

Annual Report 2007



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

Unique (Flughafen Zürich AG) – a truly unique company with a crucial mandate

As the official operator of Zurich Airport, Unique (Flughafen Zürich AG) plays a vital role in maintaining and developing Switzerland's intercontinental transport hub. Together with its approximately 1,500 employees and around 260 business partners, it co-ordinates and manages the broad range of operations at Zurich Airport and is responsible for ensuring that all processes are perfectly harmonised. Zurich Airport attaches a great deal of importance to consumers' needs, as reflected by its very high, internationally recognised quality standards, for which it has won numerous awards. Passengers and visitors alike greatly appreciate the traditional Swiss values that distinguish Zurich Airport: cleanliness, punctuality and reliability.

Zurich Airport – a major factor in Switzerland's economic development

Zurich Airport is Switzerland's gateway to the world, and the world's gateway to the Alps. In the course of 2007, 20.7 million people departed from, arrived at or transferred via Zurich Airport, and thus turned the country's most important transport hub into a bustling commercial centre. Around 260 companies employ almost 21,000 people at the airport, which makes a valuable contribution towards meeting society's mobility needs and is a major driving force behind the Swiss economy.

→ **A day in the life of Zurich Airport**

The 2007 annual report of Flughafen Zürich AG underscores the important role Zurich Airport has in Switzerland's modern economy. The title "A day in the life of Zurich Airport" is intended to draw attention to some of the many players who are involved in the successful operation of Zurich Airport throughout the day, as well as to people who repeatedly use the airport as the starting point for their own business activities.



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A brief portrait of Unique (Flughafen Zürich AG)

Unique (Flughafen Zürich AG) is owner and operator of Zurich Airport. The company (hereinafter referred to as Flughafen Zürich AG) in its present form was established on 1 January 2000. Its head office is located in Kloten, Switzerland. In addition to Zurich Airport, it also owns and operates airports abroad together with various local partners.

Strategy and value management Strategic focus and corporate identity

Zurich Airport is an international transport hub, as well as an attractive shopping, entertainment and services centre.

Zurich Airport is extensively networked at the international, national and regional levels. As a **transport hub** it is an important factor in strengthening the competitiveness of Switzerland as a business centre and tourist destination. In addition to the national economy, the airport offers numerous benefits to other sectors such as education and research, culture and sport, as well as to private individuals (availability of leisure-time and travel services, etc.).

As a lively **inter-cultural shopping, entertainment and services complex**, Zurich Airport offers innovative features that are in step with consumers' needs and have strong international appeal with a certain "Swiss touch".

The employees of Flughafen Zürich AG apply their specialised know-how at both the national and the international level, and successfully develop and implement projects that are financially beneficial and sustainable.

Flughafen Zürich AG distinguishes itself from its competitors by consistently focusing on Swiss values such as quality, punctuality and reliability.

It is listed on the stock market and thus operates on the basis of established business principles so that it can offer its shareholders attractive dividends that compare favourably with those of other players in the sector.

Its management and employees at all levels pursue a clearly defined success strategy and thus generate added value for the entire company. They set out to honour the company's social and ecological responsibilities while fulfilling its mandate and giving consideration to the prevailing political conditions.



Highly qualified and motivated employees – the key to success

The employees of Flughafen Zürich AG act in a goal-oriented manner, demonstrate respect, loyalty and discipline, and keep an open mind towards other cultures. These core values of our corporate culture are supplemented by the management principle of appointing the right people with the right skills to the right job. For this purpose a special tool ("Navigator") has been developed that helps determine the most suitable sphere of activity for each employee and thus the direction his or her career should take. It is a catalogue of the essential skills for achieving success. The "Navigator" provides a basis for achieving a consistent understanding of values throughout the organisation and ensures the use of uniform criteria for the recruitment, assessment and development of all employees.

For Flughafen Zürich AG, a workforce of motivated and well qualified employees is a decisive factor for success. Their concerns are of great importance to us, and we systematically ask them for their opinions at various personnel and management events, as well as in a survey that we conduct on a regular basis. The summer 2007 survey, the second such survey done since 2005, revealed that employees of Flughafen Zürich AG have a high level of job satisfaction and show a strong level of commitment to the company. Wherever a need for action was identified, appropriate measures were defined and implemented.

Protection of the environment begins with good planning

Pollution of the air and water, energy consumption and aircraft noise are the main environmental concerns for Flughafen Zürich AG. These concerns are duly reflected in our construction and planning projects. For example, practical findings in the areas of construction noise, soil protection and energy consumption were integrated into two recent major projects: "Renovation of runway 16/34" and "Zurich 2010" (infrastructure modifications for the implementation of the Schengen Agreement and the more stringent security regulations). A variety of measures aimed at reducing construction noise, energy consumption and the preservation of natural resources have resulted in positive effects, even from the perspective of business economics.

The management of environmental data has been improved still further on the basis of new international guidelines and existing international standards, and at the same time we have adapted a number of the required systems for this purpose. The monitoring programmes in use, along with further studies concerning the condition of the environment and the effectiveness of environmental measures, have yielded valuable findings and culminated in the introduction of well-directed measures.

Since 2001, Flughafen Zürich AG has been managing all its environmental activities with the aid of an environmental management system that complies with ISO standard 14001. This system was successfully re-certified in November 2007. Careful attention is paid to ensuring compliance with legal provisions and requirements specified by the relevant authorities and systematically implementing whatever measures may be necessary, and optimising existing environmental processes on a continual basis.

The next detailed annual environmental report containing complete data for Zurich Airport will be posted on the following web site in May 2008:
www.unique.ch/environment.

Key data (5-year comparison)

Key financial data

All amounts in accordance with International Financial Reporting Standards, IFRS.

(CHF thousand)	2007	2006	2005	2004	2003
Total revenue	802,868	737,109	702,229	683,686	601,719
Of which revenue from aviation operations	495,981	444,238	418,877	411,754	347,110
Of which revenue from non-aviation operations	306,887	292,871	283,352	271,932	254,609
Operating expenses	392,753	358,837	338,282	328,712	304,215
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	410,115	378,272	363,947	354,974	297,504
EBITDA margin (in %)	51.1	51.3	51.8	51.9	49.4
Profit	130,675	87,448	59,123	52,268	32,883
Of which attributable to shareholders of Flughafen Zürich AG	130,675	87,448	59,123	52,406	32,935
Of which attributable to minority interests	0	0	0	(138)	(52)
Investments	247,730	218,722	124,300	200,115	303,453
Cash flow ¹⁾	337,527	300,148	259,748	239,418	196,493
Ø capital employed	2,629,505	2,614,618	2,569,922	2,644,421	2,638,304
Return on Ø capital employed (ROCE, in %)	6.9	5.7	5.4	4.9	3.6
Equity as of 31 December	1,373,384	1,230,464	805,999	756,446	708,687
Of which attributable to shareholders of Flughafen Zürich AG	1,373,384	1,230,464	805,999	750,126	702,634
Of which attributable to minority interests	0	0	0	6,320	6,053
Return on equity (in %)	10.0	8.6	7.6	7.2	4.6
Equity ratio (in %)	43.2	38.8	26.3	24.0	21.9
Interest-bearing liabilities (net, in accordance with IFRS)	918,833	1,177,985	1,745,299	1,770,910	1,930,572
Interest-bearing liabilities (IFRS)/EBITDA	2.24x	3.11x	4.80x	4.99x	6.49x
Interest-bearing liabilities (nominal)	1,077,445	1,290,360	1,786,198	1,919,134	1,987,191
Interest-bearing liabilities (nominal)/EBITDA	2.56x	3.41x	4.91x	5.41x	6.68x
Key operational data	2007	2006	2005	2004	2003
Number of passengers	20,739,113	19,237,216	17,884,652	17,252,906	17,024,937
Number of flight movements	268,476	260,786	267,363	266,660	269,392
Freight in tonnes	374,264	363,325	372,415	363,537	389,843
Number of full-time positions as of 31 December	1,319	1,290	1,262	1,289	1,260
Number of employees	1,552	1,523	1,470	1,478	1,425
Key data for shareholders	2007	2006	2005	2004	2003
Number of issued shares	6,140,375	6,140,375	4,912,300	4,912,300	4,912,300
Proposed/paid dividend per share (in Swiss francs)	4.50	3.00	1.00	0.00	0.00
Dividend total (in thousand Swiss francs)	27,632	18,421	4,912	0	0
Payout ratio (in %)	21.2	21.1	8.3	0.0	0.0
Capital per share (in Swiss francs)	223.66	200.39	164.08	153.99	144.27
Earnings per share (in Swiss francs)	21.30	15.35	12.08	10.97	7.02
Share price (in Swiss francs)	high	538.00	380.00	236.00	150.00
	low	383.00	235.00	147.00	66.75
			Sec. number	SWX symbol	Reuters
Flughafen Zürich AG registered share			1,056,796	UZAN	UZAZn.S

¹⁾ Profit plus depreciation and amortisation and change in non-current provisions (deferred tax).

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

Selected key data excluding the influence of aircraft noise

(CHF thousand)	2007	2006	2005	2004	2003
Total revenue	748,564	686,933	656,031	637,313	561,599
Of which revenue from aviation operations	437,703	390,215	368,543	362,138	304,471
Of which revenue from non-aviation operations	310,861	296,718	287,488	275,175	257,128
Operating expenses	392,753	358,837	338,282	328,712	304,215
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	355,811	328,096	317,749	308,601	257,384
EBITDA margin (in %)	47.5	47.8	48.4	48.4	45.8
Profit	83,495	46,952	21,045	16,104	3,463
Of which attributable to shareholders of Flughafen Zürich AG	83,495	46,952	21,045	16,242	3,515
Of which attributable to minority interests	0	0	0	(138)	(52)
Investments	112,628	103,985	124,300	200,115	303,453
Cash flow ¹⁾	277,805	248,761	211,128	193,738	159,373
Earnings per share (in Swiss francs)	13.61	8.24	4.30	3.40	0.75

¹⁾ Profit plus depreciation and amortisation and change in non-current provisions (deferred tax).



Josef Felder
Chief Executive Officer



Andreas Schmid
Chairman of the Board of Directors



Dear Shareholders,

The 2007 financial year was a very successful one for Flughafen Zürich AG. Thanks to the favourable development of the economy and the successful course of business of the home carrier, Swiss, the volume of both local and transfer passengers was above the company's expectation. A record result was reported for non-aviation business: the sales figures of our commercial partners, as well as our own licence revenue, rose disproportionally to passenger growth. With commercial sales amounting to 435 million Swiss francs, Zurich Airport is one of the three largest shopping centres in Switzerland. Despite an enormous increase in security costs, profit in the 2007 financial year rose by 49 percent to 131 million Swiss francs. The Board of Directors is proposing the payment of a dividend of 4.50 Swiss francs per share, which represents an increase of 1.50 Swiss francs, or 50 percent, versus the prior year.

Operations

In 2007, Zurich Airport was able to position itself in the upper third of the table versus its main European competitors in terms of punctuality, despite far from favourable conditions – the restrictions imposed by the unilateral German ordinance concerning flights in southern German airspace continue to impact negatively on flight operations, especially at weekends and on German public holidays. Zurich has become one of the most popular airports among passengers and succeeded in maintaining its leading position in 2007. At the March 2007 Airport Council International (ACI) awards ceremony, Zurich Airport received the ASQ (Airport Service Quality) award for best European airport in terms of quality of service.

More stringent security regulations meant that more complex handling processes were required, which resulted in significantly higher costs. The restrictions on the carriage of liquids in hand luggage that were introduced on 6 November 2006 are giving rise to additional monthly costs of around 1 million Swiss francs, while the more thorough security checks for employees demanded by the EU are not only generating higher costs, but are also hampering various daily activities.

Implementation of the Schengen Agreement

During the year under review, further progress was made with the necessary preparations for the implementation of the Schengen Agreement. Switzerland's accession to the Schengen area is scheduled for the end of October 2008. Over the next few years, Flughafen Zürich AG will be investing

approximately 430 million Swiss francs for the modification and expansion of the infrastructure required for separating Schengen and non-Schengen passengers, and for the construction of a new building to house the central security check facilities, plus additional office and commercial space. The building permits required for the structural modifications and the new Schengen bus gate were issued at the beginning of 2008, and this means that the infrastructure will be completed in time for the changeover to the winter flight plan at the end of October 2008. Dock B, which has been used as an events venue in the past few years, is to undergo a variety of alterations so that it can again be used for flight operations from approximately 2010 onwards.

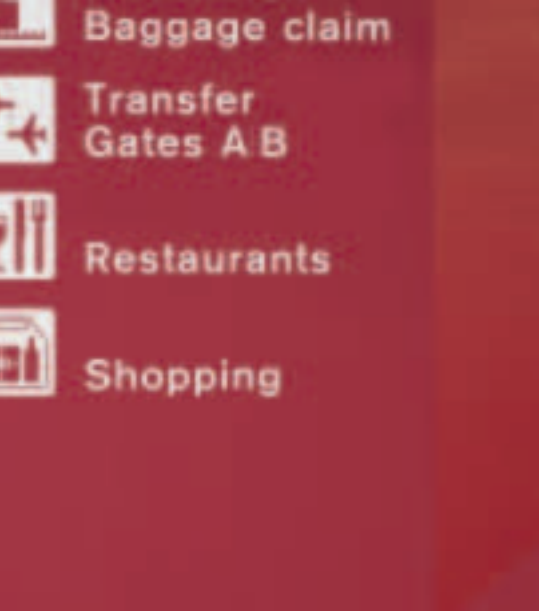
Pleasing traffic figures

Zurich Airport's biggest client, Swiss International Air Lines AG (Swiss), posted strong growth in 2007 and was able to continue expanding its network of flights to and from Zurich. Its introduction of direct flights to Delhi (India) in November 2007 was the first new intercontinental service to be added by Swiss since its inception.

In the year under review, the number of passengers using Zurich Airport passed the 20 million mark for the first time since 2001. On 13 December, we welcomed the 20-millionth passenger to travel via Zurich Airport in 2007. A total of 20.7 million passengers used Zurich Airport as their starting point or destination, or for transfer purposes during the full year. The number of flight movements also rose slightly for the first time since 2000, to 268,476. The main factors behind this upward trend are intensified economic relationships, the strong economy, the expansion of the Swiss fleet, and the increase in services to and from Zurich by other airlines.

Future development

During the year under review, further progress was made with activities relating to the Civil Aviation Infrastructure Plan (SIL) under the guidance of the Swiss Federal Office of Civil Aviation (FOCA). During the summer, the federal government specified which operating options are to be further pursued and optimised, and in the first half of 2008 it is expected to announce its decision as to which operating option(s) is/are to be adopted in the detailed plan for Zurich Airport, which the Federal Council will hopefully approve in 2010. With this process completed, Flughafen Zürich AG will finally have a clearer picture of the area planning conditions under which it will be able to operate Zurich Airport in the



Thomas E. Kern
Chief Executive Officer since
15 January 2008

future. Only then will the planning and legal security at last be possible that both the local population and the airport have long been eager to establish. However, this will also require a readiness to take the overdue long-term area planning decisions that will shape the development of Zurich Airport, and not to postpone them any longer.

On 25 November 2007, the electorate of the canton of Zurich made an important decision for the future development of Zurich Airport when they clearly rejected the initiative calling for restrictions on flight movements ("Plafonierungsinitiative"), and voted strongly in favour of the more moderate counter-proposal formulated by the cantonal government. This means that, depending on the growth of the population in the region surrounding the airport, in the coming years Flughafen Zürich AG will be able to continue to fulfil its operating mandate, namely to operate a civil aviation hub in line with demand and thus meet the mobility requirements of the population, the economy and the tourism industry.

Thanks

For a company to post a successful result it needs the support of its shareholders. We therefore wish to express our appreciation to all our shareholders for their long-term commitment and the trust they have placed in Flughafen Zürich AG. Once again we have experienced a demanding year in which we faced many tough challenges. A variety of important decisions have been taken that will affect the company into the future. Our sincerest thanks also go to our partners and business clients for their support and co-operation. Finally, we wish to extend our special thanks to all our employees, who through their valuable efforts have helped turn Flughafen Zürich AG into the strong and dynamic company it is today.

Zurich Airport, 6 March 2008

Andreas Schmid

Chairman of the
Board of Directors

Josef Felder

Chief Executive
Officer

Changes in management personnel

In August, CEO Josef Felder announced his resignation. He joined the company in 1998, at which time it was still called Flughafen-Immobilien-Gesellschaft (FIG). Following the referendum on the privatisation of Flughafendirektion Zürich (FDZ), he brought the merger between FIG and FDZ to a successful completion. He also successfully concluded the process of launching the company onto the stock market. In the aftermath of the terrorist attacks in the USA in September 2001, and following the grounding of Swissair, he demonstrated a high level of leadership and social skills, and his mastering of the extremely difficult situation in which the company then found itself gained him a great deal of recognition and respect both at home and abroad. During his term of office as CEO he oversaw the completion of expansion stage 5, which gave Zurich Airport the modern and attractive face we know today. He was also instrumental in turning Zurich into one of the most popular airports in Europe and the world in terms of client satisfaction and quality of service. The Board of Directors wishes to express its sincerest thanks to Josef Felder for his outstanding personal commitment during the past nine years.

In November, CFO Beat Spalinger announced that he would be leaving the company in spring 2008. He mastered numerous challenging tasks during a difficult period in the airport's development, for which he received broad recognition throughout Switzerland and in international circles. His achievements relating to the financing of expansion stage 5, the financing and subsequent reduction and limitation of risks associated with aircraft noise, and the development of the group's activities abroad, are worthy of special mention. The Board of Directors wishes to thank him most sincerely for his valuable services on behalf of the company.

New CEO since 15 January 2008

We are pleased to announce the appointment of Thomas E. Kern as CEO of Flughafen Zürich AG. Thomas E. Kern was CEO of the Globus group from 2002 to 2006, and was elected to the Board of Directors of Flughafen Zürich AG in April 2006. He had already held a variety of management positions within the Globus group before he was appointed its CEO. In the period from 1984 to 1986 he was expansions manager at Interio AG, where he also held the post of executive manager from 1986 to the end of 2000, and assumed the same position at Globus Warenhäuser in 2001. We wish him every success as CEO of Flughafen Zürich AG.

Changes within the Board of Directors

Upon his election as CEO on 22 November 2007, Thomas E. Kern resigned from the Board of Directors with immediate effect. The Board of Directors will be proposing a candidate to replace Thomas E. Kern at the General Meeting of Shareholders on 17 April 2008.

Zurich Airport, 6 March 2008

Andreas Schmid



Chairman of the Board of Directors



Hans Suter, 58, Apron Control service manager,
joined Unique (Flughafen Zürich AG) 34 years ago
→ page 77 ff



Aviation business

Background conditions and infrastructure

The demands placed on Zurich Airport are constantly changing, and this frequently means that modifications have to be made to the airport infrastructure. A clear vision and skilful management are prerequisites for a successful change process.

Civil Aviation Infrastructure Plan (SIL): basis now defined for next steps

It is the responsibility of the federal government to secure those planning zones that are required for the future development of Zurich Airport, and for this purpose it has a specially designed instrument at its disposal, the Civil Aviation Infrastructure Plan (SIL). The Swiss Federal Office of Civil Aviation (FOCA) has been working together for some time with the Department of Economics of the Canton of Zurich and Flughafen Zürich AG on the development of the SIL, and specifically the formulation of the detailed plan for Zurich Airport.

In December 2006, the FOCA presented 19 different operating options for Zurich Airport, and on 6 July 2007 a second round of co-ordination discussions was held at which the cantons stated their respective positions. The federal government then specified the fundamentals that will govern the next steps in the SIL process. These concern the options to be pursued based on the existing runway system and on a system with extended runways. In addition, the immediate impact of securing the development option of a parallel runway system by spatial planning measures is to be examined.

Following an optimisation phase, the FOCA will draw up the detailed plan for Zurich Airport and initiate the formal process. The federal government is expected to approve the plan in 2010. In view of the rapid development of residential zones in the region surrounding the airport, the anticipated growth in traffic and the lengthy duration of the procedures associated with the operation of a modified runway system, it is essential that a decision is made as soon as possible.

“Zurich 2010” project: infrastructure to be adapted to meet the new EU requirements

The aim of the “Zurich 2010” project is to ensure that passenger infrastructure complies with the relevant EU requirements. On the one hand, this means centralising security checks for passengers, while on the other hand, since the airport will effectively form one of the country’s few external borders it has to be adapted so that it fully complies with the provisions of the Schengen Agreement. The separation of Schengen and non-Schengen passengers that this implies means that additional departure gates will be required. Initially this requirement is to be met through the provision of additional bus gates, but at a later stage the former Dock B will be reopened for flight operations. In January 2007, the Board of Directors approved the detailed planning for an additional bus gate and renovation/extension of Dock B.

The centralisation of security checks will make it easier for passengers to calculate how much time they need for completing the various formalities at Zurich Airport. The goal is to shorten waiting times at security checks and simultaneously reduce operating costs. Passengers will thus have more time at their disposal for making use of the wide range of shops and restaurants. In November 2007 the Board of Directors resolved to make optimum use of the central location of the new building for security checks by incorporating additional office space and an upmarket restaurant.

The planning stage of the “Zurich 2010” project has been largely completed, and the necessary applications for building permits have been submitted to the FOCA. Construction work is scheduled to commence in spring 2008, so that the facilities required for the implementation of the Schengen Agreement can be handed over for operation in the autumn as planned. Dock B and the new central security check facilities are expected to be ready for operation by autumn 2010.

Staff screening, phase III: preparations in full swing

The bilateral agreements between Switzerland and the EU oblige Zurich Airport to implement EU directive 2320, "Staff screening", by not later than 1 July 2009. This directive calls for all staff, goods and vehicles to be subjected to full security checks at all entrances to the airport premises. This means that all access points have to be modified to meet the new requirements and equipped with facilities for performing security checks. Furthermore, all access ways leading from buildings to flight operations areas either have to be closed or equipped with facilities for carrying out security checks. An EU audit of staff screening phase II that was carried out in December 2006 resulted in the need for a variety of immediate measures, including the closure of around 100 access ways leading to the terminals, the introduction of random checks of personnel in the remaining access ways from the transit zone to the security zone, and security checks for personnel at access points to passenger ramps during the boarding procedure. Flughafen Zürich AG is therefore aiming for an early completion of the preparations for implementing staff screening phase III (performance of security checks at all access points to the airport) by 1 July 2008. The planning stage is well advanced, and the applications for the necessary permits – primarily for the necessary alterations to the gates – have been submitted. The alterations to Gate 101 were commenced at the end of October 2007, and all remaining modifications will be completed on a step-by-step basis in the course of 2008.

Approval of the renovation of runway 16/34

Runway 16/34 (blind landings) needs to be renovated due to its age and the heavy burden placed on it by large passenger aircraft. The project for renovation of the centre strip was submitted to the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) in autumn 2006, which gave the go-ahead on 19 June 2007. In order to avoid interfering with flight movements and to circumvent the need to make alterations in landing and take-off procedures that would negatively affect people living near the airport, all the renovation work is being carried out during non-operational periods (i.e. at night). Airport specialists are duly involved in order to ensure that the concerns of residents in the vicinity

of the airport and aspects of environment protection are adequately addressed. Work on the cabling shafts commenced in 2007, but the renovation of the runway itself had to be postponed until spring 2008 owing to unfavourable weather conditions.

Alternative flight path along Switzerland's northern border

At the end of 2004, Flughafen Zürich AG submitted an application to the FOCA for approval of a new procedure for landings on runway 14 via Swiss airspace (alternative flight path along Switzerland's northern border). The FOCA made the application available for public inspection during the period from 9 May to 7 June 2007, and around 500 objections were received. The FOCA is expected to announce its decision in spring of 2008.

Operational changes

Constant optimisation of airport operations guarantees a consistently high level of quality and good punctuality.

The punctuality rate in 2007 was 75.1 percent. This was 1.8 percent below the targeted rate of 76.9 percent. In the first half of the year, the punctuality rate was influenced not only by the restrictions associated with the unilateral German ordinance, but also by lower acceptance rates (especially on runway 28) due to adverse weather conditions. Then in the peak travel period (in summer), the strain on civil aviation infrastructure resulted in delays at all airports throughout Europe. Although we fell short of our goal, in terms of punctuality Zurich Airport still ranks in the top third of the 27 leading airports in Europe, and in a direct comparison with competitor hub airports (Frankfurt, Munich, London, Vienna, Brussels, Milan Malpensa, Amsterdam, Copenhagen, Paris and Madrid) it is placed third behind Brussels and Vienna.

Optimised passenger flow

Since the introduction on 6 November 2006 of restrictions on the carriage of liquids in hand luggage at all airports throughout Europe, around 950 kilograms of goods are confiscated from passengers every day. Despite these additional checks, Zurich Airport succeeded in shortening the waiting times for passengers at security checks versus the previous year, thanks to the introduction of further optimisation measures (additional facilities, increase in the number of security personnel from the cantonal police force, and active influencing of passenger flows).

The concept of variable gate announcement times that was introduced in April 2007 had a positive influence on passenger flows. This method of actively influencing passenger flows according to the current situation also ensures that the infrastructure (e.g. Skymetro shuttle, security check facilities) is utilised in a more balanced manner, and this in turn enhances the quality of the various services.

As part of our ongoing efforts to increase the quality of services, since the beginning of 2007 systematic surveys of passenger waiting times at check-in desks (including check-in machines) have been

conducted. And since 1 June 2007, waiting times for arriving passengers at passport control have also been recorded so that appropriate measures can be taken where necessary. In addition, internal quality controls were intensified in the area of security.

Outsourcing of the airport fire brigade and rescue service

The relevant authorities of the city of Zurich took over the organisation of the airport fire brigade and rescue service (including the operations centre) with effect from 1 January 2008. All 159 employees were integrated into the Protection and Rescue Services section (SRZ) of the City of Zurich. The provision of firefighting and rescue services at Zurich Airport is to be secured via a service level agreement. For Flughafen Zürich AG, this move will save costs of around 3 million Swiss francs per annum, while the city of Zurich will benefit because it will no longer need to construct an emergency services operation centre to the north. As the airport's licence holder, Flughafen Zürich AG will continue to be responsible for providing emergency services at the airport and be accountable to the relevant supervisory body, the FOCA. All the necessary preparatory work for the changeover was completed in 2007, including the signature of the service level agreement.

Introduction of occurrence reporting

A new process – occurrence reporting – was introduced during the year under review with the aim of promoting operational safety. With this reporting process, Flughafen Zürich AG is able to register incidents relevant to safety that are reported by employees of Zurich Airport, and can then investigate them and take any action that may be required. The new occurrence reporting system reflects the amendments to the Swiss Federal Civil Aviation Ordinance that entered into effect on 1 April 2007.

Development of non-aviation business: main focus on consumers

Together with its business partners, Flughafen Zürich AG ensures that Zurich Airport offers an attractive range of goods and services to passengers and visitors that constantly reflects the changing needs of consumers. For this purpose it systematically surveys target groups and conducts quality controls.

One of the declared objectives of Flughafen Zürich AG is to keep pace with the changing requirements of consumers. Ongoing surveys among the various target groups help identify their specific requirements more accurately so we can deliver the corresponding goods and services. Comparisons with other airports and shopping centres in Switzerland, conscious quality controls and a professional complaints management system also help ensure that Zurich Airport is able to provide an innovative, diverse range of goods and services that meet consumers' needs.

Unrestricted focus on consumers in the area of products and services

A variety of optimisations were implemented during 2007 in order to better meet customers' needs. In Airport Shopping, which is open to the general public, evening opening hours were extended by one hour. All products and services are now available 7 days a week from at least 8 a.m. to 9 p.m.

Since 1 January 2007, Zurich Airport has officially been smoke-free. Only very few public transport infrastructures in Switzerland have so far taken this step. A number of specially designated, comfortable smoking lounges are available at various locations throughout the airport. The way in which this change has been implemented and the close co-operation with a tobacco company to achieve it are regarded as exemplary within the industry.

The food and beverages segment reported lively business in the year under review. There was an increase in the restaurants offering waiter service and in overall seating capacity at various locations. In the waiting areas near the departure gates, a range of measures was implemented to give the businesses there a facelift and improve the variety of products and services, which resulted in a significant climb in revenue.

The fact that use of the airport VIP service doubled in the year under review and bookings for the Airport Conference Center posted high double-digit growth confirms that there is still very lively demand for these services.

On 26 September 2007 the National Council followed in the footsteps of the Council of States and approved a motion calling for "arrival duty-free" shopping, which would allow the sale of duty-free and tax-free goods to passengers arriving from foreign destinations. This decision by Parliament means that the Swiss Federal Department of Finance now has a mandate to draw up corresponding legislation. Apart from offering an attractive service for incoming passengers, the introduction of "arrival duty-free" shopping would also result in the creation of between 60 and 80 new jobs at Switzerland's airports and shift purchases of duty-free and tax-free goods now made outside the country into Switzerland.

Special events and promotions make the airport more attractive

The wide-ranging variety of attractive services and products available at Zurich Airport was once again brought to the attention of potential customers through intensive advertising and sales promotion campaigns. Special events held at the airport were designed to give added stimulus to sales. A car show featuring vintage models from the Mille Miglia Collection met with an extremely enthusiastic response, as did an exhibition on the Montreux Jazz Festival. However, the biggest special attraction for visitors to Zurich Airport last year was the second in the series of "Best of Switzerland" theme events, called "Exciting Times". This unique exhibit dealing with the fascination of time and the craftsmanship of Swiss watch and clock makers was held at the airport over a period of six weeks. With events of this sort, Flughafen Zürich AG is endeavouring to enhance the quality of the time passengers spend at the airport, while also clearly distinguishing itself from other transport hubs in the civil aviation sector.

Numerous awards for Zurich Airport

Zurich Airport's outstanding attractiveness as a transport hub and commercial centre is reflected in the numerous awards it has received from consumers, clients and business partners. Recent awards include "Best European Airport" (based on a passenger survey), awards for the best marketing campaigns in the travel retail segment, and the World Travel Award as "Europe's Leading Airport" won by Zurich for the fourth time in 2007 in recognition of the quality of the airport and its services to the travel industry. This track record confirms that our chosen marketing strategy is the right one. Positive feedback received directly from customers is a further indication that Flughafen Zürich AG is clearly meeting the needs of consumers.

Stronger strategic partnerships and intensified marketing of the airport

Flughafen Zürich AG has entered into strategic partnerships with Switzerland Tourism and the airline Swiss in order to successfully market the airport at home and abroad. In the year under review, these partnerships were renewed for a further three years. Client relationship management is a crucial factor in airport marketing. Thanks to individual consulting, mailings, presentations in Switzerland and abroad, as well as professional complaints management, Flughafen Zürich AG has succeeded in developing its business relationships and made them into important multipliers thereby renewing proximity to the market. It has also organised numerous seminars at home and abroad with the aim of making Zurich Airport better known as a "gateway to the Alps" and "gateway to the world". Special conferences organised for tenants and commercial partners were also valuable opportunities to directly provide the airport's business partners with information, and to manage and strengthen business relations.

Real estate and facility management (non-aviation)

A busy international airport is bound to require structural changes from time to time. So that flight operations continue to run smoothly, construction projects have to be well planned and carefully implemented. The marketing of real estate and facilities at the airport also requires suitable planning and action.

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 room to operations infrastructure, office space and parking facilities. In 2007, the market environment was characterised by over-capacities in office space, and this gave rise to a price struggle among providers. Nevertheless, Flughafen Zürich AG did not exceed its targeted maximum vacancy rate. The volume of vacant space for commercial activities is less than 2 percent, and the vacancy rate for office premises is below 10 percent, even though our biggest tenant, Swiss, decided to transfer its administrative operations to premises outside the airport.

Despite this move, Swiss rented additional space in departures hall 1 in order to expand its range of available check-in facilities, as well as almost 800 square metres of floor space in order to expand its lounge facilities. Emirates Airlines also rented 750 square metres of space in Dock E for setting up its own lounge. In 2007, Swiss Federal Railways signed a rental agreement, as did consulting group McKinsey & Company, which found ideally located premises at Zurich Airport for housing its Swiss head office.

Construction activities

Construction work aimed at giving the landside Airport Shopping a major facelift on the railway station level commenced on schedule in 2007. Premises for a variety of new shops and restaurants will be available here on a total of 4,000 square metres of additional floor space by April 2008. All this additional space has already been rented to providers of well-known brands.

Construction work on the Radisson SAS Airport Hotel commenced on schedule in October 2007, and the hotel is expected to be ready for operation in July 2008. The intersection-free access road to the departures and arrivals areas and to multi-storey car park 6 was handed over for operation on schedule in October 2007.

Public affairs and corporate communications

Flughafen Zürich AG consistently strives to practice open and transparent communication with all its target audiences.

In the year under review, the broad variety of issues relating to the airport once again called for a high level of PR activity and intensive exchanges of information with media representatives. The main instruments used for the purpose of communicating information to the public were media releases and press conferences, but the periodical informal discussions held between journalists and members of the Management Board have meanwhile also become established as a further valuable communication tool. In addition, the practice of paying periodical visits to the most important editorial offices (print and electronic media) is also proving to be a worthwhile institution.

Rejection of the initiative calling for the restriction of flight movements ("Plafonierungsinitiative")

A referendum was held in the canton of Zurich on 25 November 2007 at which the electorate was asked to vote on the "Plafonierungsinitiative" and a counter-proposal put forward by the cantonal government. The "Plafonierungsinitiative", which called for the restriction of flight movements at Zurich Airport to 250,000 a year and a night-time curfew of at least 9 hours, was clearly rejected.

Counter-proposal the preferred option

The electorate voted strongly in favour of the counter-proposal (63 percent of the votes), which calls for a 7-hour night-time curfew (effectively 6.5 hours after allowing for delayed flights). Furthermore, in the event that the number of flights per annum should exceed 320,000, the Cantonal Council would petition the Cantonal Parliament to decide whether to apply to the Board of Directors of Flughafen Zürich AG or the federal government to take appropriate measures. Furthermore, the Cantonal Council is to set an upper limit on the number of people who may be exposed to high levels of aircraft noise. Following the favourable outcome of the referendum for the airport, it is now up to the cantonal authorities in Zurich to take the measures needed to ensure that the specified limit is not exceeded, which will primarily entail long-term area planning and preventing buildings from being constructed in the vicinity of the airport that do not comply with the relevant zoning regulations.

Transport services between the airport and tourism areas

As a result of two motions that were passed by the Swiss Parliament in June 2007, the Federal Council is now required to create the necessary legislation to permit commercial passenger transport between the country's airports and tourism areas. The aim here is to provide incoming tourists with attractive options for travelling conveniently and directly to Switzerland's winter sport resorts. This will make it possible to retain or even expand on an important client segment, and the existing competitive imbalance between Switzerland's airports and those in neighbouring countries can be eliminated.

Successful positioning of the airport as an events location thanks to "Event Dock" and "Areal 102"

Since their inception in 2005, the two events areas at Zurich Airport – "Event Dock", with an area of 8,000 square metres, and "Areal 102", a spacious open-air site measuring 12,000 square metres – have found a permanent place in the events calendars of many companies. However, at the beginning of 2008 "Areal 102" is to undergo alterations so that it can be used for flight operations again. Here a new bus gate that will be required for implementing the Schengen Agreement is to be opened for operation in autumn 2008. As of the middle of 2008, "Event Dock", too, will be closed as an events location due to Switzerland's accession to the Schengen Agreement and the resulting need for extra space and facilities in order to separate passenger flows. The dock is expected to be available for flight operations again as of autumn 2010, once the necessary modifications and construction of new buildings have been completed.



The “events” pilot project proved to be highly successful. It resulted in a strong increase in the number of visitors to the airport, especially during off-peak travel periods. Other advantages include the enhanced utilisation of commercial premises, the promotional effect on sales in the peripheral commercial areas of the airport, and the successful positioning of Zurich Airport as a commercial centre and events location.

Guided tours and sightseeing tours becoming increasingly popular

The Visitor Services section is responsible for all guided tours and sightseeing excursions at Zurich Airport. It also co-ordinates the tours that various other companies at the airport offer to visitors in addition to Flughafen Zürich AG. In the year under review, a total of 310,000 people visited spectator terraces B and E, while approximately 70,000 visitors from all over Switzerland, as well as numerous school classes, booked a sightseeing or guided tour of the airport. The traditional Terrace Festival, which was held under the motto “The Fascination of Flying”, attracted 15,000 visitors in 2007. A great deal of attention was once again paid to the training of airport tour guides in the year under review, with special emphasis being put on security regulations, as they become ever more stringent.

Noise management and protection of residents

In the ongoing debate on aircraft noise, the aim is to find acceptable solutions for meeting the requirements of the various involved groups

Once again, intensive and broad-ranging discussions were held during the year under review concerning the problem of aircraft noise in the vicinity of Zurich Airport. One aspect that has been the subject of lively debate for a number of years now concerns compensation for exposure to high levels of aircraft noise or direct overflights. In 2007, 18 cases involving properties in Opfikon were referred to the Swiss Federal Tribunal. These may be regarded as pilot cases for formal expropriations. Legally binding rulings are expected in the course of 2008, which will provide a basis for dealing with other pending claims for compensation of loss of value.

The preparatory work for the construction of a new noise-dampening system to reduce the noise originating at aircraft stands is close to completion. Construction of the new u-shaped barriers is expected to commence in the course of 2008. At the end of 2007, an agreement concerning the use of these new barriers was concluded with the neighbouring municipalities (Kloten, Opfikon and Rümlang) that are the most directly affected.

The Noise Management and Protection of Residents section periodically publishes noise measurement data from the ten permanent measuring stations in the form of monthly bulletins on the Internet. It also monitors all take-offs in order to ensure that aircraft remain within the prescribed flight corridor. Pilots who depart from the flight corridor allocated to them are strictly held to account in consultation with the authority in the canton of Zurich responsible for airports and civil aviation.

Handling of noise-related complaints

In the year under review, approximately 4,000 enquiries and complaints were received via the noise hotline and subsequently responded to. In addition, the Flughafen Zürich AG web site permanently published detailed information relating to the noise situation at Zurich Airport. Within the scope of the ongoing "2010 sound insulation programme", approximately 92 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. On the basis of the temporary operating regulations submitted on 31 December 2003, the remaining costs are estimated at around 148 million Swiss francs.

International activities

The international activities of Flughafen Zürich AG continued to focus on the attractive markets of India and Latin America. Flughafen Zürich AG now has a firm presence in these two regions, and works closely together with strong local partners. Expansion into other markets is currently being examined.

Flughafen Zürich AG is exploiting opportunities on international markets through its involvement in Bangalore, India and in various regional airports in Colombia, Venezuela, Chile and Honduras.

Bangalore (India)

The Indian market offers very strong growth potential. Flughafen Zürich AG holds a 17 percent stake in airport operator Bangalore International Airport Ltd. (BIAL), which since July 2005 has been responsible for the construction of a new intercontinental airport in Bangalore. Construction work on this project is now close to completion.

Flughafen Zürich AG is supporting BIAL in the planning, construction and later operation of the airport. For this purpose the two parties have entered into an operating, management and service agreement that has been concluded for a period of approximately ten years. Air travel has undergone a tremendous boom in India over the past few years: the existing airport in Bangalore, for example, recorded 35 percent growth in 2007 alone. 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. Consequently, a re-design project had to be initiated at the same time as construction work is in progress on the original project. The resulting expansions are now being incorporated into the current project schedule. The new airport is expected to commence operation at the end of March 2008, and a total of 10 to 11 million passengers are expected to use it during its first year of operation.

Strengthening of market position in Latin America

On 14 December 2007, Flughafen Zürich AG entered into a joint venture with the Brazilian Camargo Corrêa group for the purpose of developing and operating airports in Latin America. Within the scope of this move, Flughafen Zürich AG, the Camargo Corrêa group and Gestión e Ingeniería IDC S.A. (IDC) of Chile joined forces to establish a company called A-Port, which has its head office in São Paulo, Brazil. A-Port will be investing in the construction and operation of airports and aviation-related infrastructures in Latin America. With a 15 percent stake, Flughafen Zürich AG will be a minority shareholder in A-Port, while IDC holds a 5 percent stake in the joint venture.

Flughafen Zürich AG and IDC are to incorporate all joint investments and management agreements – except those in Venezuela – into A-Port. The practical implementation of the joint venture is scheduled for the first half of 2008.

Together with IDC, Flughafen Zürich AG is involved in the following airport projects in Latin America:

Bogotá (Colombia)

On 20 January 2007, the OPAIN S.A. consortium, in which Flughafen Zürich AG and IDC are involved on the basis of a management agreement, commenced operation of the El Dorado airport in Bogotá. In 2007, the passenger volume of this airport was approximately 12 million, which makes it the third-largest in Latin America – and the largest in terms of freight volume. Work on the improvements being carried out within the scope of a modernisation and expansion programme budgeted at around 650 million US dollars commenced in the second half of 2007.

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 IDC. All three airports are operating at a profit and their traffic volumes are increasing. In October 2007, the operating licence for Puerto Montt was extended by 15 years.

Honduras

In spring 2006, the Flughafen Zürich AG/IDC consortium in Honduras concluded a management agreement with InterAirports S.A. (Aeropuertos de Honduras) for the airports in Tegucigalpa, San Pedro Sula, La Ceiba and Roatán. These four international airports with a combined annual passenger volume of 1.7 million are currently undergoing modernisation. The necessary financing for these projects is being secured through various local investors.

Venezuela

Flughafen Zürich AG and IDC are joint operators of the airport on Isla de Margarita on the basis of an operating licence issued by the province of Nueva Esparta. In 2006 the governor of Nueva Esparta expropriated this airport for a second time, and since then it has been operated by a "junta interventora" under the supervision of the Venezuelan federal high

court. At the same time, legal proceedings were initiated for the purpose of clarifying whether the governor's withdrawal of the operating licence was lawful. The company has been waiting for the final ruling on this matter by the Venezuelan high court since autumn 2007. The indications are that the ruling will go in favour of Flughafen Zürich AG. It is therefore hoped that this matter will be definitively resolved in the course of 2008.

Other projects in progress

In addition to the commitments described above, Flughafen Zürich AG is currently considering other projects, notably in India and Latin America. For example, it is participating in the requests for tenders in connection with the privatisation of Amritsar and Udaipur airports in India.

Significant events

1 January

All public areas of Zurich Airport are officially declared smoke-free zones. Special lounges are installed for smokers.

15 to 19 January

First change of cable for the Skymetro shuttle. Due to the constantly high level of use of the shuttle at Zurich Airport, the cable had to be replaced after only three years – compared with an average service life of fifty years for conventional cable cars.

18 January

Zurich Airport receives the 2006 Business Traveller Award as best European major and transfer airport and takes third place in the “Best Airport Worldwide” category.

20 January

The OPAIN S.A. consortium, which is supported in all aspects of operational and commercial activities by Flughafen Zürich AG, takes over the operation of El Dorado airport in Bogotá, Colombia.

In January

The strategic partnership with Switzerland Tourism is officially renewed for a further three years.

12 March

At the 2006 ASQ (Airport Service Quality) awards held in Dubai on the occasion of the ACI World Business & Trinity Conference, Zurich Airport takes first place in the “Best European Airport” category, and third place in the “Best Worldwide Airport, size 15 to 25 million passengers” category.

10 April

Submission of the cantonal people’s initiative calling for a fair and balanced distribution of aircraft noise around Zurich Airport.

19 April

General Meeting of Shareholders. All members of the Board of Directors standing for re-election are re-elected.

3 May

The Swiss Federal Office of Civil Aviation (FOCA) releases the petition by Flughafen Zürich AG for the introduction of an alternative flight path along Switzerland’s northern border for public inspection.

10 May

Announcement of the outsourcing of the airport fire brigade and rescue services to the Protection and Rescue Services section of the City of Zurich as of 1 January 2008.

1 July

Commencement of work on the redesign of Airport Shopping (railway station level).

6 July

At the second round of co-ordination talks on the Civil Aviation Infrastructure Plan (SIL) for Zurich Airport, the federal government specifies the fundamentals that are to determine the next steps to be taken within the SIL process. The number of options for the optimisation phase is reduced from 19 to 3.

22 August

At the media conference on the interim report, Josef Felder announces his resignation as CEO.

24 September

At the Routes Development Forum in Stockholm, Flughafen Zürich AG receives an award for its aviation marketing achievements. The winners of this award are determined via an online survey among route planners at airlines operating throughout the world.

24 September

Large-scale ICAO emergency drill (“Flamingo 2007”) carried out at Zurich Airport, with 600 participants.

25 September

Petition for "arrival duty-free" unanimously adopted by the Council of States.

10 October

Official commencement of construction work on the Radisson SAS Airport Hotel.

10 October

Zurich Airport receives the World Travel Award as leading European airport for the fourth time in succession. This award is based on the online votes of more than 150,000 specialists in the tourism industry.

15 to 23 October

Entire security system audited by ICAO inspectors and given a positive assessment.

18 October

The operating licence held by Flughafen Zürich AG/Gestión e Ingeniería IDC S.A. for the operation of El Tepual airport in Puerto Montt, Chile, is renewed by the Ministry of Public Buildings for a period of 15 years.

19 October

The new intersection-free access and connecting bridge in front of the Operations Center and multi-storey car park 6 is handed over to traffic.

1 November

Extension of opening hours at Airport Shopping by one hour to 9 p.m.

5 November

Opening of environmental exhibition at Zurich Airport.

23 November

Public announcement of the appointment of Thomas E. Kern as CEO to replace Josef Felder. At the same time, announcement that CFO Beat Spalinger will be leaving the company in spring 2008 (as of the General Meeting of Shareholders). He will be replaced by Daniel Schmucki, to date head of Controlling, Treasury & Investor Relations.

23 November

Re-certification of environmental management system in accordance with ISO 14001.

25 November

The electorate of the canton of Zurich rejects the initiative calling for restrictions on flight operations at Zurich Airport ("Plafonierungsinitiative") by a vote of 63 percent, and instead accepts the counter-proposal by the same margin.

13 December

Flughafen Zürich AG welcomes its 20-millionth passenger of the year.

14 December

Conclusion of a joint venture with Brazilian group Camargo Corrêa and Gestión e Ingeniería IDC S.A. (Chile) for the construction and operation of airports and aviation-related infrastructures in Latin America.

17 December

Zurich Airport receives a 2007 Condé Nast Traveller Readers' Travel Award and is named best airport for food and restaurants.

25



Felice Albert, 40, company manager,
joined iGuzzini Illumanizione Schweiz AG in May 2000
→ page 77 ff

Key financial data

All amounts in accordance with International Financial Reporting Standards, IFRS.

(CHF thousand)	2007	2006	Change in %
Total revenue	802,868	737,109	8.9
Of which revenue from aviation operations	495,981	444,238	11.6
Of which revenue from non-aviation operations	306,887	292,871	4.8
Operating expenses	392,753	358,837	9.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	410,115	378,272	8.4
EBITDA margin (in %)	51.1	51.3	
Profit	130,675	87,448	49.4
Investments	247,730	218,722	13.3
Cash flow ¹¹	337,527	300,148	12.5
Ø capital employed	2,629,505	2,614,618	0.6
Return on Ø capital employed (ROCE)	6.9	5.7	
Equity as of 31 December	1,373,384	1,230,464	11.6
Return on equity (in %)	10.0	8.6	
Equity ratio (in %)	43.2	38.8	
Interest-bearing liabilities (net, in accordance with IFRS)	918,833	1,177,985	(22.0)
Interest-bearing liabilities (IFRS)/EBITDA	2.24x	3.11x	
Interest-bearing liabilities (nominal)	1,077,445	1,290,360	(16.5)
Interest-bearing liabilities (nominal)/EBITDA	2.56x	3.41x	
Key operational data	2007	2006	Change in %
Number of passengers	20,739,113	19,237,216	7.8
Number of flight movements	268,476	260,786	2.9
Freight in tonnes	374,264	363,325	3.0
Number of full-time positions as of 31 December	1,319	1,290	2.2
Number of employees	1,552	1,523	1.9
Key data for shareholders	2007	2006	Change in %
Number of issued shares	6,140,375	6,140,375	n/a
Proposed/paid dividend per share (in Swiss francs)	4.50	3.00	50.0
Dividend total (in thousand Swiss francs)	27,632	18,421	50.0
Payout ratio (in %)	21.2	21.1	
Capital per share (in Swiss francs)	223.66	200.39	11.6
Basic earnings per share (in Swiss francs)	21.30	15.35	38.8
Diluted earnings per share (in Swiss francs)	21.28	15.34	38.7
Share price (in Swiss francs)			
high	538.00	380.00	41.6
low	383.00	235.00	63.0
	Sec. number	SWX symbol	Reuters
Flughafen Zürich AG registered share	1,056,796	UZAN	UZAZn.S

¹¹ Profit plus depreciation and amortisation and change in non-current provisions (deferred tax).



Trend in traffic volume

The traffic volume in Zurich rose versus the prior year by 1.5 million passengers, or 7.8 percent, to 20.7 million passengers. The number of transfer passengers who use Zurich Airport as a hub increased disproportionately (plus 14.3 percent). The proportion of transfer passengers to the overall passenger volume reached 33.8 percent as of the end of 2007. The 1.9 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 5.4 percent. With a total of 13.6 million, the volume of local passengers reached a new record high. Swiss posted the biggest increase in passenger volume, followed by Air Berlin, Emirates, Clickair, Hello and US Air. Overall, the 7.8 percent increase in passenger volume in Zurich in 2007 was above the European average of 5.6 percent (source: ACI, Airports Council International). The trend in low-cost traffic was positive in Zurich, with a plus of 28.8 percent. This resulted in an increase in the proportion of low-cost operations from 7.1 to 8.5 percent¹¹. Hub carrier Swiss was able to strengthen its market position in 2007 and thus again increase its market share (which is based on passenger figures) from 53 to 55 percent.

The total number of flight movements rose by 2.9 percent versus 2006 to 268,476. The increase in the scheduled and charter flights segment was 1.5 percent, while the number of movements in the general aviation and other traffic segment rose by 10.6 percent. The average number of scheduled and charter passengers per flight rose by 6 percent from 87 to 93, while the average number of seats per flight increased by 5.2 percent from 126 to 133. Due to the sharp increase in the number of seats per flight, the average seat load factor only rose by 0.4 percent.

The average maximum take-off weight rose by 3.7 percent. The reasons for the increase in the number of seats per flight include the new seating configuration of the A320 aircraft operated by Swiss, and the replacement of all 50-seater Embraer by heavier 100-seater Avro aircraft.

¹¹ The figure reported in the 2006 Annual Report for the proportion of low-cost operations was 8.5 percent. Since 2007, however, Helvetic Airways is no longer a low-cost airline, and Aer Lingus has been added to this category. Retrospectively, the proportion of low-cost flights for 2006 has to be adjusted to 7.1 percent.

The volume of air freight rose by 3 percent to 374,264 tonnes. The increase in the volume of substitute air freight transported by road was slightly higher (plus 3.2 percent) than that of air freight (plus 2.9 percent).

In the year under review, 72 airlines offered scheduled services to 108 European and 51 intercontinental destinations from Zurich Airport (in each case, 2 more destinations than in the prior year). New destinations included Edinburgh, Jersey, Philadelphia and Vilnius, while services to Bristol, Dallas and Muenster were discontinued. Please refer to pages 67 to 75 for further details concerning traffic statistics.

Changes in the consolidation structure

The consolidation structure did not change in the year under review.

Changes to the accounting principles

In the 2007 Annual Report, Flughafen Zürich AG applied the requirements of IFRS 7 Financial Instruments: Disclosure in its "Consolidated financial statements according to IFRS" for the first time. This standard requires more extensive disclosure with respect to financial instruments. It particularly affects the disclosure of trade receivables, other receivables, trade payables, other current debt and financial risk management. In order to comply with the new standard, a variety of items have to be disclosed more exhaustively than in previous years.

In the opinion of Flughafen Zürich AG, the degree of detail required by this new standard represents a step in the wrong direction. Flughafen Zürich AG has always set out to disclose its financial data to a broad interested readership in a transparent, concise and comprehensible manner, but it firmly believes that the constantly changing IFRS requirements are actually achieving the opposite effect. In order to provide a very select circle of highly specialised financial analysts with an increasingly comprehensive volume of detailed information, the IFRS rule-makers are overlooking the fact that they are making it ever more difficult for readers to obtain an overview of a company's financial situation. This development runs contrary to the intentions of the company. Flughafen Zürich AG wishes to apologise to the large majority of the readers for the fact that, in its view, the presentation of the "Consolidated financial statements according to IFRS" has been rendered more difficult to read.

Comments on the result

Total revenue and earnings trend

Total revenue rose by 8.9 percent versus the prior year, from 737.1 million to 802.9 million Swiss francs.

Revenue from aviation operations increased to 496 million Swiss francs (plus 11.6 percent).

(CHF thousand)	2007	2006	Change in %
Passenger fees	167,881	157,640	6.5
Security fees	117,936	88,314	33.5
Landing fees	74,580	71,550	4.2
Noise charges	58,278	54,023	7.9
Baggage sorting and handling system	24,684	22,806	8.2
Other earnings	14,344	13,956	2.8
Aircraft energy supply system	10,564	9,766	8.2
Freight revenue	8,257	7,672	7.6
Fuel charges	6,201	6,039	2.7
Parking fees	4,780	4,658	2.6
CUTE charges (check-in system for handling agents)	4,565	4,813	(5.2)
Emission fees	2,808	2,855	(1.6)
Refund of security costs	1,062	1,030	3.1
Bad debt write-offs	41	(884)	n/a
Total revenue from aviation operations	495,981	444,238	11.6

Revenue from **passenger fees** rose by 6.5 percent to 167.9 million Swiss francs. This was slightly lower than the increase in passenger volume (plus 7.8 percent). The reason for this is the stronger growth in transfer passengers, who pay a lower charge than local passengers.

For the first time, the **security fees** that have to be paid by each passenger and are an integral part of the passenger fees are now reported separately. Revenue from security fees rose disproportionately in the year under review by 33.5 percent to 117.9 million Swiss francs. This is attributable to the fact that the security fee was increased on 1 January and then again on 1 July 2007. This increase was made necessary in view of the enormous additional costs resulting from the ban on the carriage of liquids that was introduced in November 2006 and the implementation of new security regulations imposed by the EU.

As a consequence of ever more stringent security regulations, security costs at airports are increasing to a disproportional extent. By reporting the associated data separately under the sub-segment "Aviation: security"

(see "Segment reporting") for the first time, Flughafen Zürich AG is depicting the impacts of security-related measures on the result of the company in a transparent and comprehensible manner.

Revenue from **landing fees** increased to 74.6 million Swiss francs (plus 4.2 percent). In addition to the increase in flight movements by 2.9 percent, the fact that the average maximum take-off weight rose by 3.7 percent also influenced this figure.

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 7.9 percent thus corresponds very closely to the growth in passenger volume.

The fall in revenue from **CUTE charges** is attributable to lower prices passed on to clients.

Non-aviation revenue rose by 4.8 percent from 292.9 million Swiss francs to 306.9 million.

(CHF thousand)	2007	2006	Change in %
Retail outlets and duty-free shops	71,355	62,815	13.6
Revenue from multi-storey car parks	61,596	58,197	5.8
Advertising media and promotion	12,410	11,323	9.6
Other licence revenue (car rentals, taxis, banks, etc.)	11,734	10,676	9.9
Food and beverage operations	10,171	9,855	3.2
Total commercial revenue	167,266	152,866	9.4
Revenue from rental and leasing agreements	78,073	81,036	(3.7)
Energy and incidental cost allocation	20,258	22,224	(8.8)
Cleaning	3,259	3,267	(0.2)
Other services revenue	2,858	1,281	n/a
Trade fairs and events	2,695	2,754	(2.1)
Total revenue from facility management	107,143	110,562	(3.1)
Communication services	10,584	9,853	7.4
Passenger services	7,532	6,157	22.3
Other services and miscellaneous	5,154	4,151	24.2
Conference Center	5,150	4,356	18.2
Capitalised expenditure	4,261	5,110	(16.6)
Bad debt write-offs	(203)	(184)	10.3
Total revenue from services	32,478	29,443	10.3
Total revenue from Non-Aviation segment	306,887	292,871	4.8

The **trend in the retail and duty-free areas** was very pleasing in the year under review. The increase in both the turnover (net) of our commercial partners as well as the company's commercial revenue exceeded the growth in the passenger volume, which was 7.8 percent. This result was attributable to a further increase in the average spending per departing passenger to 41.95 Swiss francs (plus 3.2 percent).

(CHF million)	2007	2006	Change in %
Trend in revenue of commercial partners	435.1	390.8	11.3
Commercial revenue of Flughafen Zürich AG			
Retail outlets and duty-free shops	71.4	62.8	13.6
Food and beverage operations	10.2	9.9	3.2
Average revenue per departing passenger (in Swiss francs)	41.95	40.63	3.2

This increase was especially pleasing since it 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 3.4 million Swiss francs to 61.6 million (plus 5.8 percent). This increase was solely attributable to the higher volume of visitors. The parking fees were not increased in the year under review, and may be regarded as competitive in comparison with rates charged in the city of Zurich. On a number of peak travel days, the additional capacity that had been created following the construction of multi-storey car park 3 within the scope of expansion stage 5 was fully utilised. The growth in revenue was thus once again higher than that of the volume of local passengers (5.4 percent), which indicates that the parking facilities are being used by passengers, but also that the airport is being used as a commercial centre to an increasing extent.

Other licence revenue rose by 9.9 percent to 11.7 million Swiss francs. In some cases (e.g. car hire, taxi services), revenue increased by double-digit rates.

In the year under review, **revenue from facility management** totalled 107.1 million Swiss francs, which was approximately 3.5 million lower than in 2006 (minus 3.1 percent). The biggest reduction (around 3 million Swiss francs, or minus 3.7 percent) concerned **revenue from rental and leasing agreements**. The floorspace that became available following the departure of Swiss from Operations Center was not re-occupied. Until summer 2009 it will be used as temporary office space by the former tenants of the "Freight" office block, which will meanwhile undergo a complete overhaul. Revenue from **energy and incidental cost allocation** fell by approximately 2 million Swiss francs. However, this reduction was more or less offset by falling energy and waste management costs. The main reasons for the lower revenue were climate-related: the mild 2006/2007 winter and the cool 2007 summer had a pronounced impact on energy consumption for heating and air-conditioning, and also influenced water and electricity consumption to some extent. **Revenue from other services and miscellaneous** was up sharply due to a pronounced increase in construction activities carried out by the company on behalf of clients.

Revenue from services increased by approximately 3 million Swiss francs in the year under review (plus 10.3 percent) to 32.5 million Swiss francs. The trend was pleasing across the board. In the area of passenger services, revenue from our rescue services rose more than 1 million Swiss francs owing to a higher frequency of service use. The Airport Conference Center also reported record income.

In the year under review, **operating expenses** rose by 9.5 percent from 358.8 million Swiss francs to 392.8 million. Without taking into account other expenses/income, the increase in operating expenses would have been 11.6 percent. This disproportionally high increase was primarily attributable to the enormous jump in security costs, which impacted not only on "Police and security", but also on "Personnel expenses".

(CHF thousand)	2007	2006	Change in %
Personnel expenses	160,042	146,674	9.1
Police and security	108,538	82,907	30.9
Maintenance and material	47,727	45,966	3.8
Sales, marketing, administration	40,767	36,363	12.1
Energy and waste	20,806	22,506	(7.6)
Other operating expenses	19,095	21,441	(10.9)
Other expenses/income, net	(4,222)	2,980	n/a
Total operating expenses	392,753	358,837	9.5

Personnel expenses account for around 41 percent of the operating expenses. In the year under review, these rose by 9.1 percent to 160 million Swiss francs.

The table below lists the main factors contributing to these higher personnel expenses:

(CHF million)		2007	Change in %
Personnel expenses reported in 2006		146.7	
Higher variable salary components	approx.	5.0	3.4
Adjustments to basic salaries	approx.	2.7	1.9
Costs associated with hiring additional personnel	approx.	1.8	1.2
Higher provisions for holidays/overtime	approx.	1.0	0.7
Miscellaneous costs (including external auxiliary staff)	approx.	2.8	2.1
Personnel expenses		160.0	9.1

In 2007, 393 employees of Flughafen Zürich AG benefited from a higher variable salary component thanks to the positive result. The increased number of personnel in 2007 came about partly because of the need to hire additional staff in order to implement the more stringent security regulations.

As of 31 December 2007, Flughafen Zürich AG employed 1,552 staff (2006: 1,523), who filled 1,319 equivalent full-time jobs (2006: 1,290).

Police and security costs rose drastically by 25.6 million Swiss francs in the year under review to 108.5 million Swiss francs.

(CHF thousand)	2007	2006	Change in %
Zurich cantonal police force	88,232	73,924	19.4
Security expenses relating to third parties	20,306	8,983	n/a
Total police and security expenses	108,538	82,907	30.9

The sharp increase was largely attributable to the introduction of the ban on liquids on 6 November 2006 and the implementation of EU security regulations. Some of these costs arose in the first half of the year, but the increase in the security fee by an average of 3 Swiss francs as a means of refinancing these costs only became effective from 1 July 2007.

The **maintenance and material** expenses amounted to 47.7 million Swiss francs and were thus 1.7 million (3.8 percent) higher than in 2006 (46 million Swiss francs). The fluctuations from year to year are to some extent attributable to the influence of weather conditions, which can accelerate or delay certain maintenance activities.

Expenses relating to **sales, marketing and administration** rose by 12.1 percent, or 4.4 million Swiss francs, to 40.8 million. Expenses relating to IT hardware and software rose in the year under review by 1.8 million Swiss francs. The main reason for this increase was that the CUTE infrastructure (check-in system for handling agents) was purchased at the end of August, whereas previously it was leased. The maintenance expenses for this infrastructure are now reported here instead of under "Other operating expenses" (as part of leasing charges). Expenses relating to marketing (aviation and commercial operations) rose by 2.4 million Swiss francs versus 2006. This item includes external costs amounting to approximately 3 million Swiss francs that arose in association with project activities relating to the Civil Aviation Infrastructure Plan (SIL).

Expenses relating to **energy and waste** fell from 22.5 million Swiss francs to 20.8 million (minus 1.7 million Swiss francs). The reduction in costs was mainly due to climatic influences (mild winter, cool summer).

Other operating expenses fell in 2007 by 2.4 million Swiss francs, or 10.9 percent, to 19.1 million Swiss francs. The decrease is attributable in about equal parts to three main factors: lower costs for snow clearance, reduced leasing costs for the CUTE system (check-in system for handling agents), for which the lease agreement expired at the end of August; see "Sales, marketing and administration", and a reduction in insurance premiums following the renegotiation of conditions.

Other expenses/income, net includes 6.4 million Swiss francs in income from the release of deferred revenue relating to utilisation fees. In the 2006 financial year, Flughafen Zürich AG issued invoices totalling around

10 million Swiss francs to various users of the airport for utilisation fees. A number of partners challenged the legality of the newly introduced utilisation fees. In 2007 a legally binding court ruling went largely in favour of Flughafen Zürich AG, confirming that the collection of utilisation fees from companies providing ground handling services was lawful. One user is still disputing an amount of 1.1 million Swiss francs, and the associated legal proceedings are still pending. Other expenses/income, net also includes approximately 2 million Swiss francs from losses on disposals of non-current assets in association with the modification of commercial floorspace in the landside shopping centre.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached 410.1 million Swiss francs, compared with 378.3 million in 2006. The EBITDA margin is currently 51.1 percent (2006: 51.3 percent).

At 180.9 million Swiss francs, **depreciation and amortisation** was approximately 8 million Swiss francs lower than last year. This decrease was mainly attributable to structural components of Dock A and Dock B, which for accounting purposes reached the end of their useful life (these components were capitalised on 1 January 1977 and 1 January 1987 respectively).

A higher EBITDA and lower depreciation and amortisation resulted in an improvement of **earnings before interest and taxes (EBIT)** by 39.8 million Swiss francs to 229.2 million (plus 21 percent).

At 64.6 million Swiss francs, the **financial result** was 15.1 million Swiss francs better than in the prior year (plus 18.9 percent).

(CHF thousand)	2007	2006	Change in %
Financial expenses	73,635	88,268	(16.6)
Change in fair value of interest rate swap	(6,993)	(12,515)	(44.1)
Capitalised interest on borrowings for buildings under construction	(388)	(99)	n/a
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	(1,665)	4,022	n/a
Total financial result	64,589	79,676	(18.9)

Financial expenses were reduced by 16.6 percent thanks to further repayments of interest-bearing borrowings. In the 2007 financial year, repayment of the 1995-2007 debenture (75 million Swiss francs; interest rate, 5 percent) and a further instalment payment on the US car park lease of 47.4 million Swiss francs were made in full in accordance with the terms of the agreements using available funds.

The change in the fair value of the interest rate swap depends on the currency and interest rate trends on the capital market and cannot be influenced by the company. The positive result of 1.7 million Swiss francs from the unwinding of the discount on non-current provisions for sound insulation and formal expropriations was attributable to a reassessment of the expected future cash outflows for sound insulation up to 2015.

Profit

The reported **profit** of 130.7 million Swiss francs (plus 49.4 percent) was above the original expectations of Flughafen Zürich AG.

The number of local as well as transfer passengers was higher than expected, thanks to the favourable economic situation and the successful business operations of the home carrier, Swiss. A record result was reported for non-aviation business. The increases in the sales figures

of our commercial partners and in licence revenue exceeded passenger growth. Thanks to the higher revenue it was possible to offset the enormously higher security costs. The release of deferred revenue relating to utilisation fees also contributed 6.4 million Swiss francs to the positive result.

If noise-related data are eliminated from the equation, the profit would have risen by 77.8 percent from 47 million Swiss francs to 83.5 million.

(CHF thousand)	2007		2007 Without aircraft noise	2006		2006 Without aircraft noise
	With aircraft noise	Elimination of aircraft noise		With aircraft noise	Elimination of aircraft noise	
Revenue from aviation operations	495,981	(58,278)	437,703	444,238	(54,023)	390,215
Revenue from non-aviation operations	306,887	3,974	310,861	292,871	3,847	296,718
Total revenue	802,868	(54,304)	748,564	737,109	(50,176)	686,933
Operating expenses	(392,753)		(392,753)	(358,837)		(358,837)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	410,115	(54,304)	355,811	378,272	(50,176)	328,096
EBITDA margin (in %)	51.1		47.5	51.3		47.8
Depreciation and amortisation	(180,913)		(180,913)	(188,856)		(188,856)
Profit from operations (EBIT)	229,202		174,898	189,416		139,240
EBIT margin (in %)	28.5		23.4	25.7		20.3
Profit	130,675	(47,180)	83,495	87,448	(40,496)	46,952
Profit in % of total revenue	16.3		11.2	11.9		6.8

The Board of Directors is proposing the payment of a dividend of 4.50 Swiss francs per share (prior year, 3 Swiss francs).

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".

As a consequence of ever more stringent security regulations, security costs at airports are increasing to a disproportional extent. By reporting the associated data separately under "Aviation: security", a new sub-segment defined for this purpose, Flughafen Zürich AG is now able to show the impacts of security-related measures on the result of the company in a transparent and comprehensible manner.

Aviation: flight operations

(CHF million)	2007	2006	Change in %
Revenue from third parties	318.7	300.9	5.9
Inter-segment revenue	10.1	9.9	2.0
Total revenue	328.8	310.7	5.8
Segment result	19.6	10.3	90.9
Total segment assets	880.5	887.3	(0.8)
Depreciation and amortisation	50.7	51.9	(2.2)
Capital expenditure	44.8	30.0	49.2
Number of employees (full-time positions) as of 31 December	585	573	2.1

In previous years, the reporting for this sub-segment included figures relating to security measures, with the consequence that the segment result was negative. Now that these figures are reported in a separate sub-segment ("Aviation: security"), the flight operations sub-segment shows a positive result for the first time (19.6 million Swiss francs). This represents an improvement by 9.3 million Swiss francs versus 2006.

The increase in revenue by 18.1 million Swiss francs versus the prior year was to some extent offset by higher costs, especially relating to administration (for example, in connection with the SIL process), marketing activities and personnel.

Aviation: security

(CHF million)	2007	2006	Change in %
Revenue from third parties	119.0	89.3	33.2
Inter-segment revenue	0.0	0.0	n/a
Total revenue	119.0	89.3	33.2
Segment result	(14.3)	(17.9)	20.0
Total segment assets	30.6	29.5	4.0
Depreciation and amortisation	4.7	3.2	45.6
Capital expenditure	4.4	4.6	(3.7)
Number of employees (full-time positions) as of 31 December	11	13	(11.1)

The higher revenue in this sub-segment (plus 29.9 million Swiss francs) was attributable to the increases effected in the security fees as of 1 January and 1 July 2007, and to the strong passenger growth. The main reasons for the higher expenses were the additional measures required

for the implementation of the ban on liquids, and the costs associated with short-term and medium-term measures required as a result of the EU inspection carried out in December 2006.

Aviation: aircraft noise

(CHF million)	2007	2006	Change in %
Revenue from third parties	58.3	54.0	8.0
Inter-segment revenue	0.0	0.0	n/a
Total revenue	58.3	54.0	8.0
Segment result	54.3	50.2	8.2
Total segment assets	249.9	197.5	26.5
Depreciation and amortisation	0.1	0.1	n/a
Capital expenditure	135.1	114.7	17.8
Non-current provisions for sound insulation and formal expropriations	123.5	131.9	(6.4)
Number of employees (full-time positions) as of 31 December	12	10	20.4

The increase in segment revenue by 4.3 million Swiss francs is exclusively attributable to the positive trend in the traffic volume. With expenses in some areas slightly higher, the segment result improved by 4.1 percent.

Non-Aviation

(CHF million)	2007	2006	Change in %
Revenue from third parties	306.9	292.8	4.8
Inter-segment revenue	125.3	125.8	(0.4)
Total revenue	432.2	418.6	3.3
Segment result	169.6	146.8	15.5
Total segment assets	1,803.8	1,881.9	(4.2)
Depreciation and amortisation	125.4	133.6	(6.1)
Capital expenditure	63.5	69.4	(8.6)
Number of employees (full-time positions) as of 31 December	711	694	2.5

The Non-Aviation result was determined mainly by the increase in revenue from third parties by 14 million Swiss francs, which was primarily attributable to considerably higher licence revenue and other income from services. The inter-segment earnings remained stable, since the largest internal source of earnings – internally generated rental revenue from other segments – was more or less unchanged versus the prior year.

The lower figures for depreciation and amortisation and for energy expenses led to a disproportionately high increase in the segment result to 169.6 million Swiss francs.

Holdings and subsidiaries

Bangalore (India)

Owner and operator of the new airport is Bangalore International Airport Ltd. (BIAL), in which Flughafen Zürich AG holds 17 percent of the share capital. Flughafen Zürich AG secures the construction and operation of the airport on the basis of an operating, 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 beginning of 2007, Flughafen Zürich AG had subscribed share capital totalling 15.9 million Swiss francs. Various expansion projects will be financed through borrowings and equity. Flughafen Zürich AG has subscribed additional equity amounting to approximately 2.8 million Swiss francs. The total capital investment will amount to approximately 18.7 million Swiss francs by the time the airport opens in March 2008.

Bogotá (Colombia)

El Dorado Airport in Bogotá (Colombia) was used by approximately 12 million passengers in 2007. Flughafen Zürich AG holds a 49.5 percent stake (18,000 Swiss francs) in Unique IDC Colombia S.A., which was founded for administrative purposes, and 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 total passenger volume of around 1.3 million in the year under review was significantly higher than in the prior year. The three Chilean airports are operating profitably. Flughafen Zürich AG currently holds a 16 percent stake (571,000 Swiss francs) in the three airports in Chile, but will be reducing this further in the course of 2008.

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 2007 was 1.7 million. Flughafen Zürich AG holds a 49.5 percent stake (3,000 Swiss francs) 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 2007 financial year are not available. In 2006 the governor of Nueva Esparta expropriated this airport for a second time, and since then it has been operated by a "junta interventora" under the supervision of the Venezuelan federal high court. At the same time, legal proceedings were initiated for the purpose of clarifying whether the governor's withdrawal of the operating licence was lawful. The Company has been waiting for the final ruling on this matter by the Venezuelan high court since autumn 2007.

There are indications that the ruling will go in favour of Flughafen Zürich AG. It is therefore hoped that this matter will be definitively resolved in the course of 2008.

APT Airport Technologies AG

APT Airport Technologies AG is a wholly owned subsidiary of Flughafen Zürich AG. In 2007 it generated revenue of 19.3 million Swiss francs and further expanded its range of services.

Three more airlines signed agreements governing the use of self-service check-in machines during the period under review. A total of 14 airlines are now connected to this system, and this means that more than 80 percent of all departing passengers can make use of this check-in service. For this purpose, an additional 12 self-service check-in machines were installed in all three check-in zones. The first stage of the introduction of an ultra-modern "voice over IP" telephone system with more than 500 end devices was concluded successfully.

In autumn 2007, the entire gate infrastructure was equipped with 2D barcode readers, which can automatically read boarding cards that passengers have printed out at home. With these new devices, it will no longer be necessary to use boarding cards with magnetic strips in the future.

The introduction of the new services associated with SAP outsourcing in collaboration with SBS Consulting and server rentals meant that two important ICT services were established during the year under review. An important client, Laufenburg nuclear power plant, has already been acquired.



**Yu Tang, Chikage Lee, Ann Lu, Chaofan Kong,
Yingyi Liu, group of tourists,**
arrived in Zurich a week ago
→ page 77 ff

Assets and financial position

Investments

A total of 247.7 million Swiss francs was invested during the year under review, versus 218.7 million in the prior year. Overview of investments by category:

(CHF million)	2007	2006
Movables	3.0	11.5
Projects in progress in leasing	0.2	2.7
Projects in progress	102.3	85.5
Associates	7.5	4.7
Non-current financial assets of Airport of Zurich Noise Fund	134.5	114.3
Intangible asset from right of formal expropriation ¹¹	0.2	0.0
Total	247.7	218.7
Of which for expansion stage 5	0.0	8.5

¹¹ In 2007, the parties involved in 18 pilot cases in the municipality of Opfikon appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. In the 2007 consolidated financial statements, this compensation has already been recognised through capitalisation as an intangible asset at present value, and simultaneous recognition as a provision as of 31 December. From 1 January 2008, the intangible asset will be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051). See also "Risk management", "Noise compensation and sound insulation measures".

In addition to investments for the renovation of runway 16/34 (15.9 million Swiss francs), expenses for the following projects are also included:

- New intersection in front of Operations Center (9.7 million Swiss francs)
- Expansion of commercial space in Airport Shopping (7 million Swiss francs)
- Apron renovations (5.3 million Swiss francs)
- Replacement of winter service vehicles (3.1 million Swiss francs)
- Investments in IT projects, including replacement of access registration system (2.7 million Swiss francs)
- "Zurich 2010" project (2.3 million Swiss francs)
- Increased maintenance of runway 14 (2 million Swiss francs)

Consolidated cash flow statement

(CHF thousand)	2007	2006	Change in %
Cash flow from operations	410,911	367,213	11.9
of which related to aircraft noise	50,705	36,922	37.3
Total cash flow from noise charges	57,743	46,106	25.2
Total cash flow from sound insulation and formal expropriations	(7,038)	(9,184)	(23.4)
Cash flow from investing activities	(147,339)	(258,772)	(43.1)
of which related to aircraft noise	(52,606)	(176,634)	(70.2)
Total non-current financial assets of Airport of Zurich Noise Fund	(134,506)	(114,313)	17.7
Total current financial assets of Airport of Zurich Noise Fund	81,900	(62,321)	n/a
Cash flow from financing activities	(223,778)	(82,716)	n/a
Increase in cash and cash equivalents	39,794	25,725	54.7
Balance at beginning of financial year ¹¹	42,562	16,837	
Increase in cash and cash equivalents	39,794	25,725	
Balance at end of financial year	82,356	42,562	
of which included in Airport of Zurich Noise Fund	2,620	678	

¹¹ Cash deposits of Airport of Zurich Noise Fund are now reported under current financial assets of Airport of Zurich Noise Fund. Prior-year figures have been restated for comparison purposes.

Cash flow from operations rose in 2007 by 11.9 percent to 410.9 million Swiss francs, of which cash flow from charges related to aircraft noise amounted to 50.7 million Swiss francs (2006: 36.9 million). Cash flow from investing activities declined by 111.4 million Swiss francs to 147.3 million, of which 52.6 million were used to invest the liquid funds of Airport of Zurich Noise Fund separately in financial assets and cash equivalents.

On 28 September 2007, the 5 percent 1997–2007 debenture with a nominal value of 75 million Swiss francs was repaid and on 20 December 2007 the third repayment of liabilities towards banks arising from the US car park lease was

effected (3.606 percent, 47.4 million Swiss francs nominal value), both in full using available funds and in accordance with the respective agreements.

Cash flow from financing activities was up by 141.1 million Swiss francs to 223.8 million (2006: 82.7 million Swiss francs).

As of the end of the year under review, the balance of cash and cash equivalents was 82.4 million Swiss francs (plus 39.8 million). A portion of 2.6 million Swiss francs belongs to Airport of Zurich Noise Fund.

Nominal net debt

Nominal net debt fell in the year under review to 1.077 billion Swiss francs (minus 212.9 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)	31.12.2007	31.12.2006	Change in %
Financial liabilities, nominal	1,399,797	1,399,797	[8.3]
Less cash and cash equivalents	(322,352)	(235,991)	36.6
Nominal net debt	1,077,445	1,290,360	(16.5)
Decrease	(212,915)	(495,838)	

Balance sheet structure

In the year under review, the balance sheet total increased by 9.4 million Swiss francs to 3,180.6 million, primarily due to the increase of current assets (plus 79.6 million Swiss francs) and the decrease of non-current assets (minus 10.2 million Swiss francs). The investment intensity decreased versus the prior year from 91.9 to 89.4 percent.

Equity was increased by 142.9 million Swiss francs and now amounts to 1,373.4 million Swiss francs, which corresponds to a proportion of 43.2 percent (2006: 38.3 percent).

In the year under review, total liabilities fell by 133.5 million Swiss francs and now amount to 1,807 million Swiss francs.

The return on average capital employed (ROCE) rose from 5.7 to 6.9 percent.

Return on equity increased from 8.6 to 10 percent, despite the dividend payment in spring 2007 for the 2006 financial year amounting to 18.4 million Swiss francs, and thanks to the higher profit.

Key balance sheet data

(CHF thousand)	in %	2007	in %	2006
Non-current assets	89.4	2,843,032	91.9	2,913,241
Current assets	10.6	337,316	8.1	257,700
Balance sheet total	100.0	3,180,348	100.0	3,170,941
Total equity	43.2	1,373,384	38.8	1,230,464
Non-current liabilities	44.5	1,416,647	47.4	1,504,113
Current liabilities	12.3	390,317	13.8	436,364
Balance sheet total	100.0	3,180,348	100.0	3,170,941
Capital employed		2,629,505		2,614,617
Return on average capital employed (ROCE)	6.9		5.7	
Return on equity	10.0		8.6	
Interest-bearing liabilities (net, in accordance with IFRS)		918,833		1,177,985
Interest-bearing liabilities (IFRS)/EBITDA		2.24x		3.11x
Interest-bearing liabilities (nominal)		1,077,445		1,290,360
Interest-bearing liabilities (nominal)/EBITDA		2.56x		3.41x



Outlook

Main changes in business areas of Flughafen Zürich AG in 2008

A variety of changes to business activities at Flughafen Zürich AG will have an effect on its costs and earnings structure in 2008.

- On 1 January 2008 the airport fire brigade and rescue service, together with its 159 employees, was transferred to the City of Zurich. This move meant that the duties of the Zurich Airport fire brigade, rescue service and control centre were taken over by the Zurich authorities, which will be responsible for performing the respective services on the basis of a service level agreement. The annual costs associated with this agreement will be around 21.1 million Swiss francs, and these will be reported as operating expenses. The transfer of these services also means that various other costs will also be eliminated, in particular personnel expenses. Flughafen Zürich AG expects to save around 3 million Swiss francs (net) as a result of this move.
- The new airport hotel is scheduled for completion in summer 2008. Flughafen Zürich AG is owner of the ground lease for the hotel, and has right of use for three office levels plus one level for other purposes throughout the entire duration of the ground lease, and it will be renting this space to third parties. When the hotel is opened for business, the Airport Conference Center currently operated by Flughafen Zürich AG will be closed down and SAS Radisson will operate a new conference facility in the new hotel. Initiation of operation of the airport hotel will not have a significant influence on the group's profit in the 2008 financial year.

General outlook

2008 is expected to be a good year for the Swiss economy, despite the sub-prime crisis: for example, the State Secretariat for Economic Affairs (seco) anticipates a slight slowdown and is predicting a growth rate of 1.9 percent for the year, compared with about 2.8 percent in 2007.

The economic development of Switzerland influences both the traffic trend (in particular with respect to the local passenger volume) and earnings in non-aviation business.

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. Furthermore, hub carrier Swiss has announced that it will be enlarging its fleet somewhat again in 2008.

In view of this assessment of the market, Flughafen Zürich AG anticipates traffic growth of roughly 4 to 5 percent in 2008. Specifically, a total of between 21.5 and 21.7 million passengers is anticipated for 2008, with the volume of transfer passengers once again increasing more rapidly than that of local passengers. Flughafen Zürich AG expects the proportion of transfer passengers to be slightly more than 34 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.

Non-Aviation segment

The new level in the landside Airport Shopping will be handed over for operation in April 2008. Thanks to the additional floorspace, Flughafen Zürich AG again expects sales growth to be higher than the increase in the passenger volume in 2008.

Operating expenses

In 2008, maintenance and energy costs are likely to increase sharply. As long as no further security regulations have to be implemented in 2008, the increase in security expenses should be well below the sharp rise reported in the 2007 financial year.

Investments

The investment budget of Flughafen Zürich AG for 2008 will be between 250 and 280 million Swiss francs. The largest single projects are the renovation of runway 16/34 (approximately 50 million Swiss francs), investments associated with the implementation of regulations imposed by the EU

(approximately 90 million Swiss francs), and the centralisation of security checks (approximately 15 million Swiss francs).

Financing

The repayment of a further tranche of the liabilities towards banks arising from the US car park lease becomes due in 2008 (49 million Swiss francs on 20 December). Both the investments and the repayment of this tranche are to be financed from available funds.

Outlook for 2008 result

Flughafen Zürich AG expects total revenue to increase by around 5 percent next year. The EBITDA margin is likely to remain at last year's level. Depreciation and amortisation will probably be higher than in 2007 due to the first-time amortisation in 2008 of capitalised intangible assets arising from the right of formal expropriations and increased construction activities associated with the implementation of security regulations and the Schengen Agreement. As long as there are no extraordinary occurrences, Flughafen Zürich AG expects a 5 percent higher profit versus 2007.



Roger Berger, 41, freight handler,
joined Unique [Flughafen Zürich AG] 14 years ago
→ page 77 ff



Corporate governance

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

reporting [see "Financial report", "Consolidated financial statements according to IFRS", "Accounting policies", "Segment reporting").

Group and capital structures

Group structure

For details concerning the group operational structure, please refer to the section on segment

Apart from Flughafen Zürich AG, Kloten (securities no. 1,056,796), which was listed on the SWX with a market capitalisation of 2.8 billion 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 accordingly). 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 the Swiss Code of Obligations) during the past three years are shown below:

(CHF thousand)	31.12.2007	31.12.2006	31.12.2005
Share capital	307,019	307,019	245,615
Legal reserves			
Premium	533,290	533,290	269,254
General reserves	19,060	19,060	19,060
Reserves for own shares	650	693	1,735
Other reserves	80,208	80,165	79,123
Available earnings			
Profit brought forward	47,373	25,712	13,392
Dividend payment for 2006/2005	(18,405)	(4,903)	0
Net profit	60,597	26,564	12,320
Total equity	1,029,792	987,600	640,499

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 2007), the Canton of Zurich held 33.33 percent 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. In the year under review, the five members to be elected by the General Meeting of Shareholders were elected by individual vote.

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); 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 December 2005; Chairman of the Board of Oettinger Imex AG (Oettinger Davidoff Group) since December 2007. Chairman of the Board of Directors since the 2000 General Meeting of Shareholders.

Other activities and commitments: Since December 2007, Chairman of the Board of Directors of Symrise AG and Vice Chairman and Independent Lead Director of the Board of Directors of Gate Gourmet Group Holding LLC.

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 and Bergbahnen Engadin St. Moritz AG.

Rita Fuhrer

Swiss citizen; born in 1953; member of the Council 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; President of the Swiss Shooting Association.

Thomas E. 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 up until 22 November 2007 (see "Significant changes since balance sheet date").

Other activities and commitments: Vice Chairman of the Board of Directors of AG Zentrum Glatt, member of the Boards of Directors of Magazine zum Globus AG, Interio AG, Office World AG and Lorze AG.

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).

Other activities and commitments: Vice Chairman of the Board of Directors of EMIG (Engros-Markthalle).

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.

Other activities and commitments: none.

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 July 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.



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 698.4 million Swiss francs as of 31 December 2007. 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 E. Kern¹⁾, 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.

¹⁾ See "Significant changes since balance sheet date".

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. In the year under review, however, the Nomination & Compensation Committee convened considerably more frequently in view of the need to appoint a new CEO. 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 Human Resources 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 significant 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 Ltd examined various key processes 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 were examined such as the award of mandates and cost controlling of building technology in the area of technical facility management, and the suitability and effectiveness of Unique's risk management. Follow-up activities associated with earlier audits were also carried out in the year under review. The internal auditor reports directly to the chairman of the Audit & Finance Committee.

Management Board

Members

Josef Felder¹⁾

Swiss citizen; born in 1961;
Chief Executive Officer.
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.

Other activities and commitments: none.

¹⁾ See "Significant changes since balance sheet date".

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.

Other activities and commitments: none.

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.

Other activities and commitments: none.

Rainer Hildebrand

Swiss citizen; born in 1954;
Head of Operations.
Qualified airline pilot (SLS); joined Swissair as pilot in 1978 (DC 9, MD 80, MD 11, A320, A330); 1999, chief pilot of entire Swissair fleet; joined Flughafen Zürich AG in April 2002.

Other activities and commitments: none.

Beat Spalinger¹⁾

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.

Other activities and commitments: none.

¹⁾ See "Significant changes since balance sheet date".

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.

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 that are blocked for a period of four years. The amounts concerned are specified by the Board of Directors as proposed by the Nomination & Compensation Committee.

For details concerning the total remuneration paid during the year under review, please refer to "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 2, "Personnel expenses" and note 2.25, "Related parties", and "Financial report", "Financial statements according to the Swiss Code of Obligations", "Notes to the financial statements", note 14, "Related parties".

Share allocation and holdings

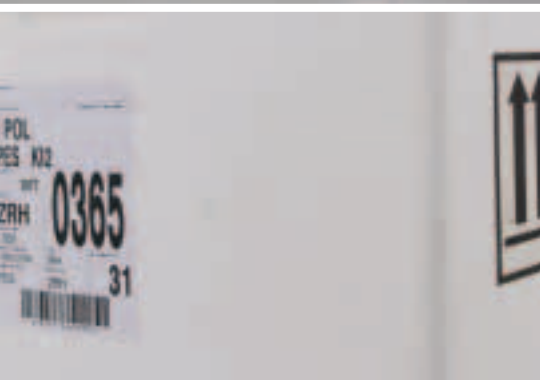
For the year under review, members of the Management Board are entitled to shares in the company equivalent to 1,865,100 Swiss francs (2006: 302,000 Swiss francs) as part of their respective salaries. However, the number of shares to be granted cannot be precisely calculated in advance, since the number depends on the share price at grant date. If the shares had been granted as of the end of the year, a total of 3,997 would have been distributed (see "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 2, "Personnel expenses" and note 2.25, "Related parties", and "Financial report", "Financial statements according to the Swiss Code of Obligations", "Notes to the financial statements", note 14, "Related parties").

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

As of 31 December 2007, the number of company shares held by members of the Management Board and associated parties was 15,840.

As of 31 December 2007, the number of company shares held by members of the Board of Directors and associated parties was 523, not including the holdings of the Canton and the City of Zurich as cited under "Major shareholders". For details, please refer to "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 2, "Personnel expenses" and note 2.25, "Related parties", and "Financial report", "Financial statements according to the Swiss Code of Obligations", "Notes to the financial statements", note 14, "Related parties".

There are no options on company shares.



Other fees and remuneration

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 assumed responsibility for this mandate for the first time in the year under review.

The fee charged by the auditors for the year under review amounted to 308,000 Swiss francs (2006: 363,000 Swiss francs). The auditors also charged a total of 39,400 Swiss francs (2006: 353,500 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.

Contacts:

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

Investor Relations:

Michael Ackermann, michael.ackermann@unique.ch

Corporate Communications:

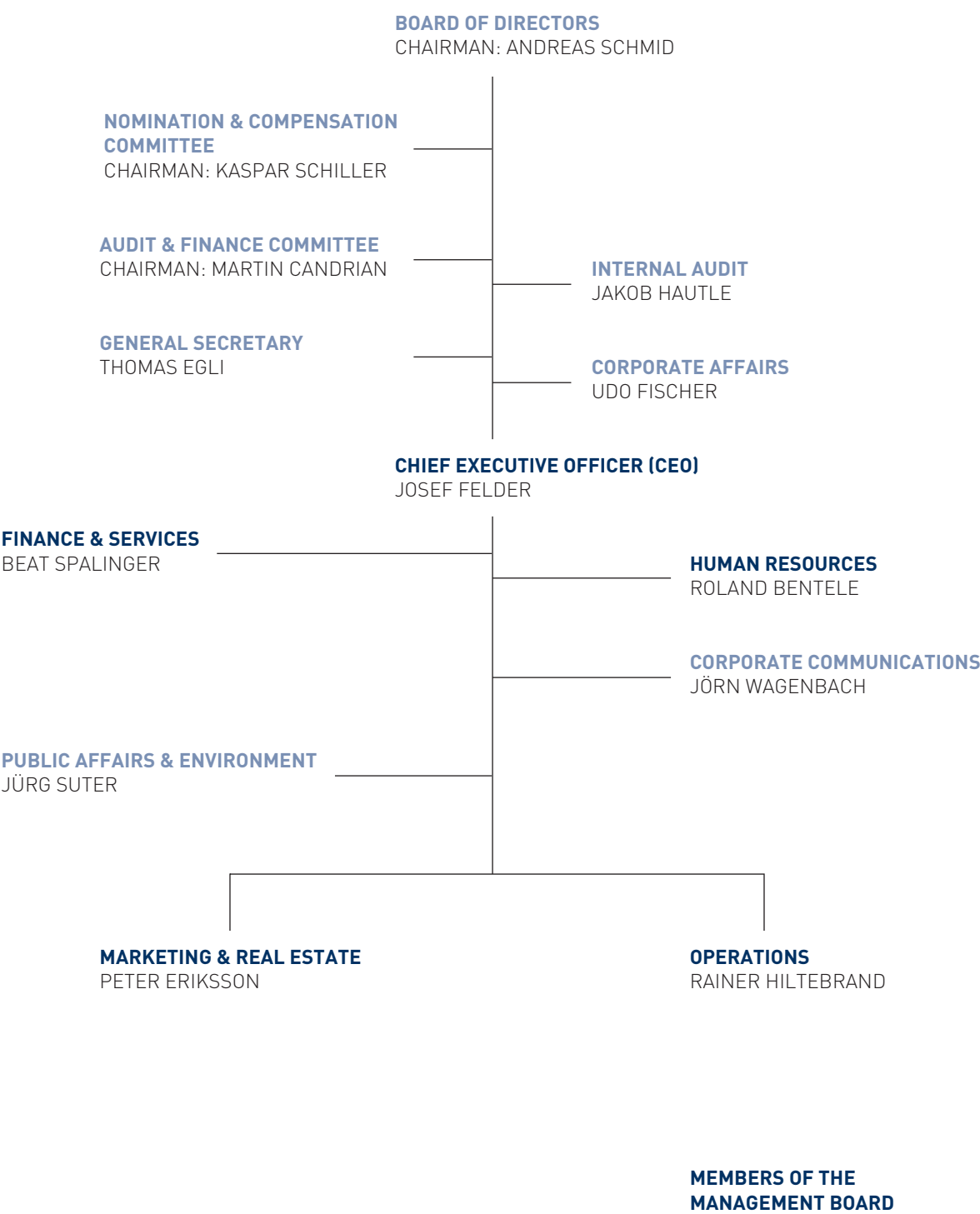
Jörn Wagenbach, joern.wagenbach@unique.ch

Significant changes since balance sheet date

The company appointed a new CEO with effect from 15 January 2008. Following the decision by former CEO Josef Felder to leave the company as of the above date, Thomas E. Kern was chosen as his successor. Thomas E. Kern was elected to the Board of Directors at the 2006 General Meeting of Shareholders, and also became a member of the Nomination & Compensation Committee. Upon his appointment as CEO on 22 November 2007 he relinquished these two mandates with immediate effect.

As of 19 April 2008, the company will be appointing a new CFO: Following the decision by CFO Beat Spalinger to leave the company as of the above date, Daniel Schmucki, who currently holds the position of head of Controlling, Treasury & Investor Relations, has been chosen as his successor.

Organisation chart



Board of Directors

Chairman

Andreas Schmid
Chairman of the Board of Directors of
Oettinger Imex AG (Oettinger Davidoff Group)

Vice Chairman

Dr. Lukas Briner
Director of the Zurich Chamber of Commerce;
appointed by the Cantonal Council of Zurich

Members

Martin Candrian
Chairman of the Board of Directors of Candrian
Catering AG

Rita Fuhrer
Cantonal Councillor, Economic Director of the
Canton of Zurich; appointed by the Cantonal Council
of Zurich

Thomas E. Kern (until 22 November 2007)
Member of the Board of Directors of various
companies within the Globus group

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 Cantonal Council of Zurich

General Secretary

Thomas Egli



Roland Lieberherr, 27, chef,
has been preparing specialties at the "Italian"
restaurant for 2½ years
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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:

1. 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.

2. Hub carrier

The national airline, Swiss International Air Lines AG, is the main client of Flughafen Zürich AG. It accounts for approximately 52 percent (2006: 51 percent) of Zurich Airport's flight movements and approximately 55 percent (2006: 53 percent) of its passenger volume. Approximately 11 percent (2006: 13 percent) of total revenue (excluding passenger and security 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.

3. 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:

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

On 25 November 2007 the Zurich electorate voted on this people's initiative, which called for restrictions on flight operations in the Canton of Zurich. The majority voted in favour of the more moderate ZFI+ ("Zürcher Fluglärmindex") counter-proposal which stipulates a maximum of 320,000 flight movements per annum, limits the number of people severely affected by aircraft noise to 47,000 and imposes a night-time curfew of 7 hours. Should the number of flight movements exceed 320,000, the Council of the Canton of Zurich is required to examine suitable measures and may call for a public referendum. The final decision is the responsibility of the federal government, however, which in its civil aviation policy report dated December 2004 stated that it 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 in 2010.

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.

3.2. 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.

3.3. 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.

3.4. 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.

4. 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.

5. 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 a 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. On 19 November 2007, the commercial court ruled in favour of Flughafen Zürich AG and rejected the demand on the part of Swissair. The latter appealed to the Swiss Federal Tribunal as final instance against the ruling of the commercial court, and this means that the lawsuit is still pending.

6. 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 claim 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 fees and special surcharge on passenger fees).

6.1. 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 92 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 148 million Swiss francs.

6.2. 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 appealed to the Swiss Federal Tribunal as ultimate authority. As a result of the withdrawal of the appeal by one of the parties, there is now one ruling by the Federal Assessments Commission that has become legally binding (see also other comments at the end of this section). On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon. Another 16 pilot cases from this municipality are still pending (see also other comments at the end of this section as well as "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 22.8, "Events occurring after the balance sheet date" and "Financial report", "Financial statements according to the Swiss Code of Obligations", "Notes to the financial statements", note 16, "Events occurring after the balance sheet date"). Rulings by the Federal Tribunal on the remaining 16 pilot cases are expected in 2008.



It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, i.e. before the final rulings are made by the Federal Tribunal, 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.

As already noted above, the parties involved in 18 pilot cases appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission

became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. Compensation payment has been reflected in the current annual report in that it has been capitalised as an intangible asset at present value, and simultaneously recognised as a provision as of 31 December 2007 in the consolidated financial statements according to International Financial Accounting Standards (IFRS) as well as in the financial statements according to the provisions of the Swiss Code of Obligations (OR). From 1 January 2008, the intangible asset in the consolidated financial statements according to IFRS will be amortised using the straight-line method over the remaining duration of the operating licence (until 2051). From 1 January 2008, amortisation in the financial statements according to the Swiss Code of Obligations (OR) is based on the consolidated financial statements at least. Beyond this, special write-offs are carried out from case to case in the financial statements according to the Swiss Code of Obligations (OR) 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 (see also below, "Reporting noise-related data in the consolidated financial statements according to International Financial Reporting Standards [IFRS]" and "Reporting noise-related data in the financial statements according to the Swiss Code of Obligations [OR]").

On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see also "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 22.8, "Events occurring after the balance sheet date" and "Financial report", "Financial statements according to the Swiss Code of Obligations", "Notes to the financial statements", note 16, "Events occurring after the balance sheet date").

6.3. 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.

6.4. 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.

6.4.1. 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.

6.4.2. 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 final-instance court rulings will be made during the 2008 financial year that will lead to recognition as an intangible asset and a provision respectively.

6.5. Reporting noise-related 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. 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.

6.6. 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 its 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:

6.6.1. 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.

6.6.2. 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.

6.7. 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:

6.7.1. 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, 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.

6.7.2. 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.

6.7.3. In the event that, in the course of the legal proceedings, the risk cited in point 6.7.2. 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.



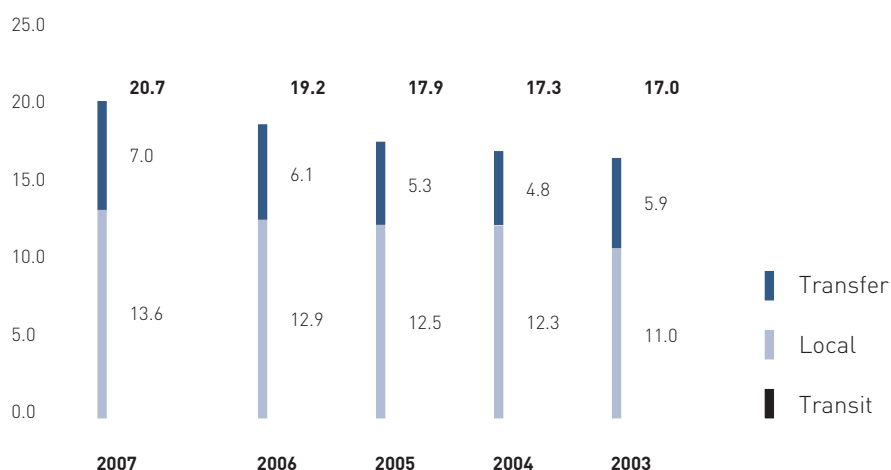
Laila Pfenninger, 28, flight attendant,
joined Swiss International Air Lines 8 years ago
→ page 77 ff



Passenger volumes

	2007	2006	2005	2004	2003
Total passengers	20,739,113	19,237,216	17,884,652	17,252,906	17,024,937
Change in %	7.8	7.6	3.7	1.3	(5.1)
By type of passenger					
Airline passengers	20,682,094	19,185,989	17,835,291	17,206,742	16,976,860
Change in %	7.8	7.6	3.7	1.4	(5.2)
Local passengers	13,643,601	12,942,023	12,468,199	12,323,227	10,994,109
Change in %	5.4	3.8	1.2	12.1	1.1
Transfer passengers	6,989,922	6,114,226	5,286,570	4,809,390	5,884,786
Change in %	14.3	15.7	9.9	(18.3)	(14.4)
Transit passengers	48,571	129,740	80,522	74,125	97,965
Change in %	(62.6)	61.1	8.6	(24.3)	(38.2)
General aviation & other passengers	57,019	51,227	49,361	46,164	48,077
Change in %	11.3	3.8	6.9	(4.0)	4.5
By type of flight					
Scheduled flights	19,534,395	17,843,548	16,284,752	15,313,073	15,200,005
Change in %	9.5	9.6	6.3	0.7	(4.4)
Traditional carriers	17,780,637	16,221,750	14,859,211	13,800,433	14,217,828
Change in %	7.9	9.2	7.7	(2.9)	(8.1)
Low-cost carriers	1,753,758	1,361,168	1,425,541	1,512,640	982,177
Change in %	28.8	(4.5)	(5.8)	54.0	129.1
Non-scheduled flights (charter)	1,147,699	1,342,441	1,550,539	1,893,669	1,776,855
Change in %	(14.5)	(13.4)	(18.1)	6.6	(11.1)
General aviation & other flights	57,019	51,227	49,361	46,164	48,077
Change in %	11.3	3.8	6.9	(4.0)	4.5
By origin/destination (airline passengers only)					
Europe	15,937,891	14,752,426	13,559,627	12,835,196	12,495,246
Change in %	8.0	8.8	5.6	2.7	(1.7)
Intercontinental	4,744,203	4,433,563	4,275,664	4,371,546	4,481,614
Change in %	7.0	3.7	(2.2)	(2.5)	(13.6)
North America	1,665,942	1,519,604	1,416,844	1,416,307	1,437,141
Change in %	9.6	7.3	0.0	(1.4)	(9.7)
Asia	2,044,548	1,935,510	1,851,763	1,882,254	1,896,692
Change in %	5.6	4.5	(1.6)	(0.8)	(9.8)
Africa	813,397	782,212	798,946	828,267	876,606
Change in %	4.0	(2.1)	(3.5)	(5.5)	(27.8)
Latin America	220,316	196,237	208,111	244,718	271,175
Change in %	12.3	(5.7)	(15.0)	(9.8)	(2.6)
Seat load factor in %	70.1	69.8	66.7	65.1	64.8
Change in %	0.4	4.7	2.4	0.5	1.1
Passengers per movement (passenger aircraft movements only)	92.7	87.4	78.0	74.7	72.5
Change in %	6.0	12.2	4.4	3.0	0.1

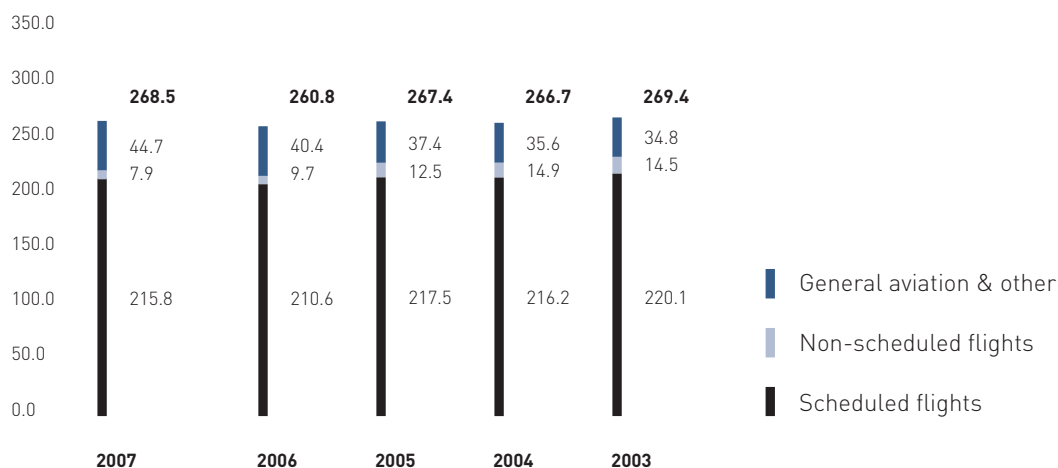
Passenger development (Passengers in millions)



Flight movements

	2007	2006	2005	2004	2003
Total movements	268,476	260,786	267,363	266,660	269,392
Change in %	2.9	[2.5]	0.3	[1.0]	[4.5]
By type of operation					
Scheduled and charter airlines	223,745	220,342	229,980	231,086	234,627
Change in %	1.5	[4.2]	[0.5]	[1.5]	[5.3]
Passenger aircraft	223,043	219,436	228,781	230,370	234,084
Change in %	1.6	[4.1]	[0.7]	[1.6]	[5.3]
Freight aircraft	702	906	1,199	716	543
Change in %	[22.5]	[24.4]	67.5	31.9	[11.4]
General aviation & other	44,731	40,444	37,383	35,574	34,765
Change in %	10.6	8.2	5.1	2.3	1.0
By type of flight					
Scheduled flights	215,774	210,634	217,494	216,224	220,130
Change in %	2.4	[3.2]	0.6	[1.8]	[4.6]
Traditional carriers	199,921	192,161	198,320	194,263	208,873
Change in %	4.0	[3.1]	2.1	[7.0]	[7.6]
Low-cost carriers	15,853	13,266	19,174	21,961	11,257
Change in %	19.5	[30.8]	[12.7]	95.1	147.2
Non-scheduled flights (charter)	7,971	9,708	12,486	14,862	14,497
Change in %	[17.9]	[22.2]	[16.0]	2.5	[14.8]
General aviation & other	44,731	40,444	37,383	35,574	34,765
Change in %	10.6	8.2	5.1	2.3	1.0
By origin/destination (airlines only)					
Europe	195,527	193,221	203,670	204,890	207,255
Change in %	1.2	[5.1]	[0.6]	[1.1]	[4.5]
Intercontinental	28,218	27,121	26,310	26,196	27,372
Change in %	4.0	3.1	0.4	[4.3]	[10.8]
North America	10,052	9,280	8,463	8,089	8,647
Change in %	8.3	9.7	4.6	[6.5]	[5.2]
Asia	11,628	11,421	10,812	10,853	11,002
Change in %	1.8	5.6	[0.4]	[1.4]	[3.6]
Africa	5,534	5,524	5,943	6,108	6,526
Change in %	0.2	[7.1]	[2.7]	[6.4]	[25.2]
Latin America	1,004	896	1,092	1,145	1,197
Change in %	12.1	[17.9]	[4.6]	[4.3]	[16.1]
Average MTOW (maximum take-off weight)	76.6	73.8	68.3	68.2	69.1
Change in %	3.7	8.1	0.1	[1.3]	[3.8]

Development of flight movements (Flight movements in millions)



Freight and mail

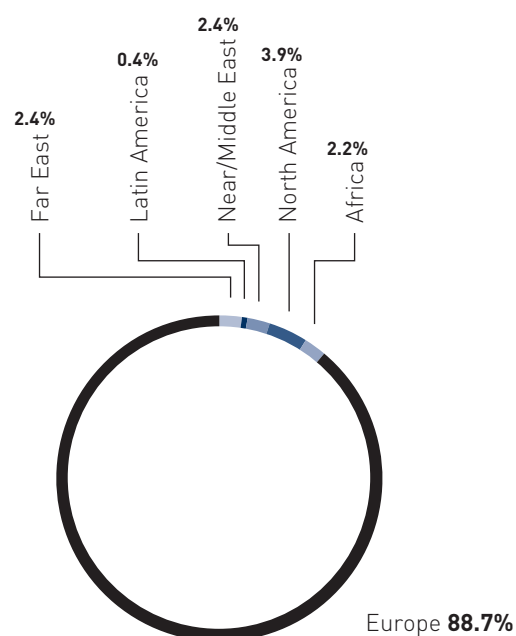
	2007	2006	2005	2004	2003
Freight in tonnes	374,264	363,325	372,415	363,537	389,843
Change in %	3.0	(2.4)	2.4	(6.7)	(7.6)
By type of transport					
Air freight	264,615	257,057	266,401	257,601	283,831
Change in %	2.9	(3.5)	3.4	(9.2)	(8.4)
Road feeder service	109,649	106,268	106,015	105,936	106,012
Change in %	3.2	0.2	0.1	(0.1)	(5.4)
Mail in tonnes	25,343	22,853	21,475	22,963	21,650
Change in %	10.9	6.4	(6.5)	6.1	(5.8)

	2007	2006	2005	2004	2003
Number of airlines					
Scheduled	72	73	78	76	67
Non-scheduled (charter)	28	30	42	42	41

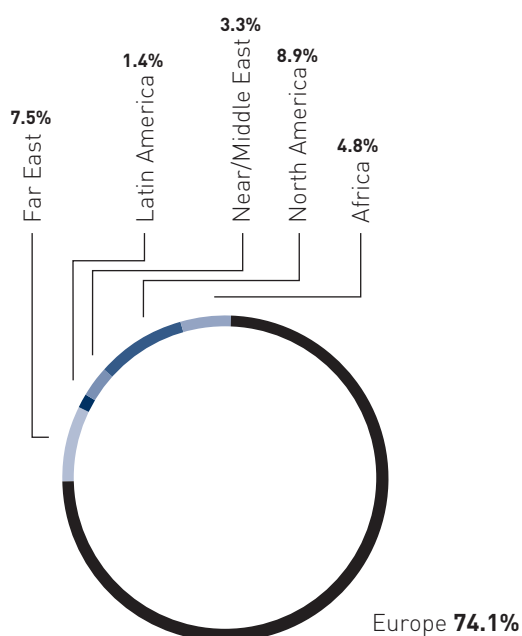
Destinations, scheduled flights (cities)					
Europe	108	106	100	91	88
Africa	20	15	15	15	21
Asia	16	16	18	18	20
North America	13	12	12	12	11
Latin America	2	2	3	3	3
Total	159	151	148	139	143

Destinations, scheduled flights (countries)					
Europe	36	35	35	35	34
Africa	10	10	11	11	14
Asia	14	14	16	16	17
North America	2	2	2	2	2
Latin America	2	2	3	3	2
Total	64	63	67	67	69

Origin and destination by movements



Origin and destination by passengers



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

Scheduled

Adria Airways
Aer Lingus
Aeroflot Russian International Airlines
Air Baltic
Air Berlin
Air Bosna
Air Canada
Air Enterprise Pulkova (seasonal)
Air Europa, Lineas Aéreas S.A. (seasonal)
Air France
Air Malta
Air Mauritius
Air One*
Alitalia
American Airlines
Austrian Airlines
BA CityFlyer*
Blue 1
Blue Islands*
BMI Regional*
British Airways
Bulgaria Air
Cirrus Luftverkehrsgesellschaft
City Airline
Clickair
Continental Airlines

Croatia Airlines
CSA, Czech Airlines
Cyprus Airways
Delta Air Lines
Deutsche Lufthansa
Easyjet *
EL AL, Israel Airlines
Emirates
European Air Express**
Finnair
Fly Niki
Germanwings
Helvetic Airways
Iberia
Icelandair (seasonal)
Jat Airways
KLM, Royal Dutch Airlines
Korean Air
LOT, Polskie Linie Lotnicze
Macedonian Airlines
Malaysia Airlines
Malev, Hungarian Airlines
Montenegro Airlines
Norwegian Air Shuttle*
OLT Ostfriesische Lufttransport
Pegasus*

Portugalia***
Qatar Airways
Robin Hood Aviation*
Royal Air Maroc
Royal Jordanian Airlines
SAS, Scandinavian Airlines System
Singapore Airlines
South African Airways**
Spanair
Sun Express
Swiss International Air Lines
TAP Portugal
Thai Airways International
Tuifly
Tunis Air
Turkish Airlines
Ukraine International Airline
United Airlines
US Airways*

Total 72 airlines

*) = commenced operation during 2007
**) = ceased operation during 2007
***) = merger with TAP Portugal

Charter

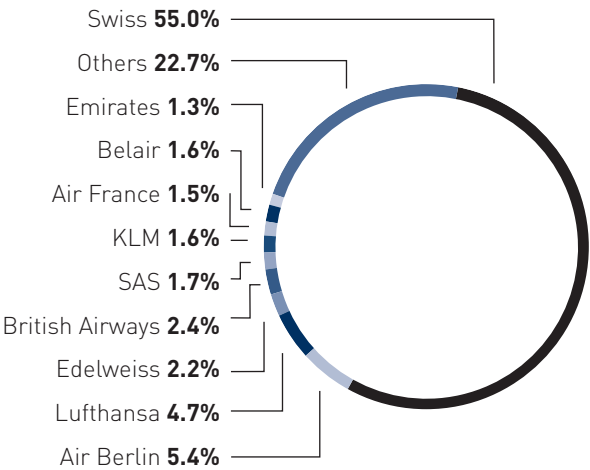
Aegean Aviation (Greece)
African Safari Airways (Kenya)
Atlas International (Turkey)
Belair Airlines AG (Switzerland)
BH Air (Bulgaria)
Blue Line (France)
Bulgarian Air Charter (Bulgaria)
Cityline Hungary (Hungary)
Darwin Airline (Switzerland)
Dubrovnik Airline (Croatia)

Edelweiss Air (Switzerland)
Farnair Hungary (Hungary)
Farnair Switzerland (Switzerland)
Fly Hello (Switzerland)
Free Bird Airlines (Turkey)
Helvetic Airways (Switzerland)
Japan Airlines (Japan)
Karthago Airlines (Tunisia)
LTU Lufttransportunternehmen (Germany)
Nouvelair Tunesie (Tunisia)

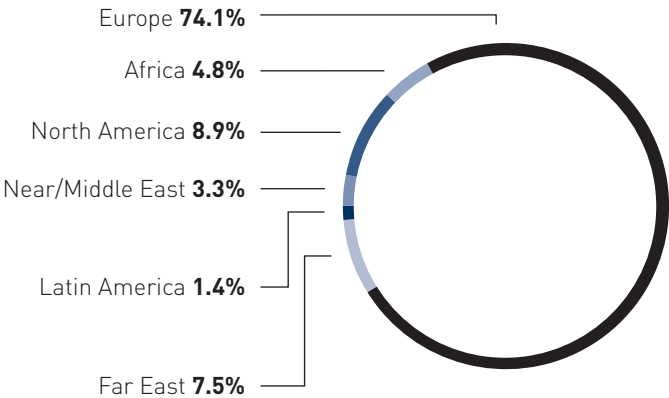
Onur Air (Turkey)
Pegasus (Turkey)
Sky Airlines (Germany)
Skywork AG (Switzerland)
Sun Express (Turkey)
Trade Air (Croatia)
Uzbekistan Airways (Uzbekistan)
WDL Flugdienst (Germany)

Total 28 airlines

Passengers by airline



Movements by airline



Origin and destination of movements by country

	Scheduled	Charter	Total	in %
Europe				
Austria	8,623	19	8,642	3.9
Belgium	4,265	2	4,267	1.9
Bosnia and Herzegovina	310	1	311	0.1
Bulgaria	274	136	410	0.2
Croatia	1,597	95	1,692	0.8
Cyprus	568	128	696	0.3
Czech Republic	3,596	17	3,613	1.6
Denmark	4,144	5	4,149	1.9
Domestic flights	9,470	29	9,499	4.2
Finland	2,177	14	2,191	1.0
France	13,242	60	13,302	5.9
Germany	50,464	119	50,583	22.6
Greece	3,716	801	4,517	2.0
Hungary	3,594	2	3,596	1.6
Iceland	18	2	0	0.0
Ireland	1,254	44	1,298	0.6
Italy	13,021	91	13,112	5.9
Latvia	292	2	294	0.1
Lithuania	196	0	196	0.1
Luxembourg	1,450	1	1,451	0.6
Macedonia	1,436	10	1,446	0.6
Malta	450	3	453	0.2
Montenegro	320	0	320	0.2
Netherlands	6,697	5	6,702	3.0
Norway	954	6	960	0.4
Poland	3,526	2	3,528	1.6
Portugal	3,913	62	3,975	1.8
Romania	730	17	747	0.3
Russian Federation	2,962	6	2,968	1.3
Serbia	2,000	1,907	3,907	1.7
Slovenia	1,705	1	1,706	0.8
Spain	13,077	1,050	14,127	6.3
Sweden	3,095	34	3,129	1.4
Turkey	3,288	949	4,237	1.9
Ukraine	727	3	730	0.3
United Kingdom	22,653	120	22,773	10.2
Total Europe	189,804	5,743	195,527	87.4
of which EU	166,685	2,735	169,420	75.7
Africa	4,012	1,522	5,534	2.5
Near/Middle East	6,081	10	6,091	2.7
Far East	5,195	342	5,537	2.5
North America	9,989	63	10,052	4.5
Latin America	730	274	1,004	0.4
Total intercontinental	26,007	2,211	28,218	12.6
Overall total	215,811	7,954	223,745	100.0



Traffic statistics

Number of passengers

	Millions	Change in %
London Heathrow	68.1	0.8
Paris Charles de Gaulle	59.9	5.4
Frankfurt	54.1	2.6
Madrid	52.1	14.0
Amsterdam	47.8	3.7
London Gatwick	35.2	3.1
Munich	33.9	10.4
Rome Fiumicino	32.8	9.1
Barcelona	32.8	9.3
Paris Orly	26.4	3.2
Milan	23.9	9.7
London Stansted	23.8	0.4
Dublin	23.3	9.9
Palma de Mallorca	23.2	3.7
Manchester	22.4	2.7
Copenhagen	21.4	2.7
Zurich	20.7	7.8

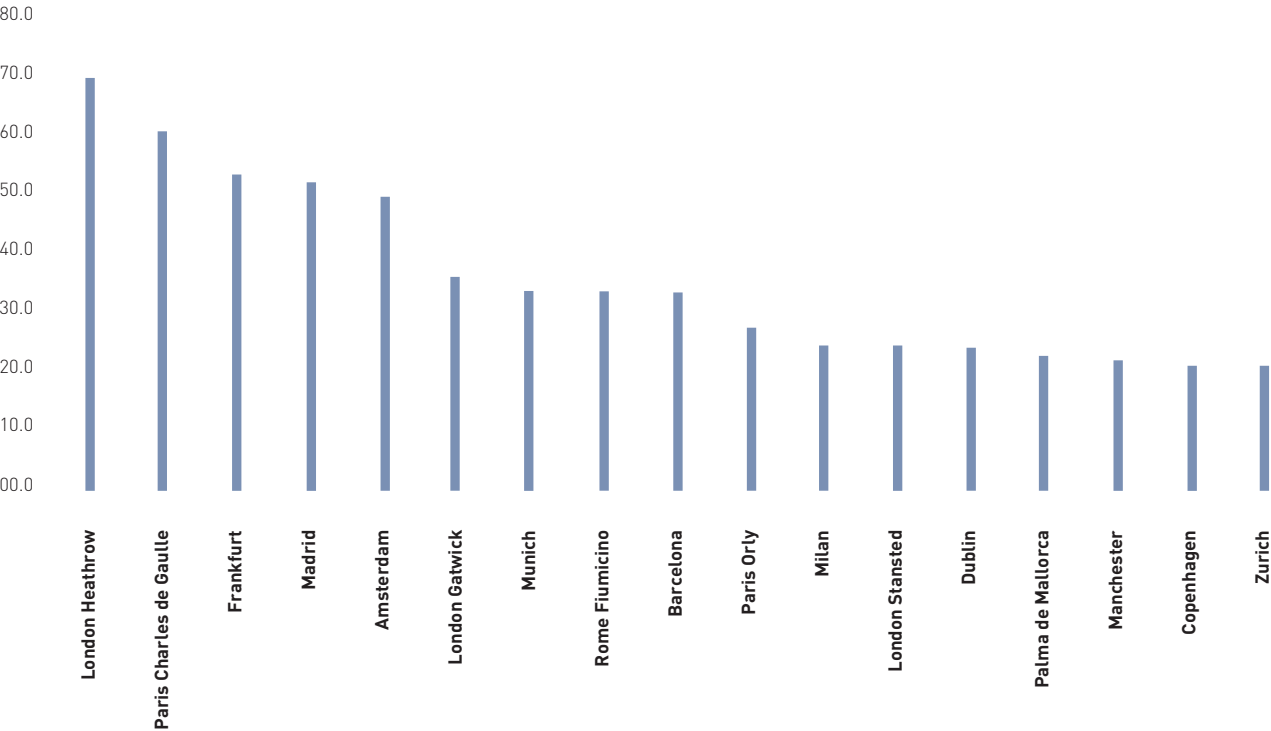
Number of commercial movements

	Thousands	Change in %
Paris Charles de Gaulle	543.8	2.0
Madrid	481.9	11.3
Frankfurt	479.5	1.1
London Heathrow	475.7	1.0
Amsterdam	435.9	3.0
Munich	406.6	5.3
Barcelona	349.5	7.8
Rome	328.2	5.8
Milan	263.5	6.5
London Gatwick	258.8	1.7
Copenhagen	253.9	[0.2]
Vienna	252.6	7.5
Zurich	244.4	3.0
Brussels	240.6	3.3
Paris Orly	232.9	1.6
Oslo	216.2	5.4
Dusseldorf	213.3	6.3

Air freight

	Thousand tonnes	Change in %
Frankfurt	2,074.2	2.1
Amsterdam	1,610.3	5.4
London Heathrow	1,313.6	3.9
Brussels	718.8	2.2
Milan	470.6	16.1
Madrid	322.2	[0.8]
Zurich	264.6	3.1
Munich	251.1	11.9
London Stansted	206.6	[9.4]
Vienna	191.8	2.1
London Gatwick	171.2	[19.3]
Manchester	165.7	10.5
Rome	130.2	5.6
Helsinki	127.7	3.4
Athens	107.6	[1]
Stockholm	100.4	18.4
Barcelona	96.8	3.8

Passengers at European airports (in millions)

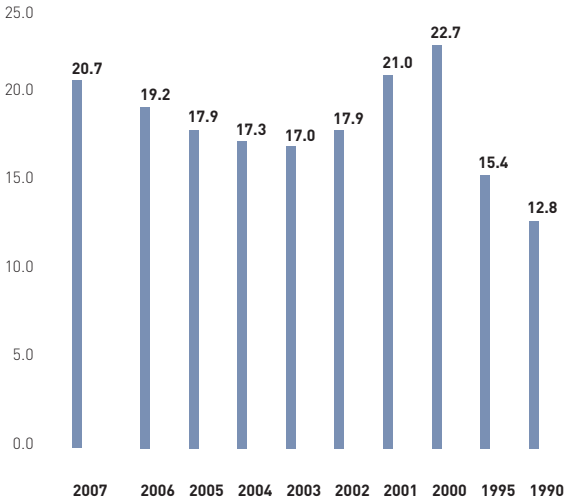


Traffic frequencies and payload figures at Zurich Airport, 1990–2007

Passengers

Year	Scheduled flights	Non-scheduled flights (charter)	General aviation	Total
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
2007	19,534,395	1,147,699	57,019	20,739,113

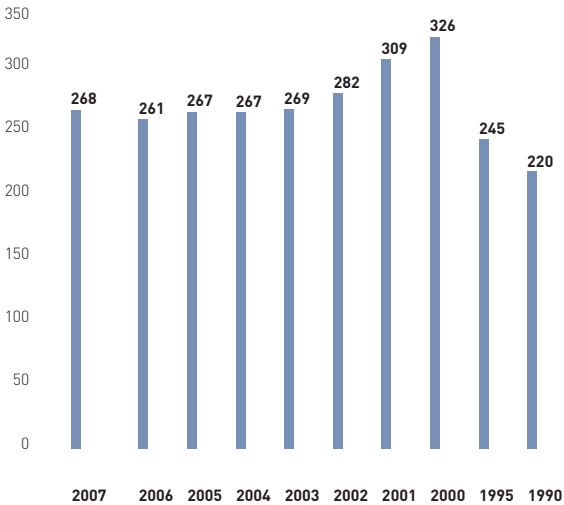
Passengers in millions



Aircraft movements

Year	Scheduled flights	Non-scheduled flights (charter)	General Aviation + others	Total
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
2007	215,774	7,971	44,731	268,476

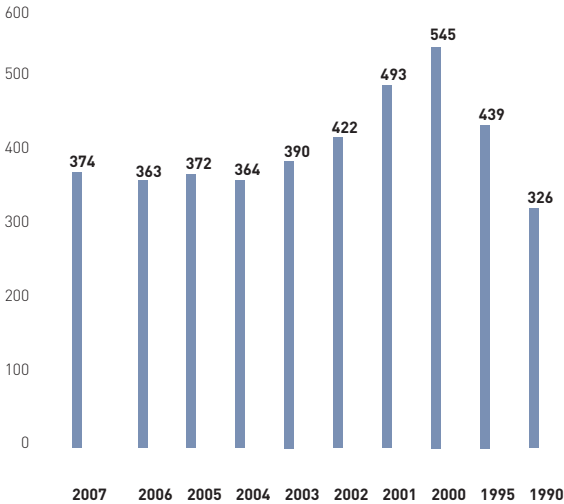
Movements in thousands



Freight

Year	Air freight	Road freight	Total
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
2007	264,615	109,649	374,264

Freight in thousand tonnes



Direct services from Zurich Airport

Scheduled flights

Europe	Hanover	Ohrid	Zadar	Bombay
Alicante	Helsinki	Olbia	Zagreb	Delhi
Amsterdam	Heraklion	Oslo	Zakynthos***	Hong Kong
Ankara	Ibiza	Palermo		Kuala Lumpur
Antalya	Istanbul Atatürk	Palma de Mallorca	Africa	Male***
Arrecife	Istanbul Gökçen*	Paris Charles de Gaulle	Agadir	Seoul
Athens	Izmir	Podgorica	Cairo	Singapore
Banja Luka	Jerez de la Frontera*	Porto	Casablanca	Tokyo
Barcelona	Jersey*	Prague	Dar es Saalam	
Bari	Kiev	Pristina	Djerba	Latin America
Basel	Kittila	Pula	Douala	Santiago
Belgrade	Kos***	Reykjavic	Hurghada ***	São Paulo
Berlin Tegel	Lamezia	Rhodes*	Johannesburg	
Birmingham	Larnaca	Riga	Luxor ***	North America
Bremen	Las Palmas	Rome Fiumicino	Malabo	Atlanta
Brindisi	Lisbon	Rostock	Marrakesh	Boston
Bristol**	Ljubljana	Rovaniemi	Marsa Alam***	Chicago
Brussels	London City	Saarmelleek*	Mauritius	Dallas**
Bucharest	London Gatwick	Salzburg*	Mombasa***	Los Angeles
Budapest	London Heathrow	Santiago de Compostela	Monastir***	Miami
Cagliari	London Luton	Sarajevo	Nairobi	Montreal
Catania	Lugano	Skiathos***	Sharm El Sheikh***	New York
Cologne	Luxembourg	Skopje	Tripoli	Newark
Copenhagen	Lyons	Sofia	Tunis	Philadelphia*
Dresden	Madrid	Split	Yaounde	San Francisco
Dublin	Malaga	Stockholm		Toronto
Duesseldorf	Manche	St. Petersburg	Near/Middle East	Washington
Edinburgh*	Manchester	Stuttgart	Amman	
Elba	Milan	Tenerife	Doha	
Faro***	Moscow Domodedovo	Thessaloniki	Dubai	
Frankfurt	Moscow Sheremetyevo	Thira*	Jeddah	
Fuerteventura	Muenster/Osnabrueck**	Tivat	Muscat	
Funchal	Munich	Valencia	Riyadh	
Geneva	Naples	Venice	Tel Aviv	
Gothenburg	Nice	Vienna		
Graz*	Niš	Vilnius*	Far East	
Hamburg	Nuremberg	Warsaw	Bangkok	

*) = destination commenced during 2007
 **) = destination ceased during 2007
 ***) = now scheduled service (previous year, charter)

Direct services from Zurich Airport

	Cities	Countries
Europe	108	36
Africa	20	10
Near/Middle East	7	6
Far East	9	8
Latin America	2	2
North America	13	2
Total	159	64

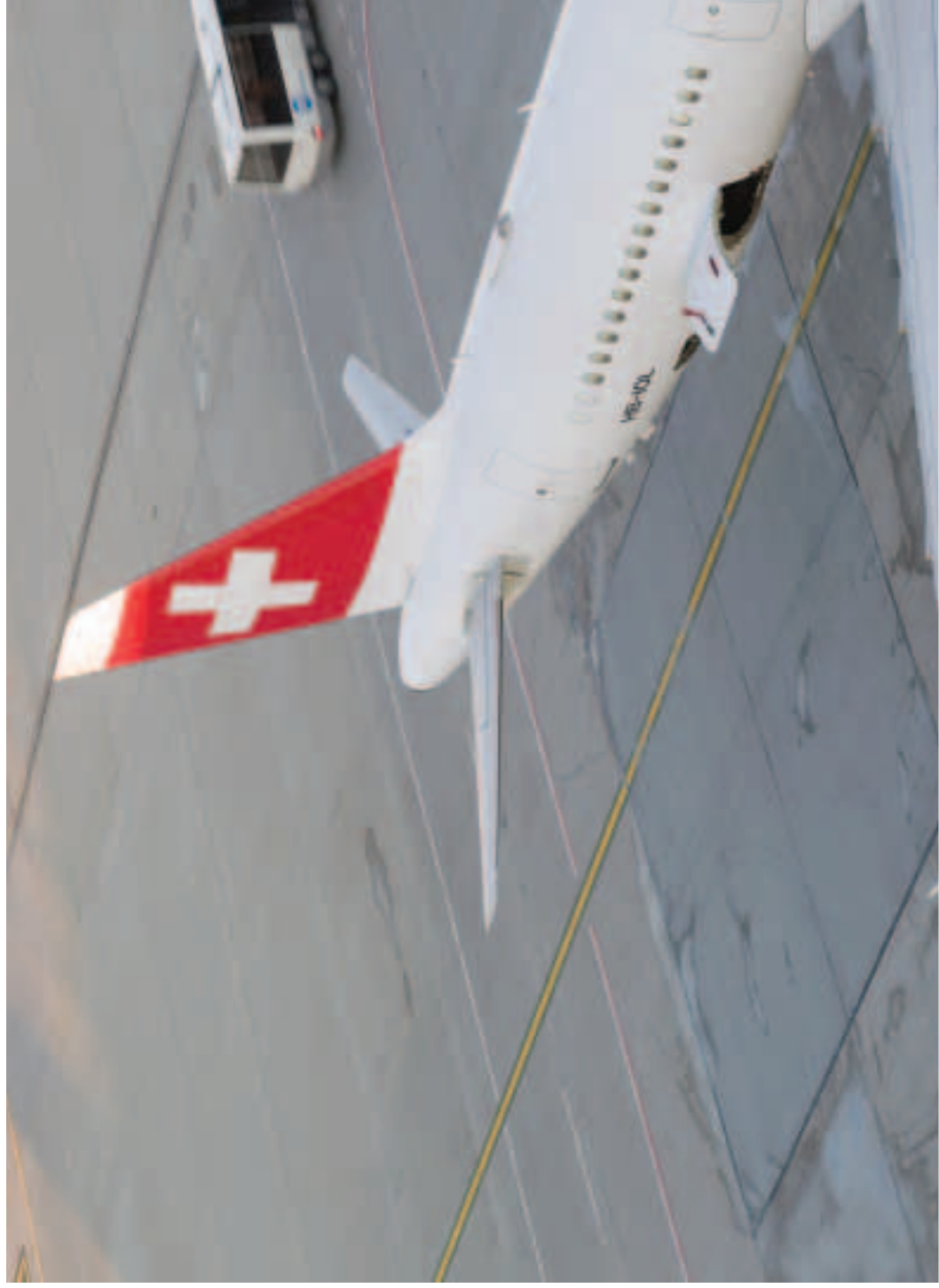
A day in the life of Zurich Airport

Zurich Airport is extensively networked at the international, national and regional levels, and is one of the most modern airports in Europe. The importance of foreign trade and the tourism industry for Switzerland, coupled with the attractive location of the airport in the heart of the country's business world and its ease of access by all forms of transport, are the ideal prerequisites for it to meet the varying mobility needs of the business world and society as a whole. Zurich is not only the country's largest and most important national airport, it is also a mirror image of present-day mobility requirements. The passenger volume and consumer frequencies are constantly increasing due to the growth in demand and the continued positive economic trend.

Zurich Airport is a transport hub that combines air travel with other means of public and private transport to form the most dense mobility network in the country.

Every day, Zurich Airport welcomes thousands of people from a variety of countries and cultures. Business travellers and tourists from Switzerland and abroad arrive at, depart from or transfer via Zurich Airport. Day after day, countless travellers and visitors use the transport hub and the wide-ranging shopping facilities and services here. A correspondingly large number of personnel are therefore required in order to handle the numerous processes at the airport and ensure that everything runs smoothly. In the following pages we take a brief look at a variety of people at Zurich Airport: passengers, customers, visitors, business partners and employees. The idea here is to illustrate the lively and varied nature of daily life at Zurich Airport.

8.50 a.m.



8.58 a.m.

159 destinations

Zurich Airport is Switzerland's gateway to the world, and the world's gateway to the Alps.

Zurich Airport is a major international hub. It offers services to 159 destinations in 64 countries, and it is a destination for a total of 100 airlines. The proportion of transfer passengers at Zurich Airport is 33.8 percent. The fact that Zurich is located in the heart of Europe at the foot of the Alps is a major advantage.

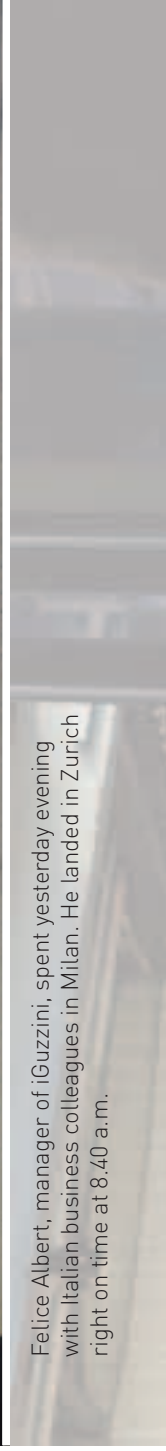
Zurich Airport is above all a European hub: 87 percent of the flights to and from here link Switzerland with European destinations, while the remaining 13 percent are intercontinental services, which link Zurich with 51 cities in 28 countries throughout the world.

Laila Pfenninger bids farewell to passengers. She'll be on duty on two more flights today.





9.06 a.m.



Felice Albert, manager of iGuzzini, spent yesterday evening with Italian business colleagues in Milan. He landed in Zurich right on time at 8.40 a.m.



At work within an hour

72 of Switzerland's biggest companies are located within a radius of 100 kilometres from Zurich Airport.

Numerous Swiss companies generate a large proportion of their revenue abroad, and many have international networks of subsidiaries and production companies. Direct flights to and from the world's most important business centres make Switzerland a more attractive location for foreign companies.

9.17 a.m.



His next appointment is in Lucerne at 11 a.m., so he needs the fastest possible connection.



Unbeatable transport capacity

No other location in Switzerland has such an immense transport capacity.

349 connections by rail and 661 by bus every day make Zurich Airport an extremely efficient transport hub. In addition to its unbeatable range of public transport services, its integration into the national railway network and its connection to a regional network with 13 bus services, Zurich Airport also has the largest parking infrastructure in Switzerland, with a total of 17,300 spaces. It is therefore also ideally equipped to meet the needs of motorists. Access to the airport by road could hardly be more convenient, with 3 motorway junctions within a radius of 6 kilometres, plus the airport's own exit and access roads.

9.34 a.m.



Today, like every day, Roger Berger uses public transport to get to his job as a freight handler at the airport. He's happy his shift today doesn't start too early.



399,607 tonnes of freight

The fastest and surest way for air freight and mail.

Switzerland produces high-quality goods and sells them all over the world. For example, the watchmaking industry exported goods worth a total of 15.9% million Swiss francs in 2007. Zurich Airport plays a major role in Switzerland's foreign trade. Last year, for example, it transported 374,264 tonnes of air freight. In terms of weight, goods exported from Switzerland via air freight only account for around 1 percent of the country's total exports, but in terms of value the figure is as high as 32 percent. On average, goods worth 243 million Swiss francs are handled at Zurich Airport every day, which translates into 88.7 billion Swiss francs a year.

Better safe than sorry: air freight is the preferred solution for transporting valuables such as bank notes, precious stones and precious metals. Zurich Airport is also an important player when it comes to mail services: in 2007, it transported a total of 25,343 tonnes of mail (letters, documents and parcels).

10.12 a.m.



A delivery of fish arrived by air freight just a few minutes ago. The fish were caught in the Atlantic, put on ice and packaged for fast delivery to Zurich.



Fresh every day

Large quantities of perishable goods are transported by air.

Nowadays, restaurants and retailers offer delicacies and specialities from all over the world, for example mangoes, pineapples and all sorts of exotic vegetables. Perishables account for 30 percent of the goods imported into Switzerland by air freight via Zurich Airport. These include foodstuffs such as fish, vegetables and fruits, as well as flowers and pharmaceutical products. In addition, in order to ensure that they arrive on time, items such as movies and newspapers also have to be imported by air.

10.45 a.m.



Roland Liebherr is on site to carefully check the consignment himself. He prepares a variety of Mediterranean specialities every day in his restaurant, which is suitably named "Italian".



More than 35 percent of visitors to Switzerland arrive by air

Tourism generates income and added value.

Switzerland is an extremely popular tourist destination. More than 35 percent of all visitors from abroad arrive here by air, and for the majority of them, Zurich Airport is their gateway to the main tourism centres. The tourism industry accounts for 6.2 percent of Switzerland's gross domestic product (30 billion Swiss francs). In 2007, tourists from abroad who travelled into and out of Switzerland via Zurich Airport spent a combined total of more than 2.8 billion Swiss francs.

12.35 p.m.



Shopping in Zurich can work up an appetite! For these young Chinese tourists, a light seafood dish is the perfect choice for lunch.





2.18 p.m.

Time for a final souvenir photo in front of Zurich's finest backdrop, its majestic lake, before transferring to Zurich Airport.



75,900 hellos and goodbyes

More and more passengers are using Zurich Airport.

In 2007, a total of 20.7 million passengers used Zurich Airport. For 13.6 million of them, Zurich was the starting point or destination of their trip. Almost 16 million used Zurich Airport for travelling to and from destinations within Europe. Slightly over 4.7 million came from or travelled to other continents. The average daily passenger volume in 2007 was 57,000, while the highest passenger frequency in a single day (75,900) was recorded on 28 July.

According to a demand forecast carried out in 2005 on behalf of the federal government, the passenger volume is expected to double by 2030. This will have an impact on employment: as a rule, 1,000 full-time jobs are created for every additional million passengers.



21,000 jobs

One of Switzerland's largest and most attractive places to work.

Zurich Airport is a major employer, not only for the region but also for the entire country. There can be few other places where so many different professions are brought together under one roof. The number of people working at Zurich Airport is higher than the population of some of Switzerland's towns, e.g. Zug or Frauenfeld. With a total of more than 21,000 employees working for the approximately 260 companies that are active at the airport, Zurich Airport is among the most important employers in the country.

4.04 p.m.

Hans Suter, Apron Control service manager, on his way back to the control tower after attending a meeting.



Source: Intraplan: Development of civil aviation in Switzerland up to 2030 – demand forecast (2005).

Sales amounting to 435 million Swiss francs

Third-largest shopping centre in Switzerland and a commercial centre of distinction.

The range of services, shops, bars and restaurants at Zurich Airport is being constantly expanded, and this means that sales figures, too, are increasing from year to year (for example, sales rose by 11 percent in 2007 versus 2006). The total sales figure for all businesses at Zurich Airport reached 435 million Swiss francs in 2007. Shopping at Zurich Airport is a major attraction for passengers: on average, each departing passenger spends 42 Swiss francs in the 101 shops at their disposal. And 41 different restaurants and bars serving foods and beverages from all over the world are available to choose from.



3.1 billion Swiss francs added value

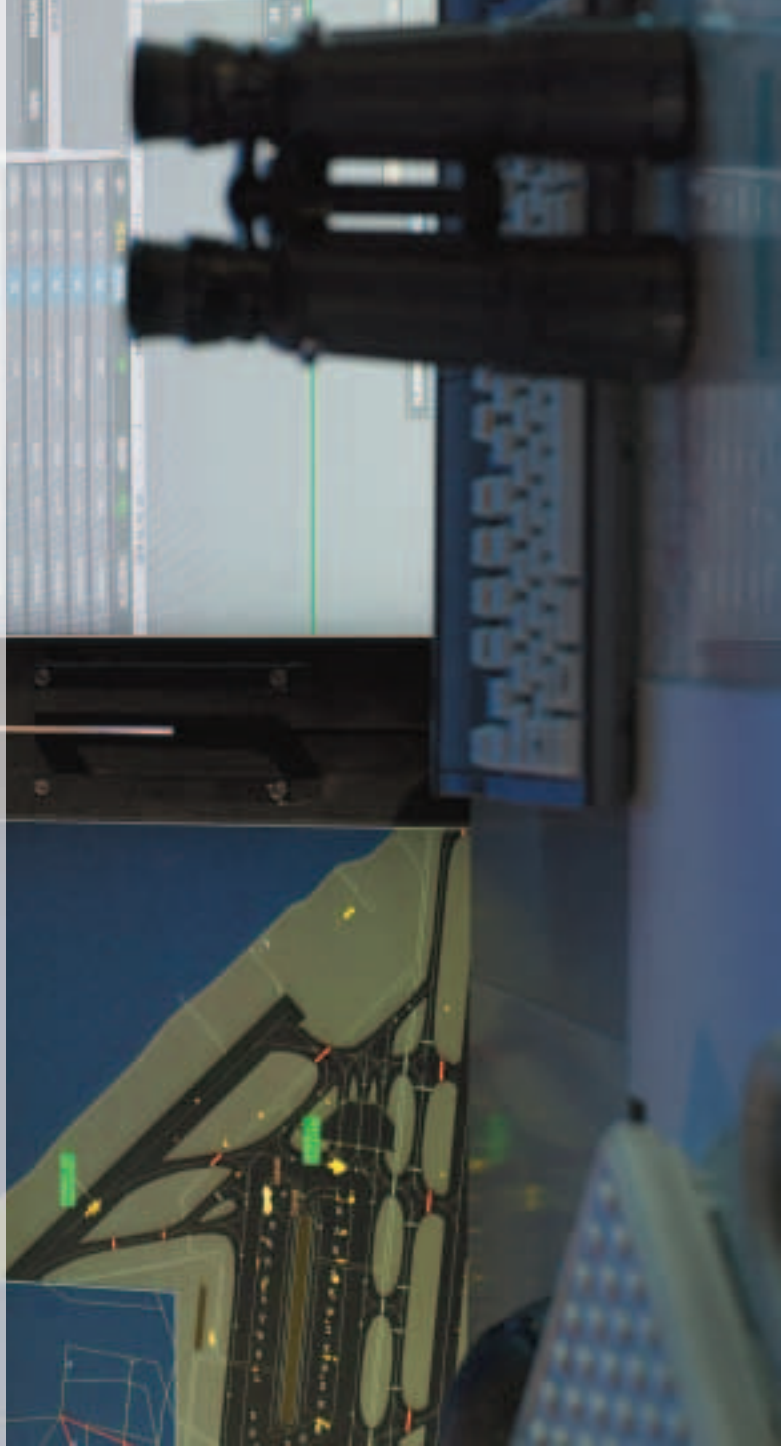
Driving force for the local and national economy and for Switzerland's neighbouring countries.

All the companies doing business at Zurich Airport generate a combined annual added value of 3.1 billion Swiss francs. By way of comparison, the annual income of the canton of Zurich is around 86 billion Swiss francs, so Zurich Airport's contribution to this figure is around 3.6 percent. Zurich Airport also generates indirect added value of 0.8 billion Swiss francs because many of the companies operating at the airport purchase goods and services from external suppliers. Plus, the fact that employees at the airport spend some of their salary on goods and services results in further added value amounting to 5.7 billion Swiss francs. This "induced effect" impacts on the whole country.

5.27 p.m.



Hans Suter and his staff of 22 co-ordinate the ground movements of aircraft that have just landed or are ready for departure. Up to 65 movements per hour have to be handled during peak times in the evening.



Sources: infras: The economic importance of civil aviation in Switzerland (2006)
Statistical Yearbook of the City of Zurich (2007)



10.23 p.m.

Things are quietening down now. Flight operations are about to come to a halt for the next few hours, until the first wave of early morning flights signals another busy day for Zurich Airport.



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Consolidated income statement for 2007 and 2006
(according to IFRS)

(CHF thousand)	Notes	2007	2006
Revenue from goods and services			
Revenue from aviation operations		495,981	444,238
Revenue from non-aviation operations		306,887	292,871
Total revenue	(1)	802,868	737,109
Depreciation and amortisation	(7)	(180,913)	(188,856)
Personnel expenses	(2)	(160,042)	(146,674)
Police and security		(108,538)	(82,907)
Maintenance and material		(47,727)	(45,966)
Sales, marketing, administration		(40,767)	(36,363)
Energy and waste		(20,806)	(22,506)
Other operating expenses	(3)	(19,095)	(21,441)
Other expenses/income, net	(4)	4,222	(2,980)
Profit from operations		229,202	189,416
Financial expenses	(5)	(81,056)	(95,826)
Financial income	(5)	16,467	16,150
Share of profit or loss of associates	(9)	864	(477)
Profit before tax		165,477	109,263
Income taxes	(6)	(34,802)	(21,815)
Profit		130,675	87,448
Basic earnings per share (in Swiss francs)	(14)	21.30	15.35
Diluted earnings per share (in Swiss francs)	(14)	21.28	15.34

**Consolidated balance sheet as of 31 December 2007 and 31 December 2006
(according to IFRS)**

(CHF thousand)	Notes	31.12.2007	31.12.2006
Assets			
Land	(7)	112,194	112,084
Buildings, engineering structures	(7)	2,318,889	2,452,402
Facilities in leasing	(7)	68,124	71,503
Projects in progress	(7)	103,508	33,112
Projects in progress in leasing	(7)	0	2,112
Movables	(7)	83,673	101,087
Total property, plant and equipment	(7)	2,686,388	2,772,300
Intangible assets	(7)	12,698	17,326
Intangible asset from right of formal expropriation	(7/16)	240	0
Investments in associates	(9)	17,352	9,663
Non-current financial assets of Airport of Zurich Noise Fund	(8)	126,067	112,927
Other financial assets	(10)	287	1,025
Non-current assets		2,843,032	2,913,241
Inventories		5,054	4,665
Current financial assets of Airport of Zurich Noise Fund ¹⁾	(8)	119,254	82,221
Trade receivables	(11)	115,624	109,729
Other receivables and prepaid expenses	(12)	15,028	15,402
Current tax assets		0	3,121
Cash and cash equivalents ¹⁾	(13)	82,356	42,562
Current assets		337,316	257,700
Total assets		3,180,348	3,170,941
Equity and liabilities			
Share capital	(14)	307,019	307,019
Own shares	(14)	(650)	(693)
Capital reserves		590,869	588,473
Hedging reserve, net		(52,105)	(81,683)
Fair value reserve, net		(2,919)	(1,386)
Translation reserve		(271)	(437)
Other retained earnings		531,441	419,171
Total equity		1,373,384	1,230,464
Debentures and non-current loans	(15)	1,127,787	1,219,436
Lease liabilities	(15)	68,122	72,063
Non-current provisions for sound insulation and formal expropriations	(16)	123,466	131,929
Deferred tax liabilities	(18)	94,354	68,416
Deferred revenue	(19)	0	10,016
Retirement benefit plans	(20)	2,918	2,253
Non-current liabilities		1,416,647	1,504,113
Trade payables		47,773	30,902
Current financial liabilities	(15)	45,276	122,477
Other current debt, accruals and deferrals	(21)	291,548	282,985
Current tax liabilities		4,591	0
Deferred revenue	(19)	1,129	0
Current liabilities		390,317	436,364
Total liabilities		1,806,964	1,940,477
Total equity and liabilities		3,180,348	3,170,941

¹⁾ Cash deposits of Airport of Zurich Noise Fund are now reported under current financial assets of Airport of Zurich Noise Fund. Prior-year figures have been restated for comparison purposes.

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

	Share capital	Own shares	Capital reserves	Hedging reserve, net	Fair value reserve, net	Translation reserve	Other retained earnings	Total equity
(CHF thousand)								
Balance at 31.12.2005	245,615	(1,735)	338,535	(112,874)	0	(168)	336,626	805,999
Adjustment of cross currency interest rate swaps to fair value ¹⁾				28,403				28,403
Cross currency interest rate swaps – transfer to income statement ¹⁾				2,788				2,788
Changes in fair value of available-for-sale securities					(1,386)			(1,386)
Foreign exchange differences						(269)		(269)
Income and expense recognised directly in equity	0	0	0	31,191	(1,386)	(269)	0	29,536
Profit							87,448	87,448
Total recognised income and expense	0	0	0	31,191	(1,386)	(269)	87,448	116,984
Dividends paid relating to the 2005 financial year							(4,903)	(4,903)
Share capital increase, nominal value ²⁾	61,404							61,404
Share capital increase, premium ²⁾			264,036					264,036
Share capital increase, transaction costs ²⁾			(15,120)					(15,120)
Purchase of own shares		(47,940)						(47,940)
Sale of own shares		48,027	359					48,386
Distribution of own shares		955	(412)					543
Share-based payments			1,075					1,075
Balance at 31.12.2006	307,019	(693)	588,473	(81,683)	(1,386)	(437)	419,171	1,230,464
Adjustment of cross currency interest rate swaps to fair value ¹⁾				24,602				24,602
Cross currency interest rate swaps – transfer to income statement ¹⁾				4,976				4,976
Changes in fair value of available-for-sale securities					(2,471)			(2,471)
Available-for-sale securities – transfer to income statement					938			938
Foreign exchange differences						166		166
Income and expense recognised directly in equity	0	0	0	29,578	(1,533)	166	0	28,210
Profit							130,675	130,675
Total recognised income and expense	0	0	0	29,578	(1,533)	166	130,675	158,885
Dividends paid relating to the 2006 financial year							(18,405)	(18,405)
Purchase of own shares		(215)						(215)
Distribution of own shares		258	(242)					16
Share-based payments			2,638					2,638
Balance at 31.12.2007	307,019	(650)	590,869	(52,105)	(2,919)	(271)	531,441	1,373,384

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

²⁾ 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.

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

Consolidated cash flow statement (according to IFRS)

(CHF thousand)	Notes	2007	2006
Profit from operations		229,202	189,416
Depreciation and amortisation of			
– Buildings and engineering structures	(7)	149,205	158,058
– Movables	(7)	18,627	18,093
– Intangible assets	(7)	8,208	10,327
– Facilities in leasing	(7)	5,668	5,399
Dissolution of government subsidies on buildings and engineering structures	(7)	(795)	(3,021)
Impairment losses on investments in associates	(9)	0	614
Losses from disposals of property, plant and equipment (net)	(4/7)	2,005	1,259
Share-based payments		2,654	1,618
Increase (–)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		(5,412)	(11,988)
Increase (+)/decrease (–) in current debt, excluding current financial liabilities		26,847	4,894
Increase (+)/decrease (–) in provisions for retirement benefit plans	(20)	665	449
Increase (+)/decrease (–) in other non-current borrowings, excluding financial liabilities	(19)	(10,016)	10,016
Total expenses for sound insulation and formal expropriations	(16)	(7,038)	(9,184)
Income taxes paid	(6)	(8,909)	(8,737)
Cash flow from operations		410,911	367,213
of which related to aircraft noise	(17)	50,705	36,922
Total cash flow from noise charges	(17)	57,743	46,106
Total cash flow from sound insulation and formal expropriations	(17)	(7,038)	(9,184)
Investments in property, plant and equipment, projects in progress	(7)	(109,107)	(96,651)
Disposals of property, plant and equipment			
– Buildings and engineering structures	(7)	0	1,187
– Movables	(7)	12,808	31
– Land	(7)	0	748
Cash flow from reduction of capital in subsidiary	(9)	0	547
Capital contributions paid to associates	(9)	(6,658)	(4,854)
Investments in non-current financial assets of Airport of Zurich Noise Fund	(8)	(134,506)	(114,313)
Disposals of other financial assets	(10)	735	15,765
Investments in current financial assets of Airport of Zurich Noise Fund	(8)	0	(62,321)
Disposals of current financial assets of Airport of Zurich Noise Fund	(8)	81,900	0
Interest received	(5)	7,489	1,089
Cash flow from investing activities		(147,339)	(258,772)
of which related to aircraft noise	(8)	(52,606)	(176,634)
Total non-current financial assets of Airport of Zurich Noise Fund	(8)	(134,506)	(114,313)
Total current financial assets of Airport of Zurich Noise Fund	(8)	81,900	(62,321)
Redemption of outstanding debentures	(15)	(75,000)	(90,000)
Repayment of liabilities towards banks arising from US car park lease	(15)	(47,422)	(45,865)
Repayment of lease liabilities	(15)	(4,308)	(4,358)
Repayment of loan from Canton of Zurich	(15)	0	(300,000)
Issue of new debenture	(15)	0	148,540
Repayment to Zurich Airport Staff Pension Fund	(12)	(3)	(32)
Payment of dividend for the 2006/2005 financial years		(18,405)	(4,903)
Share capital increase, nominal value		0	61,404
Share capital increase, premium		0	264,036
Share capital increase, transaction costs		0	(15,120)
Purchase of own shares		(215)	(47,940)
Sale of own shares		0	48,386
Interest paid	(5)	(78,813)	(96,962)
Capitalised borrowing costs	(5)	388	98
Cash flow from financing activities		(223,778)	(82,716)
Increase in cash and cash equivalents	(13)	39,794	25,725
Balance at beginning of financial year	(13)	42,562	16,837
Increase in cash and cash equivalents	(13)	39,794	25,725
Balance at end of financial year	(13)	82,356	42,562
Composition of cash and cash equivalents ¹⁾			
Cash on hand	(13)	134	169
Cash at banks and in postal cheque accounts	(13)	30,896	9,674
Fixed deposits and call deposits	(13)	46,000	31,000
Collateral	(13)	5,326	1,719
Balance at end of financial year	(13)	82,356	42,562
of which included in Airport of Zurich Noise Fund	(17)	2,620	678
Cash at banks and in postal cheque accounts	(17)	2,620	678

¹⁾ Cash deposits of Airport of Zurich Noise Fund are now reported under current financial assets of Airport of Zurich Noise Fund. Prior-year figures have been restated for comparison purposes.

Notes

Segment reporting for 2007 and 2006 (according to IFRS)

New sub-segment: aviation security

This sub-segment was created in order to report in as transparent a manner as possible on the use of security charges, and is included in the 2007 annual report for the first time. It covers the installation, operation and maintenance of security infrastructure and all processes of direct relevance to security. This includes all systems

and their operation and maintenance designed to prevent actions of any kind that affect the security of commercial civil aviation, in particular facilities for the control of passengers, personnel, hand luggage, checked-in baggage and freight. Furthermore, it reports on the costs associated with all other duties performed by the airport police, including surveillance operations, protection of airlines and persons at special risk, operation of a control centre, training of personnel and other tasks relating to security. The security charges collected from passengers are the source of revenue for covering the costs incurred in this sub-segment.

(CHF million)	Aviation flight operations		Aviation security		Aviation aircraft noise		Non-Aviation		Eliminations		Consolidated	
	2007	2006 ¹⁾	2007	2006 ¹⁾	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from third parties	318.7	300.9	119.0	89.3	58.3	54.0	306.9	292.8			802.9	737.1
Inter-segment revenue	10.1	9.9					125.3	125.8	(135.3)	(135.7)	0.0	0.0
Total revenue	328.8	310.7	119.0	89.3	58.3	54.0	432.5	418.6	(135.3)	(135.7)	802.9	737.1
Segment result	19.6	10.3	(14.3)	(17.9)	54.3	50.2	169.6	146.9			229.2	189.4
Unallocated expenses											0.0	0.0
Profit from operations											229.2	189.4
Financial expenses	(3.0)	(2.2)			(1.5)	(4.9)	(12.4)	(13.0)			(16.8)	(20.0)
Unallocated financial expenses											(63.8)	(75.7)
Financial income					7.9	2.6					7.9	2.6
Unallocated financial income											8.2	13.5
Share of profit or loss of associates	0.9	(0.5)									0.9	(0.5)
Unallocated income taxes											(34.8)	(21.8)
Profit											130.7	87.4
Tangible and intangible assets	862.9	876.6	30.6	29.5	2.0	1.7	1,803.8	1,881.9			2,699.3	2,789.6
Financial assets	0.3	1.0			126.1	112.9					126.4	113.9
Investments in associates	17.4	9.7									17.4	9.7
Current financial assets and cash and cash equivalents					121.9	82.9					121.9	82.9
Total segment assets	880.5	887.3	30.6	29.5	249.9	197.5	1,803.8	1,881.9			2,964.9	2,996.1
Unallocated current financial assets and cash and cash equivalents											79.7	41.9
Unallocated other assets											135.7	132.9
Consolidated assets											3,180.3	3,170.9
Total segment liabilities	72.5	76.7			123.5	131.9	218.1	280.6			414.1	489.1
Unallocated liabilities											1,392.9	1,451.3
Consolidated liabilities											1,807.0	1,940.5
Capital expenditure	44.8	30.0	4.4	4.6	135.1	114.7	63.5	69.4			247.7	218.7
Depreciation and amortisation	50.7	51.9	4.7	3.2	0.1	0.1	125.4	133.6			180.9	188.9
Other non-cash expenses					0.0	4.0					0.0	4.0
Number of employees (full-time positions) as of 31 December	585	573	11	13	12	10	711	694			1,319	1,290

¹⁾ Prior-year figures have been restated for comparison purposes.

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

Accounting policies

General remarks

The operating licence awarded by the federal government authorises and obliges the airport operator, Flughafen Zürich AG, to operate Zurich Airport until 2051. In addition to combining transport services by road, rail and air, Flughafen Zürich AG also operates Zurich Airport as a shopping, entertainment and services centre. Please refer to "Segment reporting" for more detailed information.

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, financial investments of the Airport of Zurich Noise Fund that are classified as available for sale, and 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 2006, the International Accounting Standards Board (IASB) published IFRS 7 "Financial Instruments: Disclosures" and a revised version of IAS 1 "Presentation of Financial Statements: Capital Disclosures". The IASB also issued the following interpretations: IFRIC 7 "Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies", IFRIC 8 "Scope of IFRS 2" and IFRIC 10 "Interim Financial Reporting and Impairment".

These standards and interpretations have to be used for the first time in the 2007 annual report. As already explained in the 2006 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. IFRS 7 and revised IAS 1 only had an impact on the disclosures given.

Introduction of new standards in 2008, 2009 and 2010

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
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions	*	1 March 2007	Reporting year 2008
IFRIC 12 – Service Concession Arrangements	*	1 January 2008	Reporting year 2008
IFRIC 14 IAS 19 – The Limit of Defined Benefit Assets, Minimum Funding Requirements and their Interaction	*	1 January 2008	Reporting year 2008
IFRIC 13 – Customer Loyalty Programmes	**	1 July 2008	Reporting year 2009
IAS 1 (revised) – Presentation of Financial Statements	**	1 January 2009	Reporting year 2009
IAS 23 (revised) – Borrowing Costs	***	1 January 2009	Reporting year 2009
IFRS 8 – Operating Segments	**	1 January 2009	Reporting year 2009
IFRS 3 (revised) – Business Combinations	***	1 July 2009	Reporting year 2010
IAS 27 (amended) – Consolidated and Separate Financial Statements	***	1 July 2009	Reporting year 2010

* 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 substantially transfer all the risks and rewards of ownership 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, gains on/losses from the disposal of financial assets classified as available for sale, impairment losses on financial assets 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 value of these plots of land is recorded in the balance sheet at 100 million Swiss francs. This valuation was applied once at the time of privatisation as the basis for the estimated acquisition costs.

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. Upon initial recognition, they are measured at fair value plus directly attributable transaction costs. The securities are subsequently also measured at fair value with any resultant gain or loss being recognised directly in equity (in the fair value reserve, net), 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 an impairment allowance. The impairment allowance comprises individual adjustments of specifically identified positions for which there is objective evidence that the outstanding amount will not be recovered in full, and collective adjustments of groups of receivables with a similar risk profile. Collective impairment losses relate to losses that have been incurred but for which the precise amounts are not yet known. They are based on historical data for payment statistics for receivables.

As soon as there is sufficient evidence that a receivable will not be recoverable, it is directly written off or offset against the corresponding allowance.

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 other assets (excluding financial instruments) 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. The recoverable amount of receivables and loans is equivalent to the present value of the estimated future cash flows. 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 66,000 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 100.74 percent as of 31 December 2007 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 as primary segments, which correspond to the functions of Operations and Marketing & Real Estate respectively, and thus to the internal reporting structure. A new sub-

segment devoted solely to aviation security was created in 2007 in order to report in as transparent a manner as possible on the use of security charges, and it is included in the 2007 annual report for the first time. Flughafen Zürich AG provides practically all its services within Switzerland. During 2007, it provided external consulting services worth 2.7 million Swiss francs (2006: 1.6 million). As engagements abroad are negligible, a breakdown by geographical region has not been undertaken.

Aviation: flight operations

This sub-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, and safety. The main sources of income within flight operations 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.

Aviation: security

This sub-segment was created in order to report in as transparent a manner as possible on the use of security charges, and it is included in the 2007 annual report for the first time. It covers the installation, operation and maintenance of security infrastructure and all processes of direct relevance to security. This includes all systems and their operation and maintenance designed to prevent actions of any kind that affect the security of commercial civil aviation, in particular facilities for the control of passengers, personnel, hand luggage, checked-in baggage and freight. Furthermore, it reports on the costs associated with all other duties performed by the airport police, including surveillance operations, protection of airlines and persons at special risk, operation of a control centre, training of personnel and other tasks relating to security. The security charges collected from passengers are the source of revenue for covering the costs incurred in this sub-segment.

Aviation: aircraft noise

All income and expenses associated with aircraft noise are reported separately in this sub-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 derecognised 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 segments 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. Support functions are also allocated to Non-Aviation as primary segment, and then offset accordingly.

Principles of segment reporting

Assets and liabilities are allocated to the respective segments if they are either directly attributable to them or can reasonably be allocated to them. Wherever possible, financial instruments (including cash and cash equivalents and interest-bearing debt) are allocated directly to the segments. Most of the clients and suppliers of Flughafen Zürich AG maintain business relationships with all the segments. Debt allocated to the individual segments is limited to liabilities associated with noise-related costs belonging to the aircraft noise sub-segment, and to financial liabilities that can be directly allocated to individual segments. Most of the inter-segment revenue comprises offset rental costs from Non-Aviation for premises required for activities in Aviation. 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 units using the facilities. Full-time employees are allocated among the 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 2.8 billion Swiss francs. If there is any indication that these assets are impaired, their recoverable amount is estimated (impairment test); impairment tests are carried out as a matter of course at least once per year. 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. 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").

1. 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.

2. 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.

3. 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:

- Zurich aircraft noise index (Zürcher Fluglärmindex or "ZFI+")
- SIL process (Civil Aviation Infrastructure Plan)
- Rulings by the supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany.

4. 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.

5. 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.

6. 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.

In 2007, the parties involved in 18 pilot cases in the municipality of Opfikon appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. In the 2007 consolidated financial statements, this compensation has already been recognised through capitalisation as an intangible asset at present value, and simultaneous recognition as a provision as of 31 December 2007. From 1 January 2008, the intangible asset will be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051). On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see note 22.8, "Events occurring after the balance sheet date").

As of 31 December 2007, Flughafen Zürich AG had capitalised costs of 0.2 million Swiss francs for formal expropriations as an intangible asset and a provision respectively, and had recognised a provision of 123.2 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 did not change in the year under review.

Consolidated income statement

1) Revenue from goods and services

(CHF thousand)		2007	2006
Passenger fees	167,881		157,640
Landing fees	74,580		71,550
Baggage sorting and handling system	24,684		22,806
Other earnings	14,344		13,956
Aircraft energy supply system	10,564		9,766
Freight revenue	8,257		7,672
Fuel charges	6,201		6,039
Parking fees	4,780		4,658
CUTE charges (check-in system for handling agents)	4,565		4,813
Emission fees	2,808		2,855
Bad debt write-offs	41		(884)
Total revenue from Aviation: flight operations		318,705	300,871
Security fees	117,936		88,314
Refund of security costs	1,062		1,030
Total revenue from Aviation: security		118,998	89,344
Noise charges	58,278		54,023
Total revenue from Aviation: aircraft noise		58,278	54,023
Total revenue from Aviation segment		495,981	444,238
Retail outlets and duty-free shops	71,355		62,815
Revenue from multi-storey car parks	61,596		58,197
Advertising media and promotion	12,410		11,323
Other licence revenue (car rentals, taxis, banks, etc.)	11,734		10,676
Food and beverage operations	10,171		9,855
Total commercial revenue		167,266	152,866
Revenue from rental and leasing agreements	78,073		81,036
Energy and incidental cost allocation	20,258		22,224
Cleaning	3,259		3,267
Other services revenue	2,858		1,281
Trade fairs and events	2,695		2,754
Total revenue from facility management		107,143	110,562
Communication services	10,584		9,853
Passenger services	7,532		6,157
Other services and miscellaneous	5,154		4,151
Conference Center	5,150		4,356
Capitalised expenditure ¹⁾	4,261		5,110
Bad debt write-offs	(203)		(184)
Total revenue from services		32,478	29,443
Total revenue from Non-Aviation segment		306,887	292,871
Total revenue		802,868	737,109

¹⁾ 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)	2007	2006
Wages and salaries	125,738	114,846
Pension costs		
for defined benefit plans ¹⁾	92	70
for defined contribution plans	10,693	10,034
Social security contributions	14,261	12,914
Other personnel expenses	9,258	8,810
Total personnel expenses	160,042	146,674
Average number of employees (full-time positions)	1,309	1,283
No. of employees as of 31 December (full-time positions)	1,319	1,290
Average personnel expense per position	121	114

¹⁾ 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, 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 a given 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	2007 CHF thousand	2006 CHF thousand	2006 Number of shares	2006 Average value per share
Personnel	44	36	126	290.41
Members of the Management Board	1,865	302	986	494.75
Middle management personnel	645	494	793	494.75
Adjustment of share price in subsequent year to market price ¹¹	84	243		
Total	2,638	1,075	1,905	481.23

¹¹ The value of the shares comprising the bonus for the 2006 financial year was 0.08 million Swiss francs higher in April 2007 (grant date) than the amount accrued for the bonus for the 2006 financial year as of year-end (best assessment).

The bonus for the 2007 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 5,424 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)	2007	2006
Insurance	5,078	5,783
Rental and land leases	4,135	3,895
CUTE charges (check-in system for handling agents)	2,914	4,347
Cleaning by external contractors, incl. snow clearing	2,295	2,809
Additional operating costs	2,165	2,198
Communication costs	2,109	1,991
Passenger services	399	418
Total other operating expenses	19,095	21,441

4) Other expenses/income, net

(CHF thousand)	2007	2006
Other income	6,600	1,388
Other expenses	(2,378)	(4,368)
Total other expenses/income, net	4,222	(2,980)

Other income includes:

2007: 6.4 million Swiss francs from release of deferred revenue relating to utilisation fees (see note 19, "Deferred revenue").

2006: 0.2 million Swiss francs in income from trade receivables that had already been written off in preceding years.

Other expenses include:

2007: 2.0 million Swiss francs from losses on disposals of non-current assets.

2006: 1.2 million Swiss francs from losses on disposals of non-current assets.

5) Financial result

(CHF thousand)	2007	2006
Interest expenses on debentures and non-current loans	65,714	73,382
Less capitalised interest on borrowings for buildings under construction	(388)	(98)
Net interest expenses on debentures and non-current loans	65,326	73,284
Interest expenses on finance lease payments	2,966	2,212
Unwinding of financial liabilities	2,554	2,362
Other interest expenses	8	36
Interest expenses on bank loans	0	431
Total interest expenses	70,854	78,325
Interest difference related to interest rate swap	6,720	9,744
Other financial expenses	3,437	3,634
Foreign exchange losses	45	101
Unwinding of discount on non-current provisions for sound insulation and formal expropriations ¹⁾	0	4,022
Financial expenses	81,056	95,826
Interest income on financial assets of Airport of Zurich Noise Fund	(5,286)	(2,572)
Interest income on postal cheque accounts and bank deposits/loans	(2,435)	(920)
Interest on arrears	(18)	(40)
Total interest income	(7,739)	(3,532)
Gain from trading in derivatives (change in fair value of interest rate swap)	(6,993)	(12,515)
Interest income on unwinding of discount on non-current provisions for sound insulation and formal expropriations ¹⁾	(1,665)	0
Foreign exchange gains	(60)	(100)
Financial income	(10)	(3)
Financial income	(16,467)	(16,150)
Total financial result	64,589	79,676

¹⁾ In the year under review, a reassessment was made of the anticipated cash outflows for sound insulation measures up to the end of 2015, which results in interest income from the unwinding of the discount on non-current provisions for sound insulation (see note 16, "Non-current provisions for sound insulation and formal expropriations").

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.41 percent in 2007 and 5.63 percent in 2006.

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 (gain from trading in derivatives, 7 million Swiss francs in 2007 and 12.5 million Swiss francs in 2006) are recognised in the income statement.

6) Income taxes

(CHF thousand)	2007	2006
Current period	16,837	8,289
Adjustment for prior periods	(111)	(1,932)
Total current income taxes	16,726	6,357
Deferred tax on changes in temporary differences	17,888	15,410
Waiver of capitalisation of deferred taxes on losses	188	48
Total deferred income taxes	18,076	15,458
Total income taxes	34,802	21,815

Taxes can be analysed as follows:

(CHF thousand)	2007	2006
Profit before tax	165,477	109,263
Tax expense at anticipated tax rate ¹⁾	34,750	22,945
Waiver of capitalisation of deferred taxes on losses	188	48
Elimination of tax accruals from previous years	(111)	(1,932)
Miscellaneous transitory items	(25)	849
Tax effect on own shares	0	(95)
Total income taxes	34,802	21,815

¹⁾ 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	Intangible assets	Intangible asset from right of formal expropriation	Investments in associates	Non-current financial assets of Airport of Zurich Noise Fund	Other financial assets	Goodwill	Total
Cost															
Closing balance sheet as of 31.12.2005	112.3	1,251.6	3,553.6	87.5	40.0	1.2	220.3	5,266.5	71.8	0.0	6.1	0.0	16.8	0.2	5,361.4
Additions					97.0	2.7		99.7			4.7	114.3			218.7
Disposals	(0.7)		(7.2)				(6.4)	(14.3)			(1.0)		(15.8)		(31.2)
Transfers	0.5	31.9	46.7	1.8	(103.8)	(1.8)	22.0	(2.7)	2.7						0.0
Foreign exchange differences											(0.2)				(0.2)
Closing balance sheet as of 31.12.2006	112.1	1,283.5	3,593.1	89.3	33.2	2.1	235.9	5,349.2	74.4	0.0	9.7	114.3	1.0	0.2	5,548.8
Additions					105.3	0.2		105.4		0.2	7.5	134.5			247.7
Disposals		(0.1)	(7.2)				(35.5)	(42.8)	(1.9)				(0.7)		(45.5)
Reclassification												(119.8)			(119.8)
Transfers	0.1	3.4	14.5	2.3	(34.9)	(2.3)	13.0	(4.0)	4.0						0.0
Foreign exchange differences											0.2				0.2
Closing balance sheet as of 31.12.2007	112.2	1,286.8	3,600.4	91.6	103.5	0.0	213.3	5,407.9	76.4	0.2	17.4	129.0	0.3	0.2	5,631.4
Depreciation/amortisation and impairment losses															
Closing balance sheet as of 31.12.2005	0.0	515.7	1,749.6	12.4	0.0	0.0	122.3	2,400.0	46.8	0.0	0.0	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)
Closing balance sheet as of 31.12.2006	0.0	555.1	1,862.7	17.8	0.0	0.0	134.8	2,570.3	57.1	0.0	0.0	1.4	0.0	0.2	2,629.0
Additions		39.0	110.2	5.7			18.6	173.5	8.2						181.7
Changes in fair value												1.5			1.5
Disposals			(4.1)				(23.8)	(28.0)	(1.6)						(29.6)
Closing balance sheet as of 31.12.2007	0.0	594.1	1,968.7	23.5	0.0	0.0	129.6	2,715.8	63.7	0.0	0.0	2.9	0.0	0.2	2,782.5
Government subsidies and grants															
Closing balance sheet as of 31.12.2005	0.0	0.4	9.0	0.0	0.0	0.0	0.0	9.4	0.0		0.0		0.0	0.0	9.4
Dissolutions		(0.2)	(2.9)					(3.0)							(3.0)
Closing balance sheet as of 31.12.2006	0.0	0.2	6.1	0.0	0.0	0.0	0.0	6.4	0.0		0.0		0.0	0.0	6.4
Dissolutions		(0.1)	(0.7)					(0.8)							(0.8)
Closing balance sheet as of 31.12.2007	0.0	0.1	5.4	0.0	0.0	0.0	0.0	5.6	0.0		0.0		0.0	0.0	5.6
Net carrying amount as of 31.12.2005	112.3	735.5	1,795.0	75.1	39.9	1.2	98.1	2,857.1	25.0	0.0	6.1	0.0	16.8	0.0	2,905.0
Net carrying amount as of 31.12.2006	112.1	728.1	1,724.3	71.5	33.1	2.1	101.1	2,772.3	17.3	0.0	9.7	112.9	1.0	0.0	2,913.2
Net carrying amount as of 31.12.2007	112.2	692.6	1,626.3	68.1	103.5	0.0	83.7	2,686.3	12.7	0.2	17.4	126.1	0.3	0.0	2,843.0

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

Leasing transaction with a US trust concerning multi-storey car parks 1, 2, 3 and 6

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 2007 of 165.9 million Swiss francs (31 December 2006: 172.2 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 eighth 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), 31 July 2006 (0.6 million Swiss francs) and 31 January 2007 (2.3 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.

Intangible asset from right of formal expropriation

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.

In 2007, the parties involved in 18 pilot cases in the municipality of Opfikon appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. In the 2007 consolidated financial statements, this compensation has already been recognised through capitalisation as an intangible asset at present value, and simultaneous recognition as a provision as of 31 December 2007. From 1 January 2008, the intangible asset will be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051). On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see note 22.8, "Events occurring after the balance sheet date").

As of 31 December 2007, Flughafen Zürich AG had capitalised costs of 0.2 million Swiss francs for formal expropriations as an intangible asset and a provision respectively, and had recognised a provision of 123.2 million Swiss francs for sound insulation measures (see note 16, "Non-current provisions for sound insulation and formal expropriations").

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 2007 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 infrastructure will secure both the present-day quality standard and ensure compliance with the existing EU compatibility requirements.

Depreciation and amortisation

Dissolutions of government subsidies and grants amounting to 0.8 million Swiss francs were offset against depreciation and amortisation totalling 181.7 million Swiss francs.

8) Financial assets of Airport of Zurich Noise Fund

(CHF thousand)	31.12.2007	31.12.2006
Non-current available-for-sale securities	126,067	112,927
Current available-for-sale securities	119,254	82,221
Total financial assets of Airport of Zurich Noise Fund	245,321	195,148
Of which interest-bearing debt instruments	245,321	195,148
Of which shares	0	0

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 12, "Other receivables and prepaid expenses" and note 17, "Airport of Zurich Noise Fund").

These funds are managed by professional investment institutions on the basis of a conservative, money-market-oriented investment strategy (see note 5, "Financial result" and note 22.1, "Financial risk management, a) General remarks, i) Credit risk").

9) Investments in associates

(CHF thousand)		31.12.2007	31.12.2006
Bangalore International Airport Ltd., India, equity share 17%, nom. share capital INR 4,426 million ¹⁾	15,865		9,206
Foreign exchange differences, previous years	(16)		(16)
Foreign exchange differences, 2006	(246)		(246)
Foreign exchange differences, 2007	210	15,813	8,944
Unique Chile S.A., Chile, equity share 48%, nom. share capital CLP 253 million	571		571
Contribution to 2005 profit	12		12
Contribution to 2006 profit	36		36
Foreign exchange differences, 2006	(22)		(22)
Contribution to 2007 profit	508		
Foreign exchange differences, 2007	(42)	1,063	597
Administradora Unique IDC C.A., Venezuela, equity share 49.5%, nom. share capital VEB 25 million ²⁾	2		2
Contribution to 2004 profit	384		384
Contribution to 2005 profit	227		227
Contribution to 2006 profit	0		0
Impairment loss 2006	(613)	0	(613)
Aeropuertos Asociados de Venezuela C.A., Venezuela, equity share 49.5%, nom. share capital VEB 10 million ²⁾	1		1
Impairment loss 2006	(1)	0	(1)
Unique IDC S.A. de C.V., Honduras, equity share 49.5%, nom. share capital HNL 40,000 ³⁾	3		3
Contribution to 2006 profit	76		76
Foreign exchange differences, 2006	0		0
Contribution to 2007 profit	135		
Foreign exchange differences, 2007	0	214	79
Unique IDC Colombia S.A., Colombia, equity share 49.5%, nom. share capital COP 100 million ⁴⁾	18		18
Contribution to 2006 profit	25		25
Foreign exchange differences, 2006	0		0
Contribution to 2007 profit	221		
Foreign exchange differences, 2007	(2)	262	43
Total investments in associates		17,352	9,663

¹⁾ Flughafen Zürich AG holds 17 percent of the share capital in Bangalore International Airport Ltd. (BIAL). Since Flughafen Zürich AG is able to exercise significant influence over BIAL due to its involvement in executive and supervisory bodies, participation in decision-making processes, exchange of management personnel and provision of important know-how, the investment is accounted for using the equity method. BIAL decided to carry out a capital increase in order to finance various expansion projects, and Flughafen Zürich AG has again subscribed 17 percent (approximately 2.8 million Swiss francs, see note 22.3, "Capital commitments"). As of 31 December 2007, Flughafen Zürich AG provided a bank guarantee to BIAL in the amount of 1.5 million Swiss francs or INR 51.4 million (31 December 2006: 6.4 million, or INR 231.2 million) (see note 22.3, "Capital commitments").

²⁾ Due to the continued intervention by the local government concerning the airport on Isla de Margarita, figures for the 2007 financial year are not available (as was the case in 2006). 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 2006 the governor of Nueva Esparta expropriated this airport for a second time, and since then it has been operated by a "junta interventora" under the supervision of the Venezuelan federal high court. At the same time, legal proceedings were initiated for the purpose of clarifying whether the governor's withdrawal of the operating licence was lawful. The company has been waiting for the final ruling on this matter by the Venezuelan high court since autumn 2007. The indications are that the ruling will go in favour of Flughafen Zürich AG. It is therefore hoped that this matter will be definitively resolved in the course of 2008.

³⁾ 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.

⁴⁾ On 20 January 2007, the OPAIN S.A. consortium, in which Flughafen Zürich AG is involved on the basis of a management agreement, commenced operation of the El Dorado airport in Bogotá. The operating licence 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".

Key financial data relating to associates (100 percent), excluding BIAL, since this company only becomes operative when the airport is opened on 30 March 2008:

(CHF thousand)	31.12.2007	31.12.2006
Assets	4,874	4,147
Liabilities	[963]	[1,443]
Total revenue	4,780	2,406
Result	1,018	229

10) Other financial assets

(CHF thousand)	31.12.2007	31.12.2006
Loan to Swissport Zürich AG	287	593
Loan to third-party shareholders in Unique Chile S.A.	0	432
Total other financial assets	287	1,025

11) Trade receivables

(CHF thousand)	31.12.2007	31.12.2006
Trade receivables ¹⁾	116,421	110,481
Impairment allowance	[797]	[752]
Total trade receivables, net	115,624	109,729

¹⁾ Trade receivables include an amount of 42 million Swiss francs due from Swiss International Air Lines Ltd. (2006: 35.4 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, a) General remarks, i) Credit risk"). In the period between balance sheet date and the preparation of the 2007 annual report, Swiss paid the outstanding amount in full as of 31 December 2007.

Geographical distribution of trade receivables:

(CHF thousand)	31.12.2007	31.12.2006
Switzerland	105,324	100,485
Europe	10,985	9,884
South America	112	112
Total trade receivables	116,421	110,481

Classification of receivables (not individually impaired) by due date as of balance sheet date:

(CHF thousand)	Gross 31.12.2007	Collective allowance 31.12.2007	Gross 31.12.2006	Collective allowance 31.12.2006
Not past due	113,039	[551]	100,223	[466]
Past due, 0 to 30 days	1,795	[9]	6,332	[30]
Past due, 31 to 60 days	261	[1]	1,423	[7]
Past due, more than 61 days	1,326	[6]	2,503	[12]
Total	116,421	[567]	110,481	[515]

During the year under review, the change in the impairment allowance was as follows:

(CHF thousand)	Individual allowance		Collective allowance		Total allowance	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Status as of 1 January	[237]	[210]	[515]	[470]	[752]	[680]
Change	7	[27]	[52]	[45]	[45]	[72]
Status as of 31 December	[230]	[237]	[567]	[515]	[797]	[752]

In almost all cases, receivables not past due concern long-standing client relationships. Based on previous experience, Flughafen Zürich AG does not anticipate any additional impairment allowance.

12) Other receivables and prepaid expenses

(CHF thousand)	31.12.2007	31.12.2006
Services not yet invoiced	5,283	7,172
Accrued interest on debt instruments, Airport of Zurich Noise Fund	3,515	2,444
Accrued expenses	1,326	790
Accrued interest on other debt instruments	139	31
Prepaid expenses and accruals	10,263	10,437
Tax receivables (VAT/withholding tax)	4,256	1,763
Other receivables	486	597
Current account with Zurich Airport Staff Pension Fund	23	20
Advance payments to suppliers	0	2,585
Total other receivables and prepaid expenses	15,028	15,402

Other receivables and prepaid expenses include the following financial instruments:

(CHF thousand)	31.12.2007	31.12.2006
Services not yet invoiced	5,283	7,172
Accrued interest on debt instruments, Airport of Zurich Noise Fund	3,515	2,444
Accrued interest on other debt instruments	139	31
Current account with Zurich Airport Staff Pension Fund	23	20
Total financial instruments	8,960	9,667
Tax receivables (VAT/withholding tax)	4,256	1,763
Accrued expenses	1,326	790
Other receivables	486	597
Advance payments to suppliers	0	2,585
Total other receivables and prepaid expenses	15,028	15,402

The interest from the liquid funds of Airport of Zurich Noise Fund that were invested separately in financial assets and cash equivalents (see also note 8, "Financial assets of Airport of Zurich Noise Fund", note 15, "Financial liabilities" and note 17, "Airport of Zurich Noise Fund") was accrued for the period under review. These funds are managed by professional investment institutions on the basis of a conservative, money-market-oriented investment strategy (see note 5, "Financial result" and note 22.1, "Financial risk management, a) General remarks, i) Credit risk").

All services provided during the year under review were invoiced between the balance sheet date and the completion of the annual report.

There are no overdue receivables reported as prepaid expenses and accruals that would require the recognition of an individual or collective allowance.

13) Cash and cash equivalents

(CHF thousand)	31.12.2007	Of which AZNF	31.12.2006	Of which AZNF
Cash on hand	134		169	
Cash at banks and in postal cheque accounts	30,896	2,620	9,674	678
Call deposits due within 30 days	11,000		1,000	
Fixed deposits due within 30 days	35,000		0	
Collateral due within 90 days ¹⁾	5,326		1,719	
Fixed deposits due within 90 days	0		30,000	
Total cash and cash equivalents	82,356	2,620	42,562	678

¹⁾ For information on collateral, see note 15, "Financial liabilities".

The table below shows the applicable original currency, interest rates and average maturities:

	Original currency	2007 Interest rates (%)	2006 Interest rates (%)	2007 Average maturity (days)	2006 Average maturity (days)
Cash at banks and in postal cheque accounts	Swiss francs	0.125 to 0.25	0.125 to 0.25	n/a	n/a
Call deposits	Swiss francs	1.5 to 2.0	0.45 to 1.5	7	7
Fixed deposits	Swiss francs	1.82 to 2.68	0.81 to 1.87	30	58
Collateral	Swiss francs	2.0 to 2.02	0.7817 to 1.7	61	81

14) Equity

Number of shares	Issued registered shares (nominal value, CHF 50)	Own shares	Total shares in circulation
Balance as of 1 January 2007	6,140,375	5,390	6,134,985
Purchase of own shares		463	[463]
Distribution of own shares to employees and third parties		[1,906]	1,906
Balance as of 31 December 2007	6,140,375	3,947	6,136,428

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.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative fair value change of cash flow hedging instruments in connection with transactions that have been secured but have not yet occurred.

Fair value reserve

The fair value reserve comprises the cumulative fair value change of available-for-sale financial assets up to the time of their derecognition.

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Dividend distribution limit

The amount available for payment as dividend is based on the available earnings of Flughafen Zürich AG and is specified in accordance with the provisions of the Swiss Code of Obligations (OR).

Dividends

The Board of Directors is proposing the payment of a dividend of 4.50 Swiss francs gross per share for the 2007 financial year. This results in a total dividend payment of 27.6 million Swiss francs.

In accordance with the resolution of the General Meeting of Shareholders on 19 April 2007, Flughafen Zürich AG paid out a dividend of 18.4 million Swiss francs for the 2006 financial year, or 3 Swiss francs per share (gross) (2005: 1 Swiss franc per share).

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:

	2007	2006
Profit attributable to shareholders of Flughafen Zürich AG in Swiss francs	130,674,660	87,448,070
Weighted average number of outstanding shares	6,136,063	5,695,977
Effect of dilutive shares	6,030	3,534
Adjusted weighted average number of outstanding shares	6,142,093	5,699,511
Basic earnings per share (in Swiss francs)	21.30	15.35
Diluted earnings per share (in Swiss francs)	21.28	15.34

Major shareholders and shareholder structure

The shareholder structure as of 31 December was as follows:

	2007	2006
Public sector	38.60%	38.60%
Private individuals	2.29%	2.92%
Companies	1.86%	1.59%
Pension funds	1.72%	1.08%
Financial institutions (including nominees)	36.34%	28.25%
Balance available and non-registered shareholders	19.19%	27.56%

	2007	2006
Number of shareholders	3,702	3,773

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

	2007	2006
Canton of Zurich (including BVK pension fund)	33.36%	33.42%
City of Zurich (including pension fund of the City of Zurich)	5.06%	5.06%

15) Financial liabilities

(CHF thousand)	31.12.2007	31.12.2006
Japanese private placement	369,224	374,958
US private placement	304,551	330,668
Debentures	276,789	276,208
Non-current liabilities towards banks arising from US car park lease	177,223	237,602
Lease liabilities	68,122	72,063
Non-current financial liabilities	1,195,909	1,291,499
Current liabilities towards banks arising from US car park lease	40,877	42,961
Current lease liabilities	4,399	4,590
Debenture (redemption 28.9.2007)	0	74,926
Current financial liabilities	45,276	122,477
Total financial liabilities	1,241,185	1,413,976

On 28 September 2007, the 1995-2007 debenture with a nominal value of 75 million Swiss francs was repaid and on 20 December 2007 the third repayment of liabilities towards banks arising from the US car park lease was effected (47.4 million Swiss francs nominal value) using available funds and in accordance with the respective agreements.

On 12 April 2006, the 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 (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 (310.3 million Swiss francs, net) from the share capital increase (see "Consolidated statement of changes in equity", page 100 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", and note 17, "Airport of Zurich Noise Fund").

Composition of non-current financial liabilities as of balance sheet date:

Financial liability	Nominal amount as of 31.12.2007 in thousand	Carrying amount as of 31.12.2007 in CHF thousand	Duration	Interest rate	Early repayment	Interest payment date
Debenture	CHF 128,000	127,707	2001–2009	4.250%	no	26 March
Debenture	CHF 150,000	149,082	2006–2010	3.125%	no	14 June
Subtotal, debentures	CHF 278,000	276,789				
Japanese private placement	JPY 37,000,000	369,224	2003–2024	5.730%	no	23 May/ 23 November
US private placement	USD 275,000	304,551	2003–2015	4.7525%	from 2011	11 April/ 11 October
Liabilities towards banks arising from US car park lease	USD 199,980	177,223 40,877 ¹⁾	2003–2012	3.606%	from 2005	20 December

¹⁾ Reported under current financial liabilities, since fourth repayment due on 20 December 2008.

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 exists in the amount of 985.5 million Swiss francs (see note 22.1, “Financial risk management, a) General remarks, ii) Liquidity risks” and note 22.5, “Related parties”).

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

(CHF thousand)	31.12.2007	31.12.2006
Due within 1 year	45,276	122,477
Due within 2 to 5 years	595,153	549,124
Due in more than 5 years	600,756	742,375
Total financial liabilities	1,241,185	1,413,976

Hedge transactions (with hedge accounting)

The following derivative instruments (cross currency interest rate swaps) 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:

Description	Japanese private placement	US private placement	Liabilities towards banks arising from US car park lease	Total fair value (gross)	Deferred tax	Total fair value (net)
Duration	2003–2024	2003–2015	2003–2012			
Contract amount (CHF thousand)	JPY 37,000 million	USD 275 million	USD 271 million			
Fair values						
as of 31 December 2005	97,663	34,012	23,616	155,291	(32,611)	122,680
Change in fair value	8,517	16,916	13,292	38,725	(8,132)	30,593
as of 31 December 2006	106,180	50,928	36,908	194,016	(40,743)	153,273
Change in fair value	3,819	5,652	1,882	11,353	(2,384)	8,969
as of 31 December 2007	109,999	56,580	38,790	205,369	(43,127)	162,242

The accumulated losses on hedging instruments increased by 9 million Swiss francs (after deduction of deferred taxes) from 153.3 to 162.3 million Swiss francs. The fair value of the derivative instruments is recognised under other current debt, accruals and deferrals (see also note 21, “Other current debt, accruals and deferrals”).

For hedge accounting purposes, the cross currency interest rate swaps are divided into two components: one component for hedging currency risks, and the other for hedging interest risks. The hedging of the nominal amounts of foreign currencies is treated as a fair value hedge. Both the foreign exchange difference in the financial liabilities and change in fair value of the foreign

currency component of the swaps are recognised in the income statement. The interest component of the swaps is classified as a cash flow hedge. Changes in the fair value of hedging instruments are accordingly recognised in equity (see also “Consolidated statement of changes in equity”). As soon as hedged interest payments are effected, the changes in fair value are transferred to the income statement. This applies in the period from 2008 to 2024. The amounts of future cash flows for swaps are presented in the maturities table in note 22.1, “Financial risk management, a) General remarks, ii) Liquidity risk”. The hedges were fully effective during the period under review.

The accumulated foreign exchange differences in the hedged financial liabilities changed as follows in 2007. They correspond to the proportion of the fair value adjustment of the swaps that was recognised in the income statement:

(CHF thousand)	US private placement	Japanese private placement	Liabilities towards banks arising from US car park lease	Total foreign currency fluctuations (gross)	Deferred tax	Total foreign currency fluctuations (net)
As of 31 December 2005	(4,812)	(7,765)	163	(12,414)	2,607	(9,807)
Foreign exchange differences	(24,806)	(32,082)	(21,320)	(78,208)	16,424	(61,784)
As of 31 December 2006	(29,618)	(39,847)	(21,157)	(90,622)	19,031	(71,591)
Foreign exchange differences	(26,675)	(5,958)	(16,159)	(48,792)	10,246	(38,546)
As of 31 December 2007	(56,293)	(45,805)	(37,316)	(139,414)	29,277	(110,137)

The non-realised gains/losses that are recognised in the hedging reserve, net as an item in equity, changed as follows in the year under review:

(CHF thousand)	Gross	Deferred tax	Net
As of 31 December 2005	(142,877)	30,004	(112,874)
Change in fair value	35,953	(7,550)	28,403
Transfer to income statement	3,530	(742)	2,788
As of 31 December 2006	(103,394)	21,712	(81,683)
Change in fair value	31,141	(6,540)	24,602
Transfer to income statement	6,298	(1,322)	4,976
As of 31 December 2007	(65,955)	13,850	(52,105)

Following the introduction of IFRS 7, the presentation of non-realised gains/losses in the hedging reserve was reviewed, and as a result of this review the amounts of the individual movements were adjusted retrospectively. This did not have any impacts on the profit and equity.

Collateral for the above hedge transactions

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)	Original currency	2007 Interest rate in %	2006 Interest rate in %	31.12.2007	31.12.2006
Cash and cash equivalents, due within 90 days	CHF	2.0 to 2.02	0.7817 to 1.7	5,325	1,719
Letter of credit, due within 90 days	CHF	0.75 ¹¹	0.75 ¹¹	150,000	142,000

¹¹ Here the payable commission is shown instead of the interest rate.

Hedge transactions (without hedge accounting)

Flughafen Zürich AG also has an interest rate swap with a contract amount of 300 million Swiss francs which runs from 2000 to 16 March 2009, for which Flughafen Zürich AG acts as fixed-rate payer (interest rate, 4.68 percent). The variable interest rate is based on the 6-month CHF libor (range, 1.88 to 2.935 percent). This transaction does not meet the requirements for cash flow hedge accounting.

Overview of lease liabilities

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)	31.12.2007	31.12.2006
Future minimum lease payments		
Due within 1 year	7,440	7,010
Due within 2 to 5 years	29,758	28,041
Due in more than 5 years	56,875	59,698
Total future minimum lease payments	94,073	94,749
Future interest payments	21,552	18,096
Present value of lease liabilities	72,521	76,653
Of which due within 1 year	4,399	4,590
Of which due within 2 to 5 years	19,321	19,913
Of which due in more than 5 years	48,801	52,150

The applicable interest rate for lease liabilities is 4.35 percent (2006: 3.25 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

(CHF thousand)	Sound insulation	Formal expropriations	Total
Provisions as of 31 December 2005	137,091	0	137,091
Provision used	(9,184)	0	(9,184)
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount ¹⁾	4,022	0	4,022
Provisions as of 31 December 2006	131,929	0	131,929
Provision used	(7,038)	0	(7,038)
Provision reversed	0	0	0
Provision made	0	240	240
Interest income from unwinding of discount ¹⁾	(1,665)	0	(1,665)
Provisions as of 31 December 2007	123,226	240	123,466

¹⁾ In the year under review, a reassessment was made of the expected cash outflows for sound insulation measures up to the end of 2015, which resulted in interest income from the unwinding of the discount on non-current provisions for sound insulation (see note 5, "Financial result").

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 92.4 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.

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 Schätzungscommission") 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 appealed to the Swiss Federal Tribunal as ultimate authority. As a result of the withdrawal of the appeal by one of the parties, there is now one ruling by the Federal Assessments Commission that has become legally binding (see also other comments at the end of this section). On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon. Another 16 pilot cases from this municipality are still pending (see also other comments at the end of this section as well as note 22.8, "Events occurring after the balance sheet date"). Rulings by the Federal Tribunal on the remaining 16 pilot cases are expected in 2008.

It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, i.e. before the final rulings are made by the Federal Tribunal, 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.

As already noted above, the involved parties in 18 pilot cases appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. Compensation payment has been reflected in the current consolidated financial statements in that it has been capitalised as an intangible asset at present value, and simultaneously recognised as a provision as of 31 December 2007. From 1 January 2008, the intangible asset will be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until 2051).

On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000

Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see note 22.8, "Events occurring after the balance sheet date").

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, 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

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. 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 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), 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.

The situation of this fund is as follows:

(CHF thousand)	2007	2006
Airport of Zurich Noise Fund as of 1 January	197,010	161,273
Total revenue from noise charges ¹⁾	57,743	46,106
Total costs for sound insulation and other measures	(7,038)	(9,184)
Net result before operating and imputed costs	247,715	198,195
Noise-related operating costs	(3,974)	(3,847)
Imputed interest (to 14 June 2006)	0	3,921
Interest income from assets of Airport of Zurich Noise Fund	7,256	127
Change in fair value of available-for-sale securities	(1,533)	(1,386)
Realised loss on financial assets	(900)	0
Airport of Zurich Noise Fund as of balance sheet date	248,564	197,010

¹⁾ Since 1 January 2006, only the revenue already collected is reported.

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

(CHF thousand)	31.12.2007	31.12.2006
Cash equivalents (see note 13, "Cash and cash equivalents")	2,620	678
Current available-for-sale securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")	119,254	82,221
Non-current available-for-sale securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")	126,067	112,927
Obligation for Flughafen Zürich AG ¹⁾	623	1,184
Total assets invested for Airport of Zurich Noise Fund	248,564	197,010

¹⁾ 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 (2006: 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)	2007	2006
Opening balance (deferred tax liability, net)	68,416	44,572
Deferred taxes on changes in fair value of cross currency interest rate swaps booked in equity (hedging reserve)	6,540	7,550
Cross currency interest rate swaps – transfer to income statement	1,322	742
Change according to income statement	18,076	15,458
Other effects	0	94
At end of year (deferred tax liability, net)	94,354	68,416

Deferred tax is allocated to the following balance sheet items:

(CHF thousand)		31.12.2007		31.12.2006
	Assets	Liabilities	Assets	Liabilities
Buildings and movables		51,084		48,695
Renovation fund		23,751		22,596
Aircraft noise		28,385		15,843
Financial liabilities transaction costs		3,777		4,176
Financial liabilities issuing costs		2,018		1,098
Cross currency interest rate swaps	43,127		40,743	
Interest rate swap	1,278		2,747	
Private placements and liabilities from				
US car park lease		29,277		19,031
Miscellaneous items		467		467
Deferred tax (gross)	44,405	138,759	43,490	111,906
Offsetting of assets and liabilities	(44,405)	44,405	(43,490)	43,490
Deferred tax liability (net)	0	94,354	0	68,416

As of 31 December 2007, the subsidiaries of Flughafen Zürich AG had total losses brought forward of 6.213 million Swiss francs 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 0.360 million in 2014.

19) Deferred revenue

Deferred revenue from utilisation fees

Utilisation fees were billed for one year in 2006 and suspended as of 1 January 2007. In 2007 a legally binding court ruling went largely in favour of Flughafen Zürich AG, confirming that the collection of utilisation fees from companies providing ground handling services was lawful. As a consequence, from the total of 10 million Swiss francs invoiced in the 2006 financial year, 6.4 million were

reported in the 2007 income statement as other expenses/income, net (see note 4, "Other expenses/income, net").

1.1 million Swiss francs resulting from invoiced utilisation fees has been deferred, since one partner continues to dispute the legality of the collection of utilisation fees. The corresponding legal proceedings are in progress, and a first-instance ruling is expected in the course of 2008.

(CHF thousand)	Utilisation fees	Total
Deferred revenue as of 31 December 2005	0	0
Recognition	10,016	10,016
Deferred revenue as of 31 December 2006	10,016	10,016
Realisation (recognised in the income statement)	(5,600)	(5,600)
Payments (not recognised as income)	(2,312)	(2,312)
Realisation of payments from prior year (recognised in the income statement)	(780)	(780)
Credits to clients for falsely invoiced revenue (not recognised as income)	(195)	(195)
Deferred revenue as of 31 December 2007	1,129	1,129

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)	31.12.2007	31.12.2006
Provision for retirement benefits, present value	3,635	3,478
Unrecognised actuarial gains/(losses)	280	(53)
Unrecognised past service cost	(997)	(1,172)
Liability on balance sheet	2,918	2,253

Income statement (CHF thousand)	2007	2006
Interest expenses	92	70
Net periodic pension cost	92	70

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)	2007	2006
Opening balance	2,253	1,804
Net periodic pension income (cost)	92	70
Benefits paid in directly by employer	(599)	(536)
Recognition of unrecognised past service cost	1,172	915
Closing balance	2,918	2,253

(CHF thousand)	2007	2006
Experience adjustments	(247)	163

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

	2007	2006
Discount rate in %	3.50	2.90
Expected future pension increase in %	1.0	1.0

21) Other current debt, accruals and deferrals

(CHF thousand)	31.12.2007	31.12.2006
Expenses not invoiced	31,480	24,860
Accrued interest on financial liabilities	13,502	14,438
Investments not invoiced	5,844	2,858
Deferred income	2,456	5,785
Deferred income and accruals	53,282	47,941
Fair value of cross currency interest rate swaps ¹⁾	205,369	194,016
Fair value of interest rate swap	14,675	22,561
Amounts due to personnel (holidays and overtime)	8,248	7,637
Deposits and advance payments by customers	4,975	6,516
Current provisions	2,400	2,400
Social security contributions	2,026	1,342
Other liabilities	573	572
Total other current debt, accruals and deferrals	291,548	282,985

¹⁾ See also note 15, "Financial liabilities".

The following financial instruments are included in other current debt, accruals and deferrals:

(CHF thousand)	31.12.2007	31.12.2006
Expenses not invoiced	31,480	24,860
Accrued interest on financial liabilities	13,502	14,438
Investments not invoiced	5,844	2,858
Total liabilities carried at amortised cost	50,826	42,156
Fair value of interest rate swap	14,675	22,561
Total liabilities held for trading purposes	14,675	22,561
Fair value of cross currency interest rate swaps ¹⁾	205,369	194,016
Total financial instruments held for hedging purposes	205,369	194,016
Amounts due to personnel (holidays and overtime)	8,248	7,637
Deposits and advance payments by customers	4,975	6,516
Deferred income	2,456	5,785
Current provisions	2,400	2,400
Social security contributions	2,026	1,342
Other liabilities	573	572
Total other current debt, accruals and deferrals excluding financial instruments	20,678	24,252
Total other current debt, accruals and deferrals	291,548	282,985

¹⁾ See also note 15, "Financial liabilities".

The expenses not yet invoiced as of balance sheet date mainly concern purchases effected in the fourth quarter of 2007 or in December 2007 that will be invoiced by the suppliers concerned in the course of January 2008.

22) Further details

22.1) Financial risk management

a) General remarks

Due to the nature of its activities, Flughafen Zürich AG is exposed to various financial risks, including:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk (foreign currency and interest rate risks)

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.

The Unique risk management system 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.

The following sections provide an overview of the extent of the various financial risks and the objectives, principles and processes relating to the assessment, monitoring and hedging of risks, as well as of the capital management of the group. Further information may also be found in the corresponding notes.

i) Credit risk

Credit risk refers to the risk that Flughafen Zürich AG could incur losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash and cash equivalents, prepaid expenses and accruals, trade receivables and financial assets are exposed to credit risk.

Flughafen Zürich AG invests its cash and cash equivalents as deposits with leading Swiss banks with a Standard & Poor's rating of at least "A". In addition, the company minimises other risks relating to cash and cash equivalents in that it does not invest with a single bank, but with a variety of financial service providers. As a rule, prepaid expenses and accruals as of balance sheet date are invoiced within one month and subsequently monitored within the scope of trade receivables management.

With the exception of Swiss as the main client, credit risk is distributed over a broad clientele. Trade receivables include the amount of 42 million Swiss francs due from Swiss (2006: 35.4 million Swiss francs) (see note 11, "Trade receivables"). In the period between balance sheet date and the preparation of the 2007 annual report, Swiss paid the outstanding amount in full as of 31 December 2007.

The exposure to credit risk primarily depends on the individual characteristics of each client. Risk assessments include a creditworthiness check, taking account of the client's financial circumstances, business background and other factors. The maturity structure of trade receivables is normally examined on a weekly basis. Where necessary,

terms of payment aimed at minimising risk (normally proforma invoicing) are applied, or securities are requested (mainly in the form of bank guarantees).

The financial investments of Flughafen Zürich AG are managed by professional financial institutions on the basis of a conservative, money-market-oriented investment strategy. Here, preservation of value and flexibility with respect to early redemption of investments are of the highest priority. The investment horizon is based on the expected obligation to effect payments from the Airport of Zürich Noise Fund, and averages two to four years. The minimum acceptable rating is BBB (Standard & Poor's) or Baa2 (Moody's), or an equivalent rating from a recognised agency. Financial investments are primarily made in the form of fixed-rate debt instruments. The use of derivative financial instruments is forbidden.

The maximum exposure to credit risk corresponds to the carrying amounts of the individual financial assets. No guarantees or similar commitments exist that could give rise to an increase of the credit exposure above the respective carrying amounts. The maximum exposure to credit risk as of balance sheet date was as follows:

(CHF thousand)	31.12.2007	31.12.2006
Cash equivalents (excluding cash on hand)	82,222	42,393
Non-current financial assets of Airport of Zurich Noise Fund	126,067	112,927
Trade receivables, net	115,624	109,729
Current financial assets of Airport of Zurich Noise Fund	119,254	82,221
Other receivables (prepaid expenses and accruals)	8,960	9,667
Other financial assets	287	1,025
Total maximum exposure to credit risk	452,414	357,962

ii) Liquidity risk

Liquidity risk refers to the risk that Flughafen Zürich AG may not be able to meet its financial obligations on due date.

Flughafen Zürich AG monitors liquidity risk via a carefully conceived liquidity management process. Here it observes the principle that it must have sufficient flexibility and room for manoeuvre with respect to the availability of liquid funds at short notice. This means maintaining an

adequate reserve of liquid funds, ensuring the availability of sufficient funds for financing purposes by securing adequate credit limits, and being able to issue shares on the market. For this purpose, the company uses rolling liquidity planning that is based on expected cash flows and is periodically updated. Group Treasury is responsible for monitoring liquidity risk. As of balance sheet date, Flughafen Zürich AG had the following unused credit limits at its disposal:

(CHF thousand)	Duration	31.12.2007	31.12.2006
Canton of Zurich	19.7.2012	698,400	717,800
Operating credits	6.6.2008	250,000	250,000
Airport of Zurich Noise Fund (committed credit line)	31.12.2015	200,000	200,000
Total credit lines		1,148,400	1,167,800
Utilisation ¹⁾		(162,940)	(148,901)
Total unused credit lines		985,460	1,018,899

¹⁾ Letter of credit and bank guarantees.

The table below shows the contractual maturities (including interest payments) of financial liabilities held by Flughafen Zürich AG:

31.12.2007 (CHF thousand)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
Japanese private placement	369,224	818,839	24,066	96,600	698,173
US private placement	304,551	461,372	17,527	208,731	235,113
Debentures	276,789	302,943	10,128	292,815	0
US car park lease	218,100	291,818	58,679	233,139	0
Lease liabilities	72,521	94,073	7,440	29,758	56,875
Trade payables	47,773	47,773	47,773	0	0
Other current debt, accruals and deferrals	50,826	50,826	50,826	0	0
Total non-derivative financial liabilities	1,339,784	2,067,643	216,439	861,043	990,161
Cross currency interest rate swaps	205,369	0	0	0	0
Interest rate swap	14,675	14,804	5,176	9,628	0
Total derivative financial liabilities	220,044	14,804	5,176	9,628	0
Total	1,559,828	2,082,447	221,615	870,671	990,161

31.12.2006 (CHF thousand)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
Japanese private placement	374,958	843,106	24,267	96,399	722,440
US private placement	330,668	478,754	17,382	140,941	320,431
Debentures	351,134	391,820	88,878	302,943	0
US car park lease	280,563	350,566	58,748	233,731	58,087
Lease liabilities	76,653	94,749	7,010	28,041	59,698
Trade payables	30,902	30,902	30,902	0	0
Other current debt, accruals and deferrals	42,156	42,156	42,156	0	0
Total non-derivative financial liabilities	1,487,034	2,232,053	269,343	802,054	1,160,657
Cross currency interest rate swaps	194,016	0	0	0	0
Interest rate swap	22,561	28,098	8,431	19,667	0
Total derivative financial liabilities	216,577	28,098	8,431	19,667	0
Total	1,703,611	2,260,151	277,774	821,721	1,160,657

iii) Market risk (foreign currency and interest rate risks)

Market risk refers to the risk that changes in market prices such as exchange rates and interest rates could have an impact on the financial result or the value of the financial instruments.

The objective of market risk management is to monitor and control such risks in order to ensure they do not exceed a specified limit.

iiia) Currency risk

Currency risks arise in association with transactions that are carried out in currencies that differ from the respective functional currencies of the group's entities.

Flughafen Zürich AG is exposed to currency risk in connection with the following financial transactions: private placements in US dollars and Japanese yen, and liabilities in US dollars towards banks arising from the US car park lease. The currency risk on the Japanese private placement has been largely hedged, and the currency risk on the US private placement and the US car park lease has been fully hedged. 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.

The table below shows currency risks arising from financial instruments in which the currency used is not Swiss francs:

(CHF thousand)	31.12.2007			31.12.2006		
	Yen	US dollars	Other	Yen	US dollars	Other
Other financial assets	0	0	0	0	432	0
Current financial liabilities	0	40,877	0	0	42,971	0
Debentures and non-current loans	369,224	481,774	0	374,958	568,270	0
Cross currency interest rate swaps	4,159	168,906	0	3,021	103,076	0
Total	373,383	691,557	0	377,979	714,739	0

An appreciation or depreciation in the exchange rate of the Swiss franc by 5 percent against the currencies below as of 31 December 2007 would have increased or decreased equity and profit by the amounts in the table below. This

analysis assumes that all other variables – in particular interest rates – are unchanged. The analysis for 2006 was based on the same assumptions.

(CHF thousand)	Appreciation of CHF (plus 5%)		Depreciation of CHF (minus 5%)	
	Equity	Profit	Equity	Profit
Yen	12,243	0	(11,213)	0
US dollars	(12,081)	0	12,240	0
31 December 2006	162	0	1,027	0
Yen	11,910	0	(10,817)	0
US dollars	(12,929)	0	12,968	0
31 December 2007	(1,019)	0	2,151	0

iii) Interest rate risk

Interest rate risk can be divided into an interest-related cash flow risk, i.e. the risk that future interest payments could change due to fluctuations of the market interest rate, and an interest-related risk of a change in fair value, i.e. the risk that the fair value of an instrument could change due to fluctuations in the market interest rate.

Preference is normally given to external financing denominated in Swiss francs and subject to fixed interest rate payments. However, if external financing in foreign currencies is obtainable at more attractive conditions, both the currency and the interest rate risk are hedged. With foreign currency transactions the aim is to hedge the cash flows in Swiss francs.

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 short-term variable advances is hedged on a case-to-case basis using interest rate swaps.

The financial assets of Airport of Zurich Noise Fund are primarily invested in fixed-rate debt instruments. The use of derivative financial instruments is not permitted.

Fair value sensitivity analysis for fixed-interest rate financial instruments

An interest rate increase of 50 basis points would have reduced equity by 10.139 million Swiss francs (2006: increase of 5.25 million Swiss francs) and increased profit by 1.213 million Swiss francs (2006: 2.504 million Swiss francs). A decrease of the interest rate by the same amount would have positively affected equity by an amount of 16.121 million Swiss francs (2006: 0.988 million Swiss francs) and would have negatively affected profit by 1.213 million Swiss francs (2006: 2.504 million Swiss francs). This analysis assumes that all other variables remain unchanged. The same assumptions were made for the 2006 financial year.

Cash flow sensitivity analysis for variable interest rate financial instruments

An increase in the interest rate by 50 basis points would have increased profit by 0.062 million Swiss francs (2006: decrease of 0.132 million Swiss francs). A decrease in the interest rate by the same amount would have had the reverse effect. This analysis assumes that all other variables remain unchanged. The same assumptions were made for the 2006 financial year.

b) Fair values

The figures shown in the balance sheet concerning cash and cash equivalents, trade receivables, other current receivables and current debt approximately correspond to fair values.

Financial assets in Airport of Zurich Noise Fund: the fair value corresponds to the market price of the securities as of balance sheet date.

Derivatives: The fair value of the cross currency interest rate swap is determined using a fair value model. The fair value of the interest rate swap corresponds to the present value of the forward transaction.

c) Categories of financial instruments

The following table shows the carrying amounts of all financial instruments per category:

(CHF thousand)	31.12.2007	31.12.2006
Cash equivalents (excluding cash on hand), call deposits, collateral & cash deposits	82,222	42,393
Trade receivables (net)	115,624	109,729
Other receivables and prepaid expenses	8,960	9,667
Other financial assets	287	1,025
Total loans and receivables	207,093	162,814
Current and non-current financial assets of Airport of Zurich Noise Fund	245,321	195,148
Total available-for-sale financial assets	245,321	195,148
Financial liabilities	1,241,185	1,413,976
Trade payables	47,773	30,902
Other current debt and prepaid expenses, excluding derivatives and non-financing instruments	50,826	42,156
Total liabilities carried at amortised cost	1,339,784	1,487,034
Other current debt (interest rate swap)	14,675	22,561
Total liabilities held for trading purposes	14,675	22,561
Other current debt (cross currency interest rate swap)	205,369	194,016
Total financial instruments held for hedging purposes	205,369	194,016

d) Capital management

With respect to capital management, Flughafen Zürich AG pays special attention to securing the continuation of the group's activities, attaining an acceptable dividend for shareholders and optimising the balance sheet structure, particularly in periods of major investment activity, taking account of capital costs. In order to achieve these objectives, Flughafen Zürich AG can adjust the amount of the dividend payment or repay capital to shareholders.

Flughafen Zürich AG constantly monitors the following key financial data: equity ratio, debt ratio and interest coverage. Here it is especially important to ensure that the ratio between debt and equity is in line with the budgetable cash flows and investments, and tends towards the

conservative side. In this way a high degree of entrepreneurial flexibility can be assured at all times, including when unforeseeable events occur.

The necessary quantity of own shares may be held for the purpose of employee and bonus programmes, but it is not allowed to accumulate several years worth of own shares for the purposes of participation programmes. Holding own shares to use as payment for acquisitions (exchange of shares in the event of possible take-overs) is forbidden, and own shares may also not be held for the purpose of speculation with respect to higher sale prices. The cumulative proportion of own shares may in no case exceed 10 percent.

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)	31.12.2007	31.12.2006
Due within 1 year	0	2,898
Due within 2 to 5 years	0	0
Due in more than 5 years	0	0
Total future lease payments	0	2,898

The tenancy agreements concluded by the group in its capacity as landlord may be either fixed tenancy or turnover-based agreements:

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 balance sheet date, capital commitments existed for a variety of buildings and engineering structures amounting to approximately 124 million Swiss francs. These concern a number of smaller projects including the renovation of runway 16/34 (approximately 54 million Swiss francs) and the addition of floorspace and shops in Airport Shopping (approximately 20 million Swiss francs).

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 18.7 million Swiss francs, of which 15.865 million had been paid as of 31 December 2007). As of 31 December 2007, Flughafen Zürich AG provided a bank guarantee to BIAL in the amount of 1.5 million Swiss francs or INR 51.4 million (31 December 2006: 6.4 million, or INR 231.2 million) (see note 9, "Financial assets and associates"). It represents payments still to be made in future.

In a joint venture, Flughafen Zürich AG and the Camargo Corrêa group (Brazil) established a company called A-Port, which has its head office in São Paulo, Brazil. With a stake of 15 percent, Flughafen Zürich AG will be a minority shareholder in A-Port, which will be investing in the construction and operation of airports and aviation-related infrastructures in Latin America. Gestion e Ingenieria IDC S.A. (IDC), Chile, with which Flughafen Zürich AG has already been involved in joint ventures in Latin America, holds a 5 percent stake in A-Port. The financial involvement of Flughafen Zürich AG amounts to around 2 million US dollars and it has not entered into any further commitments. The formal establishment of A-Port is scheduled for the first half of 2008.

Within the framework 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 a 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

demanding 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. On 19 November 2007, the commercial court ruled in favour of Flughafen Zürich AG and rejected the demand on the part of Swissair. The latter appealed to the Swiss Federal Tribunal as final instance against the ruling of the commercial court, and this means that the lawsuit is still pending.

22.5) Related parties

Related parties are:

- 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 698.4 million Swiss francs as of 31 December 2007. It is presently not being used.

a) Remuneration of related parties

The following amounts were paid to related parties in the form of remuneration:

Board of Directors in 2007:

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for attending committee meetings	Social security contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	100,000	27,500	10,000	20,000	10,142	167,642
Dr. Lukas Briner	Vice Chairman	60,000	25,000	5,000	15,000	6,762	111,762
Dr. Kaspar Schiller	Member; Chairman of Nomination & Compensation Committee	45,000	25,000	10,000	20,000	6,440	106,440
Martin Candrian	Member; Chairman of Audit & Finance Committee	45,000	27,500	10,000	5,000	5,635	93,135
Dr. Martin Wetter	Member	45,000	27,500	5,000	5,000	5,313	87,813
Thomas E. Kern (until 22 November 2007)	Member	0	27,500	0	12,500	2,576	42,576
Dr. Elmar Ledergerber	Member	0	25,000	0	5,000	1,932	31,932
Rita Fuhrer	Member	0	10,000	0	0	644	10,644
Total		295,000	195,000	40,000	82,500	39,444	651,944

Board of Directors in 2006:

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for attending committee meetings	Social security contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	100,000	32,500	10,000	7,500	9,659	159,659
Dr. Lukas Briner	Vice Chairman	60,000	30,000	5,000	5,000	6,440	106,440
Dr. Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	30,000	10,000	5,000	5,796	95,796
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	27,500	10,000	5,000	5,635	93,135
Dr. Martin Wetter	Member	45,000	30,000	5,000	5,000	5,474	90,474
Thomas E. Kern (until 22 November 2007)	Member	0	27,500	0	2,500	1,932	31,932
Dr. Elmar Ledergerber	Member	0	17,500	0	2,500	1,288	21,288
Rita Fuhrer	Member	0	8,500	0	1,000	612	10,112
Total		295,000	203,500	40,000	33,500	36,836	608,836

There is no share or option programme for the Board of Directors (see note 2, "Personnel expenses"). No severance payments or other non-current payments were made in 2006 or 2007.

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 25,500 Swiss francs (2006: 85,100 Swiss francs). MWV Bauingenieure AG, whose co-owner is Eduard Witta, received payments totalling 41,200 Swiss francs for engineering work carried out in association with the airport multi-storey car parks (2006: 5,500 Swiss francs).

Management Board in 2007:

(CHF)	Salary	Bonus (cash)	Bonus (shares)	Long-service bonus (shares)	Total bonus & long-service bonus (shares)	Pension and social insurance expenses ¹⁾	Miscellaneous	Total CHF	Number of shares	Shares (Swiss francs)
Recipient										
Bonus portion as of 31 December 2007 calculated on the basis of existing data as of balance sheet date (best estimate; in cash and shares)										
Josef Felder	400,000	428,000	0	1,532,200	1,532,200	124,034	29,068	2,513,302	3,260	470.00
Other members of the Management Board	1,110,000	957,800	332,900	0	332,900	316,258	86,027	2,802,985	737	452.00
Total	1,510,000	1,385,800	332,900	1,532,200	1,865,100	440,292	115,095	5,316,287	3,997	466.68

¹⁾ Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social insurance and staff benefit schemes.

The amounts disclosed above paid as bonus are based on the share price as of the end of the year. However, the number of shares to be granted cannot be precisely calculated since the number depends on the share price at grant date.

Below is an update for 2006 based on the effective number of shares issued as remuneration as of grant date:

(CHF)	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses ¹⁾	Miscellaneous	Total CHF	Number of shares	Shares (Swiss francs)
Recipient								
Bonus portion as of 31 December 2006 calculated on the basis of existing data as of balance sheet date (best estimate; in cash and shares)								
Josef Felder	350,000	233,000	117,000	119,834	27,068	846,902	317	369.50
Other members of the Management Board	1,040,000	371,100	185,100	314,152	80,827	1,991,179	501	369.50
Total	1,390,000	604,100	302,100	433,986	107,895	2,838,081	818	369.50

Effective number of shares issued in the 2007 financial year for the 2006 financial year, at the fair value as of grant date:

Josef Felder	350,000	0	316,145	119,834	27,068	813,047	639	494.75
Other members of the Management Board	1,040,000	341,622	171,678	314,152	80,827	1,948,279	347	494.75
Total	1,390,000	341,622	487,824	433,986	107,895	2,761,327	986	494.75

¹⁾ Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social insurance and staff benefit schemes.

These shares are blocked for a period of four years (see also note 2, "Personnel expenses"). No severance payments or other non-current payments were made in 2006 or 2007.

In contrast to the consolidated financial statements, in the financial statements prepared according to the provisions of the Swiss Code of Obligations, the value of shares issued as remuneration is based on the share purchase price as of grant date. The figures disclosed in the

consolidated financial statements are therefore different (see "Financial statements according to the provisions of the Swiss Code of Obligations", note 14, "Related parties").

In the year under review, the Canton of Zurich police force was reimbursed at market conditions for services rendered for a total amount of 88.2 million Swiss francs (2006: 73.9 million Swiss francs) in accordance with the applicable service level agreement.

b) Shares held by related parties

As of balance sheet date, members of the Board of Directors and related parties held the following number of shares:

Recipient	Function	Number of shares 31.12.2007	Number of shares 31.12.2006
Andreas Schmid	Chairman	4	4
Dr. Lukas Briner	Vice Chairman	21	21
Dr. Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	13	13
Martin Candrian	Member; Chairman of the Audit & Finance Committee	375	375
Dr. Martin Wetter	Member	0	0
Dr. Elmar Ledergerber	Member	110	0
Thomas E. Kern (until 22 November 2007)	Member	n/a	2
Rita Fuhrer	Member	0	0
Total		523	415

As of balance sheet date, members of the Management Board and related parties held the following number of shares:

Name	Number of shares 31.12.2007	Number of shares 31.12.2006
Josef Felder	11,357	21,518
Roland Bentele	256	244
Peter Eriksson	1,137	2,408
Rainer Hiltbrand	1,817	2,886
Beat Spalinger	1,273	3,893
Total	15,840	30,949

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
Bangalore International Airport Ltd.	Bangalore	INR 4,426 million	17	E
Unique Chile S.A.	Santiago de Chile	CLP 253 million	48	E
Inversiones Aeroportuarias IDC S.A.	Santiago de Chile	CLP 1,625 million	31.58	E
Aeropuertos Asociados de Chile S.A.	Santiago de Chile	CLP 5,973 million	20	E
Administracion de Concesiones IDC S.A.	Santiago de Chile	CLP 213 million	20	E
Concesion Aeropuerto El Loa S.A.	Santiago de Chile	CLP 641 million	16	E
Concesion Aeropuerto La Florida S.A.	Santiago de Chile	CLP 970 million	16	E
Concesion Aeropuerto El Tepual S.A.	Santiago de Chile	CLP 706 million	16	E
Administradora Unique IDC C.A.	Porlamar	VEB 25 million	49.5	E
Aeropuertos Asociados de Venezuela C.A.	Porlamar	VEB 10 million	49.5	E
Unique IDC S.A. de C.V.	Tegucigalpa	HNL 40 thousand	49.5	E
Unique IDC Colombia S.A.	Bogotá	COP 100 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 2007 consolidated financial statements for issue on 6 March 2008. These also have to be approved by the General Meeting of Shareholders.

On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate.

No other events occurred between 31 December 2007 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 98 to 140) of Flughafen Zürich AG for the year ended 31 December 2007.

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 principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Without qualifying our opinion, we draw attention to "Significant estimates and assumptions in the application of accounting policies" on pages 110 and 111 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

Marc Ziegler
Auditor in Charge

Roger Neininger

Zurich, 6 March 2008

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Income statement for 2007 and 2006

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

(CHF thousand)	Notes	2007	2006
Revenue from sales of products and services		796,014	730,921
Total revenue		796,014	730,921
Depreciation and amortisation		(192,144)	(192,303)
Personnel expenses		(159,371)	(146,019)
Police and security		(108,538)	(82,907)
Expenses for sound insulation measures and increased provisions for aircraft noise	(9)	(58,278)	(54,023)
Maintenance		(35,559)	(34,058)
Sales, marketing, administration		(35,499)	(33,645)
Energy and waste		(20,806)	(22,506)
Other operating expenses		(19,011)	(18,712)
Cost of materials used		(11,994)	(11,788)
Deposits into renovation fund		(5,500)	(5,500)
Ordinary profit before interest and tax		149,314	129,460
Financial result, net	(1)	(75,056)	(92,785)
Extraordinary result, net	(2)	4,225	(2,964)
Profit before tax		78,483	33,711
Tax		(17,886)	(7,147)
Net profit		60,597	26,564

Balance sheet as of 31 December 2007 and 31 December 2006
(Financial statements according to the provisions of the Swiss Code of Obligations)

(CHF thousand)	Notes	31.12.2007	31.12.2006
Assets			
Land		112,194	112,084
Buildings, engineering structures		2,073,619	2,218,726
Projects in progress		103,105	30,655
Movables		75,785	92,704
Total property, plant and equipment	(3)	2,364,703	2,454,169
Intangible assets		15,041	25,567
Intangible asset from right of formal expropriation	(9)	240	0
Non-current financial assets of Airport of Zurich Noise Fund	(4)	126,067	112,927
Financial assets and associates	(5)	29,448	24,457
Non-current assets		2,535,499	2,617,120
Inventories		5,054	4,665
Current financial assets of Airport of Zurich Noise Fund ¹⁾	(4)	119,254	82,221
Trade receivables		113,709	107,802
Other receivables and prepaid expenses	(6)	16,953	19,095
Cash and cash equivalents, securities ¹⁾	(7)	81,257	42,904
Current assets		336,227	256,687
Total assets		2,871,726	2,873,807
Equity and liabilities			
Share capital		307,019	307,019
Legal reserves			
Premium		533,290	533,290
General reserves		19,060	19,060
Reserves for own shares	(7)	650	693
Other reserves		80,208	80,165
Available earnings			
Profit brought forward		47,373	25,712
Dividend payment for 2006/2005		(18,405)	(4,903)
Net profit		60,597	26,564
Equity		1,029,792	987,600
Debentures and non-current loans	(8)	1,278,268	1,327,276
Provisions for aircraft noise	(9)	258,631	207,372
Renovation fund		113,102	107,602
Non-current provisions	(10)	4,418	13,769
Non-current liabilities		1,654,419	1,656,019
Trade payables		47,378	30,326
Current financial liabilities	(11)	49,008	122,422
Other current debt, accruals and deferrals		76,624	69,231
Current provisions	(12)	14,505	8,209
Current liabilities		187,515	230,188
Total liabilities		1,841,934	1,886,207
Total equity and liabilities		2,871,726	2,873,807

¹⁾ Cash deposits of Airport of Zurich Noise Fund are now reported under current financial assets of Airport of Zurich Noise Fund. Prior-year figures have been restated for comparison purposes.

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.

2.1. 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).

2.2. 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).

2.3. Own shares

In contrast to the consolidated financial statements prepared in accordance with IFRS, holdings of own shares as of 31 December 2007 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 2007 were charged to the income statement.

2.4. 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.

2.5. 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.

2.6. 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").

2.7. Derivative financial instruments

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

2.8. 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. 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.

In 2007, the parties involved in 18 pilot cases in the municipality of Opfikon appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. In the 2007 financial statements according to the Swiss Code of Obligations (OR), this compensation has already been recognised through capitalisation as an intangible asset at present value, and simultaneous recognition as a provision as of 31 December 2007. From 1 January 2008, amortisation in the financial statements according to the Swiss Code of Obligations (OR) is based on the consolidated financial statements according to IFRS at least. Beyond this, in the financial statements according to the Swiss Code of Obligations (OR), 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. On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On

the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see note 16, "Events occurring after the balance sheet date").

Current risk situation

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

1. 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.

2. 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.

3. 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:

- Zurich aircraft noise index (Zürcher Fluglärmindeks or "ZFI+")
- SIL process (Civil Aviation Infrastructure Plan)
- Rulings by the supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany.

4. 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.

5. 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. On 19 November 2007, the commercial court ruled in favour of Flughafen Zürich AG and rejected the demand on the part of Swissair. The latter appealed to the Swiss Federal Tribunal as final instance against the ruling of the commercial court, and this means that the lawsuit is still pending.

6. 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 appealed to the Swiss Federal Tribunal as ultimate authority. As a result of the withdrawal of the appeal by one of the parties, there is now one ruling by the Federal Assessments Commission that has become legally binding (see also other comments at the end of this section). On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon. Another 16 pilot cases from this municipality are still pending (see also other comments at the end of this section as well as note 16, "Events occurring after the balance sheet date"). Rulings by the Federal Tribunal on the remaining 16 pilot cases are expected in 2008.

It is difficult for the Management Board to reliably estimate the costs that will result from these proceedings at the present time, i.e. before the final rulings are made by the Federal Tribunal, 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.

In 2007, the parties involved in 18 pilot cases in the municipality of Opfikon appealed to the Federal Tribunal. Before a decision was handed down, however, one of the property owners unexpectedly informed the Federal Tribunal on 4 October 2007 that he was withdrawing his appeal. Since in this particular case Flughafen Zürich AG had only lodged a cross-appeal, the initial ruling by the Federal Assessments Commission became legally binding following the withdrawal of the appeal. Flughafen Zürich AG is required to pay the plaintiff compensation equivalent to a maximum amount of 240,000 Swiss francs (present value). Payment (or at least the first part thereof) is to be effected at the beginning of 2008. In the 2007 financial statements according to the Swiss Code of Obligations (OR), this compensation has already been recognised through capitalisation as an intangible asset at present value, and simultaneous recognition as a provision as of 31 December 2007. From 1 January 2008, full amortisation in the financial statements according to the Swiss Code of Obligations (OR) is based on the consolidated financial statements according to IFRS at least. Beyond this, in the financial statements according to the Swiss Code of Obligations (OR), 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.

On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important

fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate (see note 16, "Events occurring after the balance sheet date").

6.1. 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:

6.2. 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.

6.3. 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.

6.4. 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:

6.4.1. 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, 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.

6.4.2. 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.

6.4.3. In the event that, in the course of the legal proceedings, the risk cited in point 6.4.2. 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)	2007	2006
Interest expenses on debentures and non-current loans	65,714	73,381
Less capitalised interest on borrowings for buildings under construction	(388)	(98)
Net interest expenses on debentures and non-current loans	65,326	73,283
Interest difference related to interest rate swap	6,720	9,744
Other interest expenses	6,193	6,529
Other financial expenses	3,455	3,667
Interest expenses on finance lease payments	2,966	2,213
Debenture issuing costs	0	1,460
Interest expenses on bank loans	0	431
Foreign exchange differences	0	262
Financial expenses	84,660	97,589
Interest income and foreign exchange gains realised on financial assets of Airport of Zurich Noise Fund	(6,186)	(2,572)
Interest income on postal cheque accounts and bank deposits/loans	(3,138)	(1,648)
Foreign exchange differences	(208)	0
Net foreign exchange gains, interest on arrears	(72)	(130)
Valuation adjustments of financial assets	0	(454)
Financial income	(9,604)	(4,804)
Total financial result, net	75,056	92,785

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.41 percent in 2007 and 5.63 percent in 2006.

2) Extraordinary result, net

(CHF thousand)	2007	2006
Extraordinary income	6,588	597
Extraordinary expenses	(2,363)	(3,561)
Extraordinary result, net	4,225	(2,964)

Extraordinary income includes:

2007: 6.4 million Swiss francs from release of deferred revenue relating to utilisation fees (see note 12, "Current provisions").

2006: 0.2 million Swiss francs in income from trade receivables that had already been written off in preceding years.

Extraordinary expenses include:

2007: 2.0 million Swiss francs from losses on disposals of non-current assets.

2006: 1.0 million Swiss francs from losses on disposals of non-current assets.

Balance sheet

3) Fire insurance values

(CHF thousand)	31.12.2007	31.12.2006
Buildings including loading bridges	3,051,191	3,049,751
Movables	720,900	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)	31.12.2007	31.12.2006
Non-current financial assets	126,067	112,927
Current financial assets	119,254	82,221
Total financial assets of Airport of Zurich Noise Fund	245,321	195,148

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 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.

5) Financial assets and associates

(CHF thousand)		31.12.2007	31.12.2006
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 ¹⁾	5,416	7,873
Unique Betriebssysteme AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Betriebssysteme AG, Kloten	Loan	0	9
Unique Airports Worldwide AG, Kloten	Equity share 100%, nom. share capital CHF 0.1 million	100	100
Unique Airports Worldwide AG, Kloten	Loan ¹⁾	5,935	5,038
Bangalore International Airport Ltd., Bangalore	Equity share 17%, nom. share capital INR 4,426 million	15,791	8,923
Swissport Zürich AG, Kloten	Loan	287	593
Administradora Unique IDC C.A., Venezuela	Equity share 49.5%, nom. share capital VEB 25 million	0	0
Aeropuertos Asociados de Venezuela C.A., Venezuela	Equity share 49.5%, nom. share capital VEB 10 million	0	0
Unique IDC S.A. de C.V., Honduras	Equity share 49.5%, nom. share capital HNL 40,000	3	3
Unique IDC Colombia S.A., Bogotá	Equity share 49.5%, nom. share capital COP 100 million	16	18
Total financial assets and associates		29,448	24,457

¹⁾ Entirely subject to subordination.

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 18.7 million Swiss francs, of which 15.8 million had been paid as of 31 December 2007). 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 2007, Flughafen Zürich AG provided a bank guarantee to BIAL in the amount of 1.5 million Swiss francs, or INR 51.4 million (31 December 2006: 6.4 million Swiss francs, or INR 231.2 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 2007 financial year are not available (as was the case in 2006). 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 2006 the governor of Nueva Esparta expropriated this airport for a second time, and since then it has been operated by a "junta interventora" under the supervision of the Venezuelan federal high court. At the same time, legal proceedings were initiated for the purpose of clarifying whether the governor's withdrawal of the operating licence was lawful. The company has been waiting for the final ruling on this matter by the Venezuelan high court since autumn 2007. The indications are that the ruling will go in favour of Flughafen Zürich AG. It is therefore hoped that this matter will be definitively resolved in the course of 2008.

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.

On 20 January 2007, the OPAIN S.A. consortium, in which Flughafen Zürich AG is involved on the basis of a management agreement, commenced operation of the El Dorado airport in Bogotá. The operating licence 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

As stated in "Notes to the consolidated financial statements", note 12, "Other receivables and prepaid expenses", these include the following:

(CHF thousand)	31.12.2007	31.12.2006
Current account with Zurich Airport Staff Pension Fund	23	20

The current account bears interest at normal market rates.

7) Cash and cash equivalents, securities

(CHF thousand)	31.12.2007	Of which AZNF	31.12.2006	Of which AZNF
Cash and call deposits	80,607	2,620	42,211	678
Own shares	650		693	
Total cash and cash equivalents, securities	81,257	2,620	42,904	678

Reserves for own shares are reported separately under equity.

Number of shares	2007	2006
Holdings at beginning of financial year	5,390	11,841
Acquisitions (at applicable market price)	463	182,366
Sales (at applicable market price)	(0)	(182,293)
Free distribution of shares	(1,906)	(6,524)
Holdings at end of financial year	3,947	5,390

No own shares were held as treasury stock as of 31 December 2007 (31 December 2006: zero).

8) Debentures and non-current loans

(CHF thousand)	31.12.2007	31.12.2006
Japanese private placement	421,173	421,173
US private placement	365,750	365,750
Liabilities towards banks arising from US car park lease	213,345	262,353
Debentures	278,000	278,000
Total debentures and non-current loans	1,278,268	1,327,276

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

Description	Nominal amount in CHF thousand as of 31.12.2007	Duration	Interest rate	Early repayment	Interest payment dates
Debenture	128,000	2001–2009	4.250%	no	26 March
Debenture	150,000	2006–2010	3.125%	no	14 June
Subtotal, debentures	278,000				
Japanese private placement	421,173	2003–2024	5.730%	no	23 May/ 23 November
Liabilities towards banks arising from US car park lease	213,345	2003–2012	3.606%	from 2005	20 December
	49,008 ¹⁾				
US private placement	365,750	2003–2015	4.7525%	from 2011	11 April/ 11 October

¹⁾ Reported under current financial liabilities, since fourth repayment due on 20 December 2008.

9) Provisions for aircraft noise

(CHF thousand)	31.12.2007	31.12.2006
Provisions for aircraft noise as of 1 January	207,372	161,273
Total cash flow from noise charges	58,278	54,023
Total cash flow from sound insulation and other measures	(7,038)	(9,184)
Increased provisions for aircraft noise	51,240	44,839
Provisions for formal expropriations	240	0
Provisions for aircraft noise before operating and imputed costs	258,852	206,112
Noise-related operating costs	(3,974)	(3,847)
Imputed interest (to 14 June 2006)	0	3,921
Interest income from assets of Airport of Zurich Noise Fund ¹⁾	6,186	2,572
Change in fair value of securities of Airport of Zurich Noise Fund ¹⁾	(1,533)	(1,386)
Realised loss on financial assets of Airport of Zurich Noise Fund ¹⁾	(900)	0
Total provisions for aircraft noise as of 31 December	258,631	207,372

¹⁾ 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 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 the Swiss Code of Obligations, 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". See also note 16, "Events occurring after the balance sheet date".

Total expenditure for sound-insulating measures includes the following:

(CHF thousand)	2007	2006
Total costs for sound insulation and other measures	7,038	9,184
Increased provisions for aircraft noise	51,240	44,839
Total expenditure for sound insulation measures	58,278	54,023

10) Non-current provisions

(CHF thousand)	31.12.2007	31.12.2006
Pension liabilities	2,918	2,253
Provisional tenancy agreements	1,500	1,500
Utilisation fees ¹⁾	0	10,016
Total non-current provisions	4,418	13,769

¹⁾ See note 12, "Current provisions".

11) Current financial liabilities

(CHF thousand)	31.12.2007	31.12.2006
Current liabilities towards banks arising from US car park lease	49,008	47,422
Debenture (redemption 28.9.2007)	0	75,000
Total current financial liabilities	49,008	122,422

12) Current provisions

(CHF thousand)	31.12.2007	31.12.2006
Amounts due to personnel (holidays and overtime)	8,248	7,637
Tax liabilities	4,556	0
Utilisation fees ¹⁾	1,129	0
Other liabilities	572	572
Total current provisions	14,505	8,209

¹⁾ Utilisation fees were billed for one year in 2006 and suspended as of 1 January 2007. In 2007 a legally binding court ruling went largely in favour of Flughafen Zürich AG, confirming that the collection of utilisation fees from companies providing ground handling services was lawful. As a consequence, from the total of 10 million Swiss francs invoiced in the 2006 financial year, 6.4 million were reported in the 2007 income statement as extraordinary result, net (see note 2, "Extraordinary result, net"). 1.1 million Swiss francs resulting from invoiced utilisation fees has been deferred, since one partner continues to dispute the legality of the collection of utilisation fees. The corresponding legal proceedings are in progress, and a first-instance ruling is expected in the course of 2008.

13) Further details

Major shareholders

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

	2007	2006
Canton of Zurich (including BVK pension fund)	33.36%	33.42%
City of Zurich (including pension fund of the City of Zurich)	5.06%	5.06%

14) Related parties

Related parties are:

- 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 698.4 million Swiss francs as of 31 December 2007. It is presently not being used.

a) Remuneration of related parties

The following amounts were paid to related parties in the form of remuneration:

Board of Directors in 2007:

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for attending committee meetings	Social security contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	100,000	27,500	10,000	20,000	10,142	167,642
Dr. Lukas Briner	Vice Chairman	60,000	25,000	5,000	15,000	6,762	111,762
Dr. Kaspar Schiller	Member; Chairman of Nomination & Compensation Committee	45,000	25,000	10,000	20,000	6,440	106,440
Martin Candrian	Member; Chairman of Audit & Finance Committee	45,000	27,500	10,000	5,000	5,635	93,135
Dr. Martin Wetter	Member	45,000	27,500	5,000	5,000	5,313	87,813
Thomas E. Kern (until 22 November 2007)	Member	0	27,500	0	12,500	2,576	42,576
Dr. Elmar Ledergerber	Member	0	25,000	0	5,000	1,932	31,932
Rita Fuhrer	Member	0	10,000	0	0	644	10,644
Total		295,000	195,000	40,000	82,500	39,444	651,944

Board of Directors in 2006:

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for attending committee meetings	Social security contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	100,000	32,500	10,000	7,500	9,659	159,659
Dr. Lukas Briner	Vice Chairman	60,000	30,000	5,000	5,000	6,440	106,440
Dr. Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	30,000	10,000	5,000	5,796	95,796
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	27,500	10,000	5,000	5,635	93,135
Dr. Martin Wetter	Member	45,000	30,000	5,000	5,000	5,474	90,474
Thomas E. Kern (until 22 November 2007)	Member	0	27,500	0	2,500	1,932	31,932
Dr. Elmar Ledergerber	Member	0	17,500	0	2,500	1,288	21,288
Rita Fuhrer	Member	0	8,500	0	1,000	612	10,112
Total		295,000	203,500	40,000	33,500	36,836	608,836

There is no share or option programme for the Board of Directors.

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 25,500 Swiss francs (2006: 85,100 Swiss francs). MWV Bauingenieure AG, whose co-owner is Eduard Witta, received payments totalling 41,200 Swiss francs for engineering work carried out in association with the airport multi-storey car parks (2006: 5,500 Swiss francs).

Management Board in 2007:

(CHF)	Salary	Bonus (cash)	Bonus (shares)	Long-service bonus (shares)	Total bonus & long-service bonus (shares)	Pension and social insurance expenses ¹⁾	Miscellaneous	Total CHF	Number of shares	Shares (Swiss francs)
Recipient										
Bonus portion as of 31 December 2007 calculated on the basis of existing data as of balance sheet date (best estimate; in cash and shares)										
Josef Felder	400,000	428,000	0	1,532,200	1,532,200	124,034	29,068	2,513,302	3,260	470.00
Other members of the Management Board	1,110,000	957,800	332,900	0	332,900	316,258	86,027	2,802,985	737	452.00
Total	1,510,000	1,385,800	332,900	1,532,200	1,865,100	440,292	115,095	5,316,287	3,997	466.68

¹⁾ Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social insurance and staff benefit schemes.

The amounts disclosed above paid as bonus in the form of shares are based on the share price as of the end of the year. However, the number of shares to be granted cannot be precisely calculated here since the number depends on the purchase price at grant date.

Below is an update for 2006 based on the effective number of shares issued as remuneration as of grant date:

(CHF)	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses ¹⁾	Miscellaneous	Total CHF	Number of shares	Shares (Swiss francs)
Recipient								
Bonus portion as of 31 December 2006 calculated on the basis of existing data as of balance sheet date (best estimate; in cash and shares)								
Josef Felder	350,000	233,000	117,000	119,834	27,068	846,902	317	369.50
Other members of the Management Board	1,040,000	371,100	185,100	314,152	80,827	1,991,179	501	369.50
Total	1,390,000	604,100	302,100	433,986	107,895	2,838,081	818	369.50

Effective number of shares issued in the 2007 financial year for the 2006 financial year, at the purchase price as of grant date:

Josef Felder	350,000	0	85,986	119,834	27,068	582,888	639	134.56
Other members of the Management Board	1,040,000	341,622	46,694	314,152	80,827	1,823,295	347	134.56
Total	1,390,000	341,622	132,680	433,986	107,895	2,406,183	986	134.56

¹⁾ Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social insurance and staff benefit schemes.

These shares are blocked for a period of four years. See also "Notes to the consolidated financial statements", note 2, "Personnel expenses".

financial statements are therefore different (see "Consolidated financial statements", note 22.5, "Related parties").

In contrast to the financial statements prepared according to the Swiss Code of Obligations, in the consolidated financial statements of Flughafen Zürich AG, the value of shares issued as remuneration is based on the fair value as of grant date. The figures disclosed in the consolidated

In the year under review, the Canton of Zurich police force was reimbursed at market conditions for services rendered for a total amount of 88.2 million Swiss francs (2006: 73.9 million Swiss francs) in accordance with the applicable service level agreement.

b) Shares held by related parties

As of balance sheet date, members of the Board of Directors and related parties held the following number of shares:

Recipient	Function	Number of shares 31.12.2007	Number of shares 31.12.2006
Andreas Schmid	Chairman	4	4
Dr. Lukas Briner	Vice Chairman	21	21
Dr. Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	13	13
Martin Candrian	Member; Chairman of the Audit & Finance Committee	375	375
Dr. Martin Wetter	Member	0	0
Dr. Elmar Ledergerber	Member	110	0
Thomas E. Kern (until 22.11.2007)	Member	n/a	2
Rita Fuhrer	Member	0	0
Total		523	415

As of balance sheet date, members of the Management Board and related parties held the following number of shares:

Recipient	Number of shares 31.12.2007	Number of shares 31.12.2006
Josef Felder	11,357	21,518
Roland Bentele	256	244
Peter Eriksson	1,137	2,408
Rainer Hiltbrand	1,817	2,886
Beat Spalinger	1,273	3,893
Total	15,840	30,949

15) Miscellaneous

(CHF thousand)	2007	2006
Finance lease liabilities not reported in the balance sheet ¹⁾	72,521	76,653

¹⁾ See "Accounting policies", section 2, "Valuation principles", "Finance leasing".

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 5.3 million Swiss francs provided as collateral in the form of cash and cash equivalents (31 December 2006: 1.7 million) and 150 million Swiss francs provided as collateral in the form of letters of credit (31 December 2006: 142 million).

As of 31 December 2007, Flughafen Zürich AG provided a bank guarantee to Bangalore International Airport Ltd. in the amount of 1.5 million Swiss francs or INR 51.4 million (31 December 2006: 6.4 million, or INR 231.2 million) (see note 5, "Financial assets and associates"). It represents payments still to be made in future.

Furthermore, as of 31 December 2007 Flughafen Zürich AG provided two bank guarantees to Karl Steiner AG, Zurich amounting to a total of 11.5 million Swiss francs (31 December 2006: 0.5 million Swiss francs). These represent guarantees in connection with the construction of the airport hotel.

16) Events occurring after the balance sheet date

The Board of Directors authorised the 2007 financial statements according to the provisions of the Swiss Code of Obligations (OR) for issue on 6 March 2008. These also have to be approved by the General Meeting of Shareholders.

On 27 February 2008, Flughafen Zürich AG received notification of the ruling by the Swiss Federal Tribunal dated 8 February 2008 concerning one of the pilot cases from the municipality of Opfikon (another 16 pilot cases from this municipality are still pending). This ruling concerns an owner-occupied property. The compensation specified by the high court in this case was 150,000 Swiss francs. With this ruling, the Federal Tribunal has clarified certain fundamental issues, but as before, it still has to pronounce its rulings on a number of other important fundamental issues. Until the Federal Tribunal as final instance has pronounced its rulings concerning the

remaining 16 pilot cases, the Management Board is unable to make a reliable estimate of the anticipated overall costs for formal expropriations in accordance with IAS 38.21. On the basis of a brief analysis of the ruling by the Federal Tribunal, in the view of Flughafen Zürich AG 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 continue to be regarded as a cautious and conservative estimate.

No other events occurred between 31 December 2007 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.

Distribution of available earnings

The Board of Directors proposes to the General Meeting of Shareholders that the available earnings of 89,565,001 Swiss francs should be used as follows:

(CHF)

Allocation to legal reserves ¹⁾	0
Payment of a gross dividend of CHF 4.50 ²⁾	27,631,687
To be carried forward	61,933,314
Total available earnings	89,565,001

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

²⁾ 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 the 2007 financial year will be CHF 4.50 gross per share. After deduction of withholding tax of 35 percent, the shareholders will receive a net dividend of CHF 2.93.

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

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 144 to 158) of Flughafen Zürich AG for the year ended 31 December 2007.

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 Swiss Auditing Standards, 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 principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements 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 pages 147 to 149 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

Marc Ziegler
Auditor in Charge

Roger Neininger

Zurich, 6 March 2008

