b>
Provision used	(9,184)	0	(9,184)
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	4,022	0	4,022
<b>Provisions as of 31 December 2006</b>	<b>131,929</b>	<b>0</b>	<b>131,929</b>

### Provisions for formal expropriations

As of balance sheet date, no final rulings had been pronounced on compensation claims arising from formal expropriations on the basis of excessive aircraft noise or direct overflights, though a number of cases are pending. Initial conciliation proceedings were held in November 2005 concerning 18 "pilot" cases in the municipality of Opfikon, but no agreements were reached. In these cases, valuation hearings were held in March and April 2006. The Federal Assessments Commission ("Eidgenössische Schätzungs-kommission") published the written decisions reached in these pilot cases in December 2006 (first-instance rulings). It found that compensation should be paid in 3 out of the 18 cases. The parties involved in the 18 pilot cases are appealing to the Swiss Federal Tribunal as ultimate authority, and a corresponding ruling by the latter is not expected before the end of 2007.

It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, since:

- a) there are gaps in the relevant legislation
- b) there is a lack of legal practice relating to many fundamental issues, and existing rulings are sometimes conflicting
- c) the influence of political debate cannot be underestimated
- d) the costs will be influenced by the definitive operating regulations, which are still awaiting approval.

The Management Board believes that it will be able to reliably estimate the anticipated costs after the Federal Tribunal (as final instance) has ruled on the fundamental issues raised in the Opfikon pilot cases.

Flughafen Zürich AG has made numerous estimates for internal scenarios concerning the assessment of risks and the definition of measures aimed at reducing these risks. In view of the uncertain situation, a very large number of different scenarios are conceivable, but none of these have a significant mathematical probability.

From today's perspective, the previously disclosed potential costs (in the form of a risk assessment) associated with formal expropriations amounting to between 800 million and 1.2 billion Swiss francs can be regarded as a cautious and conservative estimate. In the event that the Federal Tribunal should fully accept the decisions of the Federal Assessments Commission, the costs would be less than 800 million Swiss francs.

However, the effective costs could deviate significantly in either direction from the costs cited above.

Flughafen Zürich AG assumes that these costs would have to be paid over a period of several years. This is assuming that they should even reach the estimated level.

#### **Risks for Flughafen Zürich AG in association with aircraft noise**

Flughafen Zürich AG has the right to refinance any costs that may arise in association with aircraft noise through charges. This means that our ability to refinance such costs is secured over the long term.

However, up to the middle of 2006 there were two risks that had to be taken into account:

#### **The risk of a financing gap**

If the noise-related costs should arise sooner than anticipated by Flughafen Zürich AG, or prove to be higher than expected, this could result in a financing gap that Flughafen Zürich AG might not be able to cover with available credit limits.

#### **The risk of impacts of noise-related costs on the consolidated financial statements**

The consolidated financial statements (IFRS) could be negatively influenced depending on the amount of effective costs and any future changes in applicable accounting standards. With respect to the consolidated financial statements, any negative influences could affect standard guarantees and covenants in regard of outstanding financial liabilities.

#### **Reduction and limitation of risks associated with aircraft noise**

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplement to the merger agreement dated 14 December 1999 regulating the sustainable reduction and limitation of risks to Flughafen Zürich AG associated with aircraft noise. The main content of this supplementary agreement is as follows:

1. Flughafen Zürich AG is obliged to implement measures by means of which the ability to tolerate balance sheet and financing risks associated with aircraft noise up to approximately 1.1 billion Swiss francs can be assured. On 11 April 2006 the Board of Directors asked the General Meeting of Shareholders to approve a capital increase with a market value of approximately 300 million Swiss francs in order to strengthen the company's equity. The capital increase of 10 May 2006 resulted in a net inflow of funds to the company amounting to 310.3 million Swiss francs. Since Flughafen Zürich AG did not need to use these funds in the immediate future - an effective outflow of funds due to formal expropriations is not expected before the end of 2007 - the outstanding debt owed to the Canton of Zurich amounting to 300 million Swiss francs was paid back prematurely and without any additional costs. Furthermore, Flughafen Zürich AG obtained a credit limit of 200 million Swiss francs to cover any financing gap that may arise.
2. In the event that, upon payment of the first formal expropriations, the risk should arise that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) may exceed 1.1 billion Swiss francs (threshold), the Canton of Zurich would assume the prefinancing of all "old" noise-related liabilities. "Old" noise-related liabilities are liabilities that came into being prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence. As before, the Canton of Zurich is jointly liable for such claims in an external capacity, while in an internal capacity, Flughafen Zürich AG assumed responsibility for these liabilities in the merger agreement dated 14 December 1999. With the newly agreed solution, this general obligation resulting from the merger agreement has been more precisely defined and regulated in greater detail. For the financing of the costs arising from its adoption of responsibility, the Canton of Zurich is to receive a portion of the revenue from noise-related charges in accordance with a specified key. As a result of the adoption of "old" noise-related liabilities by the Canton of Zurich, the requirement for Flughafen Zürich AG to recognise a provision for compensation no longer applies, and the costs will therefore no longer be capitalised.
3. In the event that, in the course of the legal proceedings, the risk cited in point 2 should fall below the level of 1.1 billion Swiss francs (threshold), Flughafen Zürich AG will assume the remaining "old" noise-related liabilities and associated charges.

The objective of this agreement is therefore to limit the overall noise-related risk of Flughafen Zürich AG to "new" noise-related liabilities. The capital increase and a new special credit limit created the accounting and financial prerequisites for bearing any noise-related liabilities up to 1.1 billion Swiss francs.



## 17) Airport of Zurich Noise Fund (AZNF)

Unique (Flughafen Zürich AG) refinances all the costs relating to aircraft noise through special noise charges based on the "user-pays" principle. In the interest of transparency, costs and income generated in connection with aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund (AZNF). Airport of Zurich Noise Fund is a liquidity-based fund. The statement for the fund presents the accumulated surplus or shortfall as of balance sheet date arising from noise charges, less expenses for formal expropriations, sound insulation measures and noise-related operating costs. Its presentation is independent of the accounting policies. The key figures from the fund statement are shown in the table below.

In the event that the fund statement should show an accumulated income surplus, the liquid funds of the Airport of Zurich Noise Fund (AZNF) will be invested separately in financial assets and cash equivalents. The liquid funds are invested by professional investment advisers on the basis of a conservative strategy with an orientation on the money market. Income resulting from the investments will be credited to the fund statement.

In the event that, over a certain timeframe, the accumulated costs should be higher than the accumulated income (i.e. a financing gap should arise), Unique (Flughafen Zürich AG) has access to a committed credit line in the amount of 200 million Swiss francs. This credit facility is intended solely for the purpose of covering any such financing gap, and is available until 2015. The costs relating to the provision of this credit line are charged to the fund statement and shown under operating costs. Any future costs arising in association with the bridging of a financing gap will be charged to the fund statement.

The details of the fund statement are disclosed to a committee comprised of selected clients of the airport and representatives of the relevant authorities. The regulations of the Airport of Zurich Noise Fund may be downloaded from the following web site: [www.unique.ch/aznf](http://www.unique.ch/aznf).

The situation of this fund is as follows:

(CHF thousand)	2006	2005
<b>Airport of Zurich Noise Fund as of 1 January</b>	<b>161,273</b>	<b>118,341</b>
Total revenue from noise charges <sup>1)</sup>	46,106	50,334
Total costs for sound insulation and other measures	(9,184)	(10,963)
<b>Net result before operating and imputed costs</b>	<b>198,195</b>	<b>157,712</b>
Noise-related operating costs	(3,847)	(4,136)
Imputed interest (to 14 June 2006)	3,921	7,697
Interest income from assets of Airport of Zurich Noise Fund	127	0
Change in fair value of available-for-sale securities	(1,386)	0
<b>Airport of Zurich Noise Fund as of 31 December</b>	<b>197,010</b>	<b>161,273</b>

<sup>1)</sup> Since 1 January 2006, only the revenue already collected is reported.

### Summary of assets invested for the Airport of Zurich Noise Fund:

(CHF thousand)	31.12.2006
Cash equivalents (see note 13, "Cash and cash equivalents")	20,578
Available-for-sale securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")	175,248
Obligation for Flughafen Zürich AG <sup>1)</sup>	1,184
<b>Total assets invested for Airport of Zurich Noise Fund</b>	<b>197,010</b>

<sup>1)</sup> For accounting reasons, a credit or an obligation results for Flughafen Zürich AG as of balance sheet date. This is compensated in the month following, so the balance of liquid funds is restored.

## 18) Deferred tax liabilities

In accordance with IAS 12.47, deferred tax assets and liabilities are calculated at the rate that is expected to apply at the time they are realised. Flughafen Zürich AG anticipates an applicable tax rate of 21 percent (2005: 21 percent). The expected tax rate is calculated on the basis of the applicable rate (rounded up or down) at the domicile of Flughafen Zürich AG (Kloten, canton of Zurich).

The balance of deferred tax liabilities evolved as follows:

(CHF thousand)	2006	2005
<b>Opening balance (deferred tax liability, net)</b>	<b>44,572</b>	<b>32,868</b>
Deferred taxes on changes in fair value of cross currency interest rate swaps booked in equity (hedging reserves)	16,424	(23,646)
Cross currency interest rate swaps – transfer to income statement	(8,132)	22,253
Change according to income statement	15,458	12,663
Other effects	94	434
<b>At end of year (deferred tax liability, net)</b>	<b>68,416</b>	<b>44,572</b>

Deferred tax is allocated to the following balance sheet items:

(CHF thousand)		31.12.2006		31.12.2005
	Assets	Liabilities	Assets	Liabilities
Buildings and movables		48,695		48,322
Renovation fund		22,596		21,441
Aircraft noise		15,843		5,078
Financial liabilities transaction costs		4,176		4,557
Financial liabilities issuing costs		1,098		200
Changes in fair value of cross currency interest rate swaps	40,743		32,611	
Interest rate swap	2,747		5,375	
Foreign currency fluctuations on cross currency interest rate swaps		19,031		2,607
Miscellaneous items		467		353
<b>Deferred tax (gross)</b>	<b>43,490</b>	<b>111,906</b>	<b>37,986</b>	<b>82,558</b>
Offsetting of assets and liabilities	(43,490)	43,490	(37,986)	37,986
<b>Deferred tax liability (net)</b>	<b>0</b>	<b>68,416</b>	<b>0</b>	<b>44,572</b>

As of 31 December 2006, the subsidiaries of Flughafen Zürich AG had total losses brought forward of CHF 5.855 million to be offset against taxes. Deferred tax assets on these 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, 0.002 million Swiss francs expires in 2008, 0.520 million in 2009, 2.564 million in 2010, 0.378 million in 2011, 2.389 million in 2012 and 0.002 million in 2013.

## 19) Non-current provisions

### Provision for utilisation fees

The provision relates to the amount of 10 million Swiss francs from utilisation fees, which were introduced on 1 January 2006. The billed amounts were recognised as a provision, since the introduction of utilisation fees was challenged by a number of airport partners. Legal proceedings are currently in progress, and an initial ruling is expected in the course of 2007. The utilisation fees were billed for one year and suspended as of 1 January 2007. Should the court rule in favour of Flughafen Zürich AG, the amounts invoiced in 2006 will be reported in the income statement as other expenses/income, net.

(CHF thousand)	Utilisation fees
<b>Provisions as of 31 December 2005</b>	<b>0</b>
Provision used	0
Provision reversed	0
Provision made	10,016
<b>Provisions as of 31 December 2006</b>	<b>10,016</b>

## 20) 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.

### Balance sheet

(CHF thousand)	31.12.2006	31.12.2005
Provision for retirement benefits, present value	3,478	2,609
Unrecognised actuarial (losses)/gains	(53)	110
Unrecognised past service cost	(1,172)	(915)
<b>Liability on balance sheet</b>	<b>2,253</b>	<b>1,804</b>

### Income statement

(CHF thousand)	2006	2005
Interest expenses	70	70
<b>Net periodic pension cost</b>	<b>70</b>	<b>70</b>

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)	31.12.2006	31.12.2005
<b>Opening balance</b>	<b>1,804</b>	<b>1,440</b>
Net periodic pension income (cost)	70	70
Benefits paid in directly by employer	(536)	(436)
Recognition of unrecognised past service cost	915	730
<b>Closing balance</b>	<b>2,253</b>	<b>1,804</b>

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

	2006	2005
Discount rate	2.90%	2.90%
Expected future pension increase	1.0%	1.0%

## 21) Other current debt, accruals and deferrals

(CHF thousand)	31.12.2006	31.12.2005
Fair value of cross currency interest rate swaps <sup>1)</sup>	194,016	155,291
Deferred income and accruals	47,941	53,534
Fair value of interest rate swap	22,561	35,993
Amounts due to personnel (holidays and overtime, bonuses)	7,637	9,034
Deposits and advance payments by customers	6,516	4,142
Current provisions	2,400	2,400
Social security contributions	1,342	568
Other liabilities	572	620
<b>Total other current debt, accruals and deferrals</b>	<b>282,985</b>	<b>261,582</b>

<sup>1)</sup> See also note 15, "Financial liabilities".

## 22) Further details

### 22.1) Financial risk management

**Derivative financial instruments:** With the exception of the cross currency interest rate and interest rate swaps described in note 5, "Financial result" and note 15, "Financial liabilities", the group does not have any derivative financial instruments.

**Currency risks:** Flughafen Zürich AG is exposed to currency risk in connection with financial transactions in US dollars and Japanese yen, and uses derivative financial instruments (see note 15, "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, which means that 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 International Airlines AG (Swiss) as the main client, credit risk is distributed over a broad clientele. Trade receivables include the amount of 35.4 million Swiss francs due from Swiss (2005: 30.8 million Swiss francs) (see note 11, "Trade receivables"). In the period between balance sheet date and the preparation of the 2006 annual report, Swiss paid all but 0.5 million Swiss francs of the outstanding amount as of 31 December 2006.

Where necessary, terms of payment are applied or collateral is requested in order to minimise risk.

**Fair values:** The figures shown in the balance sheet concerning cash and cash equivalents, trade receivables, other receivables and current debt approximately correspond to fair values as defined by IFRS.

### 22.2) Operating lease

Flughafen Zürich AG has the following non-cancellable lease liabilities:

#### Leasing of the check-in system for handling agents (CUTE):

(CHF thousand)	31.12.2006	31.12.2005
Due within 1 year	2,898	4,347
Due within 2 to 5 years	0	2,898
Due after 5 years	0	0
<b>Total future lease payments</b>	<b>2,898</b>	<b>7,245</b>

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

#### 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.

#### Turnover-based agreements

New tenancy agreements were concluded with all business partners occupying commercial areas which have become available since 2003 for rent on a turnover basis (this did not include transfer to new premises). These new agreements generally comprise 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.

### **22.3) Capital commitments**

As of the balance sheet date, there were no longer any outstanding billings relating to investments in non-current assets (various structures) made in connection with expansion stage 5.

Within the scope of the airport participation in Bangalore (India), Flughafen Zürich AG holds a 17 percent stake in Bangalore International Airport Ltd. (BIAL) (total, approximately 16 million Swiss francs, of which 8,944 million had been paid as of 31 December 2006). As of 31 December 2006, Flughafen Zürich AG provided a bank guarantee to BIAL in the amount of 6.4 million Swiss francs or INR 231.2 million (31 December 2005: 11.9 million, or INR 406.6 million) (see note 9, "Investments in associates"). It represents payments still to be made in future.

Within the scope of the airport participation in Venezuela, the syndicate, in which Flughafen Zürich AG holds a 49.5 percent stake, has entered into an agreement with the local government to implement an investment programme worth a total of 34 million US dollars over the next 20 years. The investments in question will only be made if certain basic conditions are fulfilled and will be largely financed from the expected operating cash flows (see note 9, "Investments in associates").

### **22.4) Contingent liabilities**

A number of legal proceedings and claims against 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 significant negative impact on the consolidated financial statements and cash flow.

On 4 October 2001, Swissair Schweizerische Luftverkehr Aktiengesellschaft (Swissair) paid the amount of 21.8 million Swiss francs to Flughafen Zürich AG in settlement of airport charges for the month of July 2001. On 2 October 2001, Swissair had already ceased operation due to lack of liquidity. Swissair then applied for deferment of bankruptcy, which was granted on 5 October 2001. On 23 May 2005, the liquidator of Swissair Schweizerische Luftverkehr Aktiengesellschaft in Nachlassliquidation contested the cited payment and demanded that it be refunded, since in his view, Flughafen Zürich AG had been given preference over other creditors. Flughafen Zürich AG regards this payment as lawful. On 17 November 2005, a lawsuit was filed within the stated deadline with the commercial court by Swissair, represented by its liquidator. A ruling by the commercial court is expected in the course of 2007.

### **22.5) Related parties**

Related parties are:

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

The Canton of Zurich has contractually agreed with Flughafen Zürich AG to assume the prefinancing for "old" aircraft noise compensation payments. Furthermore, the Canton of Zurich has granted Flughafen Zürich AG a credit facility with a duration of 10 years within the scope of a framework credit agreement. The maximum available amount of this credit facility corresponds to the total investments in engineering structures relating to expansion stage 5, after adjustment for the depreciation to be carried out on these investments. The credit facility limit was 717.8 million Swiss francs as of 31 December 2006. It is presently not being used.



During the 2006 financial year, the following amounts were paid to related parties in the form of remuneration:

(CHF thousand)	2006	2005
Board of Directors and Management Board		
– Salaries/fees	2,507	2,412
– Pensions	137	149
– Share-based payments	302	299
– Severance payments	0	0
– Other non-current payments	0	0
<b>Board of Directors and Management Board (total)</b>	<b>2,946</b>	<b>2,860</b>
<b>MWV Bauingenieure AG, remuneration for engineering work (co-owned by a member of the Board of Directors up until the 2006 General Meeting of Shareholders)</b>	91	62
<b>Canton of Zurich (cantonal police at market conditions as per service agreement)</b>	73,924	71,633

2,095 shares were issued to members of the Management Board within the scope of the bonus programme. These shares are blocked for a period of four years. There is no share or option programme for the Board of Directors. See note 2, "Personnel expenses".

## 22.6) Composition of the group

The group currently comprises the following companies:

Name	Domicile	Share capital	Stake held in %	Consolidation
Flughafen Zürich AG	Kloten	CHF 307,019,000	Parent company	C
Unique Betriebssysteme AG	Kloten	CHF 100,000	100%	C
APT Airport Technologies AG	Kloten	CHF 1,800,000	100%	C
Unique Airports Worldwide AG	Kloten	CHF 100,000	100%	C
BIAL Bangalore				
International Airport Ltd	Bangalore	INR 3,850 million	17%	E
Unique Chile S.A.	Santiago de Chile	CLP 244 million	48%	E
Inversiones				
Aeroportuarias IDC S.A.	Santiago de Chile	CLP 1,462 million	31.58%	E
Aeropuertos Asociados de Chile S.A.	Santiago de Chile	CLP 5,373 million	20%	E
Administracion de Concesiones IDC S.A.	Santiago de Chile	CLP 185 million	20%	E
Concesion Aeropuerto El Loa S.A.	Santiago de Chile	CLP 563 million	16%	E
Concesion Aeropuerto La Florida S.A.	Santiago de Chile	CLP 843 million	20%	E
Concesion Aeropuerto El Tepual S.A.	Santiago de Chile	CLP 895 million	16%	E
Administradora Unique IDC C.A.	Porlamar	VEB 25 million	49.5%	E
Aeropuertos Asociados de Venezuela S.A.	Porlamar	VEB 10 million	49.5%	E
Unique IDC S.A. de C.V.	Tegucigalpa	HNL 40,000	49.5%	E
Unique IDC Colombia S.A.	Bogotá	COP 34 million	49.5%	E

Key: C = Fully consolidated company  
E = Equity method

## **22.7) Notes to service concession agreements**

The Federal Department of the Environment, Transport, Energy and Communications (DETEC) awarded Flughafen Zürich AG the operating licence for Zurich Airport for 50 years 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 Organisation) governing domestic, international and intercontinental civil aviation services.

Flughafen Zürich AG is authorised and obliged to operate Zurich Airport for the entire period cited in the operating licence, and to provide and maintain the necessary infrastructure for this purpose. To accomplish this, it is entitled to collect fees from all users of the airport.

Furthermore, 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. 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.

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 provision whereby 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 was declared null and void in response to an objection lodged by 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. The principles governing the granting of rights for carrying out ground handling activities are defined in the operating regulations of Flughafen Zürich AG. As a consequence, licences for ground handling operations in areas in which the number of admissible service providers has to be limited have been awarded on the basis of tender procedures and will run until the end of 2011.

## **22.8) Events occurring after the balance sheet date**

The Board of Directors authorised the 2006 consolidated financial statements for issue on 8 March 2007. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2006 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 of the assets and liabilities of the group or which would have to be disclosed here.

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

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 99 to 134) of Flughafen Zürich AG for the year ended 31 December 2006.

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 Swiss Auditing Standards 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 of 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 policies 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 "Significant estimates and assumptions in the application of accounting policies" on page 112 in the notes to the consolidated financial statements. The facts referred to therein could significantly affect the company's financial position and performance. Such impact cannot presently be conclusively determined.

KPMG Ltd

Roger Neininger  
Swiss Certified  
Accountant  
Auditor in Charge

Marc Ziegler  
Swiss Certified  
Accountant

Zurich, 8 March 2007



**Financial statements according to  
the provisions of the Swiss Code  
of Obligations (OR)**

---

138 Income statement

139 Balance sheet

---

Notes to the financial statements

140 Accounting policies

144 Notes

---

150 Proposal by the Board of Directors concerning  
the distribution of the available earnings for 2006

151 Audit report

---



# Income statement for 2006 and 2005

(Financial statement according to the provisions of commercial law, Flughafen Zürich AG)

(CHF thousand)	Notes	2006	2005
Revenue from sales of products and services		730,921	699,176
<b>Total revenue</b>		<b>730,921</b>	<b>699,176</b>
Depreciation and amortisation		(192,303)	(184,299)
Personnel expenses		(146,019)	(141,160)
Police and security		(82,907)	(78,336)
Expenses for sound insulation measures and increased provisions for aircraft noise	(9)	(54,023)	(50,334)
Maintenance		(34,058)	(36,169)
Sales, marketing, administration		(33,645)	(31,641)
Energy and waste		(22,506)	(21,136)
Other operating expenses		(18,712)	(17,477)
Cost of materials used		(11,788)	(13,086)
Deposits into renovation fund		(5,500)	(5,500)
<b>Ordinary profit before interest and tax</b>		<b>129,460</b>	<b>120,038</b>
Financial result, net	(1)	(92,785)	(107,305)
Extraordinary result, net	(2)	(2,964)	4,182
<b>Profit before tax</b>		<b>33,711</b>	<b>16,915</b>
Tax		(7,147)	(4,595)
<b>Net profit</b>		<b>26,564</b>	<b>12,320</b>

**Balance sheet as of 31 December 2006 and 31 December 2005**  
(Financial statement according to the provisions of commercial law, Flughafen Zürich AG)

(CHF thousand)	Notes	31.12.2006	31.12.2005
<b>Assets</b>			
Land		112,084	112,326
Buildings, engineering structures		2,218,726	2,301,149
Projects in progress		30,655	39,866
Movables		92,704	90,773
<b>Total property, plant and equipment</b>	<b>(3)</b>	<b>2,454,169</b>	<b>2,544,114</b>
Non-current financial assets of Airport of Zurich Noise Fund	(4)	112,927	0
Intangible assets		25,567	24,911
Other financial assets and associates	(5)	24,457	33,976
<b>Non-current assets</b>		<b>2,617,120</b>	<b>2,603,001</b>
Inventories		4,665	3,198
Current financial assets of Airport of Zurich Noise Fund	(4)	62,321	0
Trade receivables		107,802	93,787
Other receivables and prepaid expenses	(6)	19,095	20,593
Cash and cash equivalents, securities	(7)	62,804	33,160
<b>Current assets</b>		<b>256,687</b>	<b>150,738</b>
<b>Total assets</b>		<b>2,873,807</b>	<b>2,753,739</b>
<b>Equity and liabilities</b>			
Share capital		307,019	245,615
Legal reserves			
– Premium		533,290	269,254
– General reserves		19,060	19,060
– Reserves for own shares	(7)	693	1,735
Other reserves		80,165	79,123
Available earnings			
– Profit brought forward		20,809	13,392
– Net profit		26,564	12,320
<b>Equity</b>		<b>987,600</b>	<b>640,499</b>
Debentures and non-current loans	(8)	1,327,276	1,599,698
Provisions for aircraft noise	(9)	207,372	161,273
Renovation fund		107,602	102,102
Non-current provisions	(10)	13,769	3,304
<b>Non-current liabilities</b>		<b>1,656,019</b>	<b>1,866,377</b>
Trade payables		30,326	29,222
Current financial liabilities	(11)	122,422	135,877
Other current debt, accruals and deferrals		69,231	72,683
Current provisions	(12)	8,209	9,081
<b>Current liabilities</b>		<b>230,188</b>	<b>246,863</b>
<b>Total liabilities</b>		<b>1,886,207</b>	<b>2,113,240</b>
<b>Total equity and liabilities</b>		<b>2,873,807</b>	<b>2,753,739</b>

## Notes to the financial statements

### Accounting policies

#### 1. General remarks

The presentations and explanations below refer to the individual 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 General Meeting of Shareholders.

#### 2. Valuation principles

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

#### Property, plant and equipment

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

#### 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 5.5 million Swiss francs (only in financial statements according to commercial law).

#### Own shares

In contrast to the consolidated financial statements prepared in accordance with IFRS, holdings of own shares as of 31 December 2006 are reported under securities. Under the heading "Equity", these are reported as prescribed by the provisions of the Swiss Code of Obligations. Furthermore, the distribution of free shares to employees and the unrealised gain on holdings as of 31 December 2006 were charged to the income statement.

#### Costs associated with the issue of new shares (share capital increase)

In the financial statements according to commercial law, the transaction costs are capitalised and amortised using the straight-line method over 3 years instead of being deducted from the premium as is the case in the consolidated financial statements prepared in accordance with IFRS.

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

In the financial statements 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, financial leases are recognised in the balance sheet, while in the financial statements according to commercial law 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.

#### Noise-related data

Costs associated with formal expropriations qualify as an intangible asset in accordance with the Swiss Code of Obligations. They are capitalised not later than the time at which the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same time. Adequate provisions are recognised for liabilities arising from sound insulation measures. Full amortisation of capitalised costs for formal expropriations is based on the consolidated financial statements at least. Beyond this, special write-offs are carried out from case to case to the extent to which the noise charges recognised as an expense exceed the costs for sound insulation measures and other operating costs in a given period. Any balance of revenue from noise charges after deduction of noise-related costs (sound insulation measures, operating costs, financing costs) is transferred to provisions for aircraft noise.

### Current risk situation

The following factors are regarded as the primary sources of risk for the company:

- **Additional security regulations**

Additional security regulations imposed by the authorities can also give rise to increasing security costs and reduced revenue from commercial activities in the future. Here, in view of the delay between the time at which costs arise and the earliest possible refinancing via security charges, a negative impact on the result cannot be ruled out.

- **Hub carrier**

The national airline, Swiss, is the main client of Flughafen Zürich AG. In the same way as any other hub airport, Flughafen Zürich AG greatly depends on the operational and financial development of its hub carrier.

- **Legal issues**

Various internal and external political restrictions could mean that 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 give rise to additional investments and costs. These include:

- People's initiative in the Canton of Zurich calling for restrictions on flight operations ("Plafonierungsinitiative")
- SIL process (Civil Aviation Infrastructure Plan)
- Rulings by the supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany

- **Falling demand**

Experience over the past few years has shown that civil aviation is a highly volatile business that reacts sensitively to external occurrences (acts of terrorism, outbreaks of disease or epidemics). This means that such events could lead to a fall in demand at Zurich Airport.

- **Refund of Swissair payment effected on 4 October 2001 (demand by creditors, trustee)**

On 4 October 2001, Swissair Schweizerische Luftverkehr Aktiengesellschaft (Swissair) paid the amount of 21.8 million Swiss francs to Flughafen Zürich AG in settlement of airport charges for the month of July 2001. On 2 October 2001, Swissair had already ceased operation due to lack of liquidity. Swissair then applied for deferment of bankruptcy, which was granted on 5 October 2001. On 23 May 2005, the liquidator of Swissair Schweizerische Luftverkehr Aktiengesellschaft in Nachlassliquidation contested the cited payment and demanded that it be refunded, since in his view, Flughafen Zürich AG had been given

preference over other creditors. Flughafen Zürich AG regards this payment as lawful. On 17 November 2005, a lawsuit was filed within the stated deadline with the commercial court by Swissair, represented by its liquidator. A ruling by the commercial court is expected in the course of 2007.

- **Formal expropriations**

As of balance sheet date, no final rulings had been pronounced on compensation claims arising from formal expropriations on the basis of excessive aircraft noise or direct overflights, though a number of cases are pending. Initial conciliation proceedings were held in November 2005 concerning 18 "pilot" cases in the municipality of Opfikon, but no agreements were reached. In these cases, valuation hearings were held in March and April 2006. The Federal Assessments Commission ("Eidgenössische Schätzungskommission") published the written decisions reached in these pilot cases in December 2006 (first-instance rulings). It found that compensation should be paid in 3 out of the 18 cases. The parties involved in the 18 pilot cases are appealing to the Swiss Federal Tribunal as ultimate authority, and a corresponding ruling by the latter is not expected before the end of 2007.

It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, since:

- a) there are gaps in the relevant legislation
- b) there is a lack of legal practice relating to many fundamental issues, and existing rulings are sometimes conflicting
- c) the influence of political debate cannot be underestimated
- d) the costs will be influenced by the definitive operating regulations, which are still awaiting approval.

The Management Board believes that it will be able to reliably estimate the anticipated costs after the Federal Tribunal (as final instance) has ruled on the fundamental issues raised in the Opfikon pilot cases.

Flughafen Zürich AG has made numerous estimates for internal scenarios concerning the assessment of risks and the definition of measures aimed at reducing these risks. In view of the uncertain situation, a very large number of different scenarios are conceivable, but none of these have a significant mathematical probability.

From today's perspective, the previously disclosed potential costs (in the form of a risk assessment) associated with formal expropriations amounting to between 800 million and 1.2 billion Swiss francs can be regarded as a cautious and conservative estimate. In the event that the Federal Tribunal should fully accept the decisions of the Federal Assessments Commission, the costs would be less than 800 million Swiss francs.

However, the effective costs could deviate significantly in either direction from the costs cited above.

Flughafen Zürich AG assumes that these costs would have to be paid over a period of several years. This is assuming that they should even reach the estimated level.

#### **Risks for Flughafen Zürich AG in association with aircraft noise**

Flughafen Zürich AG has the right to refinance any costs that may arise in association with aircraft noise through charges. This means that our ability to refinance such costs is secured over the long term.

However, up to the middle of 2006 there were two risks that had to be taken into account:

##### **The risk of a financing gap**

If the noise-related costs should arise sooner than anticipated by Flughafen Zürich AG, or prove to be higher than expected, this could result in a financing gap that Flughafen Zürich AG might not be able to cover with available credit limits.

##### **The risk of impacts of noise-related costs on the financial statements according to the provisions of the Code of Obligations**

The financial statements according to the provisions of the Code of Obligations could be negatively influenced depending on the amount of effective costs and any future changes in applicable accounting standards. With respect to the consolidated financial statements, any negative influences could affect standard guarantees and covenants in regard of outstanding financial liabilities.

#### **Reduction and limitation of risks associated with aircraft noise**

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplement to the merger agreement dated 14 December 1999 regulating the sustainable reduction and limitation of risks to Flughafen Zürich AG associated with aircraft noise. The main content of this supplementary agreement is as follows:

1. Flughafen Zürich AG is obliged to implement measures by means of which the ability to tolerate balance sheet and financing risks associated with aircraft noise up to approximately 1.1 billion Swiss francs can be assured. On 11 April 2006 the Board of Directors asked the General Meeting of Shareholders to approve a capital increase with a market value of approximately 300 million Swiss francs in order to strengthen the company's equity. The capital increase of 10 May 2006 resulted in a net inflow of funds to the company amounting to 310.3 million Swiss francs. Since Flughafen Zürich AG did not need to use these funds in the immediate future – an effective outflow of funds due to formal expropriations is not expected before the end of 2007 – the outstanding debt owed to the Canton of Zurich amounting to 300 million Swiss francs was paid back prematurely and without any additional costs. Furthermore, Flughafen Zürich AG obtained a credit limit of 200 million Swiss francs to cover any financing gap that may arise.
2. In the event that, upon payment of the first formal expropriations, the risk should arise that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) may exceed 1.1 billion Swiss francs (threshold), the Canton of Zurich would assume the prefinancing of all "old" noise-related liabilities. "Old" noise-related liabilities are liabilities that came into being prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence. As before, the Canton of Zurich is jointly liable for such claims in an external capacity, while in an internal capacity, Flughafen Zürich AG assumed responsibility for these liabilities in the merger agreement dated 14 December 1999.



With the newly agreed solution, this general obligation resulting from the merger agreement has been more precisely defined and regulated in greater detail. For the financing of the costs arising from its adoption of responsibility, the Canton of Zurich is to receive a portion of the revenue from noise-related charges in accordance with a specified key. As a result of the adoption of "old" noise-related liabilities by the Canton of Zurich, the requirement for Flughafen Zürich AG to recognise a provision for compensation no longer applies, and the costs will therefore no longer be capitalised.

3. In the event that, in the course of the legal proceedings, the risk cited in point 2 should fall below the level of 1.1 billion Swiss francs (threshold), Flughafen Zürich AG will assume the remaining "old" noise-related liabilities and associated charges.

The objective of this agreement is therefore to limit the overall noise-related risk of Flughafen Zürich AG to "new" noise-related liabilities. The capital increase and a new special credit limit created the accounting and financial prerequisites for bearing any noise-related liabilities up to 1.1 billion Swiss francs.

The company monitors the above-mentioned risks and their potential consequences for 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, it does not consider the company's continued operation to be in any immediate jeopardy due to these risks.

## Notes

### Income statement

#### 1) Financial result, net

(CHF thousand)	2006	2005
Interest expenses on debentures and non-current loans	73,381	86,300
Less capitalised interest on borrowings for buildings under construction	(98)	(681)
<b>Net interest expenses on debentures and non-current loans</b>	<b>73,283</b>	<b>85,619</b>
Interest difference related to interest rate swap	9,744	11,396
Other interest expenses	6,529	7,752
Other financial expenses	3,667	2,551
Interest expenses on finance lease payments	2,213	1,844
Debenture issuing costs	1,460	0
Interest expenses on bank loans	431	64
Foreign exchange differences	262	0
<b>Financial expenses</b>	<b>97,589</b>	<b>109,226</b>
Interest income and foreign exchange gains realised on financial assets of Airport of Zurich Noise Fund	(2,572)	0
Interest income on postal cheque accounts and bank deposits/loans	(1,648)	(1,121)
Valuation adjustments of financial assets	(454)	(630)
Net foreign exchange gains, interest on arrears	(130)	(170)
<b>Financial income</b>	<b>(4,804)</b>	<b>(1,921)</b>
<b>Total financial result, net</b>	<b>92,785</b>	<b>107,305</b>

**Capitalised interest** on borrowings for buildings under construction was calculated using an average interest rate of 5.63 percent in 2006 and 5.65 percent in 2005.

#### 2) Extraordinary result, net

(CHF thousand)	2006	2005
Extraordinary income	597	6,762
Extraordinary expenses	(3,561)	(2,580)
<b>Extraordinary result, net</b>	<b>(2,964)</b>	<b>4,182</b>

Extraordinary income in 2006 includes:

- 0.2 million Swiss francs in income from trade receivables that had already been written off in preceding years

Extraordinary income in 2005 includes:

- 6.6 million Swiss francs from a non-recurring repayment of accrued costs associated with the Bangalore project, which in the past had been charged to the income statement

Extraordinary expenses in 2006 include:

- 1.0 million Swiss francs from losses on disposals of non-current assets

Extraordinary expenses in 2005 include:

- 2.1 million Swiss francs from losses on disposals of non-current assets

## Balance sheet

### 3) Fire insurance values

(CHF thousand)	31.12.2006	31.12.2005
Buildings incl. loading bridges	3,049,751	2,772,149
Movables	697,742	697,742

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.

### 4) Financial assets of Airport of Zurich Noise Fund

(CHF thousand)	31.12.2006	
Non-current financial assets	112,927	
Current financial assets	62,321	
<b>Total financial assets of Airport of Zurich Noise Fund</b>	<b>175,248</b>	

On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents (see also note 9, "Provisions for aircraft noise" and "Notes to consolidated financial statements", note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund"). These funds are managed by professional investment advisers on the basis of a conservative, money-market-oriented investment strategy (see note 1, "Financial result, net").

### 5) Other financial assets and associates

(CHF thousand)		31.12.2006	31.12.2005
APT Airport Technologies AG, Kloten	Equity share 100%, nom. share capital CHF 1.8 million	1,800	1,800
APT Airport Technologies AG, Kloten	Loan <sup>1)</sup>	7,873	5,979
Unique Betriebssysteme AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Betriebssysteme AG, Kloten	Loan	9	9
Unique Betriebssysteme AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Airports Worldwide AG, Kloten	Loan <sup>1)</sup>	5,038	5,743
Bangalore International Airport Ltd.	Equity share 17%, nom. share capital INR 3,850 million	8,923	4,353
Swiss International Air Lines AG	Loan <sup>2)</sup>	0	15,000
Swissport Zürich AG	Loan	593	889
Administradora Unique IDC S.A., Venezuela	Equity share 49.5%, nom. share capital VEB 25 million	0	2
Aeropuertos Asociados de Venezuela S.A., Venezuela	Equity share 49.5%, nom. share capital VEB 10 million	0	1
Unique IDC S.A. de C.V., Honduras	Equity share 49.5%, nom. share capital HNL 40,000	3	0
Unique IDC Colombia S.A., Columbia	Equity share 49.5% nom. share capital COP 34 million	18	0
<b>Total other financial assets and associates</b>		<b>24,457</b>	<b>33,976</b>

<sup>1)</sup> Entirely subject to subordination.

<sup>2)</sup> On 31 January 2006, Swiss International Air Lines AG repaid its loan (15 million Swiss francs) ahead of schedule.

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.

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 normal market rates.

Within the scope of the airport participation in Bangalore (India), Flughafen Zürich AG holds a 17 percent stake in Bangalore International Airport Ltd. (BIAL) (total, approximately 16 million Swiss francs, of which 8.92 million had been paid as of 31 December 2006). BIAL is a public/private partnership in which private investors hold a 74 percent stake, and the Indian government and Karnataka State each hold a 13 percent stake. Flughafen Zürich AG is assisting BIAL with the planning and construction of the airport, as well as with its later operation, on the basis of an operating, management and service agreement that has been concluded for approximately ten years. As of 31 December 2006, Flughafen Zürich AG provided a bank guarantee to Bangalore International Airport Ltd. in the amount of 6.4 million Swiss francs, or INR 231.2 million (31 December 2005: 11.9 million Swiss francs, or INR 406.6 million; see "Notes to consolidated financial statements", note 9, "Investments in associates". It represents payments still to be made in future.

Due to the continued intervention by the local government concerning the airport on Isla de Margarita, figures for the 2006 financial year are not available. It is hoped that this unsatisfactory situation can be resolved by the middle of 2007. In view of the current assessment of the situation by the Management Board of Flughafen Zürich AG, the values of the two associates, Administradora Unique IDC S.A. and Aeropuertos Asociados de Venezuela S.A. were fully impaired (100%) as of 31 December 2006.

In spring 2006, the Flughafen Zürich AG/Administración de Concesiones IDC S.A. consortium concluded a management agreement with InterAirports SA (Aeropuertos de Honduras) for the Toncontin, Ramón Villeda Morales, El Golosón and Juan Manuel Gálvez airports. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC S.A. de C.V. on 8 March 2006, in which Flughafen Zürich AG holds a 49.5 percent stake.

The OPAIN S.A. consortium, in which Flughafen Zürich AG is involved on the basis of a management agreement, has been awarded the operating licence for Bogotá Airport. The takeover of this airport from the Colombian government was effected on 20 January 2007. The operator agreement between the consortium and the government of Colombia has been concluded for a period of 20 years. For administrative purposes, Flughafen Zürich AG and its Chilean partner, Administración de Concesiones IDC S.A., jointly founded a company called Unique IDC Colombia S.A. on 4 September 2006, which holds a formal stake of one share in the operating company, OPAIN S.A. Flughafen Zürich AG holds a 49.5 percent stake in Unique IDC Colombia S.A.

## 6) Other receivables and prepaid expenses

These include the following:

(CHF thousand)	31.12.2006	31.12.2005
Current account with Zurich Airport Staff Pension Fund <sup>1)</sup>	20	0

<sup>1)</sup> See note 11, "Current financial liabilities".

The current account bears interest at normal market rates.

## 7) Cash and cash equivalents, securities

(CHF thousand)	31.12.2006	Of which AZNF <sup>1)</sup>	31.12.2005
Cash and call deposits	42,211	678	31,425
Own shares	693		1,735
Cash deposits due within 90 days	19,900	19,900	0
<b>Total cash and cash equivalents, securities</b>	<b>62,804</b>	<b>20,578</b>	<b>33,160</b>

<sup>1)</sup> On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents (see also note 9, "Provisions for aircraft noise" and "Notes to consolidated financial statements", note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund").

Reserves for own shares are reported separately under equity.

Number of shares	2006	2005
<b>Holdings at beginning of financial year</b>	<b>11,841</b>	<b>20,407</b>
Acquisitions (at applicable market price)	182,366	50,033
Sales (at applicable market price)	(182,293)	(50,605)
Free distribution of shares	(6,524)	(7,994)
<b>Holdings at end of financial year</b>	<b>5,390</b>	<b>11,841</b>

No own shares were held as treasury stock as of 31 December 2006 (31 December 2005: zero).

## 8) Debentures and non-current loans

(CHF thousand)	31.12.2006	31.12.2005
Japanese private placement	421,173	421,173
US private placement	365,750	365,750
Liabilities towards banks arising from US car park lease	262,353	309,775
Debentures	278,000	203,000
Non-current loan from Canton of Zurich	0	300,000
<b>Total debentures and non-current loans</b>	<b>1,327,276</b>	<b>1,599,698</b>

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

Description	Nominal amount in CHF thousand as of 31.12.2006	Duration	Interest rate	Early repayment	Interest payment dates
Debentures	75,000	1995–2007 <sup>1)</sup>	5.000%	no	28 September
	128,000	2001–2009	4.250%	no	26 March
	150,000	2006–2010	3.125%	no	14 June
<b>Subtotal, debentures</b>	<b>353,000</b>				
Japanese private placement	421,173	2003–2024	5.730%	no	23 May/ 23 November
Liabilities towards banks arising from US car park lease	262,353				
	47,422 <sup>2)</sup>	2003–2012	3.606%	from 2005	20 December 11 April/ 11 October
US private placement	365,750	2003–2015	4.7525%	from 2011	

<sup>1)</sup> Reported under current financial liabilities, since repayment due on 28 September 2007.

<sup>2)</sup> Reported under current financial liabilities, since third repayment due on 20 December 2007.



## 9) Provisions for aircraft noise

(CHF thousand)	31.12.2006	31.12.2005
Provisions for aircraft noise as of 1 January	161,273	118,341
Total revenues from noise charges	54,023	50,334
Total costs for sound insulation and other measures	(9,184)	(10,963)
Increased provisions for aircraft noise	44,839	39,371
<b>Provisions for aircraft noise before operating and imputed costs</b>	<b>206,112</b>	<b>157,712</b>
Noise-related operating costs	(3,847)	(4,136)
Imputed interest (to 14 June 2006)	3,921	7,697
Interest income from assets of Airport of Zurich Noise Fund <sup>1)</sup>	2,572	0
Change in fair value of securities of Airport of Zurich Noise Fund <sup>1)</sup>	(1,386)	0
<b>Total provisions for aircraft noise as of 31 December</b>	<b>207,372</b>	<b>161,273</b>

<sup>1)</sup> On 14 June 2006, the liquid funds of Airport of Zurich Noise Fund were invested separately in financial assets and cash equivalents (see also note 4, "Financial assets of Airport of Zurich Noise Fund" and "Notes to consolidated financial statements", note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund"). These funds are managed by professional investment advisers on the basis of a conservative, money-market-oriented investment strategy.

For reporting of noise data in the financial statements according to commercial law, see "Notes to the financial statements", "Accounting policies", "Aircraft noise".

The current risk situation with respect to formal expropriations and noise-related expenses is described in detail in the notes to the financial statements, "Current risk situation", "Formal expropriations", "Risks for Flughafen Zürich AG associated with aircraft noise" and "Reduction and limitation of risks associated with aircraft noise".

Total expenditure for sound-insulating measures includes the following:

(CHF thousand)	2006	2005
Total costs for sound insulation and other measures	9,184	10,963
Increased provisions for aircraft noise	44,839	39,371
<b>Total expenditure for sound insulation measures</b>	<b>54,023</b>	<b>50,334</b>

## 10) Non-current provisions

(CHF thousand)	31.12.2006	31.12.2005
Utilisation fees <sup>1)</sup>	10,016	0
Pension liabilities	2,253	1,804
Provisional tenancy agreements	1,500	1,500
<b>Total non-current provisions</b>	<b>13,769</b>	<b>3,304</b>

<sup>1)</sup> The provision relates to the amount of 10 million Swiss francs from utilisation fees, which were introduced on 1 January 2006. The billed amounts were recognised as a provision, since the introduction of utilisation fees was challenged by a number of airport partners. Legal proceedings are currently in progress, and an initial ruling is expected in the course of 2007. The utilisation fees were billed for one year and suspended as of 1 January 2007. Should the court rule in favour of Flughafen Zürich AG, the amounts invoiced in 2006 will be reported in the income statement as extraordinary result, net.

**11) Current financial liabilities**

(CHF thousand)	31.12.2006	31.12.2005
Debenture (redemption 28.9.2007/12.4.2006)	75,000	90,000
Current liabilities towards banks arising from US car park lease	47,422	45,865
Current account with Zurich Airport Staff Pension Fund <sup>1)</sup>	0	12
<b>Total current financial liabilities</b>	<b>122,422</b>	<b>135,877</b>

<sup>1)</sup> See note 6, "Other receivables and pre-paid expenses".

The current account bears interest at normal market rates.

**12) Current provisions**

(CHF thousand)	31.12.2006	31.12.2005
Amounts due to personnel (holidays and overtime, bonuses)	7,637	8,509
Other liabilities	572	572
<b>Total current provisions</b>	<b>8,209</b>	<b>9,081</b>

**13) Further details****Major shareholders**

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

	2006	2005
Canton of Zurich (including BVK pension fund)	33.42%	45.60%
City of Zurich (including pension fund of the City of Zurich)	5.06%	5.38%

**14) Miscellaneous**

(CHF thousand)	2006	2005
Finance lease liabilities not reported in the balance sheet <sup>1)</sup>	76,653	78,291
In connection with the US car park lease, the utilisation rights to multi-storey car parks 1, 2, 3 and 6 serve as collateral.		
For the cross currency interest rate swaps relating to the US private placement and Japanese private placement, as of balance sheet date there were 1.7 million Swiss francs provided as collateral in the form of cash and cash equivalents (31 December 2005: 3.2 million) and 142 million Swiss francs provided as collateral in the form of letters of credit (31 December 2005: 116 million).		
As of 31 December 2006, Flughafen Zürich AG provided a bank guarantee to Bangalore International Airport Ltd. in the amount of 6.4 million Swiss francs or INR 231.2 million (31 December 2005: 11.9 million, or INR 406.6 million) (see note 5, "Financial assets and associates"). It represents payments still to be made in future.		

<sup>1)</sup> See "Accounting policies", section 2, "Valuation principles", "Finance Leasing".

**15) Events occurring after the balance sheet date**

The Board of Directors authorised the 2006 financial statements according to the provisions of the Swiss Code of Obligations (OR ) for issue on 8 March 2007. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2006 and the date on which the financial statements according to the provisions of the Swiss Code of Obligations were authorised for issue by the Board of Directors which would require the modification of any of the carrying amounts of the assets and liabilities of the financial statements according to the provisions of the Swiss Code of Obligations or which would have to be disclosed here.

### Proposal by the Board of Directors concerning the distribution of available earnings for 2006

The Board of Directors proposes to the General Meeting of Shareholders that the available earnings of 47,373,041 Swiss francs should be used as follows:

**(CHF)**

Allocation to legal reserves <sup>1)</sup>	0
Payment of a gross dividend of CHF 3.00 <sup>2)</sup>	18,421,125
To be carried forward	28,951,916
<b>Total available earnings</b>	<b>47,373,041</b>

<sup>1)</sup> No allocation is being made to the legal reserves, because these exceed 50 percent of the nominal share capital.

<sup>2)</sup> The dividend sum covers all outstanding registered shares. However, those shares held by the company at the time of declaration of the dividend are not entitled to a dividend. For this reason, the reported dividend sum may be correspondingly lower.

If this proposal is approved, then the dividend for 2006 financial year will be CHF 3.00 gross per share.

After deduction of withholding tax of 35 percent, the shareholders will receive a net dividend of CHF 1.95.

## **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 on pages 138 to 150) of Flughafen Zürich AG for the year ended 31 December 2006.

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 of 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 policies 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 and the proposed appropriation of available earnings 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 risk situation described on page 141 in the notes to the financial statements. The facts referred to therein could significantly affect the company's financial position and performance. Such impact cannot presently be conclusively determined.

KPMG Ltd

Roger Neininger  
Swiss Certified  
Accountant  
Auditor in Charge

Marc Ziegler  
Swiss Certified  
Accountant

Zurich, 8 March 2007







