

ANNUAL REPORT OF  
FLUGHAFEN ZÜRICH AG

2014



24 JANUARY

Noise supplement discontinued

In its decision on flight operations charges, the Federal Office for Civil Aviation (FOCA) announces the suspension of the five-franc noise supplement as of 1 February 2014.

28 FEBRUARY

Start of main phase of runway 14/32 renovation

The complete refurbishment of the main landing runway 14/32 enters the main phase. Owing to planned night-time work, extensive noise protection measures are commenced, and events held for nearby residents.



26 MARCH

First part of Terminal 2 commences operations

Following several years of construction, the southern section of Terminal 2 becomes operational.



16 APRIL

Consultancy mandate for airports in Kazakhstan

As part of a service-level agreement, Flughafen Zürich AG is to provide management expertise for the operation of up to 11 airports in Kazakhstan.

18 JUNE

New noise protection hangar inaugurated at Zurich Airport

Aircraft engine ground testing will be carried out in the new noise protection hangar in future. Its inauguration marks a major milestone towards sustainably improving the noise situation.



4 AUGUST

Zurich Airport is again Europe's leading airport

For the eleventh time in succession, Zurich Airport receives the World Travel Award for its customer-friendliness and consistent high quality.

6 OCTOBER

One million visitors to observation deck B

Around three years after being opened, observation deck B – the popular excursion destination – welcomed its millionth visitor.

15 OCTOBER

New satellite-based precision landing procedure

The new GBAS ground station at the airport allows aircraft to land using GPS technology even when visibility is poor. The investment underscores the leading role that Flughafen Zürich AG plays in developing modern approach procedures.

5 DECEMBER

“The Circle” to be built

After an extensive review of the economic viability and target attainment of the advance occupancy rate, Flughafen Zürich AG and Swiss Life AG gave the go-ahead for the project to be implemented.

KEY DATA

(CHF 1,000)	2010	2011	2012	2013	2014
Total revenue	851,548	905,404	948,820	975,094	963,479
of which aviation revenue <sup>1)</sup>	534,722	579,613	596,411	601,437	574,959
of which non-aviation revenue <sup>1)</sup>	316,826	325,791	352,409	373,657	388,520
Operating expenses	- 415,100	- 421,462	- 558,143	- 448,381	- 439,981
Earnings before interest, tax, depreciation and amortisation (EBITDA)	436,448	483,942	390,677	526,713	523,498
EBITDA margin (in %)	51.3	53.5	41.2	54.0	54.3
Earnings before interest and tax (EBIT)	245,730	282,731	171,936	302,003	294,622
EBIT margin (in %)	28.9	31.2	18.1	31.0	30.6
Profit	138,519	169,845	94,732	137,052	205,921
Cash flow from operating activities	431,032	438,899	439,920	458,993	460,726
Cash flow from investing activities	- 266,971	- 449,688	- 185,046	- 171,239	- 220,401
Invested capital as at reporting date <sup>2)</sup>	2,968,638	3,212,552	3,383,681	3,413,507	3,200,107
Average invested capital <sup>2)</sup>	3,021,571	3,090,595	3,298,117	3,398,594	3,306,807
Return on average invested capital (ROIC in %)	6.5	7.3	4.1	7.1	7.1
Equity as at reporting date	1,684,402	1,801,777	1,859,803	2,051,618	2,140,522
Return on equity (in %)	8.4	9.7	5.2	7.0	9.8
Equity ratio (in %)	47.9	47.2	45.7	50.5	53.6
Interest-bearing liabilities (net) <sup>3)</sup>	1,002,062	1,012,051	826,230	692,758	372,202
Interest-bearing liabilities (net) / EBITDA	2.30x	2.09x	2.11x	1.32x	0.71x

Key operational data

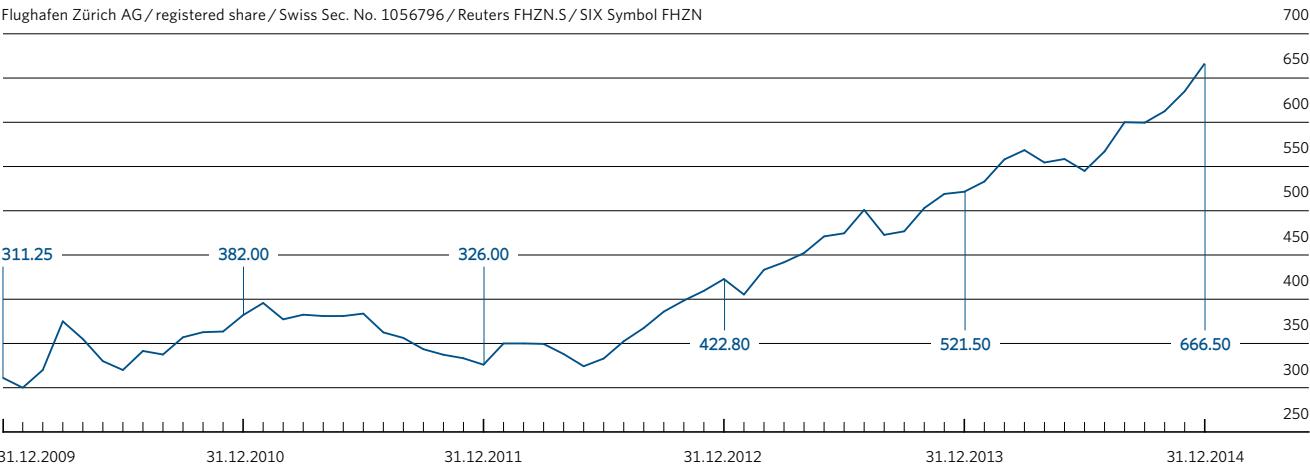
Number of passengers	22,878,251	24,337,954	24,802,400	24,865,138	25,477,622
Number of flight movements	268,765	279,001	270,027	262,227	264,970
Freight in tonnes	411,037	415,035	418,751	415,362	429,830
Number of full-time positions as at reporting date <sup>4)</sup>	1,292	1,321	1,365	1,478	1,450
Number of employees as at reporting date <sup>4)</sup>	1,543	1,570	1,615	1,736	1,707

Key data for shareholders of Flughafen Zürich AG

Number of issued shares	6,140,375	6,140,375	6,140,375	6,140,375	6,140,375
Proposed / paid dividend per share (CHF)	7.00	9.50	9.50	10.00	13.50
Dividend total (CHF 1,000)	42,983	58,334	58,334	61,404	82,895
Payout ratio (in %)	31.0	34.3	61.6	44.8	40.3
Equity per share (CHF)	274.32	293.43	302.88	334.12	348.60
Basic earnings per share (CHF)	22.57	27.67	15.52	22.34	33.53
Diluted earnings per share (CHF)	22.56	27.65	15.51	22.33	33.52

- 1) Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly.  
For the purpose of comparison, the previous year's figures have been adjusted accordingly.
- 2) Invested capital includes equity, interest-bearing debt and the fair values of the hedging instruments.
- 3) Interest-bearing liabilities (net) include interest-bearing debt and the fair values of hedging instruments less cash and cash equivalents, interest-bearing current and non-current financial assets and fixed-term deposits.
- 4) From 2013 including employees of the consolidated A-port Operaciones S. A. and its subsidiaries.

SHARE PRICE TREND





## KEY DATA EXCLUDING THE INFLUENCE OF AIRCRAFT NOISE

Flughafen Zürich AG refinances all costs related to aircraft noise according to the cost-by-causes principle via noise charges. There is a specified purpose for these noise charges, and any surplus, after all noise-related expenses have been paid, is required to be repaid and does not belong to the owners of Flughafen Zürich AG.

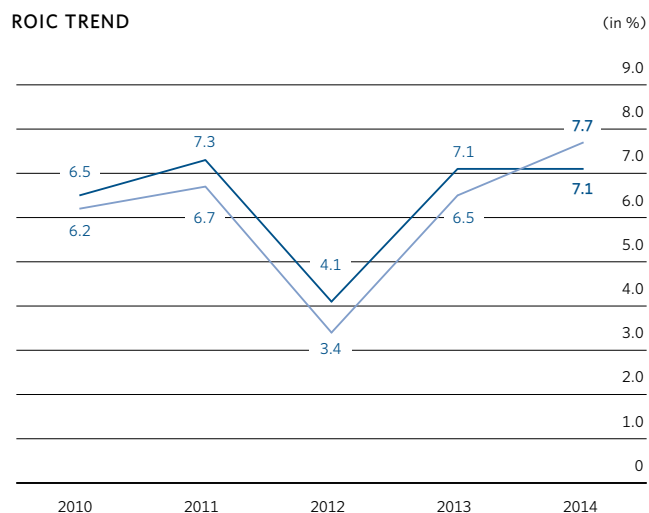
As the consolidated financial statements of Flughafen Zürich AG include noise charges, noise-related expenses and noise-related items in the balance sheet, key figures are also stated excluding the influence of aircraft noise for the shareholders. In the long term, noise-related items will not impact the income statement or cash flow statement of Flughafen Zürich AG.

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

(CHF 1,000)	2010	2011	2012	2013	2014
Total revenue	819,791	856,817	896,764	920,737	953,280
of which aviation revenue <sup>1)</sup>	502,965	531,026	544,355	547,080	564,760
of which non-aviation revenue <sup>1)</sup>	316,826	325,791	352,409	373,657	388,520
Operating expenses	-410,751	-417,197	-554,332	-444,494	-436,089
Earnings before interest, tax, depreciation and amortisation (EBITDA)	409,040	439,620	342,432	476,243	517,191
EBITDA margin (in %)	49.9	51.3	38.2	51.7	54.3
Earnings before interest and tax (EBIT)	223,956	245,472	131,440	259,282	295,798
EBIT margin (in %)	27.3	28.6	14.7	28.2	31.0
Profit	124,662	149,351	80,590	96,016	211,440
Cash flow from operating activities	405,253	400,242	414,262	428,712	468,423
Cash flow from investing activities	-233,419	-412,127	-173,283	-165,270	-238,976
Invested capital as at reporting date <sup>2)</sup>	2,813,344	3,036,763	3,193,750	3,172,650	2,974,659
Average invested capital <sup>2)</sup>	2,873,205	2,925,054	3,115,257	3,183,200	3,073,655
Return on average invested capital (ROIC in %)	6.2	6.7	3.4	6.5	7.7
Equity as at reporting date	1,529,108	1,625,988	1,669,872	1,810,761	1,915,074
Return on equity (in %)	8.3	9.5	4.9	5.5	11.3
Equity ratio (in %)	50.6	49.9	47.8	52.3	57.9
Interest-bearing liabilities (net) <sup>3)</sup>	1,214,483	1,257,253	1,107,887	994,706	871,017
Interest-bearing liabilities (net)/ EBITDA	2.97x	2.86x	3.24x	2.09x	1.68x
<b>Key data for shareholders of Flughafen Zürich AG</b>					
Payout ratio (in %)	34.5	39.1	72.4	64.0	39.2
Equity per share (CHF)	249.03	264.80	271.95	294.89	311.88
Basic earnings per share (CHF)	20.31	24.33	13.20	15.65	34.43
Diluted earnings per share (CHF)	20.30	24.31	13.19	15.64	34.42

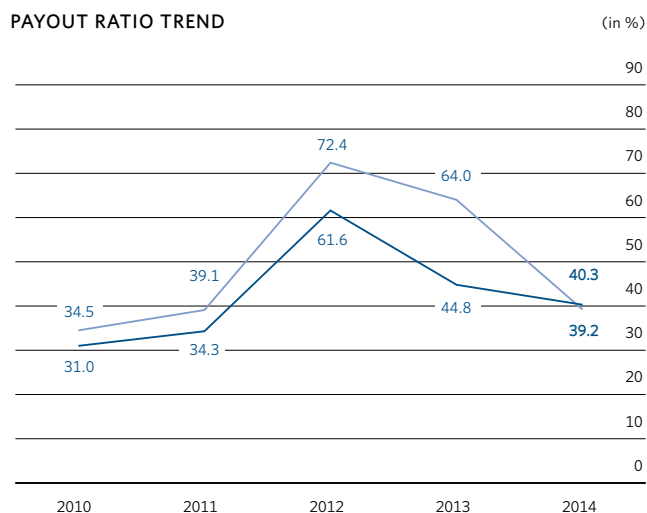
Please see left-hand page for an explanation of the footnotes.

### ROIC TREND



● incl. aircraft noise ● excl. aircraft noise

### PAYOUT RATIO TREND



● incl. aircraft noise ● excl. aircraft noise

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# ADDRESS TO SHAREHOLDERS

Highlights of construction activities at Zurich Airport included large-scale projects such as the renovation of runway 14/32, the noise protection hangar and the upgrade of the southern section of Terminal 2. Other milestones included the application for an amendment to the operating regulations in 2014 and the introduction of new approach procedures. The challenges for the airport operator remain.



ANDREAS SCHMID  
CHAIRMAN OF THE BOARD OF DIRECTORS



THOMAS E. KERN  
CHIEF EXECUTIVE OFFICER UNTIL 31 DECEMBER 2014

Dear Shareholders,  
Dear Sir or Madam

The 2014 financial year was not an easy one but it featured a number of both exciting and pioneering elements. The particular interests of our partners and neighbours – for example as regards airport charges, large-scale projects or noise levels – remain a major challenge. Our task is to protect the interests of our company and to ensure that the airport can continue to develop.

In the past financial year, Flughafen Zürich AG generated a profit of CHF 205.9 million on sales of CHF 963.5 million. The Board of Directors is proposing to the General Meeting of Shareholders the payment of an ordinary dividend of CHF 13.50 per share.

#### **New record for passenger numbers**

A total of 25,477,622 passengers passed through Zurich Airport in 2014, more than ever before in its history. This represented an increase of 2.5 % compared with the previous year. The number of local passengers rose by 6.4 % to 17.7 million in 2014. At the same time, the number of transfer passengers declined by 5.5 % to 7.7 million. In percentage terms, the share of transfer passengers fell from 32.9 % in 2013 to 30.3 % in 2014.

The average number of passengers per flight rose from 109 to 110, and the seat load factor increased by 1.1 % in 2014 to 75.9 %. Seating capacity to and from Zurich rose in 2014 by 1.3 %. Overall, there were 264,970 flight movements at Zurich Airport in 2014, corresponding to an increase of 1.0 % from the previous year's figure. The shares of air traffic were as follows: Swiss International Air Lines (Swiss, 55.4 %), followed by Air Berlin (5.6 %), Edelweiss Air (4.0 %), Lufthansa (2.8 %) and British Airways (2.2 %).

Sales from aviation business amount to CHF 575.0 million (– 4.4 %), while non-aviation sales at CHF 388.5 million are up 4.0 % on the previous year's figure.

#### **Upgrades to the infrastructure**

The new noise protection hangar was inaugurated in June 2014. Thanks to its state-of-the-art technology it makes a major contribution towards improving the noise situation. The extensive renovation of the main landing runway 14/32 was also completed on schedule in summer 2014. The construction work was carried out at night, similarly to the refurbishment of runway 16/34, which is why great importance was attached to informing the neighbouring municipalities. The Echo North stands are in place, and a stand was constructed both at Dock E and at Dock B for the Airbus A380. The multi-year large-scale Terminal 2 upgrade is making good progress. The southern section of Terminal 2 has been operational since March 2014, offering passengers a new check-in zone and a larger arrival hall. Closely linked to the Terminal 2 project is the refurbishment of the curbside lanes, and the arrival area was completed at the end of 2014.

#### **Landing and take-off procedures**

The first aircraft to use a precision approach system landed in Zurich in mid-October 2014. The installation of the GBAS ground station (Ground Based Augmentation System) means that GPS landings from the north on runway 14 are now possible even in poor visibility.

In October, the application for the 2014 amendment to the operating regulations was submitted for public inspection. The application includes changes to flight routes and the lifting of height restrictions for take-offs on runway 32. The main component of the 2014 operating regulations is the simplification of the East Concept in the air. It is closely linked to the Sectoral Aviation Infrastructure Plan (SAIP). Zurich's Cantonal Parliament removed this spatial planning assurance for any extensions to runways 28 and 32 from the cantonal development plan, thus deliberately acting in opposition to the Federal government's spatial planning policy. The procedure to eliminate this difference is under way.

#### **Large-scale projects**

Key tenants were recruited for the "Brands & Dialogue" module of "The Circle" in the course of 2014, in addition to the two anchor tenants University Hospital Zurich and the hotel group Hyatt. The definitive decision to proceed with the project was taken in December 2014, based on a positive assessment of its economic feasibility and the attainment of the defined advance occupancy rate.

The airport's international activities were also successful. In April 2014, Flughafen Zürich AG signed the concession agreement for the international airport in Belo Horizonte, Brazil, and the consortium took over the operational management in August. Since spring 2014, Flughafen Zürich AG has also been contributing its management expertise at six airports in Kazakhstan as part of a multi-year services agreement.

#### **Retail**

Several large refurbishments and new openings took place in 2014. The biggest change was in the Airport Center, with Migros increasing its floor space to an impressive 3,000 m<sup>2</sup> in November to include open-sale meat, fish and cheese counters. Fashion chain H&M opened its second store at Zurich Airport in August. An intensive airside upgrade also took place. All retail units in Docks A and E were refurbished, and the culinary offering was expanded. The Hugo Boss and Montblanc brands are now housed in new retail spaces.

## Awards

The Airport Council International (ACI) honoured Zurich Airport twice as a recipient of the "Airport Service Quality Awards": Zurich took second place behind Moscow Sheremetyevo in the "Europe" category and fifth place worldwide in the category "Airports handling 15 – 25 million passengers a year". In March 2014, Zurich Airport was also recognised for its freight services with the "Air Cargo Excellence Award 2014". As in the previous year, Zurich Airport came top of the "Airports Europe up to 399,999 Tonnes handled" category. Zurich Airport has won the World Travel Award for the "Best airport in Europe" for the eleventh successive year.

## Outlook and thanks

In October 2014, a broad-based committee launched a popular initiative to amend the Zurich Cantonal Airport Act and give local people a say on runway modifications. The aim is to always allow the Zurich electorate to vote on key airport issues, such as proposed runway extensions. It will not be an easy vote, as the tension between the interests of the business community, society, politicians and the environment remains one of the major challenges. We are, however, convinced that Switzerland's most important aviation infrastructure – Zurich Airport – must retain the possibility to develop.

Once again, sincere thanks are due to everyone who works on behalf of the company and Zurich Airport both now and in the future.

Zurich Airport, 12 March 2015



Andreas Schmid  
Chairman of the  
Board of Directors



Thomas E. Kern  
Chief Executive Officer



## IMPORTANT STAFF-RELATED CHANGE

### Kern hands over the baton

After seven successful years as CEO of Flughafen Zürich AG, Thomas E. Kern has decided to embark on a career change. During his time in office he oversaw, among other things, the construction and opening of the new Dock B and the security check building, as well as the Terminal 2 upgrade project and the inauguration of the southern check-in hall in the spring of 2014. Under his leadership, the real estate project "The Circle" developed from a preliminary concept into a fully fledged construction project.

Ahead of the referendum on the second municipal initiative in 2011, Thomas Kern campaigned vigorously to ensure that local people once again got behind "their" airport and rejected the proposal. As CEO of Flughafen Zürich AG, he was always willing to engage in dialogue with opponents of the airport, both at local community events and in various public debates.

### Home-grown successor

Following a careful evaluation process, the Board of Directors has appointed Stephan Widrig to be the new CEO of Flughafen Zürich AG from 1 January 2015. Stephan Widrig, born in 1972, joined the Management Board of Flughafen Zürich AG on 1 July 2008. As Chief Commercial Officer, he was latterly responsible for the commercial operations of the airport, as well as for the development, construction and operation of all buildings and systems.

Stephan Widrig gained a degree in politics and economics from the University of St. Gallen. In 1999, he joined Flughafen-Immobilien-Gesellschaft (FIG), which merged with Flughafendirektion Zürich (FDZ) of the Canton of Zurich in 2000. After working in the privatisation team ahead of the referendum, he initially headed a frontline airport operations unit, and in 2002 he took over management of the airport's real estate business. From 2005 to 2008 he worked as Chief Financial Officer and Chief Commercial Officer of Bangalore International Airport Ltd. (BIAL) in Bengaluru, India.

As new CEO, Stephan Widrig not only brings to the job an in-depth understanding of the airport business in general and Zurich Airport in particular, but also has close ties with the region.

The Board would like to express its sincere thanks to Thomas Kern for his great personal commitment to Zurich Airport and wishes him all the very best for the future. The Board extends a warm welcome to new CEO Stephan Widrig and wishes him a good start in his new role.

Zurich Airport, 12 March 2015



Andreas Schmid  
Chairman of the Board of Directors



STEPHAN WIDRIG  
CHIEF EXECUTIVE OFFICER SINCE 1 JANUARY 2015

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# CORPORATE PROFILE

Flughafen Zürich AG operates Zurich Airport as a diversified business and listed company. As the holder of the operating licence awarded by the Swiss Confederation, it is mandated to meet the demand for direct flights to the world's major cities. Thanks to the high quality of its services, Zurich Airport enjoys an excellent reputation.

As Switzerland's gateway to the world, Zurich Airport is a quality airport at the heart of Europe, offering excellent access to international, national and regional transport networks. Zurich Airport regularly wins awards for its excellent services, short transfer distances, friendly staff, cleanliness of its infrastructure, reliability of its processes and other quality indicators. This performance can be credited to around 25,500 employees at more than 280 partner companies, who ensure each day that passengers and visitors enjoy the time they spend at Zurich Airport.

As a diversified business and a listed company, Flughafen Zürich AG operates one of Switzerland's most important transport and meeting hubs – Zurich Airport – on behalf of the Swiss Confederation. Its key mission is to satisfy the demand for direct connections to the world's major cities. In doing so, Flughafen Zürich AG takes equal account of the three aspects of cost-efficiency, environment and social responsibility while seeking to increase the company's competitiveness and credibility as well as add to its value in the long term. The company focuses on its core activities: serving as a national and international airport operator, being a leading Swiss operator of landside and airside commercial centres, and profitably managing and further developing real estate at its Zurich base. Flughafen Zürich AG employs around 1,600 staff.

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## STRUCTURE

With its four divisions, Flughafen Zürich AG is able to deliver maximum safety, quality and efficiency.

### Operations

The Operations division is responsible for licensed operations at Zurich Airport. It carries out and coordinates all the activities and procedures required to ensure safe, high-quality and efficient flight operations. As well as safety and security, these include all the services provided for passengers in the departure, arrival and transfer areas, freight handling, stand allocation and guidance of aircraft on aprons. Everything runs smoothly because all partners are managed by a central control body – Airport Steering. Aviation Marketing helps third-party airlines to grow along with demand. The development, construction and operation of the 880 hectares of airport premises, including utilities, waste management and maintenance of landside and airside engineering structures, also fall under the remit of Operations. As well as ensuring that aviation infrastructures are developed with a view to meeting demand in the short, medium and long term, the Operations division lobbies the Federal Office of Civil Aviation (FOCA) to provide a favourable regulatory environment.



As at 31 Dec. 2014

### Marketing & Real Estate

The Marketing & Real Estate division is responsible for the development, construction and profitable operation of buildings at Zurich Airport. The division develops attractive retail, restaurant and service facilities, both airside and landside. Other tasks include managing the technical systems necessary for flight operations and buildings, infrastructural facility management, overall responsibility for all landside transport services and car parks, as well as the overarching marketing and branding of the airport.

### Finance

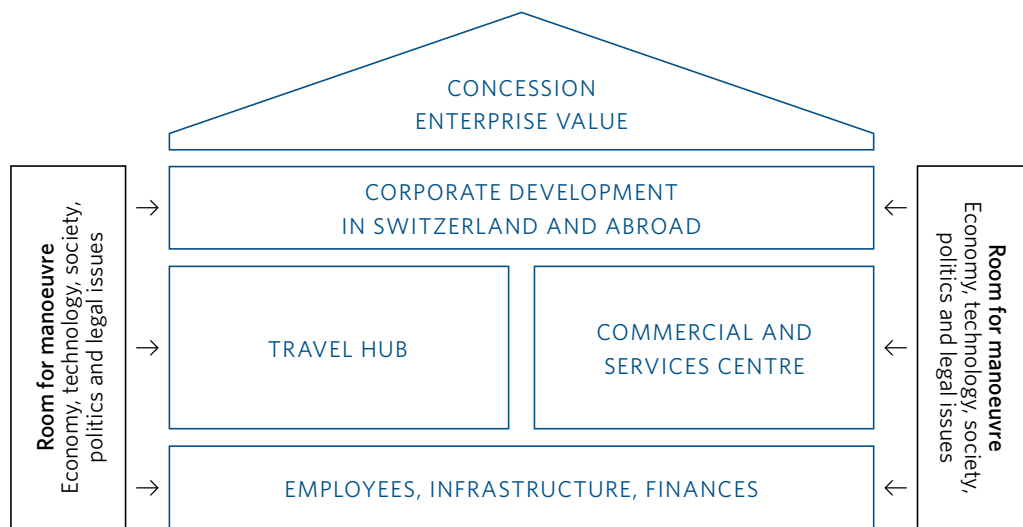
The Finance division is responsible for the financing and liquidity of Flughafen Zürich AG, ensures transparency with regard to the financial results, and monitors resource deployment of the company and its units. The Investor Relations department is responsible for top-quality and timely financial reporting as well as communications with capital markets. The Finance division performs systematic evaluations and assessments of Flughafen Zürich AG's risk exposure within the framework of risk and compliance management. The division is also responsible for international business development and currently supervises the eleven airports that Flughafen Zürich AG operates with its partners in India, Latin America and Kazakhstan.

### Services

The Services division encompasses all business services required for the operational processes of Flughafen Zürich AG. These include Human Resources, Procurement, and Legal Services, which also handles noise compensation procedures. The Public Affairs and Corporate Communication departments represent the political concerns of Flughafen Zürich AG to the public and communicate its activities appropriately for specific target groups. As well as monitoring compliance with the prescribed departure and approach routes, the Noise Management & Resident Protection department is responsible for implementing the sound insulation programme. Environmental Protection deals with all aspects relating to the issues of air quality, climate, energy and water resources, and the biosphere. Information Technology is responsible for all data processing and communication networks. It also offers IT-related technology services and solutions to companies based at Zurich Airport.

### CHANGE TO ORGANISATIONAL STRUCTURE

Owing to the streamlining of the organisational structure, the former Services division will be dissolved on 1 April 2015. Functions that were formerly part of Services will in future report either directly or indirectly to the CEO or be integrated into Finance.



## STRATEGY

Strategy acts as a signpost guiding Flughafen Zürich AG towards its objectives by means of projects and measures:

- Fulfilling the terms of the operating licence (national hub for global air transport)
- Increasing enterprise value

Flughafen Zürich AG is fulfilling the Confederation's licence mandate and increasing enterprise value by

- managing resources (employees, infrastructure, finances) sustainably, and optimally exploiting the available entrepreneurial scope,
- constantly developing the airport as a high-quality travel hub at the same time as ensuring safety and making optimum use of the available infrastructure and technology,
- complementing the aviation business with the commercial and services centre (real estate, retail, services), making it possible to experience the "fascination of flying", and generating sufficient revenue to enable the continued development of the entire Zurich Airport complex as a high-quality destination,
- utilising its expertise and experience in projects in Switzerland and abroad to develop new revenue streams in the medium to long term.

## LONG-TERM PRIORITIES AND OBJECTIVES

To fulfil its mandate and implement its strategy, Flughafen Zürich AG has defined ten long-term priorities. These are the basis for the continued successful development of the company.

- Rigorous focus on quality, consumers and customers
- Maintaining entrepreneurial freedom
- Exercising a leadership role at Zurich Airport
- Expansion and continued development as a transport hub
- Developing the commercial and services centre by means of attractive and innovative projects
- Expanding and strengthening project management capability at home and abroad
- Commitment to creating an ideal political framework
- Goal-oriented personnel management and deployment
- Strengthening the financial base and value creation
- Differentiation with traditional Swiss values

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## CORPORATE VALUES AND CULTURE

Flughafen Zürich AG has defined a strong set of corporate values based on its traditions and focused on its mandate. They influence its every action and provide the basis for sustainable business. Three values are particularly important:

### “Swissness”

Everything runs smoothly, and safety and perfection are key. Quality is totally focused on the needs of consumers, and punctuality and reliability are paramount. Small details are just as important as an understanding of the big picture. In short: Swiss through and through. That is what makes Flughafen Zürich AG – a company with a global reputation as a reliable partner – proud to provide a warm welcome to this small, vibrant country at the heart of Europe.

### “Attentive”

The welcoming smile comes from the heart. As does the desire to cater to the needs and desires of customers and partners. Delivering exactly the right solution at all times is one of the basic principles that is consistently followed. For Flughafen Zürich AG, attentiveness means dealing with the little things in life with the same enthusiasm as it tackles the big challenges facing the airline business and society.

### “Resolute”

Flughafen Zürich AG is a progressive, resolute company. Its high quality of service sets standards not just locally, but in the industry as a whole. It tackles and achieves its objectives actively, dynamically, efficiently and with a clear focus. It possesses an instinctive flair and a strong desire to get things done, in the interests of employees, customers, partners and shareholders.

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## LORD

The behaviour of all employees is goal-oriented and characterised by loyalty, openness, respect and discipline (LORD). Managers are expected to lead by example and respect the company's values and corporate culture in their daily work. Managers at Flughafen Zürich AG are guided by the following principles:

### Exemplary

- I behave as I expect my staff to behave.
- I remain focused on our company's objectives and set goals for my staff accordingly.
- I share information openly at the appropriate level and in good time.

### Human

- I allow both existing and planned matters to be questioned.
- I create a credible and trustworthy environment for my staff / team.
- I challenge and encourage my staff, help them to learn from their mistakes, and reward excellent performance.

### Resolute

- I make my expectations clear with regard to objectives, priorities and quality, and demand that they are met.
- I communicate decisions clearly, respect them and support them.
- I always delegate responsibility in conjunction with the necessary skills.

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## COMMITMENT TO SUSTAINABILITY

Flughafen Zürich AG's understanding of sustainability is based on the three dimensions of economic performance, environmental responsibility and social solidarity.

Building on the solid foundations of safety, quality and efficiency, Zurich Airport is operated in a sustainable way by

- creating long-term added value and consequently contributing to the economy as a whole,
- striving to reduce the impact on the environment and improving environmental efficiency,
- providing an attractive and safe environment for employees, partners, customers and visitors, and
- engaging in broad-based dialogue with stakeholders.







# 126 × 90 m

## NOISE PROTECTION HANGAR

The new noise protection hangar, officially opened on 18 June 2014, is 126 metres long and 90 metres wide. It is used to carry out engine testing and will help to improve the noise situation in the long term. Thanks to an elaborate steel construction, the roof requires no internal supports and the hangar can accommodate all aircraft types up to the size of a Boeing B747-800.

# BUSINESS DEVELOPMENT

In the 2014 financial year, Flughafen Zürich AG generated a profit of CHF 205.9 million on sales of CHF 963.5 million.

## KEY DATA

(CHF 1,000)	2014	2013	Change in %
Total revenue	963,479	975,094	- 1.2
of which aviation revenue <sup>1)</sup>	574,959	601,437	- 4.4
of which non-aviation revenue <sup>1)</sup>	388,520	373,657	4.0
Operating expenses	- 439,981	- 448,381	- 1.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	523,498	526,713	- 0.6
EBITDA margin (in %)	54.3	54.0	
Earnings before interest and tax (EBIT)	294,622	302,003	- 2.4
EBIT margin (in %)	30.6	31.0	
Profit	205,921	137,052	50.3
Cash flow from operating activities	460,726	458,993	0.4
Cash flow from investing activities	- 220,401	- 171,239	28.7
Invested capital as at reporting date <sup>2)</sup>	3,200,107	3,413,507	- 6.3
Average invested capital <sup>2)</sup>	3,306,807	3,398,594	- 2.7
Return on average invested capital (ROIC, in %)	7.1	7.1	
Equity as at reporting date	2,140,522	2,051,618	4.3
Return on equity (in %)	9.8	7.0	
Equity ratio (in %)	53.6	50.5	
Interest-bearing liabilities (net) <sup>3)</sup>	372,202	692,758	- 46.3
Interest-bearing liabilities (net) / EBITDA	0.71x	1.32x	
<b>Key operational data</b>			
Number of passengers	25,477,622	24,865,138	2.5
Number of flight movements	264,970	262,227	1.0
Freight in tonnes	429,830	415,362	3.5
Number of full-time positions as at reporting date	1,450	1,478	- 1.9
Number of employees as at reporting date	1,707	1,736	- 1.7
<b>Key data for shareholders of Flughafen Zürich AG</b>			
Number of issued shares	6,140,375	6,140,375	
Proposed / paid dividend per share (CHF)	13.50	10.00	35.0
Dividend total (CHF 1,000)	82,895	61,404	35.0
Payout ratio (in %)	40.3	44.8	
Equity per share (CHF)	348.60	334.12	4.3
Basic earnings per share (CHF)	33.53	22.34	50.1
Diluted earnings per share (CHF)	33.52	22.33	50.1
Flughafen Zürich AG (registered share)	Security number	SIX Symbol	Reuters
	1056796	FHZN	FHZN.S
Closing price as at 31.12. (CHF)	666.50	521.50	27.8

1) Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

2) Invested capital includes equity, interest-bearing debt and the fair values of the hedging instruments.

3) Interest-bearing liabilities (net) include interest-bearing debt and the fair values of hedging instruments less cash and cash equivalents, interest-bearing current and non-current financial assets and fixed-term deposits.

## KEY DATA (EXCLUDING THE INFLUENCE OF AIRCRAFT NOISE)

Flughafen Zürich AG refinances all costs related to aircraft noise according to the cost-by-causes principle via noise charges. There is a specified purpose for these noise charges, and any surplus, after all noise-related expenses have been paid, is required to be repaid and does not belong to the owners of Flughafen Zürich AG.

As the financial statements of Flughafen Zürich AG include noise charges, noise-related expenses and noise-related items in the balance sheet, key figures are also stated excluding the influence of aircraft noise for the shareholders. In the long term, noise-related items will not impact the income statement or cash flow statement of Flughafen Zürich AG.

These adjusted key figures reflect all significant noise-related items in the income statement and balance sheet.

(CHF 1,000)	2014	2013	Change in %
Total revenue	953,280	920,737	3.5
of which aviation revenue <sup>1)</sup>	564,760	547,080	3.2
of which non-aviation revenue <sup>1)</sup>	388,520	373,657	4.0
Operating expenses	- 436,089	- 444,494	- 1.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	517,191	476,243	8.6
EBITDA margin (in %)	54.3	51.7	
Earnings before interest and tax (EBIT)	295,798	259,282	14.1
EBIT margin (in %)	31.0	28.2	
Profit	211,440	96,016	120.2
Cash flow from operating activities	468,423	428,712	9.3
Cash flow from investing activities	- 238,976	- 165,270	44.6
Invested capital as at reporting date <sup>2)</sup>	2,974,659	3,172,650	- 6.2
Average invested capital <sup>2)</sup>	3,073,655	3,183,200	- 3.4
Return on average invested capital (ROIC in %)	7.7	6.5	
Equity as at reporting date	1,915,074	1,810,761	5.8
Return on equity (in %)	11.3	5.5	
Equity ratio (in %)	57.9	52.3	
Interest-bearing liabilities (net) <sup>3)</sup>	871,017	994,706	- 12.4
Interest-bearing liabilities (net) / EBITDA	1.68x	2.09x	
<b>Key data for shareholders of Flughafen Zürich AG</b>			
Payout ratio (in %)	39.2	64.0	
Equity per share (CHF)	311.88	294.89	5.8
Basic earnings per share (CHF)	34.43	15.65	120.0
Diluted earnings per share (CHF)	34.42	15.64	120.1

Please see left-hand page for an explanation of the footnotes.

## RESULTS INCLUDING AND EXCLUDING NOISE-RELATED ITEMS

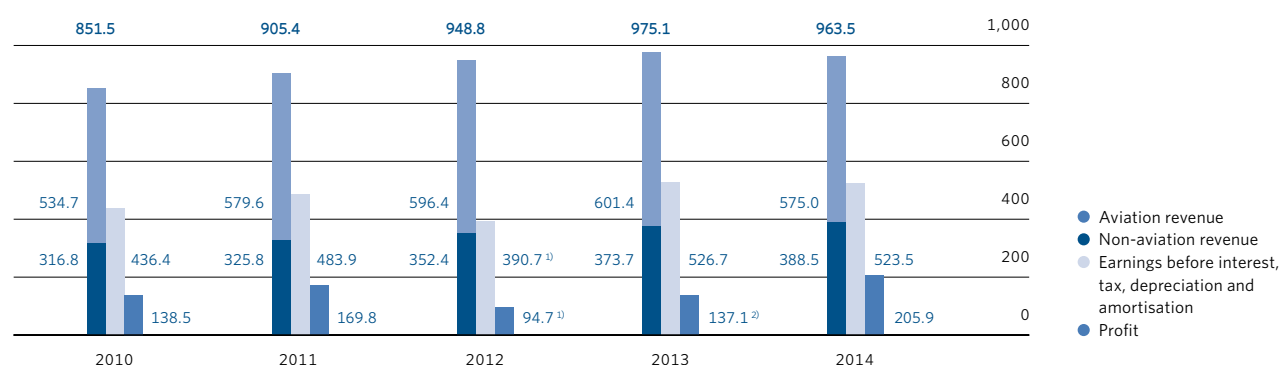
The figures for the income statement and results including and excluding noise-related factors are as follows:

(CHF 1,000)	2014			2013		
	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise
Aviation revenue	574,959	- 10,199	564,760	601,437	- 54,357	547,080
Non-aviation revenue	388,520	0	388,520	373,657	0	373,657
Total revenue	963,479	- 10,199	953,280	975,094	- 54,357	920,737
Operating expenses	- 439,981	3,892	- 436,089	- 448,381	3,887	- 444,494
EBITDA	523,498	- 6,307	517,191	526,713	- 50,470	476,243
Depreciation and amortisation	- 228,876	7,483	- 221,393	- 224,710	7,749	- 216,961
EBIT	294,622	1,176	295,798	302,003	- 42,721	259,282
Profit	205,921	5,519	211,440	137,052	- 41,036	96,016



## FINANCIAL DEVELOPMENT

(CHF million)



<sup>1)</sup> Incl. expenditure for the initial recognition of employee benefits according to IAS 19 (primarily the new affiliation contract with the BVK Employee Pension Fund of the Canton of Zurich).

<sup>2)</sup> Incl. expenditure for the restructuring of non-current financial liabilities.

## RESULTS TREND

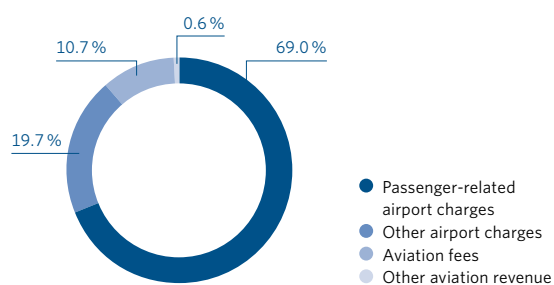
→ Table page 68

Revenue fell year on year from CHF 975.1 million to CHF 963.5 million (-1.2%). This decline is due solely to the fact that the five-franc passenger noise supplement was suspended as of 1 February 2014. Excluding this effect, both aviation business and non-aviation business were on a positive trend.

### Aviation revenue

Of the total revenue, approximately 60% (2013: 62%) was attributable to aviation revenue, amounting to CHF 575.0 million (-4.4%) in the year under review. The most important revenue items are commented on below.

### BREAKDOWN OF AVIATION REVENUE



(CHF million)

Aviation revenue	2014	in %
Passenger-related airport charges	396,621	69.0
Other airport charges	113,404	19.7
Aviation fees	61,759	10.7
Other aviation revenue	3,175	0.6
<b>Total</b>	<b>574,959</b>	<b>100.0</b>

Passenger volumes developed positively in the past year (+2.5%). At 25.5 million travellers, a new all-time passenger record was set at Zurich Airport. As a result of the above-mentioned suspension of the five-franc noise supplement, revenue from passenger-related airport charges fell from CHF 423.3 million to CHF 396.6 million (-6.3%). Thanks to above-average growth in local passengers, however, other passenger-related airport charges showed an increase.

Owing to the rise in the number of scheduled and charter flights as well as a further increase in the average take-off weight per aircraft, income from landing charges improved by 2.6% to CHF 87.6 million. Revenue from aircraft de-icing, on the other hand, was down due to the mild weather with little snow during the winter months.

Revenue from aircraft noise charges grew by 13.9% to CHF 8.2 million. These charges comprise noise-related landing charges plus surcharges for shoulder hours.

### Non-aviation revenue

Non-aviation revenue was boosted substantially by CHF 14.9 million (+4.0%) to CHF 388.5 million. The proportion of total revenue generated outside flight operations is now around 40% (2013: 38%).

Retail, tax & duty-free and food & beverage operations made a substantial contribution to growth, with turnover-based revenue rising by 4.4% and 2.3% respectively. This gratifying trend confirms that the policy of optimising the retail portfolio as pursued in recent years was correct. It was also possible to increase floor space in the year under review.

In 2014, sales for retail outlets and restaurant operators at Zurich Airport to which this revenue is attributable amounted to CHF 541.4 million (+0.8%). This corresponds to an average spend per passenger of CHF 42.50 (2013: CHF 43.20).

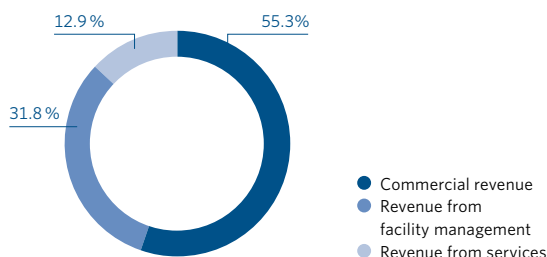
Mainly as a result of the growth in local passengers, revenue from car parking also grew by 6.9% to CHF 73.4 million.



Revenue from facility management amounted to CHF 123.3 million (+ 0.3 %). Revenue from rental and leasing agreements grew by CHF 5.0 million (+ 5.7 %) over the previous year. This was due to a one-off effect from the premature termination of a rental contract and the associated payment from a tenant. As a result of mild weather during the winter months, there was a year-on-year decrease of 14.2 % to CHF 22.9 million in revenue from the cross-charging of energy and utility costs.

Owing to the rise in revenue from consulting activities for international clients, revenue from services rose by 12.4 % to CHF 50.2 million.

#### BREAKDOWN OF NON-AVIATION REVENUE



(CHF million)

Non-aviation revenue	2014	in %
Commercial revenue	214,989	55.3
Revenue from facility management	123,322	31.8
Revenue from services	50,209	12.9
<b>Total</b>	<b>388,520</b>	<b>100.0</b>

#### Operating expenses

Operating expenses in 2014 fell by CHF 8.4 million to CHF 440.0 million (- 1.9 %). This reduction is primarily due to the mild weather during the winter months of the year under review, and consequently lower material and energy costs.

Personnel expenses for the reporting period amounted to CHF 180.9 million (+ 1.5 %). As well as the impact of adjustments to basic salaries, higher results-based salary components contributed to this increase. As at 31 December 2014, Flughafen Zürich AG employed 1,633 staff (31.12.2013: 1,639), corresponding to 1,376 full-time equivalent positions (31.12.2013: 1,381). In addition, as at the reporting date a further 74 people worked for consolidated company A-port Operaciones S.A. and its subsidiaries.

Expenses for police and security fell slightly to CHF 117.8 million (- 0.2 %). Despite significant passenger growth, it was possible to hold costs for the Zurich cantonal police at the same level as last year.

The aforementioned mild winter resulted in a significant reduction in expenses for energy and waste (- 17.7 %) as well as material and maintenance costs (- 5.3 %). Fuel costs were markedly less, for example, and consumption of de-icing agents was lower. At CHF 52.9 million, other operating expenses are down 1.3 % compared with the previous year.

Expenses relating to sales, marketing and administration fell sharply by 3.8 % or CHF 1.4 million to CHF 36.8 million in the year under review. This reduction was achieved thanks to rigorous cost-cutting and cost discipline.

Capitalised expenditure and other income/ expenses was around CHF 2 million (+ 22.9 %) higher than in the previous year. This was due in part to higher expenditure for the "Terminal 2 Upgrade" and "The Circle" projects.

#### Operating result

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to CHF 523.5 million. Despite the discontinuation of the five-franc noise supplement which was suspended from 1 February 2014, EBITDA is only CHF 3.2 million below the previous year's figure (CHF 526.7 million). There was even a slight improvement in the EBITDA margin to 54.3 % (2013: 54.0 %).

At CHF 228.9 million, depreciation and amortisation saw a year-on-year rise of CHF 4.2 million. This increase is chiefly attributable to the commissioning of some parts of the Terminal 2 upgrade project, higher runway maintenance, plus the extension to car park 6.

Earnings before interest and tax (EBIT) fell from CHF 302.0 million to CHF 294.6 million (- 2.4 %).

The finance result of Flughafen Zürich AG amounted to CHF - 33.8 million in the year under review, a significant improvement on the CHF - 134.4 million posted in the prior-year period. However, in the 2013 financial year, the finance result was impacted by one-off costs related to the restructuring of non-current financial liabilities amounting to CHF 82.9 million.

Interest expenses on debentures and non-current loans were CHF 13.9 million or 39.7 % down on the prior-year period to CHF 21.2 million. The savings are attributable to the restructuring of non-current financial liabilities in the previous year, the redemption of a debenture maturing in February 2014 in the amount of CHF 225.0 million and the annual repayment of the US private placement in April 2014.

The share in the result of associates is based on the share in profit/ loss of the Indian airport operator in Bengaluru (Bangalore International Airport Ltd., BIAL), Confins International Airport in Belo Horizonte, Brazil, and the company's other investment portfolio in Latin America.

#### Profit

Profit amounting to CHF 205.9 million is CHF 68.9 million above the previous year's figure. When adjusted to take account of the effects of restructuring the non-current financial liabilities, profit is up by CHF 2.7 million or 1.3 % over the previous year.

The Board of Directors is proposing to the General Meeting of Shareholders the payment of a dividend of CHF 13.50 per share (2013: CHF 10.00).

#### CONSOLIDATED CASH FLOW STATEMENT → Table page 71

Cash flow from operating activities was up slightly versus the prior year (CHF 459.0 million) and amounted to CHF 460.7 million for the year under review. Operations relating to aircraft noise resulted in a cash outflow of CHF - 7.7 million (2013: cash inflow of CHF 30.3 million).

As a result of the cash flows from investments and repayment of fixed-term deposits and the reversal of the pre-financing solution with the Canton of Zurich, cash outflow from investing activities was up by CHF 49.2 million and amounted to CHF - 220.4 million

for the 2014 financial year. Investing activities relating to aircraft noise resulted in a cash inflow of CHF 18.6 million (2013: cash outflow of CHF -6.0 million).

The result for the year under review was a cash outflow from financing activities of CHF -407.1 million. The previous year's figure of CHF -263.2 million was characterised by the restructuring of non-current financial liabilities (repayment of the Japanese private placement and the associated hedging instrument and the issue of a new debenture).

At the end of 2014, the company possessed cash and cash equivalents in the amount of CHF 226.1 million (2012: CHF 392.9 million), of which CHF 37.6 million is held by the Airport of Zurich Noise Fund.

## SEGMENT REPORTING

→ Table page 81

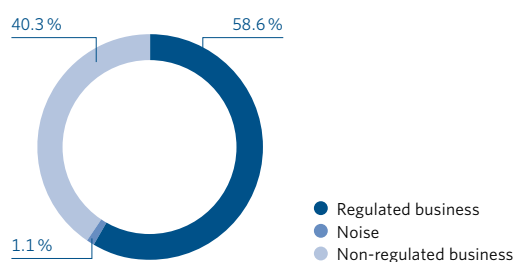
Internal reporting of segments to the chief operating decision-maker has been adapted in light of the new Ordinance on Airport Charges (FGV), more specifically with regard to the regulated charges and fees affected by the Ordinance. These were previously presented mainly in the "Aviation flight operations" and "Aviation security" segments.

The following segments are now presented for the regulated operations and submitted to the chief operating decision-maker as the basis for his significant judgements and decisions:

- "Aviation" segment
- "PRM" segment
- "User Fees" segment
- "Security" segment

The original "Aviation Aircraft Noise" segment remained unchanged and is now called the "Noise" segment. The former "Non-aviation" segment, now called "Non-regulated Business" also remained unchanged, with the exception of some insignificant reclassifications related to the new regulations.

### BREAKDOWN OF SEGMENT REVENUE WITH THIRD PARTIES



(CHF million)

Segment revenue with third parties	2014	in %
Regulated business	564.8	58.6
Noise	10.2	1.1
Non-regulated business	388.5	40.3
<b>Total</b>	<b>963.5</b>	<b>100.0</b>

## Regulated Business

Revenue for the regulated business segment rose from CHF 547.0 million to CHF 564.8 million in the year under review, while earnings before interest and tax (EBIT) for the regulated business, which comprises the "Aviation", "PRM", "User Fees" and "Security" segments, improved by CHF 26.5 million to CHF 109.0 million.

The improved result was due in particular to the "Aviation" segment. Here, the higher traffic volumes and lower operating costs owing to the mild winter contributed to the positive trend. EBIT for the "Security" segment improved from CHF 18.4 million to CHF 22.3 million, also attributable to the higher passenger volumes. The "PRM" segment also posted a negative EBIT (CHF -1.9 million) in the year under review. The result for the "User Fees" segment declined by CHF 1.7 million to CHF 2.7 million.

Capital invested for the regulated business amounts to CHF 1.9 billion, of which CHF 1.5 billion is allocated to the "Aviation" segment. In addition to the purely aviation-related infrastructure, invested capital also includes proportionate costs from mixed-use buildings, in particular the terminals. Invested capital of CHF 0.3 billion is allocated to the "User Fees" segment, which includes primarily the baggage sorting and handling system and the aircraft power supply systems. ROIC for the regulated business is 4.5 %.

## Noise

The sharp decline in the segment revenue and EBIT in the "Noise" segment from CHF 42.8 million to CHF -1.7 million is entirely attributable to the suspension of the five-franc noise supplement on 1 February 2014. There was a slight rise in depreciation owing to the noise protection hangar being commissioned in mid-2014. Invested capital of CHF 0.2 billion includes mainly financial assets of the Airport of Zurich Noise Fund and the new noise protection hangar.

## Non-regulated Business

In the year under review, EBIT for the non-regulated business went up by CHF 10.6 million to CHF 187.3 million with a concomitant increase in segment revenue from CHF 373.7 million to CHF 388.5 million.

This positive trend is due primarily to higher retail revenue, higher fixed rents (including a one-off payment by a tenant in 2014) and higher parking revenue. However, this increase was offset in the past financial year by higher depreciation, especially in the context of the Terminal 2 upgrade and the expansion of car park P6.

The invested capital is on a par with the previous year at CHF 1.1 billion. ROIC for the non-regulated business is 13.4 % (previous year 12.6 %).

## INVESTMENTS IN ASSOCIATES AND MANAGEMENT AGREEMENTS

### India

As at the reporting date, Flughafen Zürich AG held 5 % of the share capital of Bangalore International Airport Ltd. (BIAL), the owner and operator of the airport that opened in Bengaluru, India, in May 2008.

It is also involved in the operation of the airport under an Operations, Management & Service Agreement (OMSA) from which it receives revenue. Flughafen Zürich AG is represented on the Board of Directors of BIAL.

#### Kazakhstan

Through its subsidiary Zurich Airport International AG, Flughafen Zürich AG is involved in the operation of a portfolio of eleven airports in Kazakhstan under an Operations, Management & Service Agreement (OMSA), and currently provides advisory services to six of them. It receives revenue from this agreement.

#### Brazil

At the end of November 2013, Flughafen Zürich AG's consortium with the Brazilian company CCR and Flughafen München GmbH was awarded the concession for the operation and expansion of Confins International Airport in Brazil, which serves the city of Belo Horizonte and the state of Minas Gerais. The 30-year concession agreement was signed in April 2014. With around 11 million passengers, Confins is one of the most important airports in Brazil and is positioning itself to become a major domestic hub. Following the acquisition of the shares held by Flughafen München AG in August 2014, Flughafen Zürich AG holds a 25 % interest in the private consortium, which controls 51 % of the local airport company. The remaining 49 % of the shares are held by the state-owned Infraero, which was responsible for the airport's operation up until August 2014.

Flughafen Zürich AG appoints the retail and flight operations managers. In December 2014, Flughafen Zürich AG also signed an Operations, Management & Service Agreement (OMSA) with the licence holder.

#### Latin America

Flughafen Zürich AG has had a majority stake in A-port Operaciones S.A. since 2013. This company based in the Chilean capital Santiago de Chile manages and operates airports in Latin America and the Caribbean. This includes airports in Chile, Curaçao and Colombia. Agreements regarding the operation of four smaller airports in Honduras with 1.8 million passengers in total were terminated in the fourth quarter of 2014. In addition to the airport operations, Flughafen Zürich AG holds indirect interests in the licence holders for the Chilean airports in Antofagasta and Iquique due to its 49 % interest in A-port Chile S.A. and a stake in Hato International Airport in Curaçao through Companhia de Participações Aeroportuárias, based in São Paulo (Brazil).

#### Venezuela

In 2010, Flughafen Zürich AG and its consortium partner Unique IDC turned to the International Centre for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the investment protection treaty between Venezuela, Switzerland and Chile.

The ICSID reached its decision in November 2014, requiring the Bolivarian Republic of Venezuela to reimburse the consortium the costs incurred for the proceeding and project plus a compensation payment of around USD 19.5 million as well as interest incurred up until receipt of payment (around USD 14.2 million

accrued as at 31 December 2014). Flughafen Zürich AG is entitled to 50 % of the total amount of the payments. The parties have 120 days to request that the ICSID award be annulled. This period ends on 18 March 2015.

#### CAPITAL EXPENDITURE

→ Table page 87

Taking noise-related issues into account, CHF 290.5 million was invested in 2014 compared with CHF 320.1 million the previous year. The investments in property, plant and equipment amounted to CHF 254.1 million (2013: CHF 246.9 million).

The biggest investments in the category "Property, plant and equipment" were made in the following projects:

- Upgrade of Terminal 2 (CHF 41.0 million)
- Renovation of runway 14/32 (CHF 39.3 million)
- Maintenance operations to preserve the value of engineering structures (CHF 25.9 million)
- "The Circle" at Zurich Airport (CHF 25.9 million)
- Echo North aircraft stands (CHF 16.6 million)
- Implementation of GDP General Drainage Plan (CHF 15.7 million)
- Expansion of car parking (CHF 15.7 million)

#### BALANCE SHEET STRUCTURE

→ Table page 69

Total assets declined by CHF 75.2 million (-1.9 %) compared with the previous year and amounted to CHF 3,990.5 million on the balance sheet date.

Current assets remained virtually unchanged at CHF 604.9 million, with the lower level of trade receivables being offset by the slight increase in the overall level of cash and cash equivalents and fixed-term deposits. Non-current assets fell by a total of CHF 71.1 million to CHF 3,385.6 million. Lower intangible assets from the right of formal expropriation, resulting from the reversal of the pre-financing of the "old" noise-related liabilities by the Canton of Zurich (see pages 78 and 79 in the financial section of this Annual Report), were offset by lower additions to tangible assets.

Liabilities declined year on year by CHF 164.2 million (-8.2 %) and now total CHF 1,849.9 million. The repayment of a debenture in the amount of CHF 225.0 million and a tranche of the US private placement (CHF 73.2 million) were offset by significant increases in the provisions for employee benefit obligations and in the long-term provisions for formal expropriations (the latter also likewise following from the termination of the above-mentioned pre-financing of the "old" noise-related liabilities).

Equity increased in the year under review by a total of CHF 88.9 million and amounted to CHF 2,140.5 million at the end of 2014, which corresponds to a ratio of 53.6 % (2013: 50.5 %).

The return on invested capital (ROIC) remained at 7.1 % (as in the previous year). ROIC, adjusted for noise-related factors, improved from 6.5 % to 7.7 %.

## AIRPORT OF ZÜRICH NOISE FUND

Flughafen Zürich AG refinances all costs that arise in connection with aircraft noise through special noise charges – based on the “costs-by-cause” principle. In the interest of transparency, costs and income relating to aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund, which is a liquidity-based fund. The fund statement presents the accumulated surplus or shortfall as at the balance sheet date arising from noise charges, less expenses for formal expropriations, sound insulation and resident protection measures and noise-related operating costs.

In the event that the fund statement should show an accumulated income surplus, this surplus will be moved to a special investment account and invested by professional financial institutions using a conservative, money-market-oriented investment strategy. The income from these investments is credited to the fund statement.

The detailed fund statement is disclosed to a committee comprising representatives of Zurich Airport’s customers, of the relevant authorities and of Flughafen Zürich AG. Regulations and other information about the Airport of Zurich Noise Fund (including an overview of its financial development) can be found at [www.zurich-airport.com/aznf](http://www.zurich-airport.com/aznf).

After the pre-financing solution with the Canton of Zurich ceased to apply as of 30 November 2014 due to the positive trend in the equity of Flughafen Zürich AG and the Canton of Zurich’s share of the Airport of Zurich Noise Fund was therefore returned to Flughafen Zürich AG (see pages 78 and 79 in the financial section of this Annual Report), the position of the Airport of Zurich Noise Fund as at the reporting date is as follows:

## OUTLOOK

### Traffic and revenue trend

Flughafen Zürich AG expects a rise in passenger growth of 1 – 2 % in 2015, and also continued above-average growth in the number of local passengers. The number of flight movements is expected to be moderately higher than in 2014. The company is expecting aviation revenue to increase marginally more strongly than passenger growth. From today’s standpoint and owing to the strong Swiss franc, non-aviation revenue will decline slightly.

### Operating expenses

Operating expenses are expected to differ only minimally from those of the previous year.

### Investments

Flughafen Zürich AG has earmarked around CHF 250 – 300 million for investments in property, plant and equipment in 2015, the major portion of which will flow into the initial construction work for “The Circle”, the upgrading of Terminal 2, the expansion of the parking infrastructure, and the redevelopment of the curbside lanes.

### Result

The sale of some building land and the establishment of the co-ownership structure for “The Circle” will result in a one-off gain of around CHF 35 million (before taxes) in the 2015 financial year. Factoring out this one-off gain and excluding any additional extraordinary factors, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and taxes (EBIT) and profit should be above the year-back levels.

## AIRPORT OF ZÜRICH NOISE FUND

(CHF 1,000)	2014			2013		
	Flughafen Zürich AG	Canton of Zurich	Total	Flughafen Zürich AG	Canton of Zurich	Total
<b>Airport of Zurich Noise Fund as at 1 January</b>	<b>300,197</b>	<b>227,914</b>	<b>528,111</b>	<b>273,786</b>	<b>219,233</b>	<b>493,019</b>
Revenue from noise charges	15,651	4,423	20,074	53,799	16,989	70,788
Costs for sound insulation and resident protection <sup>1)</sup>	- 46,406	0	- 46,406	- 20,611	0	- 20,611
Costs for formal expropriations <sup>2)</sup>	- 1,942	- 8,787	- 10,729	- 2,907	- 9,139	- 12,046
<b>Balance before operating costs and finance result</b>	<b>267,500</b>	<b>223,550</b>	<b>491,050</b>	<b>304,067</b>	<b>227,083</b>	<b>531,150</b>
Operating costs	- 3,892	- 5	- 3,897	- 3,887	- 7	- 3,894
Interest income from financial assets of Airport of Zurich Noise Fund	3,820	950	4,770	4,755	1,491	6,246
Adjustments to fair value and realised gains / losses on financial assets (available-for-sale securities)	- 276	- 251	- 527	- 4,738	- 653	- 5,391
Return of the Canton of Zurich’s share in the Airport of Zurich Noise Fund on 30 Nov. 2014	224,244	- 224,244	0	0	0	0
<b>Airport of Zurich Noise Fund as at 31 Dec.</b>	<b>491,396</b>	<b>0</b>	<b>491,396</b>	<b>300,197</b>	<b>227,914</b>	<b>528,111</b>

1) Including financing costs of CHF 25.0 million for the new noise protection hangar.

2) In addition to compensation payments for formal expropriations, this amount includes other associated external costs, in accordance with the regulations of the Airport of Zurich Noise Fund (see note 15, “Provision for sound insulation and resident protection plus formal expropriations” on page 98 in the financial section of this annual report).

## TREND IN TRAFFIC VOLUME

### Record of over 25 million passengers at Zurich Airport

In the past year, Zurich Airport handled 25,477,622 passengers, setting a new record and exceeding the previous record set in 2013 by 2.5%. In the second half of the year in particular, passenger volumes showed a significant increase of 4.3% over the same period in the previous year. In comparison with all major European airports, however, Zurich's figure is below the average growth rate of +5.4%<sup>1)</sup>.

In 2014, the Zurich Airport catchment area again proved to be a stable and reliable market. Increasing local demand for air travel was one of the most important drivers of growth at Zurich Airport. The number of local passengers rose by 6.4% to 17.7 million. This offset the steady decline in the number of transfer passengers by 5.5% to 7.7 million. The transfer share of all passengers declined from 32.9% in 2013 to 30.3% during the year under review.

## TREND IN PASSENGER VOLUMES

(in millions)



Scheduled flights grew by +2.3% in 2014. Charter flights also showed an increase (+16.4%). General aviation went up by 4.4%.

Europe, Zurich Airport's most important market, showed a rise of 2.5%. Intercontinental traffic grew by +2.2%. In particular the Middle East segment posted strong growth (+9.9%) thanks to increases in capacity, additional flights and increased demand. The North American (+0.7%) and Far Eastern (+0.5%) markets showed only slight growth, which is largely attributable to the cessation and reduction in the number of various services. The collapse of Egyptian business meant that passenger volumes to and from Africa experienced a further fall (-4.0%).

In the year under review, hub carrier Swiss's share of air traffic amounted to 55.4%, followed by Air Berlin (5.6%), Edelweiss Air (4.0%), Lufthansa (2.8%) and British Airways (2.2%).

### Slight rise in flight movements and better capacity utilisation

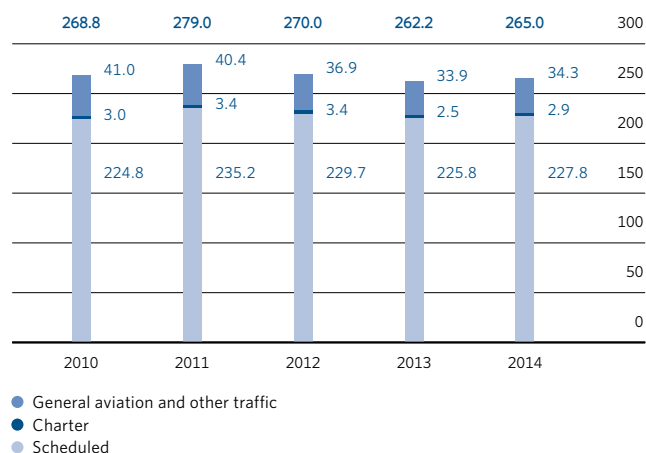
There were 264,970 flight movements in 2014, corresponding to an increase of 1.0% over the previous year. During the same period the number of seats offered rose by +1.3%.

The positive trend in passenger volumes in 2014 also led to a further improvement in the seat load factor, which grew by 0.8 percentage points to 75.9%. The number of passengers per flight movement consequently also rose slightly to 110.

In the scheduled flight segment, the number of flight movements went up by 0.9%, while charter flights also showed an increase of +14.8%. Finally, general aviation grew by 1.0%.

## FLIGHT MOVEMENTS

(in 1,000)



1) Source: ACI Airports Council International



## TREND IN TRAFFIC VOLUME

## AIR TRAFFIC MOVEMENTS IN EUROPE

(Take-offs and landings per year in respectively out of the respective countries)

- < 1,000
- 1,000 - 5,000
- 5,000 - 10,000
- 10,000 - 15,000
- 15,000 - 25,000
- Over 40,000

## NUMBER OF AIRLINES

2014

**61**

Scheduled flights

**15**

Charter flights

## SCHEDULED FLIGHT DESTINATIONS

EUROPE

**36**

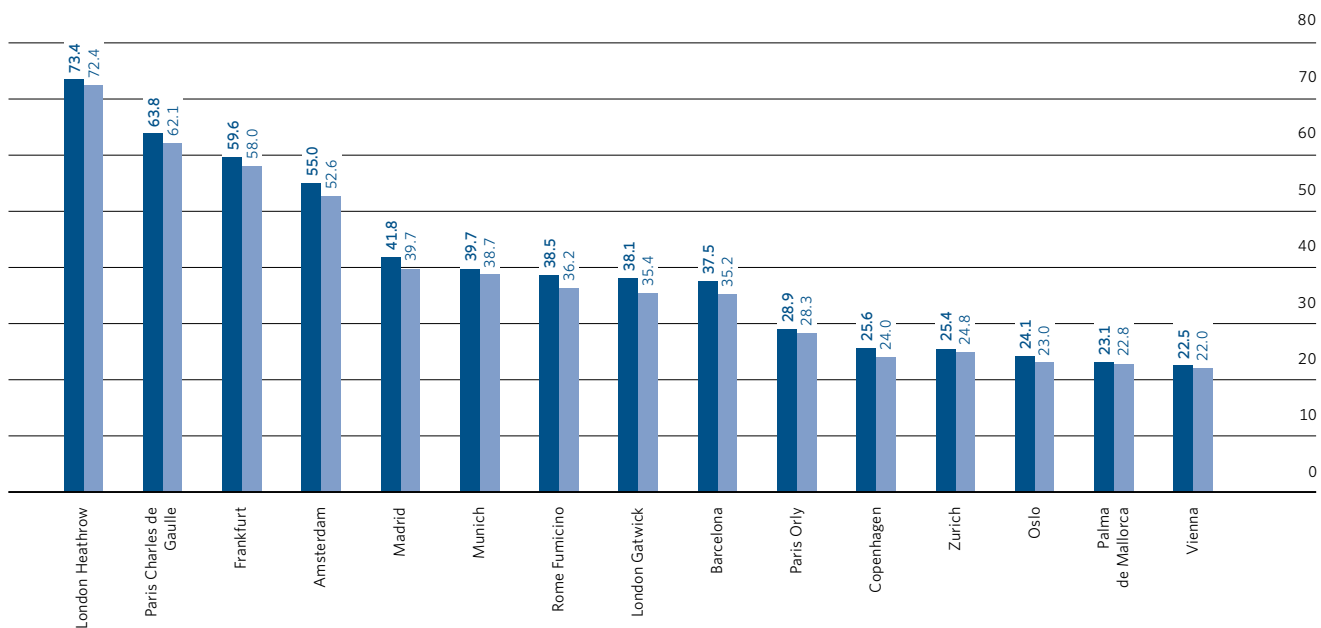
Countries

**134**

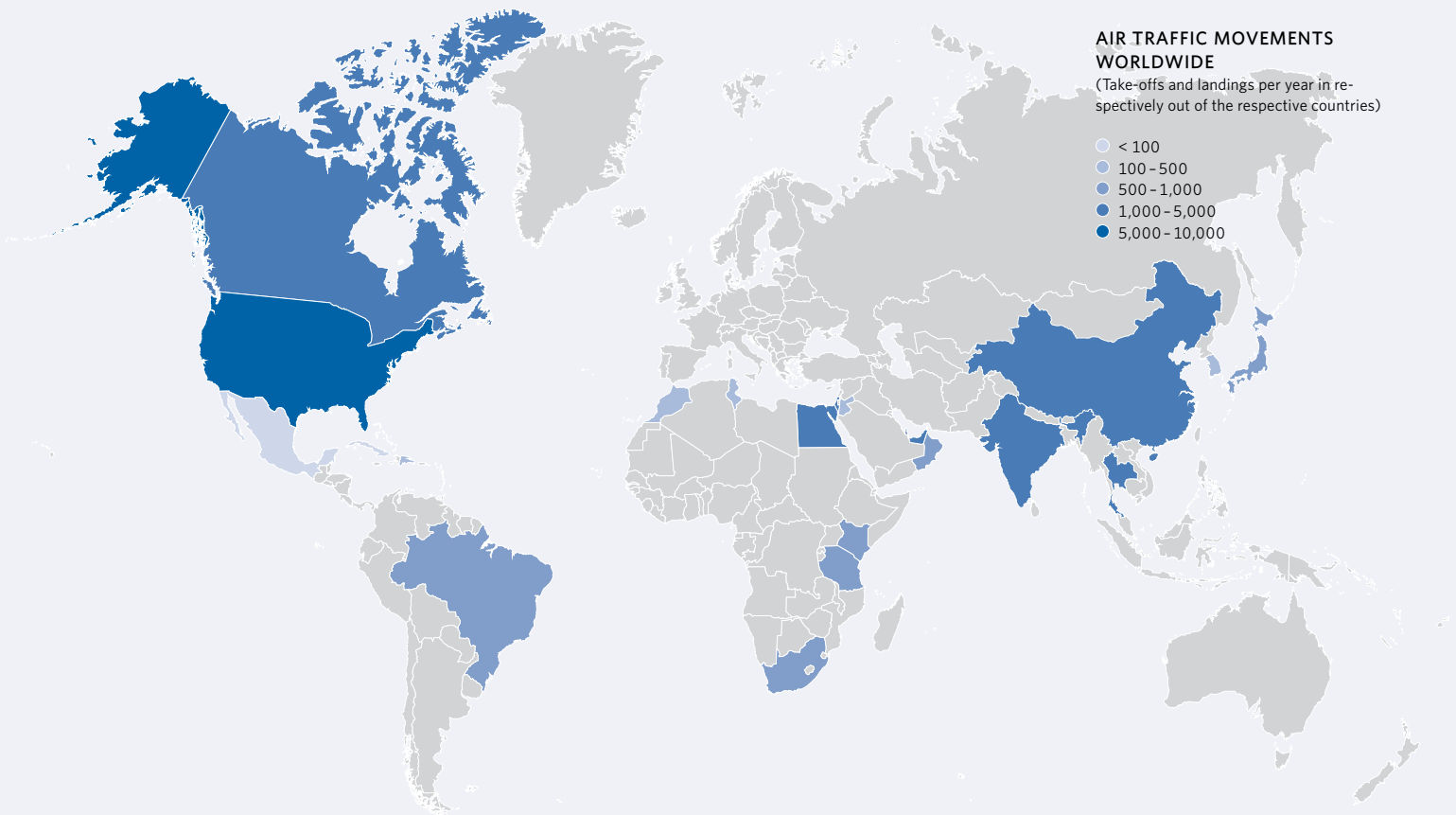
Cities

## PASSENGERS AT EUROPEAN AIRPORTS (IN MILLIONS)

● 2014 ● 2013



Source: ACI Airports Council International (Commercial Passengers)



#### NORTH AMERICA

**2**  
Countries  
**15**  
Cities

#### SOUTH / CENTRAL AMERICA

**4**  
Countries  
**5**  
Cities

#### AFRICA

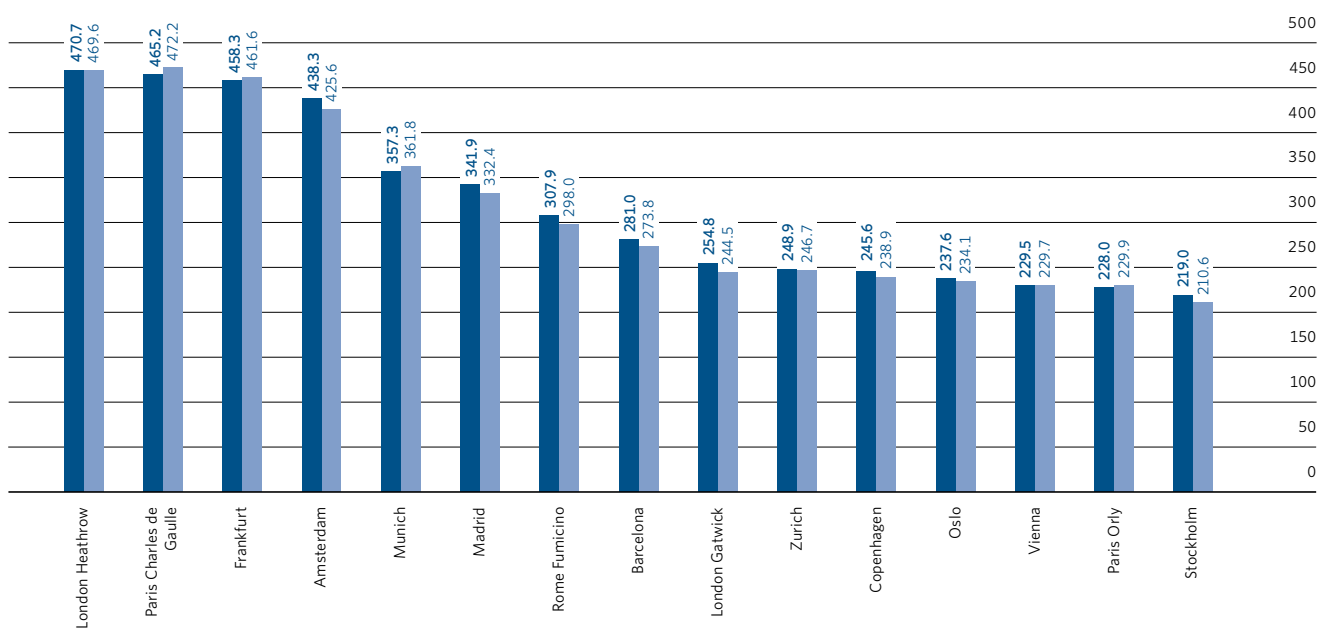
**7**  
Countries  
**15**  
Cities

#### ASIA

**13**  
Countries  
**17**  
Cities

#### COMMERCIAL MOVEMENTS AT EUROPEAN AIRPORTS (IN 1,000)

● 2014 ● 2013



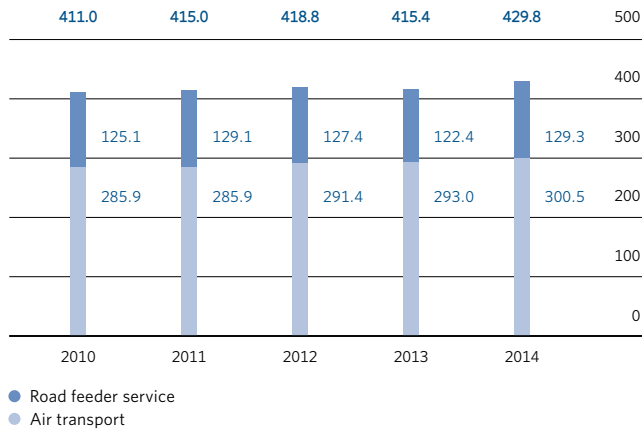
Source: ACI Airports Council International (Commercial Movements)

### Modest growth in freight volumes

In 2014, freight volumes at Zurich Airport increased by 3.5 % over their 2013 levels. A total of 429,830 tonnes of freight were transported during the year under review. The volume of freight shipped by air grew slightly by + 2.6 %, whereas substitute air freight transported by road increased by + 5.7 %.

#### FREIGHT

(in 1,000 tonnes)



### Strong network

During 2014, a total of 134 European and 52 intercontinental destinations were served from Zurich Airport by 61 scheduled airlines and 15 charter carriers. It was a very eventful year, with 19 inaugural flights for new airlines or to new destinations. In particular the regional airline segment witnessed an upswing, especially Intersky and Etihad Regional. However, flights to some destinations ceased, so overall there is no significant change.

## AVIATION

### Flight operations infrastructure

The renovation of the main landing runway 14/32 was the flagship project of the reporting period: planned on the basis of experience, meticulously executed, punctually delivered. After 38 years of use, extensive renovation of the centreline had become imperative. Various preparatory work had already been carried out along runway 14/32 two years previously, so everything was ready for the main construction phase, which commenced in March 2014. For this major and highly complex undertaking – carrying out the renovation work without hindering flight operations – the project team greatly benefited from the experience gained during the renovation of runway 16/34. Construction work was again carried out at night. Over around eight hours during five nights each week, the 22.5-metre-wide centreline of the 3,300-metre long and 60-metre-wide concrete runway was replaced section by section with a multi-layer asphalt surface. The ground light system was also renewed. Each section had to be cleaned, inspected and signed off at the latest by half an hour before flight operations resumed. Thanks to the mild weather and extremely disciplined management of the construction site, the renovation work progressed more quickly than planned and without any major interruptions.

A project on this scale, in the immediate vicinity of various residential areas, also requires suitable noise abatement measures and careful management of public relations. To monitor noise emissions, Flughafen Zürich AG measured noise levels in the areas affected and submitted reports to the relevant authorities. In order to directly involve local people, the airport operator also held two evening information events which included a visit to the construction site. The interest shown exceeded all expectations – over 1,000 local residents made use of the opportunity to obtain information from the team's experts. These two events illustrate how valuable dialogue with people is and how much they value it.

As well as runway renewal, another project to the north of Dock E also came to fruition: the Echo North stands. These are necessary because Swiss is acquiring new Bombardier CSeries aircraft. This modern aircraft type has a significantly larger wingspan than the Avro jets which currently make up Swiss's fleet. As a result, it will not be possible to handle as many aircraft on the current stands north of Dock A. The new operational areas gradually came on stream as planned in mid-November. This year, two additional stands were created for handling an Airbus A380, one at Dock E and one at Dock B. The markings were altered at both the stands, and the ground power supply was adapted to provide the necessary flexibility for handling the world's largest passenger jet. The size of this aircraft type also necessitated some alterations to the taxiways. One beneficial side effect is that the redesigned stand at Dock B is exactly opposite the observation walkway that visitors can access from the observation deck. Airport fans can therefore view the handling of an Airbus A380 close up.

Improvements to the operational areas are only one aspect of optimising flight operations. There were also various improvements relating to landing and departure procedures during the year under review. Following the conclusion of an approval procedure that lasted many years, transitions (defined flight paths from the holding pattern to the final approach) for runways 28 and 34 were introduced on 11 December 2014. These transitions will facilitate

the work of air traffic controllers who no longer need to give each arriving aircraft direction vectors to its final approach. In addition, mid-October saw the first landing of an aircraft at Zurich Airport using the precision approach system GBAS (Ground-Based Augmentation System). This new approach procedure, supported by a GBAS ground station situated at the airport, enables GPS-assisted landing of aircraft from the north on runway 14, even in conditions of low cloud or poor visibility. Moreover, the new system has put in place the technical foundations for introducing further environmentally friendly and noise-optimised procedures in future, such as continuous descent approaches (CDA). The investment in the GBAS ground station is around CHF 4 million. The system is owned by Flughafen Zürich AG, but – like all navigation systems in Switzerland – is operated by Skyguide, which developed the new procedure in cooperation with Flughafen Zürich AG. With this project, the airport operator underscores its leading role in the development and deployment of state-of-the-art satellite-based flight procedures.

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**“The night-time renovation work on runway 14/32 was highly complex. The project managers benefited from their vast experience.”**

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Some months previously in June 2014, trials commenced for the South Concept. At weekends and on German public holidays, aircraft departing between 7 a.m. and 9 a.m. are taking off only on runway 32 in a northerly direction, and no aircraft are departing on runway 28 towards the west during the test phase. This change was implemented in consultation with the Federal Office of Civil Aviation (FOCA), Skyguide and the airline Swiss. The aim of the trials is to establish the impact of the South Concept on punctuality and efficiency, and whether it is possible to reduce the complexity of flight operations. Originally scheduled to last eight weeks, the trials were extended in August to run until the end of the winter timetable in March 2015. This extension will enable more detailed data with respect to delays and complexity reduction to be gathered, and also further optimisation measures to be identified. If and how this concept will proceed in the period of the 2015 summer flight timetable is as yet undecided and will be determined on the basis of the findings from the test phase.

#### **2014 amendment to operating regulations**

A reduction in complexity is also the primary objective of the application for an amendment to the airport's operating regulations, which entered the public consultation phase in October 2014. Background:

As stipulated in the Swiss Federal Supreme Court decision of 22 December 2010, Zurich Airport's current operating regulations (referred to as the “provisional operating regulations”) came into force on 30 June 2011. The review of airport safety necessitates some amendments to these operating regulations. Flughafen Zürich AG therefore submitted an application in this regard to FOCA in October 2013. On the basis of the Sectoral Aviation Infrastructure Plan for Zurich Airport dated 26 June 2013, the application requests

alterations to flight paths and adjustments to altitude restrictions for take-offs on runway 32.

The main aim of the new take-off and approach routes is greater separation of the East Concept in the air, with aircraft approaching from the east landing on runway 28, and departures towards the north taking off from runways 32 and 34. This was stated in the safety review as an important measure to be taken by Zurich Airport, as the current East Concept with its many intersecting take-off and approach routes is considered too complex. Special authorisation was also sought for four-engine aircraft to take off from runway 32, similar to the existing regulation for runway 34. No changes to flight paths have been requested as yet for runways 16 and 28.

These changes to the operating regulations are required for reliable implementation of the East and South Concepts, as well as for the high-speed taxiways for runways 28 and 34. A planning application for the high-speed taxiways was submitted at the same time as the amendment request. The high-speed taxiways allow landing aircraft to exit the runway more quickly and consequently release it for the next aircraft.

#### **Sectoral Aviation Infrastructure Plan (SAIP) and cantonal development plan**

In June 2013, the Federal Council approved the Zurich Airport Sectoral Aviation Infrastructure Plan (SAIP). Since then Zurich Airport has had a basis for spatial planning that includes, among other things, the assurance of spatial planning compliance for any extension of runway 28 to the west and runway 32 to the north. Unfortunately, however, in March 2014 the Zurich Cantonal Parliament removed this spatial planning assurance for runway extensions from the cantonal development plan.

In doing so, it has deliberately acted in opposition to the Federal government's spatial planning policy and consequently introduced a difference between the SAIP and the development plan. Cantonal development plans must be approved by the Confederation. If, as in this case, there is a conflict between a cantonal development plan and the SAIP, a reconciliation process must take place to resolve the issue. If an amicable settlement cannot be reached, the Federal Council has the final say on which policy document must be amended.

#### **Security**

Two factors influence security checks at an airport. On the one hand, political unrest – even if very far away from Switzerland – regularly leads to a tightening of security regulations. On the other hand, technical innovations simplify screening processes to create a more pleasant travel experience for passengers. For instance, in the autumn, the airport operator tested new security screening equipment and processes over a five-week period. These tests were carried out during normal passenger operations. During the trials, spot checks with explosives detectors were carried out after passengers had walked through the metal detectors. In the second trial, new generations of security scanners were used at passenger security checkpoints instead of the walk-through metal detector arches. The trials were voluntary and provided valuable insights into the practicability of the various devices and processes. However, no new equipment or processes were implemented during the reporting period.

## Airport charges

Little progress has been made regarding updating airport charges during the year under review. Parts of the ruling issued by the Federal Office of Civil Aviation (FOCA) in November 2013 were contested, so the planned modest increase for the years 2014 to 2017 remains blocked. The process is also dependent on the Swiss Federal Administrative Court (BVG). A decision will probably be reached in 2015.

However, the five-franc noise supplement was suspended on 1 February 2014, exactly as proposed by Flughafen Zürich AG and required by FOCA. Passengers therefore benefited from lower charges from 1 February in the year under review.

The five-franc noise supplement was one of the methods used to finance the aircraft noise fund which serves to refinance costs incurred as a result of aircraft noise. As it stands, the Airport of Zurich Noise Fund has sufficient resources – even without the five-franc noise supplement – to cover the costs of formal expropriations and of sound insulation and resident protection measures in the areas affected by aircraft noise.

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## NON-AVIATION

### New commercial developments

In terms of commercial business, the year under review has been extremely successful, with a whole range of new openings and expansion projects to report. The most notable – as the biggest – of these changes took place in the Airport Center which, with over 80 shops and restaurants, is equally popular with passengers, staff and commuters alike. The new Confiserie Sprüngli Boutique and the Fernweh Bar opened in May. At the beginning of August, Swedish fashion chain H&M opened a second store at Zurich Airport. On the main level H&M presents extensive men's and women's collections over approximately 700 m<sup>2</sup> and a shop for children's and young fashion on the level below. Extensive remodelling of the Migros supermarket commenced in mid-August and was completed at the end of November. Considerably expanded to some 3,000 m<sup>2</sup>, the new Migros was able to re-open its doors on schedule, and now additionally offers staffed open-sale meat, fish and cheese counters. At the end of 2014 its competitor Coop moved to the middle of the lower sales floor, close to the train platforms, also enlarging its sales area at the same time. The Travel Market that had previously occupied that space is now spread across various areas in Check-in 2 and 3. Shortly before the end of the year, Terminal 2 also welcomed a modernised self-service restaurant and the re-opening of a popular Italian restaurant. Airside zones, too, experienced further upgrading, with all retail units in Dock A and Dock E being refurbished. Brands Hugo Boss and Montblanc opened new boutiques. The range of eating options was likewise extended, with a new Starbucks-operated coffee corner at Dock A and the new Deli News concept in Dock E.

To round off the highly satisfying commercial year and celebrate the 10<sup>th</sup> anniversary of the Airside Center, Flughafen Zürich AG came up with a very special idea: on two weekends during Advent it opened up access to the passenger zone with all its shops and restaurants to the general public. Following pre-registration, visitors were able to enjoy the extensive range of culinary delights and shop in all the stores, including duty-free items. The only exception was tobacco products. As a Christmas present, the airport

operator paid the customs duties and the value-added tax. Around 13,000 people took part in the four shopping days.

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**“The Airside Center was opened to the public on two weekends during Advent to mark its 10<sup>th</sup> anniversary. Around 13,000 visitors took advantage of this opportunity.”**

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### Modal split and further development of parking

One of the stipulations in the Sectoral Aviation Infrastructure Plan for Zurich Airport is that by 2020, 42 % of its users should travel to the airport by public transport, rising to 46 % by 2030. The airport operator must report the current state of the modal split every four years. The modal split designates the relative proportion of public transport users in the total traffic volume of all airport users. The modal split for Zurich Airport has been measured regularly since 1994, and the percentage has been steadily growing. In the four-year period under review, the public transport proportion again rose, from 40 to 43 %.

This welcome trend is attributable on the one hand to the excellent transport links at the airport provided by train, bus and Glatt valley tram services. On the other hand, specific promotional measures have also encouraged greater numbers of passengers and staff to travel using public transport. Today, with around 25 million public transport users and a similar number of passengers, Zurich Airport is one of the most important transport hubs in Switzerland. Despite this excellent result, in future the airport operator, the Canton of Zurich and the public transport providers must all play their part in maintaining the current modal split until 2020 and boosting it to 46 % by 2030. The optimisation potential for public transport links has largely been exhausted. The focus is now on reducing the sometimes long intervals between individual trains and expanding services in the early morning.

In line with the growth in local passenger numbers, the parking infrastructure is also being expanded. The eastern extension of car park P6 is progressing on schedule. Ultimately the whole P6 car park complex will offer around 7,500 parking spaces and will consequently be one of the largest multi-storey car parks in Europe. It is scheduled to come into operation in 2016.

The summer also saw the launch of an innovative new parking service, namely an online booking system for parking spaces in car parks P1-3 adjacent to the terminal. With this new service, the airport operator is seeking above all to address the needs of customers who had hitherto utilised the valet parking services of external providers or had others drive them to Zurich Airport.

### Real estate portfolio

Flughafen Zürich AG seeks to manage its property portfolio to generate income and create added value. Key cornerstones of this strategy are increasing rental revenues, reducing vacancies and remaining competitive with other property services in the region. Overall, the airport operator can look back on a steady development of its real estate portfolio. The departure of a major tenant was partially offset by renting space to several new companies. On the basis of a long-term rental contract with SR Technics, further



progress was made on the renovation of hangar buildings. In addition, in the spring Meteo Swiss opened its new modern offices in Operation Center 1.

The low vacancy rate for office space demonstrates the attractiveness of Zurich Airport as a location for business premises. As at the end of the reporting period, the vacancy rate for the entire real estate portfolio was a low 1.6 % (2013: 1.2 %).

### Systems and maintenance

The availability of technical systems during 2014 continued to be maintained at the customary high level. The systems, including those for supplying electricity and heating to the airport, building services, the passenger transport systems to Dock E, baggage sorting, security installations, and the passenger loading bridges, all met their availability targets in 2014.

### Services and promotions

During the year under review, Flughafen Zürich AG succeeded in highlighting the fascination of flying and the wide variety of airport operations with a number of noteworthy events. At the peak of the summer vacation period, Zurich Airport played host to the private radio station Energy for a week. Broadcasting from a mobile studio right in the heart of the Airport Center, a highly motivated radio crew put out live programmes every day from early morning to late in the evening, illuminating a wide variety of aspects of life at Zurich Airport, including the range of jobs people do, the airport's partners, passenger processes and political issues. The reports also included live interviews with prominent people connected with the airport. The live broadcasts were a great success, bringing Zurich Airport closer to interested listeners and filling airport personnel with justified pride.

Setting a record on the new Observation Deck B was also a cause for celebration. After around three years in operation, at the beginning of October 2014 the airport operator welcomed the millionth visitor with a small surprise gift. These special events and promotions are always accompanied by postings on the airport's growing number of social media channels. A variety of departments cooperate on this to ensure the widest possible reach. The airport's well-established website remains a key element here. The site even received a "World Travel Award" for the best airport website at the end of the year. The fact that Zurich Airport's online presence functions so smoothly can also be credited to the ICT centre of excellence, which is always seeking innovative solutions for the wide variety of systems at the airport. It also generates significant earnings from service agreements.

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## PROJECTS

### Noise protection hangar

The official opening of the new noise protection hangar in June and the commencement of operations in August concluded a year-long process aimed at improving the noise situation during engine testing at Zurich Airport. The project came into being when, following the approval of the operating regulations in force since 2011, Flughafen Zürich AG was obliged to construct a new, state-of-the-art soundproofed facility. This facility replaced the previously used and now obsolete noise baffles, reducing noise levels for the neighbouring communities.

The noise protection hangar has been equipped with the latest technology. The building will allow through ventilation and has been completely clad in noise-absorbing perforated plate cassettes which provide highly effective noise reduction. The roof is supported by an elaborate steel construction requiring no internal supports, so the hangar consequently has architecturally very clean lines. At 126 metres long and 90 metres wide, it is designed to accommodate all aircraft types up to a Boeing B747-800. Six microphones have been installed in the hangar to measure and record the noise volume during the tests. A noise quota has been set by the authorities, municipalities and Flughafen Zürich AG for the engine tests. This means that only a certain level of noise can be produced in weekly and daily intervals. Once this level has been reached, no further tests may be carried out at Zurich Airport in the respective period.

### Terminal 2

Terminal 2 has been operating for almost 40 years and is an integral part of Zurich Airport's passenger infrastructure. In addition to the large Check-in Hall 2, Terminal 2 is also home to Arrival 2 as well as a variety of shops, restaurants and offices. Comprehensive renovation of the building started in June 2010 with two aims: to increase capacity for the future and to create more space and comfort for passengers and personnel alike.

The renovation of Terminal 2 will take several years. Owing to its interconnecting landside and airside zones, the building work presents considerable challenges, especially since it has to be carried out without interrupting regular passenger operations. The first construction phase in the southern half of the building was completed at the end of March 2014. Travellers can now enjoy an entirely new check-in area and a larger arrival hall. In addition, various works were carried out to optimise the core infrastructure, improve the lighting and upgrade the terminal's appearance. Terminal 2 now also features state-of-the-art building technology. The second phase in the northern half of the building will last until October 2015, and the whole Terminal 2 upgrade project is scheduled for completion by the middle of 2016.

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**"The new noise protection hangar greatly improves the noise situation for aircraft engine ground testing at Zurich Airport – and its size and shape are impressive."**

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### Curbside lanes

The curbside lanes are closely interlinked with the remodelling of Terminal 2. Here, too, the aim is to upgrade the function and design of the existing infrastructure. All building work is carried out during normal operations, which can be significantly restricted during the various phases. For instance, the curbside lane on the arrival level had to be closed to private traffic in October 2013 in order to enable the construction work and prevent traffic jams on the approach roads. Like Terminal 2, renovation of the arrival levels took place in two phases and was completed at the end of 2014. Building work then immediately commenced on the departure level. This is

expected to last approximately two years. It is a major task, and requires great tolerance from everyone picking up and dropping off people at the airport.

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## STRATEGIC DEVELOPMENTS

### “The Circle”

Beat Pahud – an experienced general project manager already known at Zurich Airport – was recruited in February 2014 to take over the ever-increasing internal and external project organisation. Under his direction, the general planning team of around 80 people concluded the construction project phase on schedule at the end of September. In particular, the construction project provides the foundation for estimating the investment costs and ensures that the project can receive planning consent.

In March, the University Hospital of Zurich announced that it plans to open a university healthcare centre with a 24-hour emergency wing as well as other short-term in-patient and outpatient services in “The Circle”. To this end it has leased premises totalling around 10,000 m<sup>2</sup>. The “Health & Beauty” and “Hotels & Convention” modules are therefore now fully let, thanks to anchor tenants University Hospital Zurich and the international hotel group Hyatt.

A prominent tenant for the “Brands & Dialogue” module was announced in August: the Swatch Group will operate a brand house right on the main square of the “The Circle”. This will cover an area of around 800 m<sup>2</sup> on two floors. Alongside the wide variety of watches it manufactures, Swatch will showcase its Omega brand, and its presence in “The Circle” will focus on innovations and Swiss watchmaking.

The so-called brand houses are a core element of the “Brands & Dialogue” module. This module gives tenants the opportunity to present a brand or product at a prime location and create an individual experience for their customers. Just prior to the end of the year, Caviar House & Prunier and the fashion house Grieder also concluded rental contracts for a brand house.

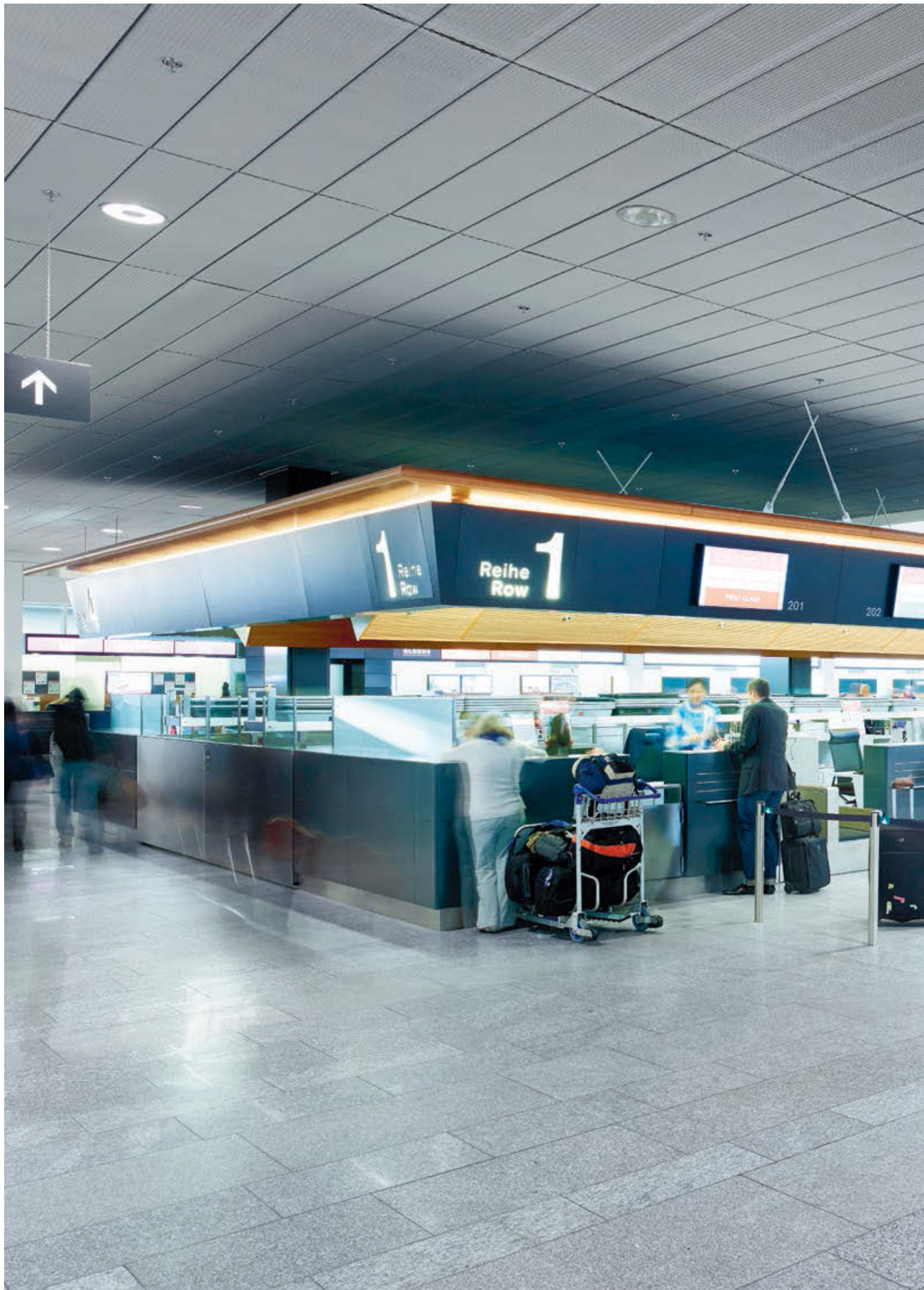
Based on a positive assessment of the economic viability of the project, and fulfilment of the targets set for preliminary leasing and investment costs, in December 2014 Flughafen Zürich AG and Swiss Life AG as co-investor agreed the definitive go-ahead for “The Circle”. Following the notarisation of the purchase agreement for the land on which “The Circle” is to be built and entry of the transaction in the Land Register, the joint ownership company in which Flughafen Zürich AG holds 51 % and Swiss Life AG holds 49 % was established on 5 February 2015. The client is the ordinary partnership The Circle, which also comprises Flughafen Zürich AG and Swiss Life AG. Ground-breaking for “The Circle” will take place in the first quarter of 2015, with the first phase being scheduled to open around four years later. Following construction of “The Circle”, the airport will present an even more imposing aspect landside, and will develop much more strongly into an important centre for the Zurich economic region.

### International business development

Successes can also be reported for another key pillar of strategic development – international airport activities. The operating licence for Confins International Airport in the Brazilian city of Belo Horizonte, which had been successfully won in 2013, was signed in April 2014. The consortium – comprising the Brazilian company CCR and Flughafen Zürich AG – then officially took over operational management in August. For strategic reasons Flughafen München GmbH, which had originally been a member of the consortium, decided to withdraw, with the result that Flughafen Zürich AG is playing a more prominent role. Accordingly, as operator and shareholder Flughafen Zürich AG has sent more experts to Belo Horizonte, and among others, has appointed the Chief Operations Officer and the Chief Commercial Officer.

Since the spring of 2014, Flughafen Zürich AG has also been providing consulting services for currently six airports in Kazakhstan, including the airport in the capital, Astana. Flughafen Zürich AG will contribute its expertise in the form of a multi-year service agreement and support the Kazakh operator, but will not invest in the airport infrastructure. This will remain wholly owned by the state of Kazakhstan.







# 104 check-in desks

## TERMINAL 2

The "T2 upgrade" project includes renovating the whole of the Check-in 2 area. Once all the work has been completed, which should be in 2016, the hall will accommodate 104 check-in desks. The refurbishment is necessary both to upgrade the standard of building services and to make the terminal more passenger-friendly.





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# EMPLOYEES, SOCIETY AND THE ENVIRONMENT

The company not only employs some 1,600 people, it also has overall responsibility for controlling one of the most important transport hubs in Switzerland. Zurich Airport is a key economic driver for the whole region. Dialogue with the airport's various stakeholders is of great importance.

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## FLUGHAFEN ZÜRICH AG AS AN EMPLOYER

### Guiding principles

For the airport operator, its employees are the key to lasting success, and its human resources management consequently thinks long-term. The following summarises the basic principles:

### Attractiveness as an employer

By offering modern employment conditions, Flughafen Zürich AG ensures that it is and will remain an attractive and progressive employer. It offers fair, market-based remuneration, equal opportunities for all employees, and promotes their professional development.

### Principles of cooperation

Co-determination and active participation are essential components of the company's corporate values. Employee surveys are conducted and measures for continuous improvement implemented on a regular basis. The company encourages a culture of open communication, respect and mutual support in its daily work. Behaviour is goal-oriented and is characterised by loyalty, openness, respect and discipline. Excellent performance is rewarded. Managers focus on results and exercise situational leadership.

### Maintaining marketability

The company's staff development programme helps employees and managers with targeted measures based on a personnel development concept and management principles. Qualified employees can take up airport-related posts abroad and consequently benefit from the opportunity of developing their skills in an international environment. The company offers a range of internal and external training opportunities which also take its own interests into account.

### Trainees and interns

Flughafen Zürich AG considers providing basic vocational education to be both an economic necessity and a social duty. It ensures that trainers have the necessary qualifications and practical experience and also takes great care to choose the right interns and trainees. It also fosters the vocational, personal and social development of interns and trainees, ensuring they are well prepared to enter the world of work on completion of their education. Interns and trainees are often offered the opportunity to work at the airport after their training. These highly motivated employees represent a valuable asset to the company.

### Health management

In-house health management activities focus on promoting and maintaining the health of the entire workforce, as healthy employees perform better and are more highly motivated. Moreover, absentee rates and staff turnover are reduced. Both the company and employees themselves are co-responsible for the success of health management.

### Retirement provision

On 6 August 2014, the BVK Employee Pension Fund was privatised and converted into a foundation under private law, with retroactive effect from 1 January 2014. The Board of Trustees comprising 18 members (nine each from the employer and employee side) is the supreme governing body of the privatised BVK. Bruno Zanella, Head of Human Resources at Flughafen Zürich AG, is serving as President of the Board of Trustees for the 2013–2015 period of office. He will remain as Vice President for the period 2015 to 2017. The liquidity ratio has increased steadily and at the end of 2014 stood at unaudited 99.3% (2013: 96.1%).

## SOCIAL RESPONSIBILITY

As the biggest airport in Switzerland, Zurich Airport, together with the airlines operating in Zurich, provides excellent connections between the Zurich economic region and the whole of German-speaking Switzerland to the world's major cities and markets. Zurich Airport is, however, now surrounded by one of the most densely populated areas in Switzerland. As a result, the different interests of the various parties – noise and environmental protection for residents on the one hand and demand-led growth of the airport's operations on the other hand – are increasingly coming into conflict. This tension between the interests of the business community, society, politicians and the environment is one of the biggest challenges constantly facing the airport operator. Now, more than ever, it is clear that a regulatory environment is needed which takes account of these conflicting interests without imposing constraints on Zurich Airport and its role in Switzerland's economy as a whole.

### Economic importance

Zurich Airport generates added value to the tune of some CHF 6.1 billion – equivalent to that of a medium-sized Swiss town. Over 280 companies and 25,500 employees are based at Zurich Airport, which makes it very important both as a business location and as a workplace. The majority of these companies are directly or indirectly connected with the aviation industry, but a growing number are also service providers in the airport's restaurants or retail outlets, or are simply taking advantage of the airport as a convenient business location that offers excellent transport links. Together, all these companies directly generate value of over CHF 4.4 billion. The activities of these companies also have an economic impact beyond Zurich Airport. The purchase of goods and services, such as consumable materials, or investments in infrastructure generate a further CHF 1.7 billion in indirect value<sup>1)</sup>.

### Transport links

Zurich Airport is one of the most important transport hubs in Switzerland. As well as connecting Switzerland to over 180 destinations worldwide, it serves as a local and national transport hub for both public and individual transport. During the past year, in addition to over 25 million air passengers, some 25 million public transport users were recorded landside. An increasing number of these users live or work in the region and make use of Zurich Airport as a convenient transfer point offering some 740 bus, 400 tram and 350 train services each day. Flughafen Zürich AG will continue in future to do everything in its power to maintain and expand its infrastructure in line with demand, both in terms of air traffic and as an efficient regional transport hub. As a result, it is making a direct contribution to the excellent transport links, the attractiveness and the economic success of the whole region.

### Associations, interest groups and political dialogue

Over the past year Flughafen Zürich AG intensified its collaboration and constructive dialogue with various associations, interest groups and political stakeholder groups. Together with other members of the Swiss International Airports Association (SIAA, the association

of six Swiss airports that operate scheduled flights), the Aero-suisse industry association and the Swiss Business Federation *economiesuisse*, common political positions were formulated in order to speak with one voice in the political process.

Engaging in stakeholder dialogue with the various political interest groups was also a focal point for Flughafen Zürich AG in 2014. In addition to regular exchanges with the respective representatives of neighbouring communities as well as cantonal and national politicians, it also stepped up political dialogue in connection with some specific projects, for instance in relation to the proposed change to its operating regulations (BR2014). All the municipalities affected by the issue of limit values being exceeded as well as the public agencies concerned were informed directly of the planned changes and their ramifications.

### Political environment

The treaty between Switzerland and the Federal Republic of Germany which was signed in September 2012 by the then German and Swiss transport ministers, and which was ratified by the Swiss Federal Assembly in its 2013 summer session, has been suspended in Germany since November 2012. In order nevertheless to be prepared for any eventual ratification of the treaty, as part of the 2014 amendment to its operating regulations, Flughafen Zürich AG has also submitted an application to extend the curfew period for flights approaching Zurich Airport over German territory, which will be necessary within two months in the event of ratification, from the current time of 9 p.m. to 8 p.m. This adjustment is purely a contingent proposal and will only come into effect if the treaty is ratified.

In October 2014, a broad-based committee led by the "Pro Flughafen" association launched a popular initiative to amend the Zurich Cantonal Airport Act to give local people a say on runway modifications. The aim of the initiative is to always allow the Zurich electorate to vote on key airport issues, in particular proposed changes to runways. The initiative is, however, not related to a specific runway extension project, it simply proposes an amendment to the Airport Act so that a referendum can always be held to approve any such project.

Flughafen Zürich AG is convinced that, in such crucial questions relating to the future development of the most important aviation infrastructure in Switzerland, it is only right and proper for at least the citizens of its home canton to have a definite say in the matter. Flughafen Zürich AG therefore welcomes this popular initiative and supports the objectives of its proponents.

1) For more information see [www.zurich-airport.com/economy](http://www.zurich-airport.com/economy)

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# ENVIRONMENT

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## ENVIRONMENTAL PROTECTION

As the operator of the country's largest international airport, Flughafen Zürich AG is mandated to provide connections from Switzerland to the world's major cities. At the same time, however, it must be recognised that airport operations also have an impact on local residents and the environment in general. In balancing these competing interests, Flughafen Zürich AG and its partners at Zurich Airport bear a great responsibility. Harm to the environment is to be avoided wherever possible, or at least such impacts should be reduced. In its environmental guidelines, as well as undertaking to comply with all environmental protection regulations and statutory requirements in an efficient and effective manner, the company has affirmed its commitment to identifying and managing all its environmentally relevant processes.

### Focal issues

The spectrum of environmental protection issues at Zurich Airport is wide-ranging. As set out in its environmental guidelines, in addition to aircraft noise, Flughafen Zürich AG has identified the key priorities of air quality, climate protection, energy consumption and the airport as a habitat for plants and animals. The company employs its resources efficiently and focuses its efforts on measures designed to have the greatest impact in the long term. In some areas, the company has voluntarily set binding reduction targets which provide a benchmark for planning. Through their behaviour, all employees also play their part in optimising the ecological impact of Zurich Airport.

### Environmental management system

The environmental management system, certified according to ISO 14001 since 2001, forms the core framework for environmental protection at the airport. The system is used to document all environmentally relevant processes and ensure that they are properly managed. Internal and external audits ascertain whether environmental issues are handled responsibly and in accordance with the regulations. At the same time, any potential for improvement is identified. Measures and their impact are set out in an annual management review submitted to the Management Board.

### Construction and the environment

Zurich Airport is constantly undergoing further development. Increasing passenger volumes, more and more large aircraft, changes in the political environment and ageing infrastructures all lead to a variety of large and small building projects. Environmental impact assessments are carried out for all projects. Particularly in the case of large-scale civil engineering works, but also for significant building projects, a detailed assessment is often required as part of the planning consent process. Such assessments are carried out with the aid of external experts to ensure that the projects are implemented in an environmentally responsible manner. All construction work at Zurich Airport is subject to the company's environmental protection regulations for building projects. These

stipulate in detail how the environmental protection aspects of construction projects should be dealt with.

### Dialogue on environmental issues

Documenting environmental impacts is one of the central tasks of environmental protection. Compiling and collecting standardised data allows the company to spot even very small changes and to monitor the effectiveness of measures. Flughafen Zürich AG provides transparent information about its environmental impacts over a variety of channels. A lot of information is provided on its website, from which brochures and detailed technical reports can be downloaded. There are also a wide range of other publications on individual topics.

Every year the airport welcomes hundreds of interested members of the public to presentations about environmental topics and guided tours. A travelling exhibition at the airport itself and also at external venues, such as the Umwelt Arena in Spreitenbach at the beginning of 2014, illustrates the challenges facing Zurich Airport and how it tackles them.

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## NOISE MANAGEMENT AND RESIDENT PROTECTION

### Recording aircraft noise exposure

According to the Federal Noise Abatement Ordinance, exposure to aircraft noise must be determined by calculations. These calculations are performed annually by the Swiss Federal Laboratories for Materials Testing and Research (EMPA) using actual flight movements and paths as well as emissions data for every aircraft type that passes through Zurich Airport.

Flughafen Zürich AG also operates a network of noise monitoring terminals at 14 different fixed locations. The data recorded at these stations are compiled and published monthly, and consequently enable trends in noise levels at specific locations to be tracked over a number of years. Aircraft noise levels at most monitoring points remained on a par with the previous year. Only the monitoring terminal in Wallisellen indicated a slight increase in noise exposure during the day.

### Complaints and queries relating to noise

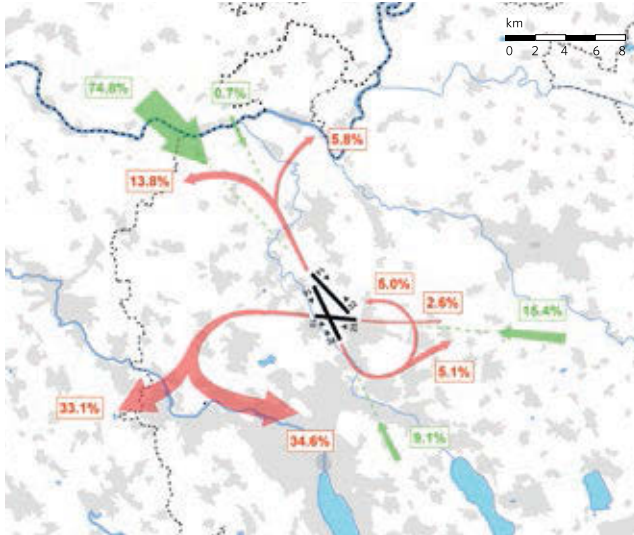
Dialogue with local residents is important to Flughafen Zürich AG. For instance, anyone affected by noise can contact the aircraft noise hotline or send an e-mail message to ask questions or make a complaint directly and unbureaucratically to Flughafen Zürich AG. Staff in the Noise Management department respond to every message and do their best to answer specific questions immediately. Statistics compiled on the number of messages received and the reasons for complaints are presented to the Management Board.

### Night flights and special authorisations

The number of flight movements and their distribution across the various runways and flight paths is of central importance for noise levels. Night-time flights in particular (10 p.m. to 6 a.m.) are often perceived by residents as a disturbance. In 2014, night flight movements amounted to around 4.2% (2013: 3.9%) of total flight movements. Special authorisations were issued for a total of 222 flights (2013: 186 flights) which took place during the night-time curfew. Such night flights are only authorised when there are justifiable grounds for them. On the basis of the Zurich Cantonal

Airport Act, the Office for Transport of the Canton of Zurich is responsible for ensuring the lawful issuance of such special authorisations. By continually optimising the punctuality of departing flights, Flughafen Zürich AG helps to minimise the number of night flights.

#### DISTRIBUTION OF ARRIVAL AND DEPARTURE ROUTES IN 2014



**Percentage allocation of landing and take-off routes**  
Movements 2014  
(Routes with fewer than 50 movements per year are not shown.)  
Data sources: VECTOR200, swissBOUNDRIES<sup>3D</sup>, swisstopo

#### Monitoring of take-off routes

Zurich Airport's departure routes and procedures are configured in such a way as to avoid overflying densely populated areas wherever possible in order to minimise the disturbance caused to local residents. Adherence to these flight paths is mandatory during the daytime up to an altitude of at least 5,000 feet above sea level, and at night up to flight level 80 (approximately 8,000 feet). According to the Zurich Cantonal Airport Act, the Canton of Zurich is responsible for ensuring compliance. The Noise Management department of Flughafen Zürich AG monitors adherence to these noise-optimised flight paths on behalf of the cantonal supervisory authority. In the event of a significant deviation from these prescribed routes, the non-compliant departure is investigated in detail. If there are no justifiable reasons, such as the avoidance of storm cells or specific instructions from air traffic control, the pilot in question is contacted and asked to provide a detailed explanation. In 2014, 141 (2013: 117) investigations were launched and 39 (2013: 29) interviews with pilots or chief pilots were conducted. This procedure ensures that airlines strive to optimise their take-off behaviour. If a pilot or airline is intransigent, the matter is referred to the Federal Office of Civil Aviation (FOCA). No investigations were reported to FOCA in 2014, as in the previous year.

#### Sound insulation measures and reimbursement

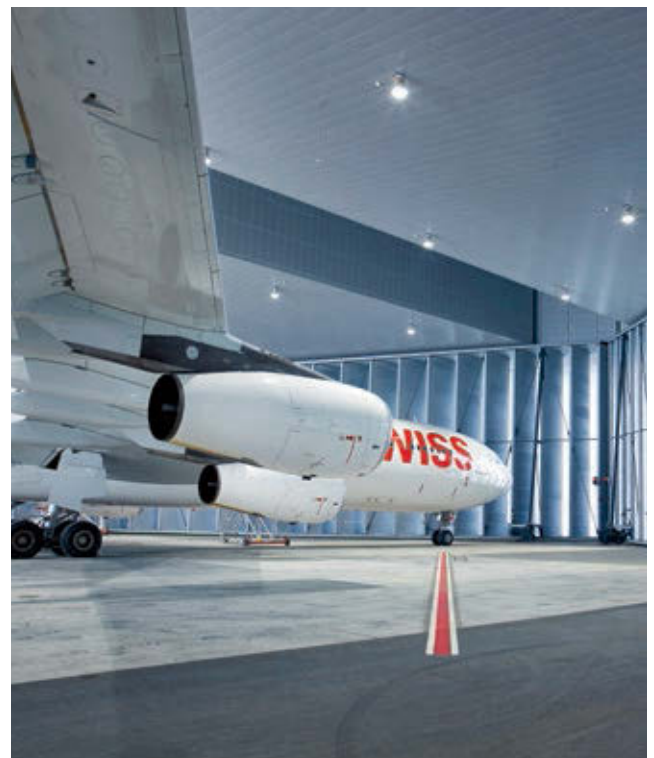
In addition to reducing engine noise, the sound insulation programme is a key element in the airport's efforts to minimise aviation noise exposure. The programme includes and finances passive noise protection measures in buildings in neighbouring municipalities. As the airport's operator, Flughafen Zürich AG is obliged by law to fund these protective measures.

Owners of properties that are noise-sensitive and located within a defined perimeter are entitled to benefit from the programme. Property owners who have already taken the initiative of fitting sound-insulating windows themselves are reimbursed by Flughafen Zürich AG.

Between 1999 and 2014 around CHF 192 million was spent for noise protection measures in around 4,750 buildings. Of the CHF 21.0 million in expenses incurred in 2014, approximately half was spent on upgrades and half on reimbursements.

#### New noise protection hangar

In the course of aircraft maintenance, it is often necessary to test an aircraft's engines in situ on the ground. In order to provide local residents with optimum relief from engine testing noise, a new noise protection hangar was erected on the hangar apron between 2012 and 2014. With the exception of the Airbus A380, it is big enough to accommodate all planes operating out of Zurich Airport. Flughafen Zürich AG developed a dosimeter which calculates the noise exposure at various reference points in the adjoining communities of Kloten, Opfikon-Glattbrugg and Rümlang on the basis of the number and noise impact of the engine tests. This enables continuous monitoring of compliance with the noise limit values agreed with the municipalities and the airport's partner companies.



Engine testing is performed in the noise protection hangar.



## AIR QUALITY

### Air pollutants

A number of harmful substances that affect local air quality are emitted at Zurich Airport. Nitrogen oxides (NO<sub>x</sub>), particulate matter (PM) and ozone (O<sub>3</sub>) are the main pollutants. As it generally cannot be measured directly at source during everyday operations, the emitted quantity of each pollutant is calculated annually. Thanks to modern software, detailed models and a thorough understanding of operational processes, nowadays it is possible to perform these calculations with a high level of accuracy. At the international level, Flughafen Zürich AG is actively involved in the ongoing development of calculation methods and is recognised as a pioneer in the field of air pollutants at airports.

### Pollutant sources

The above-mentioned air pollutants are primarily produced by the combustion of fossil fuels such as diesel or kerosene. The majority of emissions at the airport arise directly from flight operations. The main engines of aircraft operating in the vicinity of the airport and the use of auxiliary power units on the ground account for around 90 % of total nitrogen dioxide emissions at the airport. Levels of air pollution remained virtually unchanged compared with the previous year.

### Regional air pollution

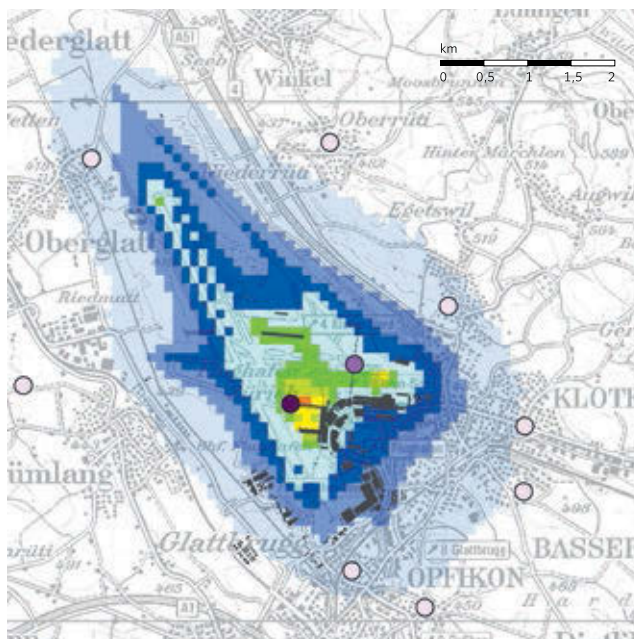
The Office for Waste, Water, Energy and Air of the Canton of Zurich monitors regional air quality at various measurement points on behalf of Flughafen Zürich AG. In addition, there are a number of fully automatic monitoring stations at the airport itself which measure levels of the most important pollutants around the clock. Passive collectors also measure the nitrogen dioxide content in the air. Analyses of the measurement results show that limit values continue to be exceeded directly on the apron and along busy roads near the airport.

In addition to emissions, Flughafen Zürich AG also calculates the distribution of pollutants using models that indicate how much of the total load can be attributed to the airport. Outside its perimeter, the proportion of the main pollutant nitrogen dioxide arising from airport operations is below 10 %. The reason that this percentage is not higher is largely due to the fact that the majority of aircraft emissions are produced at an altitude at which they are quickly dispersed over a wide area by atmospheric currents.

### Measures

Flughafen Zürich AG continually implements measures designed to reduce pollutant emissions. During the past year, among other things, the "Echo North" aircraft stands were equipped with new ground power systems. These systems supply power to parked aircraft and consequently largely eliminate the need to use on-board auxiliary power units which are noisy and emit pollutants. In addition, Flughafen Zürich AG initiated and paid for the installation of diesel particulate filters in 15 ground power units (mobile diesel generators) used to supply power to aircraft on open stand areas. This reduces particulate matter emissions on the apron. The electric-powered equipment and vehicles that partner companies are increasingly deploying on the apron are also helping to reduce emissions there. Flughafen Zürich AG provides the necessary charging points for these electric vehicles.

## IMPACT OF THE AIRPORT ON LOCAL AIR QUALITY

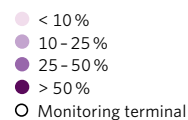


### NO<sub>2</sub> burden 2014

Modelled airport sources  
NO<sub>2</sub> in µg / m<sup>3</sup>



Percentage of measured total



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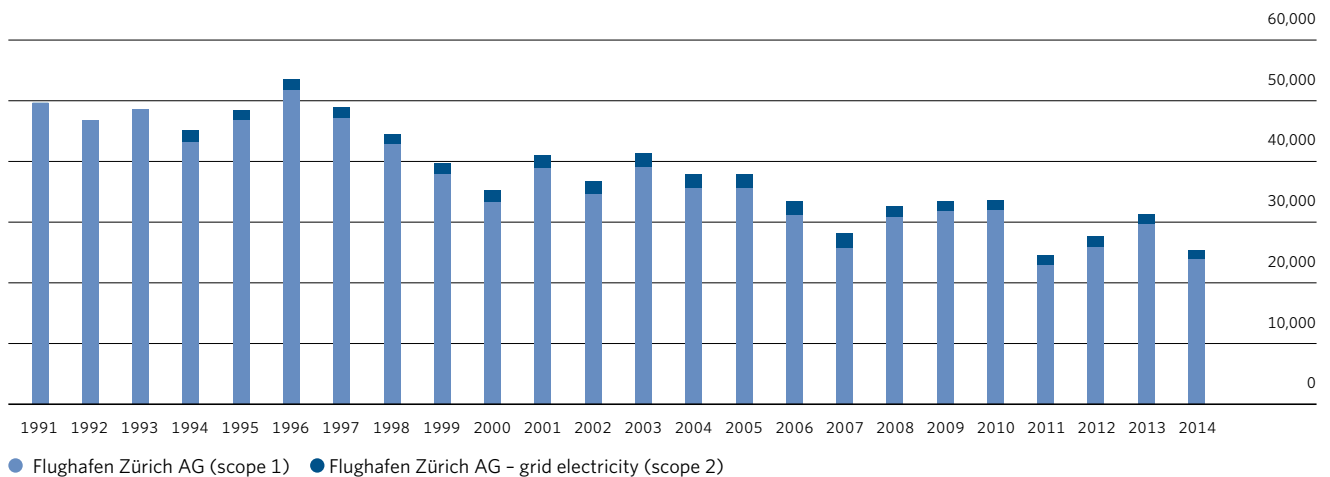
## GLOBAL CLIMATE

### CO<sub>2</sub> emissions from airport operations

Global climate protection is one of the most urgent environmental priorities. Although aviation accounts for only 3.5 % of anthropogenic global warming according to the IPCC (Intergovernmental Panel On Climate Change), and airports contribute only around 1 % to this, airports and airlines together have a responsibility to reduce greenhouse gas emissions in the aviation system as a whole.

Of the known greenhouse gases, only carbon dioxide (CO<sub>2</sub>) is produced in relevant quantities at Zurich Airport. An inventory of all airport sources of this is drawn up annually on the basis of the Greenhouse Gas Protocol (GHG Protocol) and other guidelines published by Airports Council International (ACI). In the process, individual sources are allocated to different spheres of influence known as "scopes". Scope 1 comprises "airport-owned or controlled sources" (e.g. vehicles, heating systems, own electricity production), scope 2 covers "off-site electricity generation" (grid), and scope 3 covers "other airport-related sources" (e.g. aircraft and aircraft handling). Flughafen Zürich AG can influence scopes 1 and 2 directly. However, these account for only around 1 % of the total emissions. The vast majority of emissions are attributable to actual aircraft on flights to their various destinations.





Over the past year, 23,838 tonnes of CO<sub>2</sub> were emitted in scope 1, 1,519 tonnes in scope 2 and 3,487,625 tonnes in scope 3. CO<sub>2</sub> emissions for scopes 1 and 2 therefore decreased sharply. This was due to lower energy demand for heating and electricity.

#### Voluntary reduction targets

As it attaches great importance to climate protection, Flughafen Zürich AG set itself voluntary reduction targets in 2009. By the year 2020 it aims to reduce emissions of CO<sub>2</sub> for scopes 1 and 2 to 30,000 tonnes, and to 20,000 tonnes by 2030. This corresponds to a reduction in CO<sub>2</sub> emissions of more than 50 % compared with 1991, despite a growing infrastructure.

#### Airport Carbon Accreditation

Since 2010, Flughafen Zürich AG has been certified by Airport Carbon Accreditation for its efforts to reduce CO<sub>2</sub>. This independent accreditation system was launched in 2009 by Airports Council International (ACI) Europe and now covers airports on all continents. It has four levels of award, with the highest level signifying that airport operations are carbon-neutral. Flughafen Zürich AG has been accredited at the second-highest level from the very beginning. This signifies that the company knows its own CO<sub>2</sub> emissions, is continually reducing them, and that it includes its partner companies at the airport in measures, and likewise extends the obligation to reduce CO<sub>2</sub> emissions to its partners.



## ENERGY

### Energy consumption

As well as aircraft and vehicles that require energy in the form of fuel, a large amount of energy in the form of heat and electricity is required to operate the infrastructure at Zurich Airport. Over the past year, the consumption of heat across the airport amounted to 92,103 MWh, which represents a fall of 22.7 % over the previous year. At 189,151 MWh, electricity consumption was down 3.2 %. This lower energy demand was primarily due to the mild winter months at both the beginning and end of the year. Another important factor in the lower electricity consumption was the relatively cool summer – with the exception of July – which depressed the demand for electricity-powered air conditioning systems. In addition, the inclusion of energy-efficient components in the many renovation and replacement projects carried out over recent years has also made an impact.

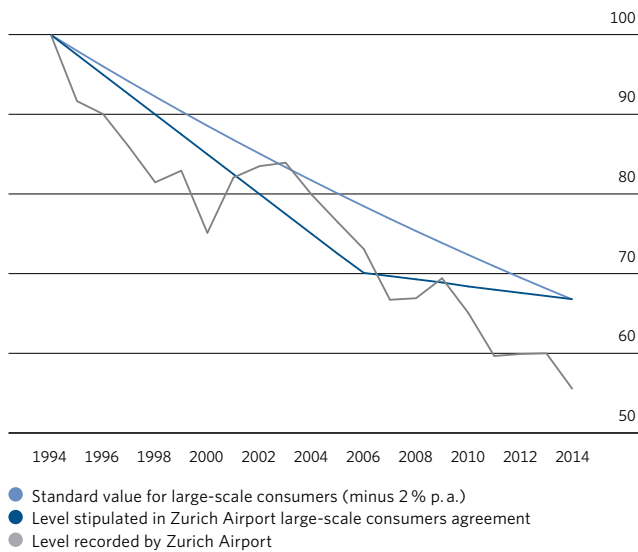
### Measures

Flughafen Zürich AG constantly strives to reduce its energy consumption, particularly when it comes to new buildings and renovation projects. Today's standards of construction and techniques for insulating building shells and controlling inside temperatures enable significant energy savings. Measures are also implemented at an operational level to systematically exploit the potential for savings there too. One team is dedicated solely to continually optimising building services.

Another focal point is energy generation. In 2014, a second photovoltaic array came into operation on the roof of the extended car park P6. This supplements the array on the roof of Dock E. Together the systems will generate approximately 1,000 MWh of electricity annually. Photovoltaic arrays have a double advantage in that, as well as producing electricity in a resource-efficient way, they also reach peak output when demand is at its highest, namely mid-day on hot summer days when there is a high demand for air conditioning.

## SPECIFIC TOTAL ENERGY CONSUMPTION AT ZÜRICH AIRPORT (AS AT 01.01.2014)

Specific energy consumption in %



## TREND IN ENERGY USE

Trend in Zurich Airport's energy use	2014	2013	2012
Heat consumption by the airport (MWh)	92,103	119,168	112,948
Electricity consumption by the airport (MWh)	189,151	195,347	193,896
<b>Total energy consumption (MWh)</b>	<b>281,254</b>	<b>314,515</b>	<b>306,844</b>

### Increased efficiency thanks to large-scale consumers agreement

Energy efficiency has steadily improved at Zurich in recent years. This was precisely the objective of the large-scale consumers agreement concluded in 1998 between the companies responsible for the airport's existing buildings (currently: Flughafen Zürich AG, Priora, Acron AG and SBB) and the Building Department of the Canton of Zurich. The agreement stipulated a 2 % reduction in energy consumption every year until 2014 based on space used and passenger volume. The advantage of this approach is that the individual companies are largely able to decide for themselves how best to meet this target and are not constrained by detailed technical specifications.

The large-scale consumers agreement came to an end in 2014. With one exception (2003), the efficiency path mapped out had always stayed on track. At its conclusion, the 44.5 % increase in energy efficiency compared with 1994 exceeded the target by far. Flughafen Zürich AG plans to conclude a new large-scale consumers agreement in future.

### Energy Strategy 2030

In 2013, in order to ensure a secure, economic and ecologically sound energy supply for Zurich Airport in future, Flughafen Zürich AG published its Energy Strategy 2030. The main aim of this strategy is to reduce primary energy consumption because every unit of energy not used is a unit that need not be generated or transmitted.

This saves both resources and money. The strategy also aims to smooth out peak demand and increase the airport's energy autonomy.

## NATURE AND LANDSCAPE

### Airport in the countryside

Zurich Airport was built in the 1940s on reed meadowland, and this has remained a dominant feature ever since. Of the total 880 hectares belonging to the airport, 780 are fenced off and are consequently not open to the public. Around half of this comprises meadows, woodland and watercourses that form an extensive natural landscape offering valuable pockets of habitat for animals and plants. A section of the meadows directly adjoining the safety strip along the runways is used as part of a technical system for the eco-friendly treatment of de-icer runoff. 74 hectares are woodland and nature conservation areas, of which 44 hectares have been designated as constitutionally protected marshland. Together with the "Bachenbülacher Allmend", "Rütner Allmend", "Goldentor" and "Altläufe der Glatt" nature conservation areas adjacent to the airport, these tracts are what remain of formerly extensive wetlands.

### Rare species

Today, the green spaces within the perimeter fence are a mosaic of low-nutrient meadows, reed beds, fen woodland and marshland which offers rare species an ideal refuge thanks to the protection afforded by the fence. This is particularly the case for birds – rare species such as the Eurasian wryneck or lesser spotted woodpecker and many more are known to breed on the airport's grounds. Beavers have also been living here for the last three years.

### Maintenance and bird strikes

In order to preserve the value of the airport's natural areas, but above all to ensure the safety of flight operations, regular maintenance is necessary. Every year, an annual maintenance plan is drawn up for the various green spaces and is implemented by Flughafen Zürich AG in cooperation with farmers and agricultural companies from the region.

The cultivation of most of the land as extensive high-grass meadows greatly helps to reduce the risk of collisions between aircraft and birds (known as bird strikes), because high grass is not attractive to flocking birds or to birds of prey on the hunt for food. Another method of avoiding bird strikes is to reduce the amount of food available to birds of prey by encouraging other predators. Over the past year, weasel dens have therefore been created at 25 sites, in which weasels have already taken up residence. The weasel dens, which look like big piles of branches from the outside, also enhance the habitat for other species too.

### Environmental compensation

If Flughafen Zürich AG builds on green spaces that have been designated as ecologically valuable, it is obliged to offset this by compensatory measures of equal value. Since this obligation can only be fulfilled within the airport's perimeters in exceptional cases, in the past, areas outside the fence have been ecologically upgraded instead. This was done, for instance, in the "Altläufe der Glatt" or "Halbmatt" nature conservation areas next to the airport.

## CONSUMPTION OF DE-ICING AGENTS AT ZURICH AIRPORT

Consumption of de-icing agents at Zurich Airport	2013 / 2014	2012 / 2013	2011 / 2012
Aircraft de-icing agents (m <sup>3</sup> )	860	2,911	1,423
Runway and road de-icing agents, formate solution (m <sup>3</sup> )	732	2,795	1,283
Surface de-icing agents, solid (tonnes)	0	8	0
De-icing salts for other surfaces (tonnes)	218	1,155	480
Untreated carbon washed away (aprons, runway and taxiways, %)	13.4	20.6	12.4

In 2014, implementation of an environmental compensation project stipulated by the Canton of Zurich commenced along the Glatt river to the southeast of Glattfelden. Previously rather poor, unprofitable farmland and meadows in the "Hundig" area were ploughed up and prepared for a more species-rich colonisation with plants and animals. At the same time, the land was also designated a local recreation area. The work will be continued in 2015 and is expected to last until 2016.

## WASTE

### Waste volumes

In 2014, the total volume of waste at Zurich Airport was 17,653 tonnes, equivalent to a year-on-year increase of 3 %. The share of normal waste was again reduced, from 54 % to 52 %. All normal waste is taken directly to the waste incineration plant. At 45 %, the proportion of waste sent for recycling was in line with the previous year. Paper and cardboard accounted for the largest share of recycled waste (2,904 tonnes, + 1 %).

Since the autumn of 2013, passengers about to pass through the security checkpoint have been able to empty bottles into special containers and then dispose of the bottle in either the PET collection or normal waste bins as appropriate. The liquid collected in this fashion is taken to a co-fermentation plant and used to produce electricity. As a result of this measure, in 2014 it was possible to reduce the volume of confiscated liquids which needed to be disposed of as normal waste to 226 tonnes (2013: 242 tonnes). The amount of PET collected fell to 147 tonnes. The quantities stated here are as defined by the German Airports Association (ADV) to ensure comparability between airports.

## WATER AND WATER PROTECTION

### Water consumption

In the year under review, consumption of drinking water amounted to 524,733 m<sup>3</sup>, some 9 % less than in the previous year. In addition, 167,649 m<sup>3</sup> of groundwater (+ 18 %) was pumped, some of which was used in technical installations. Rainwater consumption for toilet flushing fell by 14 % to 11,541 m<sup>3</sup>. Total consumption of fresh water thus came to 703,923 m<sup>3</sup>, which is 4 % less than in 2013. As more groundwater was pumped, it was possible to reduce the consumption of drinking water by a corresponding amount. 27.6 litres of fresh water were consumed per passenger.

### Domestic and industrial waste water

Various types of waste water arise at Zurich Airport, some of which requires pre-treatment before being channelled into the Kloten-

Opfikon sewage treatment plant to which Zurich Airport is connected. This applies to aircraft toilet waste and to ground maintenance waste water. Certain other types of waste water which cannot be discharged into the sewage treatment plant are disposed of appropriately.

### Aircraft and runway de-icing agents

Following the record-breaking weather conditions experienced in the previous season, the winter of 2013 / 14 was somewhat calmer. As a result of temperatures significantly above the long-term average and the lack of precipitation, the volume of de-icing agents sprayed was less than at any time over the past ten years. 860 m<sup>3</sup> of propylene glycol were used for aircraft de-icing (- 70 % compared with the previous year). A total of 732 m<sup>3</sup> of liquid de-icing agents were required for runways, taxiways and aprons, which represents a reduction of 73 %. 218 tonnes of conventional de-icing salts were additionally used on roads, in the car parks and around the maintenance area (- 81 %).

### Treatment of waste water from de-icing operations

Spraying formate-based de-icing agents on surfaces and the use of propylene glycol on aircraft results in waste water contaminated with carbon compounds to a greater or lesser extent. This can be harmful to natural watercourses, so it is consequently necessary to collect and treat the waste water runoff from operational areas. For this purpose, Flughafen Zürich AG operates a sophisticated system for dealing with the waste water depending on its carbon concentration.

Lightly polluted de-icer runoff is channelled through retention filter basins and then into the Glatt. Medium-contaminated waste water is sprayed over grassed areas using a special sprinkler system. As the water filters down through the soil, the glycol it contains biodegrades almost completely. For both these treatment methods, the success of the biodegrading processes in the drainage systems is measured and stated. Heavily contaminated de-icer runoff can be treated in one of two different ways. On the one hand the airport's own concentration plant can be used, which processes the glycol for subsequent industrial recycling. Alternatively, the heavily contaminated waste water can be sent to the City of Zurich's sewage treatment plant at Werdhölzli, but this option was not used during the winter in question. Over the 2013 / 14 winter season, 87 % of the carbon load was captured, while 52 tonnes or around 13 % of the total volume (previous year: 260 tonnes or 21 %) flowed untreated into the Glatt. The capture ratio was increased thanks to the improved deployment of machines that remove waste water from surfaces not yet connected to the system. The official requirement of treating at least 75 % of the carbon was met.

## Expansion of treatment infrastructure

2014 saw completion of the building work for implementing the second phase of the de-icing runoff treatment systems, representing an investment volume of some CHF 40 million. From the 2014/15 winter season, it will consequently be possible to directly capture and treat 95 % of the carbon load in waste water. Specifically, runway 10/28 and the whole of the southern apron were incorporated in the treatment area, an additional retention filter

basin was built, and the area over which the medium-contaminated waste water is sprinkled was more than doubled. It was also necessary to build new basins and pump systems with a storage volume of 4,000m<sup>3</sup> and lay over 10 km of high-pressure pipes. Over a period of 15 years, more than CHF 100 million has been invested in these systems which now meet all official requirements.

## KEY ENVIRONMENTAL DATA

	2014	2013	2012
NO <sub>x</sub> emissions in tonnes	1,107	1,094	1,098
Proportion from aircraft (tonnes) <sup>1)</sup>	999	970	978
VOC emissions in tonnes	278	349	357
Proportion from aircraft (tonnes)	187	267	284
CO emissions in tonnes	1,271	1,579	1,618
Proportion from aircraft (tonnes)	1,149	1,452	1,479
PM emissions in tonnes	19	19	20
Proportion from aircraft (tonnes)	14	14	14
CO <sub>2</sub> emissions in tonnes at Zurich Airport, scope 1 <sup>2)</sup>	23,838	29,656	25,881
CO <sub>2</sub> emissions in tonnes at Zurich Airport, scope 2 <sup>3)</sup>	1,519	1,517	1,681
CO <sub>2</sub> emissions in tonnes at Zurich Airport, scope 3 <sup>4)</sup>	3,487,625	3,409,942	3,423,169
Overall energy consumption (MWh)	281,254	314,515	306,844
Annual water consumption (in m <sup>3</sup> )	703,923	733,865	724,988 <sup>5)</sup>
Overall waste amount (tonnes)	17,653	17,163	17,228
of which recyclable material (e.g. paper, cardboard, glass, wood) (%)	44.7	44.3	38.9
Confiscated liquids from security checks (t)	226	242	276
Number of residents <sup>6)</sup> above alarm value for SL II <sup>7)</sup>	not available	4,107	4,587
Number of residents above immission limit for SL II	not available	49,928	56,384
Number of residents above the planning value for SL II	not available	148,141	149,644
Zurich aircraft noise index monitoring value (ZFI)	not available	57,123	58,785
Number of noise monitoring terminals (in operation)	14 (14)	13 (14)	14 (14)
Daytime aircraft noise levels <sup>8)</sup> at NMT 1/3/6/10 (dB[A]) <sup>9)</sup>	67/59/66/58	66/58/66/57	66/58/66/57
Number of registered flight path deviations/ investigated	5,964/ 141	5,283/ 117	4,025/ 166
Number of night flight movements (10 p.m. – 6 a.m.)	10,914	10,036	10,696
Proportion in the first hour (10 p.m. – 11 p.m.)	8,618	7,947	8,340
Number of special authorisations for night flights issued <sup>10)</sup>	222	186	273
of which emergency, relief and rescue flights	63	67	82
of which police, military and government flights	21	8	8
of which various other types of flight	138	111	183 <sup>11)</sup>
2010 Sound Insulation Programme: number of properties fitted <sup>12)</sup>	4,750	4,200	3,650
Number of complaints and queries relating to noise <sup>13)</sup>	3,143	2,394	3,149

1) Flight operations in LTO cycle (up to 915 metres), taking into account actual engine power, APU, engine start-up and airframe

2) In accordance with the GHG Protocol: Flughafen Zürich AG's own sources (vehicles, machinery, heating)

3) In accordance with the GHG Protocol: Electricity sourced by Flughafen Zürich AG externally

4) In accordance with the GHG Protocol: Aircraft in LTO cycle and complete route (outbound flight only), calculated by Eurocontrol, other emissions sources at the airport (handling, other heating) and all landside traffic in the vicinity of the airport (approx. 3 kilometres) for all modes of transport

5) Retroactive new method for calculating consumption figures

6) Encompassing noise contours of the day and night noise limits

7) Sensitivity level II (SL II) in accordance with Art. 43 of the Federal Noise Abatement Ordinance

8) Energy-equivalent continuous sound level of daytime aircraft noise (6 a.m. – 10 p.m.)

9) NMT = Noise Monitoring Terminal, 1 = Rümlang, 3 = Oberglatt, 6 = Glattbrugg, 10 = Nürensdorf

10) Special authorisations can be granted for urgent flights operating during the night-time curfew

11) 42 authorisations were issued in December 2012 owing to precarious weather conditions

12) Number of buildings and properties which have been renovated to date incl. reimbursements

13) Includes complaints and enquiries relating to noise levels, flight paths, development of the air traffic, etc.





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# BACKGROUND CONVERSATION INTERVIEW WITH HANSPETER MOLL

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HEAD OF AIRFIELD MAINTENANCE, FLUGHAFEN ZÜRICH AG



**A**irfield Maintenance, which is part of Operations, is responsible for the maintenance and new construction of all the structural surfaces and technical equipment in the outdoor area of Zurich Airport. Hanspeter Moll and his team look after the flight operations areas, roads, technical equipment, green spaces, civil engineering, the vehicle centre, the service centre, water and waste management and the airport's winter services. Every day brings new challenges.

**FLUGHAFEN ZÜRICH AG (FZAG)** Airfield Maintenance covers a very wide range of areas. Is there a core task that all its sections have in common?

**HANSPETER MOLL (HM)** What they all have in common is the aim of keeping the existing infrastructure operational and performing structural maintenance. Our top priority is always smooth flight operations: we have to prevent disruptions wherever possible, because our airport partners and the public are very quick to notice disruptions and criticise them. For this reason, flight operations simply have to function well.

**FZAG** Yet the onset of winter at the end of 2014 brought substantial disruptions...

**HM** Yes, we definitely reached our limits there. Especially during the days following Christmas it snowed so much that we recorded the longest-running snow-clearing operation in the history of Winter Services: our crews worked for 116 hours without stopping. Some of the runways were cleared up to 17 times per day. The winter months also mean additional work for the round-the-clock emergency repair service owing to snow-clearing and the de-icing of operational areas, including the disposal of the waste water produced by de-icing. Our team from Winter Services did an unbelievable job. Clearly some delays are unavoidable, but thanks to our extensive experience, at Zurich Airport we can intervene quickly and optimise the synergies we have.

**FZAG** Airfield Maintenance also looks after the structural and operational maintenance of the runways, taxiways and aircraft stands. One of the largest multi-year projects in this area – the runway 14/32 renovation – was concluded in 2014. Are you satisfied with the results?

**HM** Yes, indeed! The planning application for the renovation was submitted in May 2011, and preparatory construction measures started in 2012 as part of a sub-project, but most of the work took place during the main phase, from March to October 2014. To avoid disrupting flight operations, the construction work is being carried out during the night. We also had to ensure that runway 14

was ready for use promptly every morning when flight operations began. We were able to complete the renovation on schedule in around 100 nights of construction work, and keep the project within budget. Beyond that, there were no accidents, and thanks to a number of events planned for local residents that included tours of the runway during the night-time construction, the project garnered a lot of understanding and interest. This renovation represented a very important project both for me personally and the entire team as well as the external construction partners, planners and other specialist departments such as Noise Management, Resident Protection, Public Affairs and Corporate Communication. Every one of them had an important role to play.

**FZAG** What other construction projects are keeping you busy?

**HM** Since the fifth expansion stage began in 2004, we've carried out and concluded more civil engineering projects than ever before. One big moment was the inauguration of the new noise protection hangar in June. It's an impressive building and another great example of how civil engineering and construction teams can come together with external partners to work on a major airport project. The Echo North stands were released for operation step by step in November, and two other stands were upgraded for Airbus A380 handling. And we shouldn't forget the conclusion of the last stage of the general drainage plan (GEP).

**FZAG** What do you especially like about your work?

**HM** I like the fact that my job is so multi-faceted: I spend my time in a complex system – Zurich Airport – dealing with people, technology, authorities, labour laws and operations. I'm also looking forward to the next projects in line. I'm a bit in awe of "The Circle"; we're already busy with preparatory work for construction there. We also need to start organising the runway 10/28 renovation, the extension of runway 28 and the expansion of the aircraft stands in Zone West and Zone South. Beyond that, I'm always interested in maintaining and strengthening the technical expertise of the department in the interests of the airport as a whole.

Hanspeter Moll began his career at the airport in 1988 as a project manager in Master Planning and took over the maintenance of buildings and engineering structures just three years later. Since 2004, he has managed Airfield Maintenance at Flughafen Zürich AG with a team of around 140 employees and 12 trainees who work in 30 different professions.

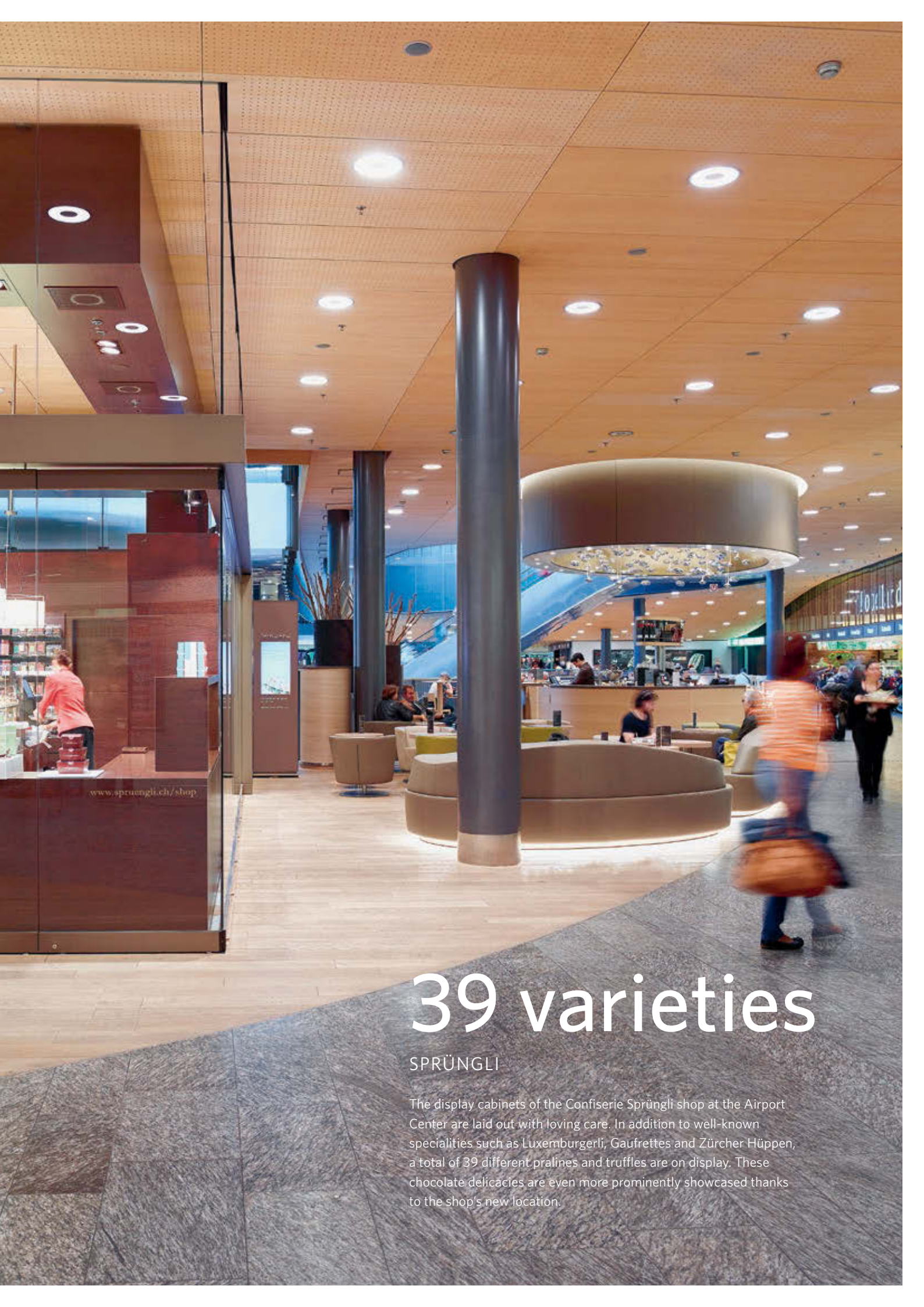




Früngli







# 39 varieties

SPRÜNGLI

The display cabinets of the Confiserie Sprüngli shop at the Airport Center are laid out with loving care. In addition to well-known specialities such as Luxemburgerli, Gaufrettes and Zürcher Hüppen, a total of 39 different pralines and truffles are on display. These chocolate delicacies are even more prominently showcased thanks to the shop's new location.

# CORPORATE GOVERNANCE

Corporate governance forms an important element of Flughafen Zürich AG's corporate policy. It is based on transparency and clearly regulated responsibilities. The company meets the guidelines of SIX Swiss Exchange and those of the Swiss Code of Obligations, and observes the Swiss Code of Best Practice for Corporate Governance recommendations issued by *economiesuisse*.

## GROUP AND CAPITAL STRUCTURES

### Group structure

For details concerning the group operational structure, please refer to the section on segment reporting (see "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", pages 80 and 81). Apart from Flughafen Zürich AG, Kloten (securities no. 1056796,

ISIN CH0010567861), which was listed on SIX Swiss Exchange with a market capitalisation of CHF 4.1 billion as at the balance sheet date, the consolidated group does not comprise any other listed companies. However, it does include the following unlisted companies:

Company	Domicile	Share capital	Holding
Zurich Airport International AG	Kloten	CHF 100,000	100.0 %
Zurich Airport Latin America S. A.	Santiago de Chile	CLP 4,403 million	100.0 %
A-port Operaciones S. A.	Santiago de Chile	CLP 1,352 million	62.0 %
A-port Operaciones Colombia S. A.S.	Bogotá	COP 100 million	62.0 %
Unique IDC S. A. de C.V.	Tegucigalpa	HNL 200 million	62.0 %

### Capital structure

The company's ordinary share capital amounts to CHF 307,018,750, divided into 6,140,375 fully paid-up registered shares with a nominal value of CHF 50.00 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 at the balance sheet date.

For information concerning the distribution of shares to employees (no options are distributed), please refer to "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", Note 2, "Personnel expenses".

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 1,000)	31.12.2014	31.12.2013	31.12.2012
Share capital	307,019	307,019	307,019
Legal reserves			
General reserves from capital contributions	509,980	509,980	509,980
General reserves	42,370	42,370	42,370
Reserves for treasury shares	1,098	1,335	1,467
Other reserves	107,609	107,372	107,240
Available earnings			
Profit brought forward	667,034	576,457	473,435
Dividend payment for 2013 / 2012 / 2011	- 61,368	- 58,308	- 57,389
Profit for the year	234,960	148,885	160,411
<b>Total equity</b>	<b>1,808,702</b>	<b>1,635,110</b>	<b>1,544,533</b>



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## SHAREHOLDER STRUCTURE AND VOTING RIGHTS

### Major shareholders

As at 31 December 2014, the Canton of Zurich held 33.33 % plus one share, and the City of Zurich held 5 % of the company's shares/ voting rights. There were no other shareholders entered in the Share Register whose holdings exceeded 3 % of the total number of shares with voting rights. Information regarding shareholdings in excess of or below the thresholds specified in Article 20 of the Swiss Federal Stock Exchange Act (SESTA) published during the year under review can be found on the publication platform of the Disclosure Office of SIX Swiss Exchange at [www.six-exchange-regulation.com/obligations](http://www.six-exchange-regulation.com/obligations). 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 is exceeded, it shall be raised to 49 %. 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/ voting rights and nominee registrations

Registration with voting rights is limited to 5 % 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 %) and the City of Zurich (limit = 10 %). Other exceptions may be granted by the Board of Directors, specifically in association with contributions in kind, participations, mergers and easing of the tradability of shares on the stock market. No exceptions were granted during the year under review.

Limitations of transferability are set forth in Article 6 of the company's Articles of Incorporation. See also: [www.zurich-airport.com/reports](http://www.zurich-airport.com/reports). They can be amended by a 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 the inclusion of items on the agenda, no statutory regulations exist that deviate from the relevant legal provisions. In accordance with Article 699 para. 3 of the Swiss Code of Obligations, shareholders representing shares with a par value of CHF 1.0 million may request that items be included on the agenda. In accordance with Article 12 para. 3 of the company's Articles of Incorporation, the relevant requests must be submitted in writing to the Board of Directors of the company together with proof of entitlement, an exact description of the requested item and a specifically formulated resolution proposal. Only requests that are received by the company in good time, i. e. at least 60 days before the date of the General Meeting, can be considered.

In accordance with the company's Articles of Incorporation, any shareholder may arrange to be represented at the General Meeting by another shareholder entered in the Share Register, who shall present a written power of attorney, or by an independent proxy. Members of the Board of Directors and Management Board may represent other shareholders provided this does not constitute institutionalised representation. In accordance with Article 14 para. 3 of the company's Articles of Incorporation, the Board of Directors may draw up rules of procedure covering participation in and representation at the General Meeting of Shareholders and, in particular, make detailed provision for the issue of instructions to the independent proxies. It shall ensure that the shareholders are also able to issue electronic powers of attorney and instructions to the independent proxy.

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

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## 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, although 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 and then CEO of Jacobs AG (until 2000); CEO of 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 and a member of the Board of Directors since December 2014; Chairman of the Board of Oettinger Davidoff Group since December 2007. Chairman of the Board of Directors since the 2000 General Meeting of Shareholders.
- Other activities and commitments: Chairman of the Board of Directors of gategroup Holding AG, Member of the Board of Directors of Steiner AG and Badrutt's Palace Hotel AG, Member of the Advisory Board of Alliance Global Corporate Specialty AG and Chairman of the Avenir Suisse Foundation Board.

#### Guglielmo Brentel

- Swiss citizen, born in 1955, commercial apprenticeship, Swiss federal diploma as administration officer, Swiss Hospitality Management School in Lausanne with Swiss federal diploma; various positions in advisory services for the hotel and tourism sector since 1989; founder, owner and managing director of H&G Hotel Gast AG. Member of the Board of Directors since 2014 General Meeting of Shareholders.
- Other activities and commitments: Vice President of Conseil de Fondation Ecole Hôtelière, Lausanne and member of the University Council of HTW Chur.

#### Lukas Briner

- Swiss citizen; born in 1947; PhD (Law); clerk of the court in Uster (until 1979) and then legal consultant, Deputy Director and, from 2001 to 2012, Director of the Zurich Chamber of Commerce. Appointed to the Board of Directors in May 2005 (delegation).
- Other activities and commitments: Chairman of the Board of Directors of Zürcher Oberland Medien AG.

#### Corine Mauch

- Swiss citizen, born in 1960, diploma degree in agr. engineering at the Federal Institute of Technology (ETH); professional experience in research (1993 – 2002) and political studies (2002 – 2008) in the fields of environment, transport, energy and sustainable development. Political activity as a member of the City Parliament of Zurich (1999 – 2009), Mayor of Zurich since 2009. Member of the Board of Zurich Airport since the General Meeting of Shareholders in 2011.
- Other activities and commitments: Member of the Greater Zurich Area Foundation Board, President of the Metropolitan Conference Association of the Zurich Metropolitan Area Association, Deputy President of the Swiss Union of Cities and Towns, Member of the Board of the Greater Zurich Regional Planning Association, Member of the Steering Committee of the Association of Mayors of the Canton of Zurich, Member of the Technopark Zurich Foundation Board.

#### Kaspar Schiller

- Swiss citizen, born in 1947, PhD (Law); attorney-at-law; partner in the legal practice of Schiller Rechtsanwälte AG, Winterthur since 1978. Elected to the Board of Directors in 2004.
- Other activities and commitments: none.

#### Ernst Stocker

- Swiss citizen, born in 1955, master farmer (Swiss certification); management of own farm and training of apprentices (until 2007). Political activity as Member of the Cantonal Parliament of the Canton of Zurich (1987 – 2010), the City Council of Wädenswil (1998 – 2006) and Mayor of Wädenswil (2006 – 2010). Member of the Government Council of the Canton of Zurich since 2010. Appointed to the Board of Directors of Zurich Airport in May 2010 (delegation).

- Other activities and commitments: President of the Greater Zurich Area Foundation, Member of the Board of Directors of EKZ and MCH Group AG, Member of the Advisory Council of the Swiss National Bank, Member of the Board of the Swiss Conference of Cantonal Directors of Finance and the Conference of Cantonal Directors of Public Transport, Chairman of the ZVV Transport Council, Member of the Zurich Metropolitan Area Association of the Zurich Metropolitan Area, Member of the Steering Committee of the Conference of Cantonal Governments, President of the Conference of Directors of Public Transport for the Zurich Region, Member of the Steering Committee of the Gotthard Komitee, Member of the International Lake Constance Conference, Member of the Swisslos Intercantonal National Lottery Cooperative, Member of the Technopark Zurich Foundation.

#### Ulrik Svensson

- Swedish citizen, born in 1961, degree in business administration from the Stockholm School of Economics; CFO at companies in London and Luxembourg and then at Swiss International Air Lines AG (2003 to 2006), CEO of Melker Schörling AB, Stockholm since 2006. Member of the Board of Directors since the 2008 General Meeting of Shareholders.
- Other activities and commitments: Member of the Board of Directors of Assa Abloy AB, Loomis AB, AAK AB, Hexpol AB and Hexagon AB.

#### 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, FIG) to 2004; appointed to the Board of Directors by the Canton of Zurich in July 2005.
- Other activities and commitments: Member of the Board of Directors of Imbrex Holding AG and Badrutt's Palace Hotel AG, Member of the Eleonoren Foundation Board (Zurich Children's Hospital).

None of the members of the Board of Directors holds an executive position at Flughafen Zürich AG, and none was a member 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. As at the reporting date, there were no business relationships between members of the Board of Directors or the entities they represent and Flughafen Zürich AG that were deemed significant and thus worthy of mention.

According to Article 19 of the company's Articles of Incorporation, the number of additional mandates that members of the Board of Directors are permitted to hold in the most senior managerial or administrative organs of legal entities outside the scope of consolidation of the company is restricted to five mandates at listed companies and ten mandates at unlisted companies, and to an additional ten mandates at other legal entities entered in the Commercial Register.

## Internal organisation

**Chairman of the Board of Directors:** Andreas Schmid (elected by the General Meeting of Shareholders for one year at a time)

**Vice-Chairman of the Board of Directors:** Lukas Briner

The Board of Directors has formed the following committees:

### Audit & Finance Committee

**Members:** Ulrik Svensson (Chairman), Guglielmo Brentel, Ernst Stocker, Andreas Schmid

**Duties:** This committee is responsible for the close supervision of the annual accounts and the monitoring of compliance with the accounting policies, the evaluation of financial reporting and auditing activities, the assessment of findings obtained from audits and recommendations by the auditors, the definition of the group's financing policy and an examination of business transactions of special importance.

### Nomination & Compensation Committee

**Members:** Kaspar Schiller (Chairman), Lukas Briner, Martin Wetter, Andreas Schmid (are elected by the General Meeting of Shareholders for one year at a time)

**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.

### Political Affairs Committee

**Members:** Ernst Stocker (Chairman), Lukas Briner, Corine Mauch, Andreas Schmid

**Duties:** The committee monitors political dossiers that are relevant for Zurich Airport and acts as an advisory panel for political issues of strategic importance to the company.

### Organisation and participants

The executive bodies of Flughafen Zürich AG convene meetings as required. The Board of Directors held eight meetings in the year under review with an average duration of approximately six hours. The Audit & Finance Committee held three meetings, the Nomination & Compensation Committee seven and the Public Affairs Committee three meetings with an average duration of two hours each.

The committees approve recommendations and submit proposals to the Board of Directors, and order clarifications to be carried out by internal or external offices. However, the committees do not pass any final, substantive resolutions.

The Chairman and members of the Management Board and the General Secretary are regularly invited to participate in meetings of the Board of Directors. The CEO, CFO, Head of Financial Services, the internal auditor, the auditor in charge at the external auditing firm KPMG AG and the General Secretary are invited to attend meetings of the Audit & Finance Committee. The CEO, the Head of Services, Head of Human Resources and the General Secretary are invited to attend meetings of the Nomination & Compensation

Committee, and the CEO, Head of Services, Head of Public Affairs and the General Secretary are invited to attend meetings of the Public Affairs Committee.

### Competence regulations

Based on the Articles of Incorporation, the Board of Directors has issued a set of organisational regulations in accordance with the provisions of Article 716b of the Swiss Code of Obligations. Alongside the duties that are non-delegable by law, the Board of Directors has retained numerous fundamental strategic competencies, in particular those associated with the rights and obligations arising from federal civil aviation concessions, specifically decisions on significant licence applications, major budget approval requests, petitions for amendments to operating regulations and modifications of fees and charges, while entrusting the Management Board with the general management of the company.

### Information and controlling tools

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

In close collaboration with the Audit & Finance Committee, the auditors KPMG AG worked with Internal Audit to examine the internal control system as part of the interim audit. In the year under review, for example, performance and cost controls for specific airport operations, particularly in the area of security, and also reviews of arrears billing were carried out within the internal auditing process, which is designed to be an independent tool to help the Board of Directors and Audit & Finance Committee perform their duty of overall supervision. Follow-up activities to previous audits also took place. Internal Audit reports directly to the Chairman of the Audit & Finance Committee.

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## MANAGEMENT BOARD

### Members

**Thomas E. Kern**

- Swiss citizen, born in 1953, Chief Executive Officer (CEO), MA (Law); expansions manager (from 1984 to 1985) and executive manager (from 1986 to 2000) at Interio AG; executive manager at Globus Warenhäuser until 2001 and CEO of the Globus Group from 2002 to 2006. Member of the Board of Directors since the 2006 General Meeting of Shareholders until 22 November 2007.
- Chief Executive Officer from 15 January 2008 to 31 December 2014.
- Other activities and commitments: none.

#### Stefan Conrad

- Swiss citizen, born in 1954, Head of Operations. Qualified airline and military pilot; captain and instructor with Swissair AG / Swiss International Air Lines (1990 – 2010).
- Joined Flughafen Zürich AG in May 2010.
- Other activities and commitments: Member of the Board of Directors at AMG, Astana (Kazakhstan).

#### Michael Schallhart

- Swiss citizen, born in 1962, Head of Services. MA (Economics), various positions in the insurance and tourism sectors and for a non-profit organisation; Member of the Management Board and head of Services division at FIFA (Fédération Internationale de Football Association) from 2000 to 2007.
- Joined Flughafen Zürich AG in November 2008.
- Other activities and commitments: none.

#### Daniel Schmucki

- Swiss citizen, born in 1968, Head of Finance (CFO). Swiss Certified Expert for Accounting and Controlling, various finance and controlling positions at Weidmann International (1990 to 1994) and in the Bosch Group (1994 to 1999).
- Joined Flughafen Zürich AG (former Flughafen-Immobilien-Gesellschaft, FIG) in 1999 as head of Controlling; also responsible for Investor Relations & Treasury since 2003; assumed his position on the Management Board in April 2008.
- Other activities and commitments: Member of the Board of Directors at Bangalore International Airport Ltd. (BIAL), Bengaluru, India, and at BH Airports Ltd. Confins, Belo Horizonte, Brazil.

#### Stephan Widrig

- Swiss citizen, born in 1972, head of Marketing & Real Estate. MA (Business Economics), University of St. Gallen; business consultant at Arthur Andersen (1997 to 1999); joined Flughafen Zürich AG (former Flughafen-Immobilien-Gesellschaft, FIG) in 1999 with special responsibility for real estate operations. Chief Financial and Commercial Officer of Bangalore International Airport Ltd. (BIAL), Bengaluru, India, 2005 to 2008.
- Returned to Flughafen Zürich AG and assumed his position on the Management Board in July 2008. CEO since 1 January 2015.
- Other activities and commitments: none.

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

According to Article 19 of the company's Articles of Incorporation, the number of additional mandates that members of the Management Board are permitted to hold in the most senior managerial and administrative organs of legal entities outside the scope of consolidation of the company is restricted to one mandate at listed companies and five mandates at unlisted companies, and to an additional five mandates at other legal entities entered in the Commercial Register.

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## REMUNERATION, PARTICIPATION AND LOANS

### Remuneration

The rules relating to the remuneration of the Board of Directors and the Management Board, which are based on Article 25ff of the Articles of Incorporation, and the remuneration paid in the year under review are shown in the separate Remuneration Report (see pages 51 to 54).

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## AUDITORS

The audit mandate is awarded each year by the General Meeting of Shareholders. The current auditors assumed their mandate in 1992 (for the former Flughafen Immobilien Gesellschaft, FIG) at which time the old company law was still in effect. The current auditor in charge, Martin Schaad at KPMG AG, has been responsible for this mandate since 2014. It is limited by law to a period of seven years.

The fee charged by the auditors for the year under review for auditing amounted to CHF 324,500 (2013: CHF 319,000). For additional services outside the audit mandate (audit-related services) the auditors also charged a total of CHF 66,400 (2013: CHF 155,100). The following amounts were charged for non-audit-related services: tax consultancy CHF 122,800 (2013: CHF 22,400); IT consultancy CHF 0 (2013: CHF 24,100); other consulting services CHF 19,000 (2013: CHF 184,700).

The Audit & Finance Committee is responsible for monitoring and supervising the external audit. It deals with the formulation and approval of the integrated audit planning, which includes the plans for both the external and the internal audits. Moreover, the Audit & Finance Committee evaluates and analyses the respective audit reports and approves the fees for the external audit. The auditors provide a written report on the findings of the agreed audit procedures for the Interim Report and the results of the interim audit and the end-of-year audit. The auditor in charge at the auditing firm attends the meetings of the Audit & Finance Committee.

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## INFORMATION POLICY

Shareholders regularly receive information about current events and developments in the Interim Report and Annual Report, and in the form of ad-hoc news flashes. Ad-hoc messages published by the company can be read at [www.zurich-airport.com/newsflash](http://www.zurich-airport.com/newsflash). Persons interested in these messages can register on the electronic distribution list for ad-hoc messages at [www.zurich-airport.com/orderformnewsflash](http://www.zurich-airport.com/orderformnewsflash).

For further information please see Investor Relations at [www.zurich-airport.com/investorrelations](http://www.zurich-airport.com/investorrelations).

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### Corporate Communication

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# REMUNERATION REPORT

The following Remuneration Report describes the principles of the remuneration policy at Flughafen Zürich AG as well as the associated decision-making powers and the components of remuneration. The foundation for these disclosures is the Ordinance against Excessive Compensation in Stock Exchange Listed Companies, which entered into force on 1 January 2014.

Following the approval in early 2013 by the Swiss voters of what was called the “racketeering initiative”, the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) was issued by the Federal Council and came into force as of 1 January 2014. As a consequence of the implementation of these new regulations, the statements on remuneration in this Annual Report, which were divided in earlier years between the Corporate Governance section and the Notes to the consolidated financial statements, have been brought together and are presented here for the first time as the “Remuneration Report”. In order to ensure complete comparability of the statements on remuneration during the year under review – which were prepared in line with the Ordinance requirements – with those of the previous year, the previous year’s statements have been modified in certain points and may thus differ from those in the 2013 Annual Report.

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## I. REMUNERATION POLICY AT FLUGHAFEN ZÜRICH AG

### 1. Foundations and principles

At Flughafen Zürich AG, the rules governing remuneration are based on the corporate and capital market law requirements of the Swiss Code of Obligations, the Ordinance and SIX regulations as well as the company’s Articles of Incorporation and any resolutions and rules issued on the basis of these Articles.

The revision of the Articles of Incorporation necessary in order to implement the Ordinance took place at the Ordinary General Meeting of Shareholders 2014. As a consequence, and in accordance with the new requirements, the key principles of remuneration are now anchored in the Articles of Incorporation. On this basis, the General Meeting of Shareholders 2014 approved the maximum aggregate amounts available for the remuneration of the Board of Directors and the Management Board for the 2015 financial year. However, there was no resolution by the General Meeting of

Shareholders on any maximum amounts for the 2014 remuneration which is the object of this report.

The remuneration philosophy of Flughafen Zürich AG is geared to a corporate strategy oriented toward sustainable success. Market-based, performance-oriented remuneration is intended to create the conditions for recruiting and retaining qualified, committed employees in a competitive labour market. The remuneration system should be simply structured, clear and transparent. The basic structure of the company’s existing remuneration system has been unchanged for a long time; over the years there have merely been adjustments of individual aspects of it.

### 2. Components and methods of determination

→ **for the remuneration of members of the Board of Directors**  
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 at the judgement of the Board of Directors as proposed by the Nomination & Compensation Committee. They remain valid for an indefinite period, i.e. until they are amended by a new resolution, if necessary. Additionally, the company assumes the payment of all statutory social security contributions due on these amounts. There are no bonus or participation programmes for members of the Board of Directors.

→ **for the remuneration of members of the Management Board**  
Remuneration of members of the Management Board is based on individual employment contracts and comprises a fixed component (fixed salary and benefits) and a variable performance component plus employer contributions to social security and pension funds. Two thirds of the variable component is paid out in cash and one third in the form of shares in the company that are blocked for a period of four years, which ensures that the incentives include an element oriented to long-term perspectives.



The fixed component is determined on a discretionary basis, and the variable component is based on the degree to which the performance target set by the Board of Directors for the relevant financial year was achieved. Airport added value was used as a target up to and including 2013. From financial year 2014, the target will be EBIT according to the budget (excluding the influence of aircraft noise). Up to and including 2013 the variable component was dependent to a lesser extent (0 – 15 %) on the achievement of targets defined individually for each member of the Management Board. The target bonus proposed for 100 % achievement of the targets amounts to 100 % of the fixed salary for the CEO and 50 % of the fixed salary for the other members of the Management Board. In the event that the target is exceeded, variable remuneration is limited to 150 % of the target bonus. If the achievement of the target drops below 70 %, no variable remuneration is paid.

The amounts concerned are set by the Board of Directors as proposed by the Nomination & Compensation Committee. Members of the Management Board do not participate or have a say in these decisions of the Board of Directors.

### **3. Approval by the General Meeting of Shareholders**

Each year, the General Meeting of Shareholders holds a binding vote on the aggregate amount of remuneration for the Board of Directors and the Management Board. On the basis of Article 26 of the company's Articles of Incorporation, this vote is held prospectively; that is, the maximum aggregate amounts which could be paid to the members of the Board of Directors and the Management Board during the following reporting period are submitted to the General Meeting of Shareholders for approval.

In accordance with Article 26 para. 2 of the Articles of Incorporation, an additional sum of 30 % of the approved aggregate amount is available as necessary for the remuneration of any subsequently nominated members of the Management Board (per additional member); this sum does not require the approval of the General Meeting of Shareholders.

As the amounts actually to be paid out depend in part on a consolidated result not yet known when these amounts are approved, this prospective method of approval requires that the theoretical maximum amounts be used by the General Meeting of Shareholders as a basis for their approval decisions. The remuneration actually paid out for a specific reporting period will be stated the following year in the Remuneration Report, which will be presented to the General Meeting of Shareholders for consultation.

## II. REMUNERATION PAID

The following table shows the remuneration that was actually paid for the given financial year:

### 1. REMUNERATION OF THE BOARD OF DIRECTORS

a) for the reporting period (2014):

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	150,000	20,000	15,000	30,000	30,398	245,398
Lukas Briner	Vice Chairman	60,000	17,500	10,000	25,000	11,760	124,260
Martin Candrian *	Member; Chairman of the Audit & Finance Committee *	15,000	5,000	3,333	2,500	2,486	28,319
Ulrik Svensson **	Member; Chairman of the Audit & Finance Committee **	45,000	20,000	8,333	7,500	11,830	92,663
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Com.	49,473	21,988	10,994	19,240	0	101,695
Ernst Stocker	Member; Chairman of the Political Affairs Committee	0	7,500	0	3,000	1,537	12,037
Guglielmo L. Brentel ***	Member ***	34,391	5,732	3,821	0	0	43,944
Corine Mauch	Member	20,000	10,875	0	0	4,519	35,394
Martin Wetter	Member	45,000	20,000	5,000	17,500	8,688	96,188
<b>Total</b>		<b>418,864</b>	<b>128,595</b>	<b>56,481</b>	<b>104,740</b>	<b>71,218</b>	<b>779,898</b>

The following lump-sum payments were made:

to the Department for Economic Affairs of the Canton of Zurich (as part of the remuneration due to Ernst Stocker)	84,500
to City of Zurich (as part of the remuneration due to Corine Mauch)	41,625
<b>Total</b>	<b>906,023</b>

Total amount approved by the General Meeting of Shareholders (not yet applicable for 2014)

\* Member of the Board of Directors and Chairman of the Audit & Finance Committee until 10.4.2014

\*\* Chairman of the Audit & Finance Committee since 10.4.2014

\*\*\* Member of the Board of Directors since 10.4.2014

b) for the comparative period (2013):

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions <sup>1)</sup>	Total <sup>1)</sup>
Recipient	Function						
Andreas Schmid	Chairman	150,000	25,000	15,000	37,500	32,230	259,730
Lukas Briner	Vice Chairman	60,000	25,000	10,000	32,500	13,603	141,103
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	22,500	10,000	5,000	8,074	90,574
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Com.	49,548	27,526	11,011	22,021	0	110,106
Ernst Stocker	Member; Chairman of the Political Affairs Committee	0	10,125	0	3,375	1,976	15,476
Corine Mauch	Member	25,000	12,750	0	0	5,525	43,275
Ulrik Svensson	Member	45,000	22,500	5,000	5,000	11,343	88,843
Martin Wetter	Member	45,000	25,000	5,000	17,500	9,302	101,802
<b>Total</b>		<b>419,548</b>	<b>170,401</b>	<b>56,011</b>	<b>122,896</b>	<b>82,053</b>	<b>850,909</b>

The following lump-sum payments were made:

to the Department for Economic Affairs of the Canton of Zurich (as part of the remuneration due to Ernst Stocker)	91,500
to City of Zurich (as part of the remuneration due to Corine Mauch)	47,250
<b>Total</b>	<b>989,659</b>

Total amount approved by the General Meeting of Shareholders (not yet applicable for 2013)

1) The social security contributions for 2013 in the 2013 Annual Report mistakenly included only the employer's contributions. The corrected table now also includes the employees' contributions paid by the company amounting to CHF 37,066. The amounts in the "Social security contributions" and "Total" columns are therefore not identical with the amounts stated in the 2013 Annual Report (pages 117 and 133).

No severance payments or other long-term remuneration payments were made in 2013 or 2014.

## 2. REMUNERATION OF THE MANAGEMENT BOARD

a) for the reporting period (2014):

(CHF)	Salary	Bonus (cash) <sup>3)</sup>	Bonus (shares) <sup>3)</sup>	Pension and social insurance expenses <sup>1)</sup>	Miscellaneous	Total CHF	Number of shares <sup>2)</sup>	Share price (CHF) <sup>2)</sup>
Recipient								
Thomas E. Kern (CEO)	393,333	314,706	157,294	203,550	26,479	1,095,362	236	666.50
Other members of the Management Board	1,173,332	469,392	234,608	458,398	136,263	2,471,993	352	666.50
<b>Total</b>	<b>1,566,665</b>	<b>784,098</b>	<b>391,902</b>	<b>661,948</b>	<b>162,742</b>	<b>3,567,355</b>	<b>588</b>	
Total amount approved by the General Meeting of Shareholders (not yet applicable for 2014)								

- 1) Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social security and staff benefit schemes.
- 2) The bonus shares indicated above are based on the share price as of the end of the year. The definitive number of shares is calculated on the basis of the share price at the payment date.
- 3) Allocation is rounded to whole shares, and any remainder is added to the cash component. This may result in minor differences between the cash and the share components, but the overall bonus remains unchanged.

Remuneration of members of the Management Board was effected as shown in the above table. The bonus (cash and share components) is accrued for the period under review and paid out in the spring of the following year. The aggregate variable remuneration (cash and share components of the bonus) amounts to between 60 % and 120 % of the fixed salary for individual members of the Management Board. Bonus shares are blocked for a period of four

years (see also "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 2, "Personnel expenses"). In 2014, long service bonuses were paid to two members of the Management Board; these amounts are included in the amounts in the "Miscellaneous" and "Pension and social insurance expenses" columns. No other long-term remuneration or severance payments were made.

b) for the comparative period (2013):

(CHF)	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses <sup>1)</sup>	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Recipient								
Thomas E. Kern (CEO)	380,000	293,836	146,204	158,058	26,479	1,004,577	271	539.50
Other members of the Management Board	1,120,000	413,390	228,748	385,875	85,870	2,233,883	424	539.50
<b>Total</b>	<b>1,500,000</b>	<b>707,226</b>	<b>374,952</b>	<b>543,933</b>	<b>112,349</b>	<b>3,238,460</b>	<b>695</b>	
Total amount approved by the General Meeting of Shareholders (not yet applicable for 2013)								

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

In previous reporting (up to and including the 2013 Annual Report), accrued amounts determined on the basis of estimated results were disclosed as bonus amounts. In addition, the aggregate amounts actually paid out to members of the Management Board were disclosed in the following year. Starting with this Remu-

neration Report 2014, bonus amounts are disclosed as actually approved by the Board of Directors. The above table, presenting remuneration of the Management Board for 2013, has been restated according to this new reporting method and is therefore not comparable to the table in last year's Annual Report.

## 3. LOANS, ADVANCES, NON-MARKET-BASED REMUNERATION

No loans or advances were granted to members of the Board of Directors or the Management Board in 2013 or 2014, nor was non-market-based remuneration paid to parties related to members of the Board of Directors or the Management Board during these years.

We have audited the accompanying remuneration report dated 12 March 2015 of Flughafen Zürich AG for the year ended 31 December 2014. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section “II. Remuneration paid” on pages 53 to 54 of the Remuneration Report.

#### Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### Auditor’s Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

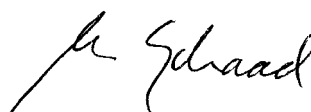
An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the remuneration report for the year ended 31 December 2014 of Flughafen Zürich AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG



Martin Schaad  
Licensed Audit Expert  
Auditor in Charge



Samuel Seiler  
Licensed Audit Expert

Zurich, 12 March 2015

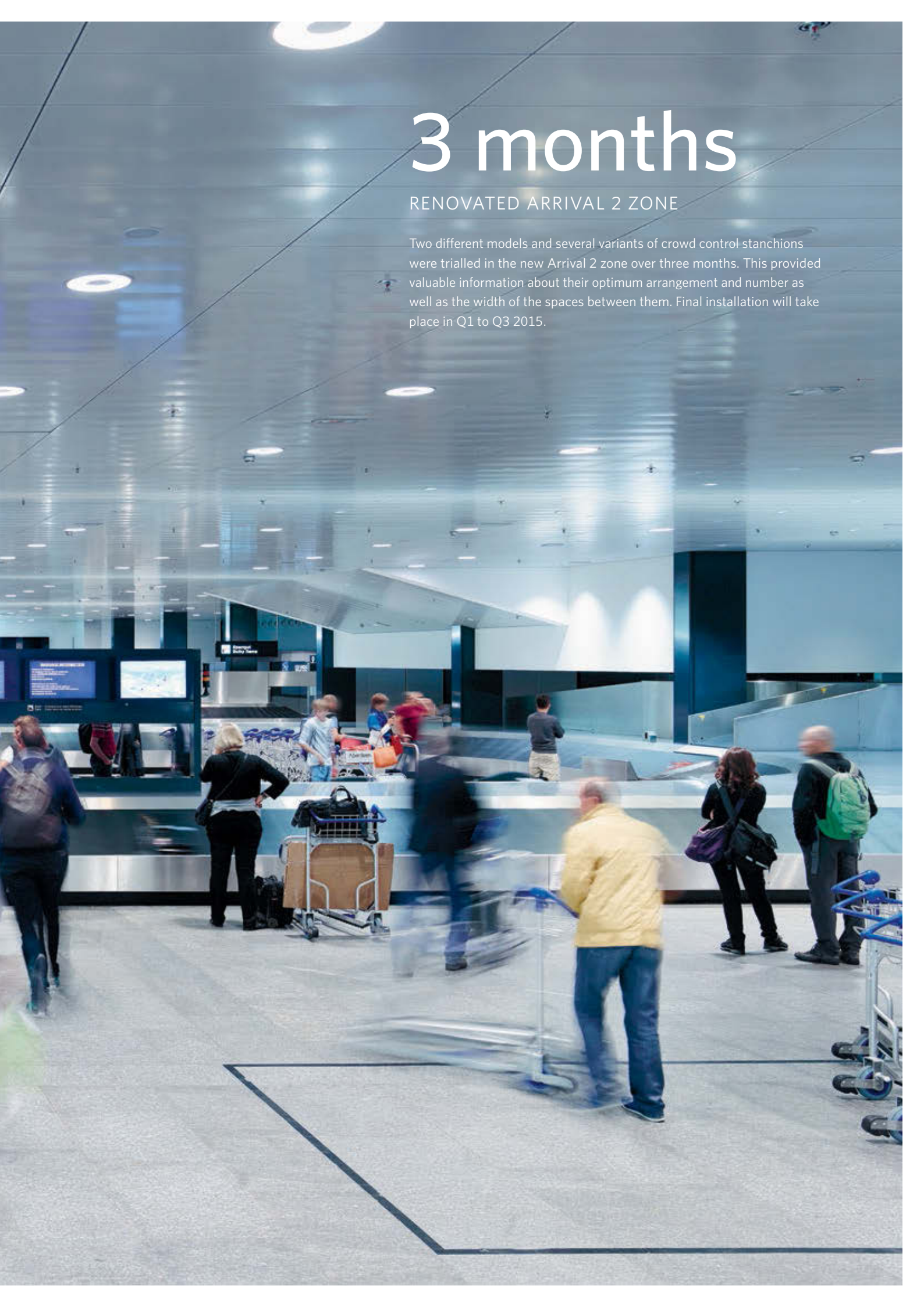




# 3 months

## RENOVATED ARRIVAL 2 ZONE

Two different models and several variants of crowd control stanchions were trialled in the new Arrival 2 zone over three months. This provided valuable information about their optimum arrangement and number as well as the width of the spaces between them. Final installation will take place in Q1 to Q3 2015.



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# RISK MANAGEMENT

For Flughafen Zürich AG, risk management is a key factor for successful company management. Comprehensive risk management ensures that risks are handled systematically with due consideration and guarantees transparency regarding all the internal and external risks associated with business activities as well as continuous monitoring and improvement of the risk situation.

## **Risk management as a management and operating tool**

The Flughafen Zurich AG risk management system is the management and operating 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

The risk management organisation forms the backbone of this system and includes the following units and functions:

- **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 overall oversight of risk management. The Chief Financial Officer also acts as the Management Board's Chief Risk Officer.
- **Risk Management Centre**  
The Risk Management Centre is run by the Head of Financial Services, who reports to the Chief Risk Officer. The Risk Management Centre supports line management in all matters relating to risk management and is responsible for the operation and continued development of the risk management system.
- **Line units (divisions and departments)**  
As part of their function, the line units bear the responsibility for risks in their respective division or department and manage them within the framework of the risk management system (risk owner concept).

## → **Specialised units**

In consultation with the Risk Management Centre, the specialised units perform specific risk-related cross-divisional functions within the group (liquidity management, occupational safety and health, information security, fire prevention, contingency planning, etc.).

The risk management organisation periodically reviews the risk management system in order to ensure that it adequately reflects changes in the commercial and regulatory environment or in the corporate structure.

In reporting on risks, Flughafen Zürich AG describes each identified risk in detail and assesses risks for their probability of occurrence as well as for their potential operational and economic impact. Responsibilities and a plan of action with specific target dates are also defined and outline how the respective risk can be reduced. The risk management organisation continually monitors the implementation of the defined measures.

## **Compliance management**

Flughafen Zürich AG operates a compliance management system as another important component of its comprehensive risk management strategy. The aim of compliance management is to systematically identify, understand and comply with applicable legal regulations as well as internal corporate guidelines and ethical principles.

A review of compliance with relevant laws, guidelines and principles is conducted in around 30 different areas, each of which is supervised by a specialist who is the process owner. Within their areas, process owners are responsible for (1) precautionary measures such as providing information, guidelines and checklists to line managers and individual employees; (2) performing the checks required for compliance audits; and (3) systematic reporting. The ultimate responsibility for compliance with laws, guidelines and principles lies with line management. A broadly based Compliance

Steering Committee headed by the Chief Risk Officer monitors consistent and uniform implementation of compliance management procedures.

Since 2009 the risk management organisation has produced a comprehensive biannual compliance report at the request of the Chief Risk Officer based on information provided by the process owners. This report covers all areas and is submitted to the Management Board and the Board of Directors.

### Current risk situation

The current risk situation at Flughafen Zürich AG is characterised primarily by the following risks:

#### 1. Legal uncertainties

Various domestic and foreign restrictions could mean that Flughafen Zürich AG would be unable to utilise its infrastructure fully and would need to finance additional investments. These restrictions include the following:

##### 1.1 Regulation governing the use of south German airspace

The use of south German airspace is presently regulated by an implementing ordinance (DVO) issued unilaterally by Germany. On 4 September 2012, Swiss Federal Councillor Doris Leuthard and the then German Transport Minister Peter Ramsauer signed the new aviation treaty. Under the treaty, Germany would permit northern approaches to the airport over its territory in the mornings from 6:30 a.m., and thus half an hour earlier than before. It would also accept the principle of a satellite-based curved northern approach route. In turn, Switzerland is willing, as of 2020, to direct arriving flights to Zurich Airport via another route from 6 p.m. onward instead of using the northern approach. So that this shift is possible without adverse effects on capacity, runways 28 and 32 must be extended, and the approach and take-off routes streamlined. If this is not possible, or if implementation of these measures is delayed, either the airport will not be able to handle the forecast demand during the new curfew periods, or delays will be a regular occurrence. The treaty must be ratified by both countries. The two chambers of Switzerland's Parliament have already approved the treaty, but in Germany ratification was halted. If ratification fails altogether, an unstable situation will arise, since Germany could then change the implementing ordinance (DVO) unilaterally. In the absence of multiannual transition periods for adjustments to the airport's infrastructure, this would lead to additional capacity restrictions for Zurich Airport and thus significantly hinder the airport's business development.

##### 1.2 The Sectoral Aviation Infrastructure Plan (SAIP)

On 26 June 2013, the Federal Council laid down the Sectoral Aviation Infrastructure Plan for Zurich Airport with the exception of aircraft noise. By deciding not to pursue the option of securing land for a parallel runway, the Swiss Federal Department of Environment, Transport, Energy and Communications (DETEC) abandoned the only alternative which, according to current projections, would have been able to meet long-term demand. The Federal government is presently preparing for noise specifications in SAIP as well as clarifications of safety measures. There is a possibility that changes to SAIP could lead to changes in capacity, which would have an effect on future revenues.

##### 1.3 Marshland boundaries near runway

On either side of runway 14/32 there are designated marshlands of national importance. The Federal Council defined binding perimeters for the airport in 1994 and 1998. The boundaries of the marshland are currently beyond the safety strip for runway 14/32. However, it cannot be ruled out that the marshland boundaries may be moved closer to this runway in future. Since the constitutional protection of marshland does not allow for any balancing of the interests of marshland protection against safety, in future it may no longer be possible to implement safety measures within the respective safety strip of runway 14/32. This could lead to a restriction of flight operations on runway 14/32 or to changes in flight routes.

##### 1.4 Investments to reduce complexity

The runway and taxiway layout, the departure and approach routes and a number of operational regulations at Zurich Airport have developed over the past 60 or more years, and are the product of many political compromises. The operational complexity of the overall system is therefore considerable. As regards the number of commercial flights, Zurich Airport is the largest airport in Europe without a parallel runway system. After an incident involving two departing aircraft at the runway intersection, in 2012 Flughafen Zürich AG, Skyguide, Swiss and the Swiss Air Force prepared a comprehensive risk report with the assistance of FOCA and DETEC. It includes a number of measures aimed at improving safety. Some of these measures have since been implemented or are in the process of being implemented, while others are pending approval by the Confederation. A failure to improve safety could lead to capacity restrictions which would consequently have a negative impact on business development.

##### 1.5 Zurich Aircraft Noise Index (ZFI)

In 2007, the Cantonal Council's counter-proposal to a cantonal referendum was accepted. The counter-proposal comprises the following two elements:

- Once the number of flights per year reaches 320,000, the canton will re-assess the situation.
- The Zurich Aircraft Noise Index (ZFI) will be introduced. A monitoring value to be determined each year will be compared with a guideline figure (47,000 persons) set by the Government Council. If the monitoring value is exceeded, the Government Council will stipulate measures to be taken.

In recent years, the monitoring value of 47,000 persons was exceeded every year. This is due to the steady and uninterrupted population growth in the region around the airport compared with the year 2000. The ZFI action plan consists of a set of measures for flight operations and another set for land-use planning and residential quality of life. The steps included in the action plan do not have any negative implications for flight operations. However, it is conceivable that the Canton of Zurich, through its representatives on the Board of Directors or the Swiss Federal government, could demand the implementation of certain measures that could have a negative impact on the airport's development.



## 1.6 Ordinance on Airport Charges

The Ordinance on Airport Charges came into force on 1 June 2012. This ordinance will provide greater legal and planning certainty for both Flughafen Zürich AG and its users. When the negotiations between Flughafen Zürich AG and airport users provided for by the ordinance failed in summer 2013, the airport operator submitted a proposal on 5 September 2013 to set airport charges for the 2014–2017 period, and on 14 November 2013 FOCA directed that these charges be levied as proposed. Individual users then lodged a complaint against the FOCA directive. The complaint does not include the suspension of the noise supplement for passengers, which was implemented as of 1 February 2014, but it has a suspensive effect on the adjustment of the other charges. Flughafen Zürich AG can only levy the adjusted charges once a corresponding ruling has been made or a settlement has been reached. Airport charges are a significant source of income for Flughafen Zürich AG.

## 2. Decline in demand

Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as economic crises, acts of terrorism or epidemics. Such events could temporarily cause a drop in demand at Zurich Airport. In addition, other external factors such as the political and macro-economic environment could have a negative impact on demand in both the aviation and non-aviation business at Zurich Airport.

## 3. Increasing safety and security requirements

Additional safety and security regulations may result in rising costs and reduced revenue or changes in capacity. While some of these higher costs could at least subsequently be offset or refinanced through higher charges, in the case of other cost elements a negative impact on earnings cannot be ruled out.

## 4. Hub carrier

Like any other hub airport, Flughafen Zürich AG depends to a considerable extent on the operational and financial development of its hub carrier. The airline Swiss is Zurich Airport's most important customer. During the year under review, Swiss accounted for around 55 % of the passenger volume and approximately 54 % of the traffic volume at Zurich Airport. The airline plays a major role within the Lufthansa Group as far as profits are concerned, so the risk of the hub carrier failing for economic reasons can be considered minor at present. Capacity reductions can never be ruled out, however.

## 5. Noise compensation and sound insulation measures

Under Article 36a of the Aviation Act (LFG) and the Federal Expropriation Act in connection with Articles 679 and 684 of the Swiss Civil Code (ZGB), Flughafen Zürich AG must bear the cost of formal expropriations and costs relating to sound insulation and resident protection measures as stated in Article 20 f. of the Environmental Protection Act (USG) and its corresponding ordinances. According to current legal practice, one of the many preconditions for any noise-related claim is that noise emissions must have exceeded the emission limits for commercial airports in effect since 1 June 2001. Both the operating licence and aviation and

environmental laws form the basis for refinancing the costs related to such claims through air traffic charges (noise-related landing charges or special surcharges on passenger charges).

## 5.1 Noise management and resident protection

There is neither a valid noise exposure survey nor an approved sound insulation plan for Zurich Airport that could be used as the legal basis for the scope and process of noise remediation in the area surrounding the airport. However, the Federal Supreme Court has ruled repeatedly that this should not prevent the holder of the operating licence from implementing noise abatement measures in those areas where they are uncontested. Of the amount previously estimated – CHF 240 million – by the end of 2014 Flughafen Zürich AG had spent around CHF 192 million on resident protection measures, of which approximately CHF 40 million was for reimbursements of soundproof windows financed by homeowners. The remaining costs for resident protection (remediation of other areas and reimbursements to homeowners) are estimated to total around CHF 48 million, based on the provisional operating regulations submitted on 31 December 2003.

When the Swiss Federal Supreme Court decision of 22 December 2010 concluded the appeal process concerning the provisional operating regulations, Flughafen Zürich AG was required to submit a plan to the Federal Office of Civil Aviation (FOCA) by the end of 2011 that protects affected residents from being woken by flights approaching from the south in the early morning hours. The south-side sound insulation concept submitted on 16 December 2011 was approved by FOCA in early December 2013. At the same time, FOCA required the airport operator to submit an amended insulation concept within two years which incorporates the latest findings from noise impact research.

## 5.2 Formal expropriations

With respect to formal expropriations, the rulings on fundamental issues by the Federal Supreme Court in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total costs for the first time, in spite of the remaining uncertainty factors influencing the accuracy of this estimate.

On the basis of the fundamental issues decided by the Swiss Federal Supreme Court up to this time, the noise-related costs that were reliably estimable ("base case") as at 30 June 2008 totalled CHF 759.8 million (including formal expropriations, costs for sound insulation and resident protection and all related operating costs). This means that the total estimated cost was below the figure previously disclosed (in the form of a risk assessment), which ranged between CHF 800 million and CHF 1.2 billion.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999. The purpose of the supplementary agreement was to limit the risks for the company associated with formal expropriations. Under this supplementary agreement, the Canton of Zurich undertook to assume the pre-financing of all "old" noise-related liabilities if, upon payment of the first compensation for formal expropriations, there is a risk that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and resident protection plus all related operating costs) will exceed the amount of CHF 1.1 billion (the "threshold") in the worst-case scenario ("negative case").

Old noise-related liabilities are liabilities that originated before June 2001. The Canton of Zurich assumes the pre-financing for these noise-related liabilities since it was the holder of the operating licence until that date and is therefore liable for prior noise-related liabilities in relation to third parties. The threshold is subject to an annual adjustment mechanism based on the equity trend of Flughafen Zürich AG.

Despite the mid-2008 estimate of CHF 759.8 million stated above, the total estimated noise-related costs exceeded the threshold of CHF 1.1 billion in the worst case ("negative case"), which was based on the assumption that rulings on fundamental issues still pending would go against Flughafen Zürich AG. As a result, the pre-financing by the Canton of Zurich for "old" noise-related liabilities entered into effect on 30 June 2008 in accordance with the supplementary agreement. In return for bearing the risk and financing these "old" noise-related liabilities, the Canton of Zurich received a portion of the Airport of Zurich Noise Fund (CHF 115.4 million) on 30 June 2008 in accordance with the supplementary agreement. This amount was recognised in the consolidated financial statements as an intangible asset from the right of formal expropriation and represents a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 have been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges. As a result of the assumption of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG was no longer required to recognise a provision for these "old" noise-related liabilities. As of the same date, the Canton of Zurich received a share of the collected noise charges, as defined in the supplementary agreement.

Based on the above estimates of noise-related costs and the initiation of pre-financing by the Canton of Zurich, the amount of CHF 125.5 million (present value) was recognised as a provision for formal expropriations in the consolidated financial statements as of 30 June 2008 (nominal amount CHF 150.1 million). This amount relates to the "new" noise-related liabilities of Flughafen Zürich AG. At the same time, the present value of the expected costs was recognised as an intangible asset from the right of formal expropriation.

With further rulings on 8 June 2010 and 9 December 2011 the Swiss Federal Supreme Court definitively set the cut-off date for the foreseeability of an eastern approach as 1 January 1961 and subsequently decided on the method used to calculate a decline in the market value of investment property. These decisions laid the legal basis for settling other outstanding claims for compensation.

Based on these Federal Supreme Court rulings and other fundamental issues that have since been decided in a court of last instance, the company, in cooperation with the Canton of Zurich, undertook a reappraisal of noise-related costs at the end of 2010 and 2011 ("updated base case"), which led to an adjustment of both the provisions for formal expropriations and for intangible assets from the right of formal expropriation. The most recently updated calculation as at 31 December 2011 showed estimated noise-related costs to be CHF 740.6 million. This cost estimate continues to be based on a number of assumptions, such as pending legal issues where there has been no decision by a court of last instance.

Since in the worst case ("updated negative case"), the total noise-related costs had exceeded the adjusted threshold as specified in the supplementary agreement by the end of the 2013 financial year, the Canton of Zurich continued to provide pre-financing.

Owing to the positive trend in Flughafen Zürich AG's equity, the adjusted threshold exceeded the current value of the "negative case" in the second half of financial year 2014. As a result of this development, the Canton of Zurich was no longer required to assume the pre-financing of the "old" noise-related liabilities and the supplementary agreement to the merger agreement of 2006 was terminated with effect from 30 November 2014.

At that time, Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund. The "old" noise-related liabilities (nominal amount CHF 112.3 million) with a present value of CHF 107.7 million were recognised as a provision and, in accordance with the applicable accounting policies, an intangible asset from the right of formal expropriation was recognised in the same amount. On the other hand, the transferred share of the Airport of Zurich Noise Fund (CHF 224.2 million) was charged to the intangible asset and credited to the assets of the Airport of Zurich Noise Fund. As of that date, the splitting of noise charges also no longer applied.

As at 31 December 2014, Flughafen Zürich AG has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 165.9 million and provisions for formal expropriations of CHF 352.3 million plus further provisions for outstanding sound insulation and resident protection costs of CHF 46.1 million. However, the reappraisal of the noise-related costs last undertaken in 2011 as CHF 740.6 million still applies at the end of financial year 2014 as there have been no further final-instance court rulings since 9 December 2011.

More detailed information on the treatment and reporting of noise-related matters is set out in the financial section of this Annual Report.

### 5.3 Refinancing and competitiveness

Aircraft noise costs are refinanced through charges. The most important charge from a refinancing standpoint up until 1 February 2014 was the separate CHF 5.00 noise supplement for passengers. Owing to a directive on airport charges issued by FOCA on 14 November 2013, this passenger-related noise supplement was no longer collected as of 1 February 2014 as it must be assumed that the funds of the Airport of Zurich Noise Fund are sufficient to currently finance any costs that are incurred as per the base case. Should noise-related costs significantly exceed the estimate, this supplement would have to be levied again over the medium term in order to cover the anticipated costs.

Aircraft-related noise charges are still levied.



#### **5.4 Treatment of noise-related matters in the consolidated financial statements according to the International Financial Reporting Standards (IFRS)**

The noise charges imposed on the basis of the “cost-by-causes principle” as well as the costs for sound insulation and resident protection measures and operating costs relating to aircraft noise are recognised in the income statement.

##### **5.4.1 Sound insulation and resident protection measures**

The costs for sound insulation and resident protection measures that Flughafen Zürich AG has in fact agreed to pay are recognised as a provision as soon as they can be reliably estimated.

##### **5.4.2 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 the condition that the airport operator bears the costs associated with compensation payments. This right is capitalised as an intangible asset. This right is capitalised when a current obligation arises on the basis of a definitive ruling or when the probable total costs can be estimated on the basis of court rulings in the final instance and therefore a reliable cost estimate as defined in IAS 38.21 becomes possible. The timing of capitalisation may differ for different airport regions. At the same time as an intangible asset is recognised at the present value of the expected future payments, an equal amount is recognised as a provision. Any future adjustments of the probable total costs already recognised as assets and liabilities will be reflected on both sides of the balance sheet. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

#### **5.5 Treatment of noise-related matters in individual financial statements under the Swiss Code of Obligations (CO)**

Costs for formal expropriations also qualify as an intangible asset in individual financial statements under the Swiss Code of Obligations. They are recognised as assets at the latest on the date on which the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same date. Amortisation of capitalised costs for formal expropriations is based at a minimum on the consolidated financial statements. Adequate provisions are recognised for liabilities arising from sound insulation and resident protection measures. Any balance of revenue after deduction of noise-related costs (compensation for formal expropriations, sound insulation and resident protection measures, operating costs, financing costs and amortisation) is transferred to the provision for aircraft noise.

#### **5.6 Risks for Flughafen Zürich AG associated with aircraft noise**

The reporting of noise-related costs in the financial statements is a complex matter. In particular the issue of formal expropriations involves significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise appropriate provisions. This complexity is attributable to a large variety of relevant legal bases, unclear or pending court rulings and political debate.

Depending on future and final-instance legal judgments, especially with respect to the southern approaches, in particular the “new” noise-related liabilities, but also the “old” ones, may in future also be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision.

The consolidated financial statements (under IFRS) and individual financial statements (under CO) could be negatively impacted, depending on the amount of effective costs and possible future changes in accounting standards. With respect to the consolidated financial statements, any such negative impact could affect compliance with standard guarantees and covenants on outstanding third-party financial liabilities.







# 36,800 m<sup>3</sup>

## RUNWAY RENOVATION

Owing to the wear and tear it has suffered over its many years of service since 1976, the 22.5 m wide and 3,300 m long pavement either side of the centreline of runway 14/32 plus the runway lighting needed replacing. The runway now has an approximately 36,800 m<sup>3</sup> asphalt pavement.







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# CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

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## CONSOLIDATED INCOME STATEMENT

(CHF 1,000)	Notes	2014	2013
Aviation revenue <sup>1)</sup>	(1)	574,959	601,437
Non-aviation revenue <sup>1)</sup>	(1)	388,520	373,657
<b>Total revenue</b>		<b>963,479</b>	<b>975,094</b>
Personnel expenses	(2)	- 180,904	- 178,180
Police and security		- 117,828	- 118,113
Energy and waste		- 20,733	- 25,185
Maintenance and material		- 41,278	- 43,568
Other operating expenses	(3)	- 52,920	- 53,618
Sales, marketing, administration		- 36,840	- 38,278
Capitalised expenditure and other income / expenses, net	(4)	10,522	8,561
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>523,498</b>	<b>526,713</b>
Depreciation and amortisation	(7)	- 228,876	- 224,710
<b>Earnings before interest and tax (EBIT)</b>		<b>294,622</b>	<b>302,003</b>
Finance costs	(5)	- 38,103	- 164,070
Finance income	(5)	4,260	29,632
Share of profit or loss of associates	(9)	- 1,352	2,988
<b>Profit before tax</b>		<b>259,427</b>	<b>170,553</b>
Income tax expense	(6)	- 53,506	- 33,501
<b>Profit</b>		<b>205,921</b>	<b>137,052</b>
Profit attributable to shareholders of Flughafen Zürich AG		205,801	137,084
Profit attributable to non-controlling interests		120	- 32
Basic earnings per share (CHF)	(13)	33.53	22.34
Diluted earnings per share (CHF)	(13)	33.52	22.33

1) Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CHF 1,000)	Notes	2014	2013
<b>Profit</b>		<b>205,921</b>	<b>137,052</b>
<b>Other comprehensive income</b>			
Cross-currency interest rate swap, net of income tax			
Adjustments to fair value	(14)	- 984	- 12,266
Transfer to income statement	(14)	1,787	92,141
Available-for-sale securities			
Adjustments to fair value		1,454	- 1,453
Transfer to income statement		- 31	0
Foreign exchange differences		- 905	- 2,326
<b>Items that are or may be reclassified subsequently to profit or loss</b>		<b>1,321</b>	<b>76,096</b>
Remeasurement of defined benefit liability, net of income tax	(18)	- 57,615	34,866
<b>Items that will never be reclassified to profit or loss</b>		<b>- 57,615</b>	<b>34,866</b>
<b>Other comprehensive income, net of income tax</b>		<b>- 56,294</b>	<b>110,962</b>
<b>Total comprehensive income</b>		<b>149,627</b>	<b>248,014</b>
Comprehensive income attributable to shareholders of Flughafen Zürich AG		149,498	248,055
Comprehensive income attributable to non-controlling interests		129	- 41

## CONSOLIDATED BALANCE SHEET

(CHF 1,000)	Notes	31.12.2014	31.12.2013
<b>Assets</b>			
Land	(7)	110,195	110,195
Buildings, engineering structures	(7)	2,468,202	2,451,985
Leased assets	(7)	32,883	36,194
Projects in progress	(7)	266,350	247,375
Movables	(7)	86,397	86,189
<b>Total property, plant and equipment</b>		<b>2,964,027</b>	<b>2,931,938</b>
Intangible asset from right of formal expropriation	(7)	165,912	289,949
Other intangible assets	(7)	10,276	11,555
Investments in associates	(9)	24,345	12,415
Non-current financial assets of Airport of Zurich Noise Fund	(8)	217,252	206,944
Other financial assets		3,793	3,854
<b>Non-current assets</b>		<b>3,385,605</b>	<b>3,456,655</b>
Inventories		9,207	10,206
Current financial assets of Airport of Zurich Noise Fund	(8)	49,005	49,244
Trade receivables	(10)	101,605	115,460
Other receivables and prepaid expenses	(11)	23,911	21,167
Fixed-term deposits	(12)	195,000	20,000
Cash and cash equivalents	(12)	226,126	392,943
<b>Current assets</b>		<b>604,854</b>	<b>609,020</b>
<b>Total assets</b>		<b>3,990,459</b>	<b>4,065,675</b>
<b>Equity and liabilities</b>			
Share capital	(13)	307,019	307,019
Treasury shares		- 1,098	- 1,335
Capital reserves		591,671	591,263
Hedging reserve, net		- 104	- 907
Fair value reserve		2,420	997
Translation reserve		- 4,300	- 3,386
Other retained earnings		1,243,144	1,156,326
<b>Equity attributable to shareholders of Flughafen Zürich AG</b>		<b>2,138,752</b>	<b>2,049,977</b>
Equity attributable to non-controlling interests		1,770	1,641
<b>Total equity</b>		<b>2,140,522</b>	<b>2,051,618</b>
Debentures and non-current loans	(14)	947,623	995,618
Non-current lease liabilities	(14)	25,647	31,640
Non-current provision for sound insulation and resident protection plus formal expropriations	(15)	366,363	280,362
Deferred tax liabilities	(17)	83,773	104,662
Employee benefit obligations	(18)	156,650	84,410
<b>Non-current liabilities</b>		<b>1,580,056</b>	<b>1,496,692</b>
Trade payables		43,823	51,415
Current financial liabilities	(14)	67,683	285,016
Other current liabilities, accruals and deferrals	(19)	99,794	138,218
Current provision for sound insulation and resident protection plus formal expropriations	(15)	32,000	25,000
Current tax liabilities		26,581	17,716
<b>Current liabilities</b>		<b>269,881</b>	<b>517,365</b>
<b>Total liabilities</b>		<b>1,849,937</b>	<b>2,014,057</b>
<b>Total equity and liabilities</b>		<b>3,990,459</b>	<b>4,065,675</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF 1,000)	Share capital	Treasury shares	Capital reserves	Hedging reserve, net	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
<b>Balance as at 1 January 2013</b>	<b>307,019</b>	<b>-1,467</b>	<b>590,968</b>	<b>-80,782</b>	<b>2,450</b>	<b>-1,069</b>	<b>1,042,684</b>	<b>1,859,803</b>	<b>0</b>	<b>1,859,803</b>
Profit							137,084	137,084	-32	137,052
Other comprehensive income, net of income tax				79,875	-1,453	-2,317	34,866	110,971	-9	110,962
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,875</b>	<b>-1,453</b>	<b>-2,317</b>	<b>171,950</b>	<b>248,055</b>	<b>-41</b>	<b>248,014</b>
Dividends for the 2012 financial year							-58,308	-58,308	-71	-58,379
Purchase of treasury shares		-577						-577		-577
Share-based payments		709	295					1,004		1,004
Change in scope of consolidation								0	1,753	1,753
<b>Balance as at 31 December 2013</b>	<b>307,019</b>	<b>-1,335</b>	<b>591,263</b>	<b>-907</b>	<b>997</b>	<b>-3,386</b>	<b>1,156,326</b>	<b>2,049,977</b>	<b>1,641</b>	<b>2,051,618</b>
<b>Balance as at 1 January 2014</b>	<b>307,019</b>	<b>-1,335</b>	<b>591,263</b>	<b>-907</b>	<b>997</b>	<b>-3,386</b>	<b>1,156,326</b>	<b>2,049,977</b>	<b>1,641</b>	<b>2,051,618</b>
Profit							205,801	205,801	120	205,921
Other comprehensive income, net of income tax				803	1,423	-914	-57,615	-56,303	9	-56,294
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>803</b>	<b>1,423</b>	<b>-914</b>	<b>148,186</b>	<b>149,498</b>	<b>129</b>	<b>149,627</b>
Dividends for the 2013 financial year							-61,368	-61,368		-61,368
Purchase of treasury shares		-512						-512		-512
Share-based payments		749	408					1,157		1,157
<b>Balance as at 31 December 2014</b>	<b>307,019</b>	<b>-1,098</b>	<b>591,671</b>	<b>-104</b>	<b>2,420</b>	<b>-4,300</b>	<b>1,243,144</b>	<b>2,138,752</b>	<b>1,770</b>	<b>2,140,522</b>

## CONSOLIDATED CASH FLOW STATEMENT

(CHF 1,000)	Notes	2014	2013
<b>Profit</b>		<b>205,921</b>	<b>137,052</b>
Finance result	(5)	33,843	134,438
Share of profit or loss of associates	(9)	1,352	-2,988
Income tax expense	(6)	53,506	33,501
Depreciation/ amortisation of			
Buildings, engineering structures	(7)	189,500	184,909
Movable	(7)	16,038	17,075
Intangible asset from right of formal expropriation	(7)	7,483	7,749
Other intangible assets	(7)	5,660	5,416
Leased assets	(7)	10,743	10,184
Recognition of government subsidies and grants on buildings and engineering structures in the income statement			
Buildings, engineering structures	(7)	-548	-623
Gains(-)/ losses(+) on disposal of property, plant and equipment (net)		1,670	4,347
Share-based payments		1,157	1,004
Increase(-)/ decrease(+) in inventories, trade receivables and other receivables and prepaid expenses		11,313	-9,172
Increase(+)/ decrease(-) in current liabilities, excluding current financial liabilities		-2,487	-7,614
Increase(+)/ decrease(-) in employee benefit obligations		-1,638	-301
Use of provision for sound insulation and resident protection plus formal expropriations	(15)	-22,395	-22,869
Income tax paid		-50,392	-33,115
<b>Cash flow from operating activities</b>		<b>460,726</b>	<b>458,993</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		-7,697	30,281
Income from noise charges	(16)	15,651	53,799
Expenses for sound insulation and resident protection plus formal expropriations	(16)	-23,348	-23,518
Investments in property, plant and equipment (projects in progress)		-249,535	-223,873
Proceeds from disposal of property, plant and equipment		210	124
Change in share of voting rights (A-port Operaciones)		0	1,798
Investments in associates		-13,916	0
Investments in financial assets of Airport of Zurich Noise Fund		-36,353	-73,169
Investments in fixed-term deposits due > 90 days	(12)	0	-20,000
Investments in fixed-term deposits of Airport of Zurich Noise Fund due > 90 days	(12)	-100,000	0
Cash inflow from return of share of Airport of Zurich Noise Fund	(12)	101,534	0
Repayment of fixed-term deposits due > 90 days	(12)	20,000	75,038
Repayment of current financial assets of Airport of Zurich Noise Fund		53,394	67,200
Interest received		4,265	1,643
<b>Cash flow from investing activities</b>		<b>-220,401</b>	<b>-171,239</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		18,575	-5,969
Investments in financial assets and fixed-term deposits of Airport of Zurich Noise Fund		-136,353	-73,169
Repayment of current financial assets of Airport of Zurich Noise Fund		53,394	67,200
Cash inflow from return of share of Airport of Zurich Noise Fund		101,534	0
Issue of new debenture	(14)	0	399,534
Repayment of outstanding debenture	(14)	-225,000	0
Repayment of liabilities to banks arising from US private placement	(14)	-73,150	-73,150
Repayment of lease liabilities	(14)	-12,050	-10,883
Repayment of liabilities to banks arising from Japanese private placement	(14)	0	-373,018
Repayment MtM Swap Japanese private placement	(14)	0	-111,924
Payment of dividend for the 2013/ 2012 financial years	(13)	-61,368	-58,379
Purchase of treasury shares		-512	-577
Interest paid		-34,978	-34,831
<b>Cash flow from financing activities</b>		<b>-407,058</b>	<b>-263,228</b>
<b>Increase(+)/ decrease(-) in cash and cash equivalents</b>		<b>-166,733</b>	<b>24,526</b>
Balance at beginning of financial year	(12)	392,943	368,713
Effect of foreign exchange differences on cash and cash equivalents held		-84	-296
<b>Balance at end of financial year</b>		<b>226,126</b>	<b>392,943</b>
of which included in Airport of Zurich Noise Fund	(12)	37,558	45,760

## 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.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law. They have been prepared under the historical cost convention, with the exception of derivative financial instruments, financial investments of the Airport of Zurich Noise Fund that are classified as available for sale, associates and pension obligations.

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 adjusted prospectively 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 "Notes to the consolidated financial statements", "Judgements and assumptions in the application of accounting policies" (see also note 7, "Changes in property, plant & equipment and intangible 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.

- IFRIC 21 Levies
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The new interpretation and the above-mentioned amendments did not have a significant impact on the financial position, results of operations or cash flows of Flughafen Zürich AG in the 2014 financial year.

## INTRODUCTION OF NEW STANDARDS IN 2015 AND LATER

The following new, revised and amended standards and interpretations (see adjacent table) were issued by the end of 2014 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 only a tentative first assessment by the Management Board.

## SCOPE AND METHODS OF CONSOLIDATION

The consolidated financial statements comprise Flughafen Zürich AG and all companies in Switzerland and abroad that it directly or indirectly controls. Flughafen Zürich AG controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins until the date on which control ceases. All assets and liabilities are therefore 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.

Business combinations are accounted for using the acquisition method at the date of acquisition. Consideration transferred in a business combination includes the fair value of the assets transferred, liabilities assumed or incurred and equity instruments issued by the group. Transaction costs incurred in connection with a business combination are recognised in the income statement. Goodwill

New Standards or Interpretations		Effective date	Planned application by Flughafen Zürich AG
IFRS 14 Regulatory Deferral Accounts	*	1 January 2016	Financial year 2016
IFRS 15 Revenue from Contracts with Customers	***	1 January 2017	Financial year 2017
IFRS 9 Financial Instruments	***	1 January 2018	Financial year 2018
<b>Revisions and amendments of Standards and Interpretations</b>			
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	*	1 July 2014	Financial year 2015
Annual amendments to IFRSs (2010 – 2012 and 2011 – 2013 cycle)	*	1 July 2014	Financial year 2015
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	*	1 January 2016	Financial year 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	*	1 January 2016	Financial year 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	*	1 January 2016	Financial year 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	*	1 January 2016	Financial year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	*	1 January 2016	Financial year 2016
Annual amendments to IFRSs (2012 – 2014 cycle)	*	1 January 2016	Financial year 2016
Disclosure Initiative (Amendments to IAS 1)	**	1 January 2016	Financial year 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	*	1 January 2016	Financial year 2016

\* No, or no significant, impact is expected on the consolidated financial statements of Flughafen Zürich AG.

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

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

arising from a business combination is recognised as an asset. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed. Two choices exist regarding the measurement of non-controlling interests. Non-controlling interests are measured at their fair value or at their proportionate share of the recognised amount of the identifiable net assets. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement, after first reassessing the fair value of the net assets acquired.

## CHANGES IN THE CONSOLIDATED GROUP

In financial year 2014, Unique Betriebssysteme AG, a wholly-owned subsidiary with no active business operations, was merged with the parent, Flughafen Zürich AG.

## FOREIGN CURRENCY

For consolidation purposes, all assets and liabilities reported in the balance sheets of companies within the group are translated into Swiss francs (reference currency for Flughafen Zürich AG) 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 translated into Swiss francs at the exchange rate in effect on the day of the transaction.

Foreign currency monetary items are translated at the exchange rate at the reporting date. Foreign exchange gains/losses that arise from the settlement or translation of foreign currency monetary items are recognised in the income statement.

## REVENUE RECOGNITION

Revenue is recognised by Flughafen Zürich AG when the service has been rendered, it is probable that the economic benefits will flow to the company and it can be measured reliably. In addition, the significant risks and rewards of ownership have to be transferred to the recipient of the service.

Revenue in the “Aviation” segment mainly concerns passenger and landing charges. Charges for providing assistance to passengers with reduced mobility are received by the “PRM” segment, while the “User Fees” segment primarily receives fees for the use of the central infrastructure. Revenue in the “Security” segment mainly concerns security charges, and in the “Noise” segment it primarily concerns noise-related charges. Revenue is recognised immediately on rendering the service in question. Landing charges are billed per landing according to the weight of the aircraft. Passenger charges, fees for the use of the baggage sorting and handling system and security charges are based on the number of departing passengers. Noise-related charges are based, in turn, on the number of departing passengers and on an emissions-based charge according to the aircraft type.

The main components in the “Non-regulated Business” segment are revenue from the marketing and rental of the commercial infrastructure at the airport (retail, tax & duty-free, food & beverage operations, advertising media, parking, rental and leasing agreements, and energy and incidental cost allocation). The service is rendered as soon as the commercial space is made available and the revenue recognised accordingly. For fixed-rent tenancy agreements classified as operating leases, the rents are recognised on a straight-line basis over the term of the tenancy agreement. Conditional rental payments (e.g. from turnover-based tenancy agreements) are recognised on an accrual basis based on the turnover generated by the lessee, in which case a minimum rent may be applied. The company does not currently have any tenancy agreements classified as finance leases.



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## LEASES AS LESSEE

### Finance leases

Lease agreements that substantially transfer all the risks and rewards of ownership to the company concerned are classified as finance leases. They are stated at the lower of fair value and present value of the minimum lease payments less accumulated depreciation and any impairment losses. Lease payments are allocated between an interest expense and a reduction of the outstanding 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.

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## FINANCE RESULT

The finance result comprises interest payments on borrowings calculated using the effective interest method (excluding borrowing costs relating to buildings under construction), unwinding of the discount on non-current 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 the due date.

Borrowing costs arising during the construction stage for movables, buildings and engineering structures are capitalised up until the date the asset is taken into use or at the date of completion, if earlier.

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## LAND

Land is stated at cost and is not depreciated. The entire airport site of approximately 8,335,000 m<sup>2</sup> 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 CHF 675.00 per square metre for intensive use, down to CHF 2.00 per square metre for plots reserved for nature conservation.

The value of these plots of land is recorded in the balance sheet at around CHF 100 million. This valuation was applied once at the time of privatisation as the basis for the estimated acquisition costs.

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## BUILDINGS & ENGINEERING STRUCTURES AND MOVABLES

Buildings & engineering structures and movables 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 the date the asset is taken into use or at the date of completion, if earlier. The property, plant and equipment contributed by the Canton of Zurich on 31 December 1999 contain no overheads and borrowing costs. Since 1 January 2000, borrowing costs and overheads relating to assets under construction significant in terms of amount have been capitalised.

Components of buildings & engineering structures and movables with a different useful life are reported individually and depreciated separately. Expansion and replacement expenditure is capitalised only if it is probable that future economic benefits will flow to Flughafen Zürich AG. Maintenance and renovation expenditure are charged to the income statement when incurred.

The leased assets are depreciated using the straight-line method over the estimated 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

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## GOVERNMENT SUBSIDIES AND GRANTS

Government subsidies and grants related to investments are recognised as income over the useful life of each asset and 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.

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## 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 categories of property, plant and equipment and segments. 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 the asset is taken into use or at the date of completion, if earlier, no further expenditure on the asset or related borrowing costs is capitalised.

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## INTANGIBLE ASSETS

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 in respect 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 and is recognised as an intangible asset at the date when the probable total cost can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21. This date may vary from region to region around the airport. At the same time as an intangible asset is recognised at the present value of the expected future payments, an equal amount is recognised as a provision. Any future re-estimates of the probable total cost will adjust both the intangible asset and the related provision. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i. e. until May 2051).

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.

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## INVESTMENTS IN ASSOCIATES

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 holds between 20 % and 50 % of the voting rights). Associates are included in the consolidated financial statements by applying the equity method. Any difference between the cost of the investment and the fair value of the share of net assets acquired is determined at the time of acquisition and recognised as goodwill, and included in the carrying amount of the investment. In subsequent reporting periods, the carrying amount is adjusted to recognise the share of Flughafen Zürich AG of any profit or loss and changes recognised in other comprehensive income of the investee and any dividends received.

Investments in associates where the group holds less than 20 % 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.

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## 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.

Financial assets also include minority interests not providing significant influence and loans that are measured at cost, less impairment losses.

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## 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 liabilities. 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 transferred to the income statement. For all other derivative instruments not qualifying for hedge accounting, changes in fair value are recognised in the income statement.

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## 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.

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## RECEIVABLES

Receivables are stated at cost, which usually corresponds to 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.

The recoverable amount of receivables is equivalent to the present value of the estimated future cash flows. Impairment losses on receivables are reversed if the amount of the impairment loss decreases and the decrease is related to an event that occurred in a period after the impairment loss was recognised.

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## CASH AND CASH EQUIVALENTS

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

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## IMPAIRMENT

The carrying amounts of non-current non-financial assets (excluding deferred taxes) are assessed at least once a year for indications of impairment. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test).

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

Impairment losses on 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.

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## EQUITY

### Share capital

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

### Treasury shares

Acquisition costs (purchase price and directly attributable transaction costs) of treasury 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.

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## FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value 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.

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## PROVISIONS

Provisions are recognised when the entity has a present obligation as a result of a past event that occurred prior to the reporting 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 and resident protection 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).

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## EMPLOYEE BENEFITS

For defined benefit plans, the benefit cost and the defined benefit obligation are determined on the basis of various economic and demographic assumptions using the projected unit credit method and taking into account the past years of insurance up until the measurement date. The assumptions required to be made by Flughafen Zürich AG include, among others, expectations about future salary increases, the interest rate on retirement savings accounts, employee turnover and life expectancy. The calculations are performed annually by independent actuaries. The plan assets are measured annually at fair value and deducted from the defined benefit obligation.

The defined benefit cost consists of three components:

- service cost, which is recognised in the income statement within personnel expenses;
- net interest expense, which is recognised in the income statement within the finance result; and
- remeasurement components, which are recognised in other comprehensive income.

Service cost comprises current service cost, past service cost and gains and losses on settlement. Gains and losses resulting from curtailments are regarded as past service cost. Employee contributions reduce service cost and are deducted from it if they are set out in the formal terms of the plan.

The net interest expense is the amount calculated by multiplying the net defined benefit obligation (or asset) by the discount rate, both as at the beginning of the financial year, including any changes during the period as a result of contribution and benefit payments. Cash flows and changes during the year are factored in pro rata.

Remeasurement components comprise actuarial gains and losses resulting from changes in the present value of the defined benefit obligations due to changes in assumptions and experience adjustments, the return on plan assets less amounts included in net interest expense, and changes in unrecognised assets less effects included in net interest expense. Remeasurement components are recognised in other comprehensive income and cannot be recycled.

The amount recognised in the consolidated financial statements is the surplus or deficit of the defined benefit plans (net defined benefit obligation or asset). However, the asset recognised as a result of any surplus is limited to the present value of economic benefits to the Group available in the form of reductions in future contributions.

Employer contributions to defined contribution plans are recognised in the income statement as personnel expenses when the employee earns the benefit entitlement.

For other long-term employee benefits, the present value of the obligation is recognised at the end of the reporting period. Changes in the present value are recognised in the income statement as personnel expenses

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## 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.

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## INCOME TAXES

Income taxes comprise current and deferred taxes. They are recognised in the income statement unless relating to transactions recognised in other comprehensive income or directly in equity. In these cases, taxes are also recognised in other comprehensive income or directly in equity.

Current taxes comprise the taxes expected to be payable on the taxable result, calculated using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax base using the balance sheet liability method. No deferred taxes are recognised for the following temporary differences: 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 timing and manner of realisation or settlement of the assets and liabilities concerned using tax rates that are enacted or substantively enacted at the reporting date.

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

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## SEGMENT REPORTING

Reporting of operating segments is carried out in accordance with IFRS 8 in line with the internal reporting to the company's chief operating decision-maker. The Board of Directors has been identified as chief operating decision-maker of Flughafen Zürich AG responsible for major decisions concerning the allocation of resources and the assessment of the operating segments' performance.



JUDGEMENTS AND SIGNIFICANT ESTIMATES AND  
ASSUMPTIONS IN THE APPLICATION OF ACCOUNTING  
POLICIES

1. Current risk situation

1.1 Legal uncertainties

Various domestic and foreign restrictions could mean that Flughafen Zürich AG will not be able to fully utilise its infrastructure and would need to finance additional investments. These restrictions include the following:

- Regulation governing the use of south German airspace
- Sectoral Aviation Infrastructure Plan (SAIP)
- Designation of areas in the vicinity of runways as moorland
- Investments to reduce complexity
- Zurich Aircraft Noise Index (ZFI)

1.2 Decline in demand

Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as economic crises, acts of terrorism or epidemics. Such events could temporarily cause a drop in demand at Zurich Airport. In addition, other external factors such as the political and macro-economic environment could impact negatively on demand in both the aviation and non-aviation business at Zurich Airport.

1.3 Increasing safety and security requirements

Additional safety and security regulations may result in rising costs and reduced revenue or changes in capacity. Whereas some of the higher costs can be compensated or refinanced through higher charges, possibly with a delay, the possibility of other elements having a negative impact on earnings cannot be ruled out.

1.4 Hub carrier

The airline Swiss is the main customer of Flughafen Zürich AG. Like any other hub airport, Zurich Airport depends to a considerable extent on the operational and financial development of its hub carrier.

1.5 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 and political debate.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 14,000 were still pending at the end of 2014. Approximately 1,400 cases are currently being examined by the Swiss Federal Assessments Commission.

With respect to formal expropriations, the rulings on fundamental issues by the Swiss Federal Supreme Court in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total costs for the first time, in spite of remaining uncertainties regarding the accuracy of this estimate.

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date, the reliably estimated noise-related costs ("base case") as at 30 June 2008 amounted to a total of CHF 759.8 million (including formal expropriations, costs for sound insulation and resident protection plus all related operating costs). This means that the total estimated costs associated with formal expropriations were below the previously disclosed potential costs (in the form of a risk assessment) of between CHF 800 million and CHF 1.2 billion.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999. The purpose of the supplementary agreement was to limit the risks for the company associated with formal expropriations. Under this supplementary agreement, the Canton of Zurich would assume the pre-financing of all "old" noise-related liabilities in the event that, upon payment of the first formal expropriations, the risk should arise that the total estimated costs associated with aircraft noise (formal expropriations, costs for sound insulation and resident protection plus all related operating costs) would exceed CHF 1.1 billion ("threshold") in the assumed worst-case scenario ("negative case").

"Old" noise-related liabilities are liabilities that arose prior to June 2001. The Canton of Zurich assumes the pre-financing for these noise-related liabilities since it was the holder of the operating licence until that date and is therefore liable for prior noise-related liabilities in relation to third parties. The threshold is subject to an annual adjustment based on the development of the equity of Flughafen Zürich AG.

Despite the mid-2008 estimate of CHF 759.8 million stated above, the total estimated noise-related costs exceeded the threshold of CHF 1.1 billion in the worst case ("negative case"). As a result, the pre-financing by the Canton of Zurich for "old" noise-related liabilities entered into effect on 30 June 2008 in accordance with the supplementary agreement. This was subject to the condition that the still pending fundamental issues were decided against Flughafen Zürich AG. In return for bearing the risk and financing these "old" noise-related liabilities, the Canton of Zurich received a portion of the Airport of Zurich Noise Fund (CHF 115.4 million) on 30 June 2008 in accordance with the supplementary agreement. This amount was recognised in the consolidated financial statements as an intangible asset from the right of formal expropriation and represents a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 have been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges. As a result of the assumption of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG was no longer required to recognise a provision for these "old" noise-related liabilities. As of the same date, the Canton of Zurich received a share of the collected noise charges, as defined in the supplementary agreement.

Based on the above estimates of noise-related costs and the initiation of pre-financing by the Canton of Zurich, the amount of CHF 125.5 million (present value) was recognised as a provision for formal expropriations in the consolidated financial statements as of 30 June 2008 (nominal amount CHF 150.1 million). This amount relates to the “new” noise-related liabilities of Flughafen Zürich AG. At the same time, the present value of the expected costs was recognised as an intangible asset from the right of formal expropriation.

With further rulings on 8 June 2010 and 9 December 2011 the Swiss Federal Supreme Court definitively set the cut-off date for the foreseeability of an eastern approach as 1 January 1961 and subsequently decided on the method used to calculate a decline in the market value of investment property. These decisions laid the legal basis for settling other outstanding claims for compensation.

Based on these Federal Supreme Court rulings and other fundamental issues that have since been decided in a court of last instance, the company, in cooperation with the Canton of Zurich, undertook a reappraisal of noise-related costs at the end of 2010 and 2011 (“updated base case”), which led to an adjustment of both the provision for formal expropriations and for intangible assets from the right of formal expropriation. The most recently updated calculation as at 31 December 2011 showed estimated noise-related costs to be CHF 740.6 million. This cost estimate continues to be based on a number of assumptions, such as pending legal issues where there has been no decision by a court of last instance.

As in the worst case (“updated negative case”), the total estimated noise-related costs exceeded the adjusted threshold as set out in the supplementary agreement by the end of financial year 2013, the Canton of Zurich continued to provide pre-financing.

Owing to the positive trend in Flughafen Zürich AG’s equity, the adjusted threshold exceeded the current value of the “negative case” in the second half of financial year 2014. As a result of this development, the Canton of Zurich was no longer required to assume the pre-financing of the “old” noise-related liabilities, and the supplementary agreement to the merger agreement of 2006 was terminated with effect from 30 November 2014.

At that time, Flughafen Zürich AG assumed the still unpaid “old” noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund. The “old” noise-related liabilities (nominal amount CHF 112.3 million) with a present value of CHF 107.7 million were recognised as a provision and, in accordance with the applicable accounting policies, an intangible asset from the right of formal expropriation was recognised in the same amount. On the other hand, the transferred share of the Airport of Zurich Noise Fund (CHF 224.2 million) was charged to the intangible asset and credited to the assets of the Airport of Zurich Noise Fund. As of that date, the splitting of noise charges also no longer applied.

As at 31 December 2014, Flughafen Zürich AG has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 165.9 million and provisions for formal expropriations of CHF 352.3 million plus further provisions for outstanding sound insulation and resident protection costs of CHF 46.1 million. However, the reappraisal of the noise-related costs last undertaken in 2011 as CHF 740.6 million still applies at the end of financial year 2014 as there have been no further final-instance court rulings since 9 December 2011.

Depending on future and final-instance legal judgments, including with respect to the southern approaches, in particular the “new” noise-related liabilities, but also the “old” ones, may in future also be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision.

As based on current knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations as well as noise insulation and resident protection measures that can be estimated under the base case at the present time, the passenger-related five-franc noise supplement was suspended as of 1 February 2014.

In conclusion, the developments cited above have the following significant effects on the consolidated financial statements:

- Revenue from noise charges will be recognised in the income statement.
- Payments for formal expropriations and for sound insulation and resident protection measures will be charged against the corresponding provisions.
- The intangible asset from the right of formal expropriation will be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).
- The unwinding of the discount on the provisions for formal expropriations and sound insulation and resident protection measures will be recognised in the income statement.
- As before, noise-related operating costs will be borne in full by Flughafen Zürich AG and charged to the Airport of Zurich Noise Fund.

## 2. Impact of the current risk situation on the financial position, the results of operations and the cash flows

### 2.1 Value of property, plant and equipment and intangible assets; reliability of estimate of capitalised noise-related costs

Flughafen Zürich AG owns property, plant and equipment and intangible assets with a total carrying amount of around CHF 3.1 billion. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test). Impairment tests are carried out as a matter of course at least once per year. The basis is the estimated future cash flows of Flughafen Zürich AG, and a variety of assumptions have to be made in order to estimate them. Cash flows can be negatively influenced by the risk factors described in the previous sections (in particular 1.1 “Legal uncertainties” and 1.5 “Reporting of noise-related costs in the financial statements”) (see also note 7, “Changes in property, plant & equipment and intangible assets”).

## SEGMENT REPORTING

Internal reporting of segments to the chief operating decision-maker has been adapted in light of the new Ordinance on Airport Charges (FGV), more specifically with regard to the regulated charges and fees affected by the Ordinance. These were previously presented mainly in the "Aviation flight operations" and "Aviation security" segments.

The following segments are now presented for the regulated business and submitted to the chief operating decision-maker as the basis for his significant judgements and decisions:

- "Aviation" segment
- "PRM" segment
- "User Fees" segment
- "Security" segment

The original "Aviation Aircraft Noise" segment remained unchanged and is now called the "Noise" segment. The former "Non-aviation" segment, now called "Non-regulated Business", also remained unchanged, with the exception of some insignificant reclassifications related to the new regulations.

As of financial year 2014, the company therefore has the following reportable segments:

### Aviation

The "Aviation" segment comprises the original infrastructure and services related to flight operations. 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, most apron zones (including control activities), passenger zones in the terminals, freight operations, passenger handling and services, and safety. The main sources of revenue for the "Aviation" segment are passenger and landing charges. Revenue from third parties is determined by passenger volumes, flight volumes and the trend with respect to aircraft take-off weights.

### PRM

The "PRM" segment combines the infrastructure and services related to implementing the regulation regarding the provision of support for passengers with reduced mobility. Revenue consists exclusively of the PRM charge.

### User Fees

The "User Fees" segment comprises the central infrastructure, in particular the check-in areas and facilities, baggage sorting and handling system, aircraft energy supply system, handling apron areas and the related services and fees.

### Security

The "Security" segment combines the infrastructure and services related to air security (passenger and aircraft security measures) as well as the facilities and services provided for the purpose of granting airside access to persons other than passengers. 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 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 main source of revenue for covering the costs incurred in this segment.

### Noise

All revenue and expenses associated with aircraft noise are reported separately in the "Noise" segment. A liquidity-based statement of noise-related data is presented in the notes to the consolidated financial statements. This statement presents the accumulated surplus or shortfall as of the reporting date arising from noise charges collected on a "cost-by-causes" basis, less expenses for formal expropriations, sound insulation and resident protection measures and related operating costs (see "Notes to the consolidated financial statements", note 16, "Airport of Zurich Noise Fund").

### Non-regulated Business

The "Non-regulated Business" segment encompasses all activities relating to the development, marketing and operation of the commercial infrastructure at Zurich Airport. This segment includes all retail and restaurant/catering operations at the airport, revenue from rented premises and supplementary costs (energy supply, etc.), parking charges plus a broad range of commercial services provided by Flughafen Zürich AG.

### Principles of segment reporting

For reporting purposes, each profit centre has been allocated to a segment. Any internal supplies and services that have been provided to other segments have been booked as inter-segment earnings or offset against costs. For example, the "Supplementary costs" profit centre is allocated to Non-regulated Business, and proportionate costs are charged to the Regulated Business segments on a "cost-by-causes" basis. Support functions are also allocated to the non-regulated business and then offset accordingly.

Invested capital is allocated to the respective operating segments based, firstly, on the allocation of the individual assets in the fixed-asset ledger and, secondly, on the pro rata allocation of the remaining assets (buildings, engineering structures and net working capital) to the respective segments. Until projects in progress have been completed, they are allocated to the segment with the largest share of the project measured by value. The definitive allocation to segments takes place after the projects have been classified into the relevant asset categories.

The identified operating segments have not been aggregated.

The presentation of the following segment reports corresponds to the amended internal reporting of segments in line with the new Ordinance on Airport Charges. For the purpose of comparison, the previous year's figures have been adjusted accordingly. In contrast to the previous year, invested capital per segment is now also disclosed (previously stated under "Segment assets and liabilities").

## Additional disclosures

Flughafen Zürich AG primarily provides services within Switzerland. In the 2014 financial year, external consulting services worth CHF 6.3 million (2013: CHF 1.5 million) were provided in India, Brazil and Kazakhstan.

Flughafen Zürich AG's revenue with Lufthansa Group in 2014 amounts to CHF 359.3 million (2013: CHF 390.3 million) in the reportable segments. The decline is due in particular to the suspension of the passenger-related noise charges (five-franc noise supplement) on 1 February 2014.

## SEGMENT REPORTING

	Regulated Business		Noise		Non-regulated Business		Eliminations		Consolidated	
(CHF million)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from third parties	564.8	547.0	10.2	54.4	388.5	373.7			963.5	975.1
Inter-segment revenue	17.7	18.2			84.3	83.1	-102.0	-101.3	0.0	0.0
<b>Total revenue</b>	<b>582.5</b>	<b>565.2</b>	<b>10.2</b>	<b>54.4</b>	<b>472.8</b>	<b>456.8</b>	<b>-102.0</b>	<b>-101.3</b>	<b>963.5</b>	<b>975.1</b>
<b>Segment result (EBITDA)</b>	<b>239.7</b>	<b>211.5</b>	<b>6.4</b>	<b>50.7</b>	<b>277.4</b>	<b>264.5</b>	<b>0.0</b>	<b>0.0</b>	<b>523.5</b>	<b>526.7</b>
Depreciation and amortisation	-130.7	-129.0	-8.1	-7.9	-90.1	-87.8			-228.9	-224.7
<b>Earnings before interest and tax (EBIT)</b>	<b>109.0</b>	<b>82.5</b>	<b>-1.7</b>	<b>42.8</b>	<b>187.3</b>	<b>176.7</b>	<b>0.0</b>	<b>0.0</b>	<b>294.6</b>	<b>302.0</b>
Finance result									-33.8	-134.4
Share of profit or loss of associates									-1.4	3.0
Income tax expense									-53.5	-33.5
<b>Profit</b>									<b>205.9</b>	<b>137.1</b>
<b>Invested capital</b>	<b>1,884.1</b>	<b>2,020.9</b>	<b>237.6</b>	<b>244.9</b>	<b>1,078.4</b>	<b>1,147.7</b>			<b>3,200.1</b>	<b>3,413.5</b>
Non-interest-bearing non-current liabilities <sup>1)</sup>									606.8	469.5
Non-interest-bearing current liabilities <sup>2)</sup>									183.6	182.7
<b>Total assets</b>									<b>3,990.5</b>	<b>4,065.7</b>
<b>ROIC (in %)</b>	<b>4.5</b>	<b>3.2</b>	<b>-0.6</b>	<b>13.9</b>	<b>13.4</b>	<b>12.6</b>			<b>7.1</b>	<b>7.1</b>
Capital expenditure	72.2	83.8	7.9	15.6	174.0	147.5			254.1	246.9
Investments in associates					24.3	12.4			24.3	12.4

	Aviation		PRM		User Fees		Security		Eliminations		Total Regulated Business	
(CHF million)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from third parties	331.2	317.3	11.4	11.1	53.4	56.4	168.8	162.2			564.8	547.0
Inter-segment revenue	20.2	20.2			6.7	4.6	3.8	6.0	-13.0	-12.6	17.7	18.2
<b>Total revenue</b>	<b>351.4</b>	<b>337.5</b>	<b>11.4</b>	<b>11.1</b>	<b>60.1</b>	<b>61.0</b>	<b>172.6</b>	<b>168.2</b>	<b>-13.0</b>	<b>-12.6</b>	<b>582.5</b>	<b>565.2</b>
<b>Segment result (EBITDA)</b>	<b>176.9</b>	<b>150.0</b>	<b>-1.8</b>	<b>-1.6</b>	<b>31.6</b>	<b>34.1</b>	<b>33.0</b>	<b>29.0</b>	<b>0.0</b>	<b>0.0</b>	<b>239.7</b>	<b>211.5</b>
Depreciation and amortisation	-91.0	-88.6	-0.1	-0.1	-28.9	-29.7	-10.7	-10.6			-130.7	-129.0
<b>Earnings before interest and tax (EBIT)</b>	<b>85.9</b>	<b>61.4</b>	<b>-1.9</b>	<b>-1.7</b>	<b>2.7</b>	<b>4.4</b>	<b>22.3</b>	<b>18.4</b>	<b>0.0</b>	<b>0.0</b>	<b>109.0</b>	<b>82.5</b>
<b>Invested capital</b>	<b>1,451.6</b>	<b>1,521.9</b>	<b>1.1</b>	<b>4.1</b>	<b>314.4</b>	<b>326.1</b>	<b>117.0</b>	<b>168.8</b>			<b>1,884.1</b>	<b>2,020.9</b>
<b>ROIC (in %)</b>	<b>4.6</b>	<b>3.2</b>	<b>n/a</b>	<b>n/a</b>	<b>0.7</b>	<b>1.1</b>	<b>12.4</b>	<b>8.4</b>			<b>4.5</b>	<b>3.2</b>

1) Non-interest-bearing non-current liabilities include non-current provisions for sound insulation and resident protection plus formal expropriations, deferred tax liabilities and employee benefit obligations.

2) Non-interest-bearing current liabilities include current provisions for sound insulation and resident protection plus formal expropriations, current tax liabilities, trade payables and other current liabilities plus accruals and deferrals excluding the fair values of the hedging instruments.



## 1 REVENUE

(CHF 1,000)	2014	2013
Passenger charges	216,387	203,870
Security charges	166,824	161,190
PRM charges	11,425	11,137
Passenger-related noise charges	1,985	47,146
<b>Passenger-related flight operations charges</b>	<b>396,621</b>	<b>423,343</b>
Landing charges	87,566	85,331
Aircraft-related noise charges	8,214	7,211
Emission charges	3,226	3,191
Parking charges	6,609	7,060
Freight revenue	7,789	7,686
<b>Other flight operations charges</b>	<b>113,404</b>	<b>110,479</b>
<b>Total flight operations charges</b>	<b>510,025</b>	<b>533,822</b>
Baggage sorting and handling system	30,430	29,663
De-icing	1,600	4,337
Check-in	3,502	3,500
Gate and transfer desks	2,504	2,788
Aircraft energy supply system	13,155	13,274
CUTE charges (check-in system for handling agents)	4,925	4,765
Other fees	5,643	5,668
<b>Total aviation fees</b>	<b>61,759</b>	<b>63,995</b>
Refund of security costs	1,024	1,025
Other revenue	2,151	2,595
<b>Total other aviation revenue</b>	<b>3,175</b>	<b>3,620</b>
<b>Total aviation revenue <sup>1)</sup></b>	<b>574,959</b>	<b>601,437</b>
Retail, tax & duty-free	96,504	92,413
Food & beverage operations	15,315	14,968
Advertising media and promotion	16,340	16,611
Revenue from multi-storey car parks	73,428	68,697
Other commercial revenue (car rentals, taxis, banks, etc.)	13,402	13,366
<b>Total commercial revenue</b>	<b>214,989</b>	<b>206,055</b>
Revenue from rental and leasing agreements	94,291	89,242
Energy and utility cost allocation	22,927	26,710
Cleaning	4,248	4,189
Revenue from services	1,856	2,809
<b>Total revenue from facility management</b>	<b>123,322</b>	<b>122,950</b>
Communication services	14,420	14,382
Revenue from consulting activities	6,328	1,490
Other services and miscellaneous	20,497	19,975
Catering	1,701	1,623
Fuel charges	7,263	7,182
<b>Total revenue from services</b>	<b>50,209</b>	<b>44,652</b>
<b>Total non-aviation revenue <sup>1)</sup></b>	<b>388,520</b>	<b>373,657</b>
<b>Total revenue</b>	<b>963,479</b>	<b>975,094</b>

1) Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

### Fee to finance assistance for passengers with reduced mobility

To refinance support for passengers with reduced mobility (PRM) for whom Flughafen Zürich AG is responsible on the basis of European Regulation 1107 / 2006, the company levies a charge for providing assistance to PRMs of CHF 0.90 per departing passenger. The airlines are invoiced for this charge.

The fee is intended to cover all investments and operating costs associated with this service. It is carefully calculated and is not linked to any other services at Zurich Airport.

As in the previous year, the current cost shortfall is primarily the result of the number of passengers with reduced mobility handled by the airport, which in turn was higher than assumed when the charge was calculated.

Like all other charges for flight operations, the PRM charge is covered by the Federal Office of Civil Aviation (FOCA) decree on flight operations charges dated 14 November 2013. This decree provides for an increase in the PRM charge to CHF 1.00 per departing passenger and is being reviewed as part of the ongoing appeal.

Income and expenses relating to the assistance for passengers with reduced mobility are as follows:

(CHF 1,000)	2014	2013
PRM charges	11,425	11,137
<b>Total revenue</b>	<b>11,425</b>	<b>11,137</b>
Fixed service costs (service provider)	- 3,760	- 3,188
Variable service costs (service provider)	- 8,839	- 9,109
Other operating expenses	- 278	- 119
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>- 1,452</b>	<b>- 1,279</b>
Depreciation and amortisation	- 49	- 58
<b>Earnings before interest and tax (EBIT)</b>	<b>- 1,501</b>	<b>- 1,337</b>
Imputed interest and income tax	297	263
<b>Cost surplus/ shortfall</b>	<b>- 1,204</b>	<b>- 1,074</b>

## 2 PERSONNEL EXPENSES

(CHF 1,000)	2014	2013
Wages and salaries	141,231	137,161
Pension costs		
for defined benefit plans <sup>1)</sup>	14,009	15,776
for defined contribution plans	0	0
Social security contributions	13,264	13,044
Other personnel expenses and employee benefits	12,400	12,199
<b>Total personnel expenses</b>	<b>180,904</b>	<b>178,180</b>
<b>Average number of employees (full-time positions) <sup>2)</sup></b>	<b>1,470</b>	<b>1,458</b>
<b>Number of employees as at reporting date (full-time positions) <sup>2)</sup></b>	<b>1,450</b>	<b>1,478</b>
<b>Personnel expense per full-time position as at 31 December</b>	<b>125</b>	<b>121</b>

1) See note 18, "Employee benefits".

2) Including employees of the consolidated A-port Operaciones S. A. and its subsidiaries.

### Staff participation programme

Flughafen Zürich AG gives those employees who have completed their first year of service a one-off gift in the form of one share free of charge. In the year under review, 134 shares (2013: 151 shares) worth CHF 77,575 (2013: CHF 70,450) were handed out.

### Bonus programme for members of the Management Board and other members of management

The total annual remuneration awarded to members of the Management Board and other members of management comprises a fixed salary and a variable performance component (bonus), which is based on the consolidated result and, depending on the function level, the degree of achievement of personal objectives. As of the 2014 financial year, the criterion for defining the consolidated result is earnings before interest and tax (EBIT) (excl. aircraft noise), or the difference between targeted and achieved EBIT (excl. aircraft noise). In the previous year, the budgeted airport value added figure (AVA) was decisive. 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 (grant date). Two thirds of the performance component is paid out in cash and one third in shares. For detailed information on the remuneration of the members of the Management Board, please refer to the separate Remuneration Report on pages 51 to 54.

	2014	2013	2013 <sup>1)</sup>	Price per share <sup>1)</sup>
Recipient	(CHF 1,000)	(CHF 1,000)	(Number of shares)	(CHF)
Members of the Management Board	374	333	695	539.50
Other members of management	653	611	1,144	539.50
Adjustment of share price to market price in subsequent year <sup>2)</sup>	48	- 48		
<b>Total</b>	<b>1,075</b>	<b>896</b>	<b>1,839</b>	<b>539.50</b>

- 1) Shares distributed in the 2014 financial year under the bonus programme for the Management Board and other members of management (number and price per share) for the 2013 financial year.  
2) The value of the shares comprising the bonus for the 2013 financial year was CHF 48,180 higher in April 2014 (grant date) than the amount accrued for the bonus for the 2013 financial year as at year-end.

The bonus for financial year 2014 was estimated and accounted for on the basis of the data available as at the reporting date relating to the degree of achievement of the relevant consolidated result and personal objectives. The number of shares to be granted cannot be precisely calculated yet since the number depends on the share price at the grant date. If the shares had been granted as at year-end, a total of 1,541 shares 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 the separate Remuneration Report on pages 51 to 54).

#### Option programme

No option programme exists at Flughafen Zürich AG.

### 3 OTHER OPERATING EXPENSES

(CHF 1,000)	2014	2013
Zurich Protection & Rescue Services	21,198	21,376
PRM costs (service costs of service providers)	12,599	12,297
Other operating costs	7,245	8,419
Insurance	3,601	3,941
Cleaning by external contractors, incl. snow clearing	2,417	2,386
Costs for own car park	2,929	2,482
Communication costs	1,686	1,456
Passenger services	1,245	1,261
<b>Total other operating expenses</b>	<b>52,920</b>	<b>53,618</b>

### 4 CAPITALISED EXPENDITURE AND OTHER INCOME / EXPENSES, NET

(CHF 1,000)	2014	2013
Capitalised expenditure	12,803	10,605
Other income	411	3,285
Other expenses	- 2,692	- 5,329
<b>Total capitalised expenditure and other income / expenses, net</b>	<b>10,522</b>	<b>8,561</b>

Capitalised expenditure of CHF 12.8 million (2013: CHF 10.6 million) primarily comprises fees for the company's architects and engineers as well as for project managers representing the client.

In addition to realised gains on the disposal of non-current assets, other income also includes a one-off compensation payment from a rental contract that was terminated early. In the reporting period, other expenses include losses on the disposal of non-current assets and bad debt write-offs from the aviation and non-aviation business.

## 5 FINANCE RESULT

(CHF 1,000)	2014	2013
Interest expenses on debentures and non-current loans	- 21,177	- 35,100
Less capitalised interest on borrowings for buildings under construction	518	635
<b>Net interest expenses on debentures and non-current loans</b>	<b>- 20,659</b>	<b>- 34,465</b>
Interest expenses on finance lease liabilities	- 1,830	- 2,362
Accretion of interest on financial liabilities at amortised cost	- 1,546	- 6,774
Net interest expenses on defined benefit obligations	- 1,679	- 2,195
Other interest expenses	- 78	- 75
<b>Total interest expenses</b>	<b>- 25,792</b>	<b>- 45,871</b>
Loss on financial assets of Airport of Zurich Noise Fund	- 1,699	- 3,285
Other finance costs	- 2,748	- 114,687
Foreign exchange losses	- 158	- 227
Unwinding of discount on provision for sound insulation and resident protection plus formal expropriations	- 7,706	0
<b>Total finance costs</b>	<b>- 38,103</b>	<b>- 164,070</b>
Interest income on financial assets of Airport of Zurich Noise Fund	3,784	5,300
Interest income on postal accounts and bank deposits / loans	184	417
Interest on arrears	5	11
<b>Total interest income</b>	<b>3,973</b>	<b>5,728</b>
Unwinding of discount on provision for sound insulation and resident protection plus formal expropriations	0	6,155
Foreign exchange gains	282	17,718
Other finance income	5	31
<b>Total finance income</b>	<b>4,260</b>	<b>29,632</b>
<b>Finance result</b>	<b>- 33,843</b>	<b>- 134,438</b>

The net finance result of Flughafen Zürich AG for financial year 2014 amounted to CHF - 33.8 million in the year under review, a significant improvement on the CHF - 134.4 million posted in the prior-year period.

However, in the 2013 financial year, the finance result was impacted by one-off costs related to the restructuring of non-current financial liabilities totalling CHF 82.9 million. On 25 March 2013, the company gave notice of the termination of the Japanese private placement in the amount of JPY 37 billion and, on 23 May 2013, repaid it in full. The hedging instrument used to hedge currency risks associated with future interest payments and repayments from the Japanese private placement was terminated at the same time. On 17 April 2013, a new debenture in the amount of CHF 400.0 million (nominal) with an interest coupon of 1.5 % with redemption in 2023 was also placed. The previous year's effect of CHF 82.9 million comprises the following:

- Foreign currency gain of CHF 17.4 million on the Japanese private placement owing to the exchange rate trend between the Swiss franc and the Japanese yen since the balance sheet date of 31 December 2012, reported under "Foreign exchange gains".
- Costs for terminating the hedging instrument amounting to CHF 111.9 million, reported under "Other finance costs".
- Amortisation of the remaining recognised transaction costs from the Japanese private placement amounting to CHF 4.8 million, reported under "Accretion of interest on financial liabilities at amortised cost".
- Proportional interest savings of CHF 16.4 million which made a significant contribution in 2013 to reducing interest expense on debentures and non-current loans.

In addition, in connection with the repayment of the Japanese private placement in 2013 and the termination of the corresponding hedging instrument, the related hedging reserve amounting to CHF 89.3 million was also dissolved.

In the year under review, interest expenses on debentures and non-current loans were CHF 13.9 million or 39.7 % down on the prior-year period and amounted to CHF 21.2 million. The savings are attributable to the restructuring of non-current financial liabilities in the previous year, the redemption of a debenture maturing in February 2014 in the amount of CHF 225.0 million and the annual repayment of the US private placement in April 2014.

In 2014, capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of von 2.24 % (2013: 2.78 %).



## 6 INCOME TAX

(CHF 1,000)	2014	2013
Taxes for current year	59,966	38,645
Taxes for prior years	48	- 455
<b>Total current income tax</b>	<b>60,014</b>	<b>38,190</b>
Deferred income tax on changes in temporary differences	- 6,508	- 4,689
<b>Total deferred income tax</b>	<b>- 6,508</b>	<b>- 4,689</b>
<b>Total income tax</b>	<b>53,506</b>	<b>33,501</b>

Income tax can be analysed as follows:

(CHF 1,000)	2014	2013
Profit before tax	259,427	170,553
Tax expense at anticipated tax rate of 20.2 %	52,456	34,452
Adjustments of deferred taxes	0	- 582
Prior period adjustments	48	- 455
Current-year losses for which no deferred tax assets were recognised	727	0
Non-tax-deductible expenses / tax-exempt income	273	405
Miscellaneous items	2	- 319
<b>Total income tax</b>	<b>53,506</b>	<b>33,501</b>

## 7 CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(CHF million)	Land	Engineering structures	Buildings	Leased assets	Projects in progress	Movables	Total property, plant and equipment	Intangible asset from right of formal expropriation	Other intangible assets	Total intangible assets
<b>Cost</b>										
Balance as at 1 January 2013	110.0	1,544.0	3,981.9	99.1	161.5	259.5	6,156.0	326.6	75.0	401.6
Change in scope of consolidation			0.8			0.5	1.3		1.8	1.8
Additions				6.1	240.8		246.9			0.0
Disposals			- 63.9			- 10.8	- 74.7		- 3.3	- 3.3
Transfers	0.2	24.2	106.8		- 151.4	16.0	- 4.2		4.2	4.2
Effect of exchange rate movements			- 0.1				- 0.1		- 0.2	- 0.2
Balance as at 31 December 2013	110.2	1,568.2	4,025.5	105.2	250.9	265.2	6,325.2	326.6	77.5	404.1
Balance as at 1 January 2014	110.2	1,568.2	4,025.5	105.2	250.9	265.2	6,325.2	326.6	77.5	404.1
Additions				7.4	246.7		254.1			0.0
Disposals		- 41.7	- 84.1			- 13.9	- 139.7	- 116.6	- 4.1	- 120.7
Transfers		88.5	119.6		- 229.0	16.4	- 4.5		4.5	4.5
Effect of exchange rate movements							0.0		- 0.1	- 0.1
Balance as at 31 December 2014	110.2	1,615.0	4,061.0	112.6	268.6	267.7	6,435.1	210.0	77.8	287.8
<b>Depreciation, amortisation</b>										
Balance as at 1 January 2013	0.0	738.3	2,277.1	58.8	0.0	171.8	3,246.0	28.9	63.3	92.2
Change in scope of consolidation						0.2	0.2		0.4	0.4
Additions		47.3	137.6	10.2		17.1	212.2	7.7	5.4	13.1
Disposals			- 60.1			- 10.1	- 70.2		- 3.0	- 3.0
Effect of exchange rate movements							0.0		- 0.1	- 0.1
Balance as at 31 December 2013	0.0	785.6	2,354.6	69.0	0.0	179.0	3,388.2	36.6	66.0	102.6
Balance as at 1 January 2014	0.0	785.6	2,354.6	69.0	0.0	179.0	3,388.2	36.6	66.0	102.6
Additions		49.8	139.8	10.7		16.0	216.3	7.5	5.6	13.1
Disposals		- 41.6	- 82.6			- 13.7	- 137.9		- 4.1	- 4.1
Effect of exchange rate movements							0.0			0.0
Balance as at 31 December 2014	0.0	793.8	2,411.8	79.7	0.0	181.3	3,466.6	44.1	67.5	111.6
<b>Government subsidies and grants</b>										
Balance as at 31 December 2012	0.0	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0
Additions					3.5		3.5			0.0
Disposals			- 0.6				- 0.6			0.0
Balance as at 31 December 2013	0.0	0.0	1.5	0.0	3.5	0.0	5.0	0.0	0.0	0.0
Additions		1.2			- 1.2		0.0			0.0
Disposals			- 0.5				- 0.5			0.0
Balance as at 31 December 2014	0.0	1.2	1.0	0.0	2.3	0.0	4.5	0.0	0.0	0.0
Net carrying amount as at 31 December 2012	110.0	805.7	1,702.7	40.3	161.5	87.7	2,907.9	297.7	11.7	309.4
Net carrying amount as at 31 December 2013	110.2	782.6	1,669.4	36.2	247.4	86.2	2,932.0	290.0	11.5	301.5
Net carrying amount as at 31 December 2014	110.2	820.0	1,648.2	32.9	266.3	86.4	2,964.0	165.9	10.3	176.2

## Projects in progress

In the past financial year, Flughafen Zürich AG invested CHF 246.7 million in projects in progress (2013: CHF 240.8 million). The biggest items comprise the following projects:

- Upgrade of Terminal 2 (CHF 41.0 million)
- Renovation of runway 14/32 (CHF 39.3 million)
- Maintenance operations to preserve the value of engineering structures (CHF 25.9 million)
- "The Circle" at Zurich Airport (CHF 25.9 million)
- Echo North aircraft stands (CHF 16.6 million)
- Implementation of GDP General Drainage Plan (CHF 15.7 million)
- Expansion of car parking (CHF 15.7 million)

## 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, then under construction, 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 each of the definitive lease agreements totalling CHF 84.5 million with a maturity of 17 years was put into effect. From 2004 to 2013 a further ten tranches totalling CHF 20.8 million were added. A twelfth tranche amounting to CHF 7.4 million was activated on 1 October 2014. In terms of form and content, both the framework and the definitive lease agreements are regarded as finance leases and have therefore been recognised in the balance sheet. The leased facilities available for use have been depreciated with effect from their date of completion.

The term of the finance lease for the baggage sorting and handling system ends on 31 December 2016. The lease for the aircraft energy supply system will run until 31 July 2020.

## Intangible asset from right of formal expropriation

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation in respect 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 and is recognised as an intangible asset at the date when the probable total cost can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21.

When an intangible asset from the right of formal expropriation was first recognised in the amount of CHF 125.5 million (present value of the expected future payments) at 30 June 2008, an equal amount was recognised as a provision. The portion of the Airport of Zurich Noise Fund amounting to CHF 115.4 million, which in accordance with the supplementary agreement dated 8 March 2006 was transferred to the Canton of Zurich (see note 16, "Airport of Zurich Noise Fund"), was also recognised as an intangible asset from the right of formal expropriation. This amount represents a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 have been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges.

As a result of the positive equity development of Flughafen Zürich AG, the prefinancing of "old" noise-related liabilities by the Canton of Zurich was terminated on 30 November 2014 in an addendum to the supplementary agreement to the merger agreement. At that time, Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund. The "old" noise-related liabilities (nominal amount CHF 112.3 million) with a present value of CHF 107.7 million were recognised as a provision and, in accordance with the applicable accounting policies, an intangible asset from the right of formal expropriation was recognised in the same amount. On the other hand, the credited share of the Airport of Zurich Noise Fund (CHF 224.2 million) was charged to the intangible asset and credited to the assets of the Airport of Zurich Noise Fund.

The transferred funds comprise the following:

- CHF 101.5 million Cash and cash equivalents (see note 12, "Cash and cash equivalents and fixed-term deposits")
- CHF 95.0 million Fixed-term deposits (see note 12, "Cash and cash equivalents and fixed-term deposits")
- CHF 27.0 million Securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")
- CHF 0.7 million Other receivables (e.g. withholding tax credits and deferred interest)

As at 31 December 2014, Flughafen Zürich AG has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 165.9 million. This is amortised using the straight-line method over the remaining term of the operating licence (i.e. until May 2051).

## Impairment

Flughafen Zürich AG voluntarily carries out a calculation at company level on a yearly basis to determine whether there is any indication that assets may be impaired. The calculation is based on expected future free cash flows of Flughafen Zürich AG and various assumptions regarding future trends (e.g. passenger and traffic volumes, capital expenditure, the hub status of Zurich Airport and the discount rate). The calculation as at 31 December 2014 did not identify any indications of impairment.

## Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment and intangible assets totalling CHF 229.4 million were offset against government grants and subsidies recognised in the income statement in the amount of CHF -0.5 million.

## 8 FINANCIAL ASSETS OF AIRPORT OF ZURICH NOISE FUND

The available-for-sale securities are debentures in Swiss francs. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund and averages two to four years. Interest on debentures in 2014 was between 0.25 % and 3.375 % (2013: between 0.25 % and 4.00 %). See note 11, "Other receivables and prepaid expenses", and note 16, "Airport of Zurich Noise Fund". These funds are managed by professional financial institutions on the basis of a conservative, money market-oriented investment strategy (see note 5, "Finance result", note 20.1, "a) Financial risk management, i) Credit risk").

As part of the reversal of the pre-financing of "old" noise-related liabilities by the Canton of Zurich (see "Notes to the consolidated financial statements", 1.5 "Reporting of noise-related costs in the financial statements", pages 78 to 79) Flughafen Zürich AG received back the corresponding share of the assets of the Airport of Zurich Noise Fund. This amount also included current and non-current securities amounting to CHF 27.0 million (see note 7, "Changes in property, plant & equipment and intangible assets").

(CHF 1,000)	31.12.2014	31.12.2013
Current available-for-sale securities (see note 16, "Airport of Zurich Noise Fund")	49,005	49,244
Non-current available-for-sale securities (see note 16, "Airport of Zurich Noise Fund")	217,252	206,944
<b>Total financial assets of Airport of Zurich Noise Fund</b>	<b>266,257</b>	<b>256,188</b>

## 9 INVESTMENTS IN ASSOCIATES

(CHF 1,000)	31.12.2014	31.12.2013
Bangalore International Airport Ltd., Bengaluru (India)		
Share capital: INR 3,846 million (previous year INR 3,846 million) / Equity share 5.0 % (previous year 5.0 %)	6,980	6,184
A-port Chile S. A., Santiago de Chile (Chile)		
Share capital: CLP 5,264 million (previous year CLP 5,264 million) / Equity share 49.0 % (previous year 49.0 %)	6,135	6,231
Sociedade de Participação no Aeroporto de Confins S. A., Belo Horizonte (Brazil)		
Share capital: BRL 144 million (previous year n/a) / Equity share 25.0 % (previous year n/a)	11,230	n/a
Administradora Unique IDC C. A., Porlamar (Venezuela)		
Share capital: VEB 25 million (previous year VEB 25 million) / Equity share 49.5 % (previous year 49.5 %)	0	0
Aeropuertos Asociados de Venezuela C. A., Porlamar (Venezuela)		
Share capital: VEB 10 million (previous year VEB 10 million) / Equity share 49.5 % (previous year 49.5 %)	0	0
<b>Total investments in associates</b>	<b>24,345</b>	<b>12,415</b>

## India

As at the reporting date, Flughafen Zürich AG held 5 % of the share capital of Bangalore International Airport Ltd. (BIAL), the owner and operator of the airport that opened in Bengaluru, India, in May 2008. It is also involved in the operation of the airport under an Operations, Management & Service Agreement (OMSA) and receives revenue from this agreement. 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.

## Latin America

Flughafen Zürich AG has had a majority stake in A-port Operaciones S. A. since 2013. This company based in the Chilean capital Santiago de Chile manages and operates airports in Latin America and the Caribbean. This includes airports in Chile, Curaçao and Colombia. Agreements regarding the operation of four smaller airports in Honduras with 1.8 million passengers in total were terminated in the fourth quarter of 2014. In addition to the airport operations, Flughafen Zürich AG holds indirect interests in the licence holders for the Chilean airports in Antofagasta und Iquique due to its 49 % interest in A-port Chile S. A. and a stake in Hato International Airport in Curaçao through Companhia de Participações Aeroportuárias, based in São Paulo (Brazil).

## Brazil

At the end of November 2013, Flughafen Zürich AG's consortium with the Brazilian company CCR and Flughafen München GmbH was awarded the concession for the operation and expansion of Confins International Airport in Brazil, which serves the city of Belo Horizonte and the state of Minas Gerais. The 30-year concession agreement was signed in April 2014. With around 11 million passengers, Confins is one of the most important airports in Brazil and is positioning itself to become a major domestic hub. Following the acquisition of the shares held by Flughafen München AG in August 2014, Flughafen Zürich AG holds a 25 % interest in the private consortium Sociedade de Participação no Aeroporto de Confins S. A. based in Belo Horizonte, which controls 51 % of the local airport company. The remaining 49 % of the shares are held by the state-owned Infraero, which was responsible for the airport's operation up until August 2014. Flughafen Zürich AG appoints the retail and flight operations managers. In December 2014, Flughafen Zürich AG also signed an Operations, Management & Service Agreement (OMSA) with the licence holder.

## Venezuela

In 2010, Flughafen Zürich AG and its consortium partner Unique IDC turned to the International Centre for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the investment protection treaty between Venezuela, Switzerland and Chile. The ICSID reached its decision in November 2014, requiring the Bolivarian Republic of Venezuela to reimburse the consortium the costs incurred for the proceeding and project plus a compensation payment of around USD 19.5 million as well as interest incurred up until receipt of payment (around USD 14.2 million accrued as at 31 December 2014). Flughafen Zürich AG is entitled to 50 % of the total amount of the payments. The parties have 120 days to request that the ICSID award be annulled. This period ends on 18 March 2015. The value of this holding was fully impaired in 2006.

The following tables summarise the financial information for the associates of Flughafen Zürich AG. The amounts correspond to those in the associates' financial statements prepared in accordance with IFRSs, adjusted for differences in accounting policies.



## Bangalore International Airport Ltd.

(CHF 1,000)	31.12.2014	31.12.2013
Revenue	126,561	105,227
Profit	5,895	23,468
Comprehensive income	5,895	23,468
Non-current assets	445,480	414,460
Current assets	113,086	117,487
Non-current liabilities	- 317,496	- 332,758
Current liabilities	- 101,465	- 75,502
Net equity	139,605	123,687
Equity share	5 %	5 %
Carrying amount of interest in associate	6,980	6,184

## A-port Chile S. A.

(CHF 1,000)	31.12.2014	31.12.2013
Revenue	8,486	10,614
Profit	326	3,704
Comprehensive income	326	3,704
Non-current assets	48,341	28,577
Current assets	6,010	5,658
Non-current liabilities	- 38,028	- 20,297
Current liabilities	- 3,803	- 1,221
Net equity	12,520	12,717
Equity share	49 %	49 %
Carrying amount of interest in associate	6,135	6,231

## Sociedade de Participação no Aeroporto de Confins S. A.

(CHF 1,000)	31.12.2014	31.12.2013
Revenue	27,817	n / a
Profit	- 8,206	n / a
Comprehensive income	- 8,206	n / a
Non-current assets	400,138	n / a
Current assets	113,801	n / a
Non-current liabilities	- 432,310	n / a
Current liabilities	- 36,708	n / a
Net equity	44,921	n / a
Equity share	25.0 %	n / a
Carrying amount of interest in associate	11,230	n / a

## 10 TRADE RECEIVABLES

(CHF 1,000)	31.12.2014	31.12.2013
Trade receivables <sup>1)</sup>	102,814	116,139
Impairment allowance	- 1,209	- 679
<b>Total trade receivables, net</b>	<b>101,605</b>	<b>115,460</b>

- 1) Trade receivables include an amount of CHF 31.2 million due from Swiss (2013: CHF 38.2 million) (see also "Judgements and significant estimates and assumptions in the application of accounting policies", point 1.4, "Hub carrier" and notes "20.1a), Financial risk management" plus 20.1a.i), "Credit risk"). In the period between the balance sheet date and the preparation of the 2014 annual report, Swiss had paid the outstanding amount arising from airport charges in full as at 31 December 2014.

Geographical distribution of trade receivables:

(CHF 1,000)	31.12.2014	31.12.2013
Switzerland	95,976	109,012
Europe	6,468	6,477
India	6	99
Latin America	364	551
<b>Total trade receivables</b>	<b>102,814</b>	<b>116,139</b>

Classification of receivables by maturity as at the reporting date:

	Trade receivables gross	Individual allowance	Collective allowance	Trade receivables gross	Individual allowance	Collective allowance
(CHF 1,000)	31.12.2014	31.12.2014	31.12.2014	31.12.2013	31.12.2013	31.12.2013
Not past due	97,057	0	- 457	110,515	0	- 535
Past due, 0 to 30 days	3,740	0	- 16	4,982	0	- 21
Past due, 31 to 60 days	428	0	- 2	382	0	- 1
Past due, more than 61 days	1,589	- 722	- 12	260	- 121	- 1
<b>Total</b>	<b>102,814</b>	<b>- 722</b>	<b>- 487</b>	<b>116,139</b>	<b>- 121</b>	<b>- 558</b>

The impairment allowance changed as follows in the reporting period:

	Individual allowance		Collective allowance		Total allowance	
(CHF 1,000)	2014	2013	2014	2013	2014	2013
Balance as at 1 January	- 121	- 121	- 558	- 540	- 679	- 661
Change	- 601	0	71	- 18	- 530	- 18
<b>Balance as at 31 December</b>	<b>- 722</b>	<b>- 121</b>	<b>- 487</b>	<b>- 558</b>	<b>- 1,209</b>	<b>- 679</b>

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

## 11 OTHER RECEIVABLES AND PREPAID EXPENSES

(CHF 1,000)	31.12.2014	31.12.2013
Services not yet invoiced	10,055	8,125
Accrued interest on interest-bearing debt instruments Airport of Zurich Noise Fund	1,703	1,692
Prepaid services	2,328	527
<b>Prepaid expenses and accruals</b>	<b>14,086</b>	<b>10,344</b>
Tax receivables (VAT / withholding tax)	8,355	9,203
Other receivables	1,470	1,620
<b>Total other receivables and prepaid expenses</b>	<b>23,911</b>	<b>21,167</b>

Other receivables and prepaid expenses include the following financial instruments:

(CHF 1,000)	31.12.2014	31.12.2013
Services not yet invoiced	10,055	8,125
Accrued interest on interest-bearing debt instruments Airport of Zurich Noise Fund	1,703	1,692
<b>Total financial instruments</b>	<b>11,758</b>	<b>9,817</b>
Tax receivables (VAT / withholding tax)	8,355	9,203
Prepaid services	2,328	527
Other receivables	1,470	1,620
<b>Total other receivables and prepaid expenses</b>	<b>23,911</b>	<b>21,167</b>

The interest from the liquid funds of the Airport of Zurich Noise Fund that were invested separately (see also note 8, "Financial assets of Airport of Zurich Noise Fund" and note 16, "Airport of Zurich Noise Fund") was recognised on an accrual basis.

All services provided in the reporting period were invoiced between the reporting date and the preparation of the annual report. There are no past due receivables reported in the above items that would require the recognition of an individual or collective allowance.

## 12 CASH AND CASH EQUIVALENTS AND FIXED-TERM DEPOSITS

(CHF 1,000)	31.12.2014		31.12.2013	
	Total	of which AZNF	Total	of which AZNF
Cash on hand	201		219	
Cash at banks and in postal accounts	109,337	37,558	392,724	45,760
Collateral, due within 90 days <sup>1)</sup>	6,580		0	
Fixed-term deposits <sup>2)</sup>	110,008		0	
<b>Total cash and cash equivalents</b>	<b>226,126</b>	<b>37,558</b>	<b>392,943</b>	<b>45,760</b>
Fixed-term deposits <sup>3)</sup>	195,000	195,000	20,000	
<b>Total fixed-term deposits</b>	<b>195,000</b>	<b>195,000</b>	<b>20,000</b>	<b>0</b>

1) For information on collateral, see note 14, "Financial liabilities".

2) Due within 90 days from date of acquisition.

3) Due after 90 days from date of acquisition.

As part of the reversal of the pre-financing of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG received back the corresponding share of the assets of the Airport of Zurich Noise Fund totalling CHF 224.2 million. This amount also included cash and cash equivalents (CHF 101.5 million) and fixed-term deposits (CHF 95.0 million) with maturities of over 90 days (see note 7, "Changes in property, plant & equipment and intangible assets"). CHF 100.0 million of the cash and cash equivalents was subsequently invested in fixed-term deposits with a maturity of over 90 days.

The table below shows the applicable original currency, interest rates and maturities of cash and cash equivalents and fixed-term deposits:

	Original currency	2014	2013	2014	2013
		Interest rates (%)	Interest rates (%)	Latest maturity	Latest maturity
Cash at banks and in postal accounts	CHF	0.00 to 0.05	0.00 to 0.05	n / a	n / a
Collateral	CHF	- 0.01 to 0.00	0.01 to 0.02	n / a	n / a
Fixed-term deposits <sup>1)</sup>	CHF	0.08 to 0.25	0.07 to 0.175	25.02.2015	n / a
Fixed-term deposits <sup>2)</sup>	CHF	0.14 to 0.40	0.20 to 0.33	23.12.2015	14.01.2014

1) Due within 90 days from date of acquisition.

2) Due after 90 days from date of acquisition.

## 13 EQUITY AND RESERVES

(Number of shares)	Issued registered shares (nominal value, CHF 50)	Treasury shares	Total shares in circulation
Balance as at 1 January 2013	6,140,375	4,432	6,135,943
Purchase of treasury shares		1,237	- 1,237
Sale of treasury shares		0	0
Distribution of treasury shares to employees and third parties		- 2,110	2,110
<b>Balance as at 31 December 2013</b>	<b>6,140,375</b>	<b>3,559</b>	<b>6,136,816</b>
Purchase of treasury shares		855	- 855
Sale of treasury shares		0	0
Distribution of treasury shares to employees and third parties		- 1,981	1,981
<b>Balance as at 31 December 2014</b>	<b>6,140,375</b>	<b>2,433</b>	<b>6,137,942</b>

### Share rights

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

### Treasury shares

Treasury shares are distributed to employees and third parties under the bonus programme (see note 2, "Personnel expenses" and note 20.5, "Related parties"). Treasury shares are used for the bonus programme and are held as treasury stock.

### Hedging reserve

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

### Fair value reserve

The fair value reserve comprises the cumulative fair value changes in 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 and associates.

### Earnings per share

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

	2014	2013
Profit attributable to shareholders of Flughafen Zürich AG in Swiss francs	205,801,091	137,083,773
Weighted average number of outstanding shares	6,137,885	6,136,655
Effect of dilutive shares	2,180	2,479
Adjusted weighted average number of outstanding shares	6,140,065	6,139,134
Basic earnings per share (CHF)	33.53	22.34
Diluted earnings per share (CHF)	33.52	22.33

### Dividend distribution limit

The amount available for payment as a dividend is based on the available retained earnings of Flughafen Zürich AG and is specified in accordance with the provisions of the Swiss Code of Obligations (CO). As at the reporting date, reserves amounting to CHF 154.6 million (2013: CHF 154.9 million) are subject to a restriction on distribution under the provisions of commercial law.

## Dividends

The Board of Directors will propose to the General Meeting of Shareholders that an ordinary dividend of CHF 13.50 per share be paid out for financial year 2014. This results in a total dividend payment of CHF 82.9 million.

In accordance with the resolution by the General Meeting of Shareholders on 10 April 2014, Flughafen Zürich AG paid a dividend of CHF 61.4 million (no dividend on treasury shares) or CHF 10.00 per share for financial year 2013.

## Major shareholders and shareholder structure

The shareholder structure as at 31 December was as follows:

	2014	2013
Public sector	38.60 %	38.60 %
Private individuals	3.34 %	3.07 %
Companies	2.48 %	2.21 %
Pension funds	1.52 %	1.38 %
Financial institutions (including nominees)	25.37 %	26.21 %
Balance available and non-registered shareholders	28.69 %	28.53 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>
	2014	2013
Number of shareholders	5,397	5,141

As at the reporting date, the following shareholders or groups of shareholders held more than 3 % of the voting rights:

	2014	2013
Canton of Zurich	33.33 %	33.33 %
City of Zurich (including pension fund of the City of Zurich)	5.05 %	5.05 %

## 14 FINANCIAL LIABILITIES

(CHF 1,000)	31.12.2014	31.12.2013
Debentures	947,623	946,922
US private placement	0	48,696
Non-current lease liabilities	25,647	31,640
<b>Non-current financial liabilities</b>	<b>973,270</b>	<b>1,027,258</b>
Debentures	0	224,929
US private placement	54,436	48,138
Current lease liabilities	13,247	11,949
<b>Current financial liabilities</b>	<b>67,683</b>	<b>285,016</b>
<b>Total financial liabilities</b>	<b>1,040,953</b>	<b>1,312,274</b>

On 18 February 2014, a debenture in the amount of CHF 225.0 million (nominal amount) carrying a coupon of 4.5 % was fully redeemed from existing cash and cash equivalents at maturity.

The change in liabilities arising from the US private placement comprises the combined effects of foreign exchange movements and annual repayments. In April of the reporting period, the fourth of five annual tranches was repaid at the nominal amount of CHF 73.2 million (2013: CHF 73.2 million, nominal).

In financial year 2014, a total of CHF 12.0 million (2013: CHF 10.9 million) of the outstanding lease liabilities was repaid in accordance with the existing lease agreements.

In the previous year, the Japanese private placement was paid back in full on 23 May 2013 (see note 5, "Finance result"). Moreover, on 17 April 2013, a new debenture in the amount of CHF 400.0 million (nominal) with an interest coupon of 1.5 % was issued and will be redeemed in 2023.



Composition of non-current financial liabilities as at the reporting date:

	31.12.2014	31.12.2014				
Financial liabilities	Nominal value	Carrying amount	Duration	Interest rate	Early amortisation	Interest payment date
	(CHF 1,000)	(CHF 1,000)				
Debenture	250,000	248,673	2011 - 2017	2.250 %	no	5.5.
Debenture	300,000	299,341	2012 - 2020	1.250 %	no	3.7.
Debenture	400,000	399,609	2013 - 2023	1.500 %	no	17.4.
Lease liabilities (baggage sorting and handling system)	17,559	17,559	2003 - 2016	3.908 %	no	1 <sup>st</sup> of each month
Lease liabilities (aircraft energy supply systems)	8,088	8,088	2003 - 2020	3.476 %	no	1 <sup>st</sup> of each month
<b>Total non-current financial liabilities</b>		<b>973,270</b>				

External financing is subject to standard guarantees and covenants, which were complied with as at the reporting date.

In addition, unused credit facilities (excluding the credit facility of the Airport of Zurich Noise Fund) at the reporting date amount to a total of CHF 231.4 million (see note 20.1, "a) Financial risk management, ii) Liquidity risk").

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

(CHF 1,000)	31.12.2014	31.12.2013
Due within 1 year	67,683	285,016
Due within 2 to 5 years	273,125	325,804
Due in more than 5 years	700,145	701,454
<b>Total financial liabilities</b>	<b>1,040,953</b>	<b>1,312,274</b>

#### Hedge transactions (with hedge accounting)

The following derivative instrument (cross-currency interest rate swap) is held by Flughafen Zürich AG to hedge currency risk associated with future interest payments and repayments on the US private placement:

Description	Japanese private placement	US private placement			
Duration	2003 - 2024	2003 - 2015			
Contract amount	JPY 37,000 million	USD 275 million	Total fair value (gross)	Deferred tax	Total fair value (net)
<b>Fair values</b> (CHF 1,000)					
<b>Balance as at 31 December 2012</b>	<b>97,528</b>	<b>72,129</b>	<b>169,657</b>	<b>- 34,271</b>	<b>135,386</b>
Adjustment to fair value	- 97,528	- 22,514	- 120,042	24,248	- 95,794
<b>Balance as at 31 December 2013</b>	<b>0</b>	<b>49,615</b>	<b>49,615</b>	<b>- 10,023</b>	<b>39,592</b>
Adjustment to fair value		- 30,983	- 30,983	6,258	- 24,725
<b>Balance as at 31 December 2014</b>	<b>0</b>	<b>18,632</b>	<b>18,632</b>	<b>- 3,765</b>	<b>14,867</b>

The cumulative loss after deduction of deferred taxes declined from CHF 39.6 million to CHF 14.9 million in the reporting period. The fair value of the derivative instrument for the US private placement is recognised under "Other current liabilities, accruals and deferrals" (see also note 19, "Other current liabilities, accruals and deferrals").

For hedge accounting purposes, the cross-currency interest rate swap used to hedge currency risk associated with future interest payments and repayments on the US private placement is divided into two components: one component for hedging currency risks, and the other for hedging interest rate 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 the change in the fair value of the foreign currency component of the swap are recognised in the income statement. The interest component of the swap is classified as a cash flow hedge. Changes in the fair value of the interest component of the 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. The amounts of future cash flows for the swap are presented in the maturities table in note 20.1, a) "Financial risk management, ii) Liquidity risk". The hedge was fully effective during the reporting period.

The accumulated foreign exchange differences in the hedged financial liabilities changed as follows in the reporting period and are completely offset by the portion of the swaps designated as a fair value hedge.

(CHF 1,000)	Japanese private placement	US private placement	Total foreign exchange differences (gross)	Deferred tax	Total foreign exchange differences (net)
<b>Balance as at 31 December 2012</b>	- 30,754	- 68,426	- 99,180	20,034	- 79,146
Foreign exchange differences	30,754	19,949	50,703	- 10,242	40,461
<b>Balance as at 31 December 2013</b>	0	- 48,477	- 48,477	9,792	- 38,685
Foreign exchange differences		29,977	29,977	- 6,055	23,922
<b>Balance as at 31 December 2014</b>	0	- 18,500	- 18,500	3,737	- 14,763

The unrealised gains/losses recognised in the hedging reserve, net as an item within equity changed as follows in the reporting period:

(CHF 1,000)	Gross	Deferred tax	Net
<b>Balance as at 31 December 2012</b>	- 101,231	20,449	- 80,782
Adjustment to fair value	- 15,372	3,106	- 12,266
Transfer to income statement	115,465	- 23,324	92,141
<b>Balance as at 31 December 2013</b>	- 1,138	231	- 907
Adjustment to fair value	- 1,233	249	- 984
Transfer to income statement	2,239	- 452	1,787
<b>Balance as at 31 December 2014</b>	- 132	28	- 104

#### Collateral for the above hedge transactions

In the event that the cross-currency interest rate swap relating to the US 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. The following collateral existed at the reporting date:

(CHF 1,000)	Original currency	2014 Interest rate in %	2013 Interest rate in %	31.12.2014	31.12.2013
Cash and cash equivalents, due within 90 days	CHF	- 0.01 to 0.00	0.01 to 0.02	6,580	0
Letter of credit, due within 90 days <sup>1)</sup>	CHF	n/a	0.65	0	30,000

1) Here the payable commission is shown instead of the interest rate.

#### Overview of lease liabilities

The lease liabilities shown below primarily include the lease agreements for the baggage sorting and handling system and the aircraft energy supply system (see note 7, "Changes in property, plant and equipment and intangible assets"). As at the reporting date, interest rates on the material lease liabilities were 3.908 % (baggage sorting and handling system) and 3.476 % (aircraft energy supply system).

(CHF 1,000)	31.12.2014	31.12.2013
<b>Future minimum lease payments</b>		
Due within 1 year	14,528	13,768
Due within 2 to 5 years	25,476	31,030
Due in more than 5 years	1,207	2,741
<b>Total future minimum lease payments</b>	<b>41,211</b>	<b>47,539</b>
<b>Future interest payments</b>	<b>- 2,317</b>	<b>- 3,950</b>
<b>Present value of lease liabilities</b>	<b>38,894</b>	<b>43,589</b>
Due within 1 year	13,247	11,949
Due within 2 to 5 years	24,452	28,978
Due within more than 5 years	1,195	2,662

## 15 PROVISION FOR SOUND INSULATION AND RESIDENT PROTECTION PLUS FORMAL EXPROPRIATIONS

(CHF 1,000)	Sound insulation and resident protection	Formal expropriations	Total
<b>Balance as at 1 January 2013</b>	<b>86,334</b>	<b>248,052</b>	<b>334,386</b>
Provision used <sup>1)</sup>	- 20,611	- 2,258	- 22,869
Unwinding of discount <sup>2)</sup>	- 63	- 6,092	- 6,155
<b>Balance as at 31 December 2013</b>	<b>65,660</b>	<b>239,702</b>	<b>305,362</b>
of which current (planned payment within 1 year)	20,000	5,000	25,000
of which non-current (planned payment from 1 year on)	45,660	234,702	280,362
<b>Balance as at 1 January 2014</b>	<b>65,660</b>	<b>239,702</b>	<b>305,362</b>
Provision used <sup>1)</sup>	- 21,405	- 990	- 22,395
Increase of provision	0	107,691	107,691
Unwinding of discount <sup>3)</sup>	1,808	5,897	7,705
<b>Balance as at 31 December 2014</b>	<b>46,063</b>	<b>352,300</b>	<b>398,363</b>
of which current (planned payment within 1 year)	12,000	20,000	32,000
of which non-current (planned payment from 1 year on)	34,063	332,300	366,363

- 1) The amount paid for formal expropriations only includes effective payments of compensation, and excludes other associated external costs in accordance with the regulations of the Airport of Zurich Noise Fund (see note 16, "Airport of Zurich Noise Fund").
- 2) In the previous year, a reassessment was made of the discount rate and the expected cash outflows for formal expropriations measures up to the end of 2020, which resulted in a positive effect from the unwinding of the discount on the provision for formal expropriations.
- 3) In the year under review, a reassessment was made of the discount rate and the expected cash outflows.

### Provision for sound insulation and resident protection

Flughafen Zürich AG has effectively committed itself to bearing approximately CHF 240 million in costs for sound insulation and resident protection measures, some of which have already been carried out and others which have been announced. As at the reporting date, a total of CHF 192.3 million had been paid out. The estimated outstanding costs are stated at the present value in the breakdown of provisions shown above. Due to the decline in general interest rates, the discount rate used to calculate the interest cost on the nominal payment flows is now 1.1 % (2013: 1.5 %). It is currently expected that the payments can be completed by the end of 2020.

### Provision for formal expropriations

As a result of the positive equity development of Flughafen Zürich AG, the prefinancing of "old" noise-related liabilities by the Canton of Zurich was terminated on 30 November 2014 in an addendum to the supplementary agreement to the merger agreement. At that time, Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund. The "old" noise-related liabilities (nominal amount CHF 112.3 million) with a present value of CHF 107.7 million were recognised as a provision and, in accordance with the applicable accounting policies, an intangible asset from the right of formal expropriation was recognised in the same amount. On the other hand, the transferred share of the Airport of Zurich Noise Fund (CHF 224.2 million) was charged to the intangible asset and credited to the assets of the Airport of Zurich Noise Fund (see note 7, "Changes in property, plant & equipment and intangible assets").

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date (see "Judgements and significant estimates and assumptions in the application of accounting policies, point 1.5, on pages 78 to 79), a total amount of CHF 352.3 million was recognised as a provision for all noise-related liabilities (nominal amount CHF 370.4 million), as - with effect from 30 November 2014 - Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich. The discount rate used to calculate the interest cost on the nominal payment flows is now 1.1 % (2013: 1.5 %). It is currently expected that the payments can be completed by the end of 2020.

## 16 AIRPORT OF ZURICH NOISE FUND

Flughafen Zürich AG refinances all costs relating to aircraft noise through special noise charges based on the “costs-by-cause” principle. In the interest of transparency, costs and income relating to aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund. This is a liquidity-based fund statement. The statement for the fund presents the accumulated surplus or shortfall as at the reporting date arising from noise charges, less expenses for formal expropriations, sound insulation and resident protection 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.

If the fund statement shows an accumulated income surplus, this surplus is moved to a special investment account and invested by professional financial institutions on the basis of a conservative, money market-oriented investment strategy. The income from these investments is credited to the fund statement.

The detailed fund statement is disclosed to a committee comprising representatives of Zurich Airport customers and the relevant authorities. The regulations of the Airport of Zurich Noise Fund and other information (including an overview of its financial development) can be downloaded from the following website: [www.zurich-airport.com/aznf](http://www.zurich-airport.com/aznf).

If the accumulated costs were higher than the accumulated income (i.e. a financing gap arose), Flughafen Zürich AG previously had access to a committed credit line in the amount of CHF 200.0 million until the end of 2015. In light of the current balance on the Airport of Zurich Noise Fund, this credit line was terminated early on 31 December 2014.

After the pre-financing solution with the Canton of Zurich ceased to apply as of 30 November 2014 due to the positive trend in the equity of Flughafen Zürich AG and the Canton of Zurich's share of the Airport of Zurich Noise Fund was therefore returned to Flughafen Zürich AG (see “Notes to the consolidated financial statements”, 1.5 “Reporting of noise-related costs in the financial statements”, pages 78 to 79), the overall situation of the Airport Zurich Noise Fund as at the balance sheet date is as follows (2013: only the share of Flughafen Zürich AG):

(CHF 1,000)	2014	2013
<b>Airport of Zurich Noise Fund as at 1 January</b>	<b>300,197</b>	<b>273,786</b>
Revenue from noise charges	15,651	53,799
Costs for sound insulation and resident protection <sup>1)</sup>	- 46,406	- 20,611
Costs for formal expropriations <sup>2)</sup>	- 1,942	- 2,907
<b>Balance before operating costs and finance result</b>	<b>267,500</b>	<b>304,067</b>
Operating costs	- 3,892	- 3,887
Interest income from financial assets of Airport of Zurich Noise Fund	3,820	4,755
Adjustments to fair value of financial assets (available-for-sale-securities)	1,423	- 1,453
Realised gains / losses on financial assets (available-for-sale-securities)	- 1,699	- 3,285
Return of the Canton of Zurich's share in the Airport of Zurich Noise Fund on 30 November 2014	224,244	0
<b>Airport of Zurich Noise Fund as at 31 December</b>	<b>491,396</b>	<b>300,197</b>

1) Including financing costs of CHF 25.0 million for the new noise protection hangar.

2) In addition to compensation payments for formal expropriations, this amount includes other associated external costs (in accordance with regulations of the Airport of Zurich Noise Fund; see note 15, “Provision for sound insulation and resident protection plus formal expropriations”).

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

(CHF 1,000)	31.12.2014	31.12.2013
Cash equivalents (see note 12, “Cash and cash equivalents”)	37,558	45,760
Fixed-term deposits (see note 12, “Cash and cash equivalents”)	195,000	0
Current available-for-sale securities (see note 8, “Financial assets of Airport of Zurich Noise Fund”)	49,005	49,244
Non-current available-for-sale securities (see note 8, “Financial assets of Airport of Zurich Noise Fund”)	217,252	206,944
Accrued asset / (liability) towards Flughafen Zürich AG <sup>1)</sup>	- 7,419	- 1,751
<b>Total assets invested for Airport of Zurich Noise Fund</b>	<b>491,396</b>	<b>300,197</b>

1) For accounting reasons, an accrual (deferral) towards Flughafen Zürich AG arises as of the balance sheet date. This is compensated in the subsequent month, so the balance of liquid funds is restored.

The table below presents an overview of the maturities and credit ratings of the invested funds of the Airport of Zurich Noise Fund:

(CHF 1,000)	2015	2016	2017	2018	2019ff.	Total
Cash and cash equivalents	37,558	0	0	0	0	37,558
Fixed-term deposits	195,000	0	0	0	0	195,000
AAA	20,117	41,973	25,663	26,300	8,079	122,132
AA + / AA / AA -	6,525	20,620	4,013	28,950	14,038	74,146
A + / A / A -	14,575	5,048	11,570	4,115	0	35,308
Without rating	7,788	8,205	6,880	10,158	1,640	34,671
Other <sup>1)</sup>	-7,419	0	0	0	0	-7,419
<b>Total assets invested for Airport of Zurich Noise Fund</b>	<b>274,144</b>	<b>75,846</b>	<b>48,126</b>	<b>69,523</b>	<b>23,757</b>	<b>491,396</b>
in %	55.79	15.43	9.79	14.15	4.83	100.00

1) For accounting reasons, an accrual (deferral) towards Flughafen Zürich AG arises as of the balance sheet date. This is compensated in the subsequent month, so the balance of liquid funds is restored.

## 17 DEFERRED TAX LIABILITIES

In accordance with IAS 12.47, deferred tax assets and liabilities are calculated at the rate that is expected to apply when the asset is realised or the liability settled. Flughafen Zürich AG anticipates an applicable tax rate of 20.2% (2013: 20.2%). 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 changed as follows:

(CHF 1,000)	2014	2013
<b>Deferred tax liability, net as at 1 January</b>	<b>104,662</b>	<b>80,281</b>
Deferred taxes on adjustments to fair value of cross-currency interest rate swap recognised in hedging reserve	-249	-3,106
Cross-currency interest rate swap - transfer to income statement	452	23,324
Deferred taxes on remeasurement of defined benefit liability, recognised in OCI	-14,584	8,826
Change in scope of consolidation	0	26
Change according to income statement	-6,508	-4,689
<b>Deferred tax liability, net as at 31 December</b>	<b>83,773</b>	<b>104,662</b>

Deferred tax is allocated to the following items:

(CHF 1,000)	31.12.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment & other intangible assets		24,504		23,941
Investments in associates and other financial assets		1,577		6,325
Renovation fund		30,625		29,513
Aircraft noise		56,855		58,133
Financial liabilities transaction costs		43		200
Financial liabilities issuing costs		480		636
Employee benefit obligations	30,504		14,193	
Cross-currency interest rate swap	3,765		10,023	
Private placements		3,737		9,792
Miscellaneous items		221		338
<b>Deferred tax, gross</b>	<b>34,269</b>	<b>118,042</b>	<b>24,216</b>	<b>128,878</b>
Offsetting of assets and liabilities	-34,269	-34,269	-24,216	-24,216
<b>Deferred tax liability, net</b>	<b>0</b>	<b>83,773</b>	<b>0</b>	<b>104,662</b>

As at 31 December 2014, the subsidiaries of Flughafen Zürich AG had total losses brought forward of CHF 2.3 million to be offset against taxes; all these will expire in 2021. The requirements for recognising deferred tax assets relating to these losses have not been met since it is not probable that future taxable profit will be available against which the group can utilise the benefits.



## 18 EMPLOYEE BENEFITS

(CHF 1,000)	31.12.2014	31.12.2013
Post-employment benefit obligations	- 147,040	- 75,838
Other long-term employee benefits	- 9,610	- 8,572
<b>Employee benefit obligations</b>	<b>- 156,650</b>	<b>- 84,410</b>

### 18.1) Post-employment benefits

Flughafen Zürich AG maintains the following employee benefit plans:

#### a) Defined benefit plans

##### Affiliation contract with the BVK Employee Pension Fund of the Canton of Zurich

Since 1 January 2000, the employees of Flughafen Zürich AG have been affiliated to the BVK (Employee Pension Fund of the Canton of Zurich). The BVK is a multi-employer plan for employees of the Canton of Zurich and other employers.

Until the end of 2013, the BVK was a legally dependent entity as part of the cantonal administration of the Canton of Zurich, and the Government Council of the Canton of Zurich was the senior executive body of the BVK. It issued the Articles of Association and set out the investment strategy. The management was responsible for the correct implementation of the requirements. The administrative commission, as a bipartite body, advised the Government Council on important insurance-related matters and recommended that the annual financial statements of the foundation be approved. It comprised 16 members, eight employee and eight employer representatives.

In accordance with the revised Federal Law on Occupational Benefit Plans concerning Old-age, Survivors and Invalidity (BVG), the BVK was therefore separated from the administrative structure of the Canton of Zurich in legal, organisational and financial terms on 1 January 2014 and transformed into a foundation under private law. The BVK is registered with the Pensions and Trusts Supervisory Authority of the Canton of Zurich and is monitored by the latter.

The BVK Foundation Board, comprising nine employer and nine employee representatives, is the senior executive body of the foundation and thus responsible for the strategic objectives and principles and for monitoring its management. The management is responsible for implementing legal requirements and the instructions given by the Foundation Board and its committees.

The BVK is subject to the provisions of the Federal Law on Occupational Benefit Plans concerning Old-age, Survivors and Invalidity (BVG) and its implementing provisions. The BVG defines the minimum insured salary, the minimum retirement credits and the interest paid on them, and the conversion rate. As a result of these statutory provisions and characteristics of the plan, Flughafen Zürich AG, as an employer affiliated with the BVK, is exposed to actuarial risks, investment risk, interest risk and disability risk as well as the risk of longevity.

Moreover, in accordance with the statutory requirements, the management body of the pension fund is also responsible for ensuring that restructuring measures are decided and implemented in the event of a shortfall, so that complete cover for future pension benefits is restored within a reasonable period. Among other things this includes restructuring benefits in the form of additional contributions.

Owing to the current shortfall – according to the applicable Swiss accounting regulations (Art. 44 BVV2) the liabilities of the BVK were funded at an (unaudited) level of 99.3 % as at 31 December 2014 (2013: 96.1 %) – Flughafen Zürich AG is obliged to pay restructuring contributions for all insured persons amounting to 2.5 % of the insured salary until the shortfall has been eliminated.

Employees of Flughafen Zürich AG are insured with the BVK against the risks of old age, death and disability. The retirement benefits are determined on the basis of the individual retirement savings accounts at the time of retirement and are calculated by multiplying the balance of the savings account by the conversion rate stipulated in the regulations. The statutory retirement age is 65. Early retirement with a reduced conversion rate is possible as of the time the employee turns 61. Flughafen Zürich AG pays age-related contributions for all insured persons of between 7.2 % and 14.4 % of the insured salary and risk contributions of 1.8 % (up to age 23 the risk contribution is 1.2 %).

The assets originate from the BVK benefit plans. As of 1 January 2014 the investment strategy will be defined by the BVK Foundation Board, based on the proposals and recommendations of the Board's own investment committee, which in particular is responsible for managing the BVK's assets. It prepares all the investment-related decisions taken by the Foundation Board and manages and supervises their implementation by the Board's management. In addition, it is supported in the monitoring of the investment strategy and the investment process by an external investment controller.

The investment strategy (asset allocation) ranges within tactical bandwidths so as to enable a flexible response to current market situations. The aim is to manage the capital investments effectively and efficiently. The assets are well diversified. Compliance with the investment guidelines and the investment results are reviewed periodically.

Because the BVK, as a multi-employer plan, does not prepare separate financial statements for Flughafen Zürich AG, the company is also liable for liabilities of other affiliated employers, in accordance with the statutory provisions.

#### Explanation of the amounts in the consolidated financial statements

The actuarial calculation of the defined benefit obligations as at 31 December 2014 and the service cost was performed by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at 31 December 2014 based on the information available at the date of preparation of the annual financial statements.

As no separate information was available for the affiliation contract with Flughafen Zürich AG for the plan assets or for the breakdown of assets into asset classes at the reporting date, assumptions had to be made on the basis of the available information for these purposes.

The net defined benefit obligations recognised in the balance sheet at the reporting date are as follows:

(CHF 1,000)	31.12.2014	31.12.2013
Present value of funded defined benefit obligations	- 579,673	- 475,518
Fair value of plan assets	432,633	399,680
<b>Net defined benefit obligations recognised in the balance sheet</b>	<b>- 147,040</b>	<b>- 75,838</b>

The defined benefit obligations changed as follows:

(CHF 1,000)	2014	2013
<b>Present value of defined benefit obligations as at 1 January</b>	<b>- 475,518</b>	<b>- 484,390</b>
Current service costs	- 13,830	- 15,163
Interest expenses on defined benefit obligations	- 10,249	- 8,989
Employee contributions	- 9,222	- 8,930
Benefits paid	14,168	15,627
Gain/ (loss) due to experience	- 257	9,004
Gain/ (loss) due to financial assumption changes	- 84,792	17,676
Past service costs	27	- 353
<b>Present value of defined benefit obligations as at 31 December</b>	<b>- 579,673</b>	<b>- 475,518</b>

The weighted average duration of the defined benefit obligations at 31 December 2014 is 16.6 years (2013: 15.4 years).

The plan assets changed as follows:

(CHF 1,000)	2014	2013
<b>Fair value of plan assets as at 1 January</b>	<b>399,680</b>	<b>366,769</b>
Employer contributions	16,508	15,910
Employee contributions	9,222	8,930
Benefits paid	- 14,168	- 15,627
Administration expenses	- 206	- 260
Interest income on plan assets	8,747	6,946
Return on plan assets excluding amounts included in interest income	12,850	17,012
<b>Fair value of plan assets as at 31 December</b>	<b>432,633</b>	<b>399,680</b>

The net defined benefit obligations changed as follows:

(CHF 1,000)	2014	2013
<b>Net defined benefit obligations as at 1 January</b>	<b>- 75,838</b>	<b>- 117,621</b>
Total charge recognised in the income statement	- 15,511	- 17,819
Total remeasurements recognised in other comprehensive income	- 72,199	43,692
Employer contributions	16,508	15,910
<b>Net defined benefit obligations as at 31 December</b>	<b>- 147,040</b>	<b>- 75,838</b>

The company expects employer contributions of CHF 17.8 million for financial year 2015.

Analysis of the amounts recognised in the income statement:

(CHF 1,000)	2014	2013
Current service cost	- 13,830	- 15,163
Past service cost	27	- 353
Net interest expenses on defined benefit obligations	- 1,502	- 2,043
Immediate recognition of (gain)/ loss arising during year	0	0
Administration expenses	- 206	- 260
<b>Total charge recognised in the income statement</b>	<b>- 15,511</b>	<b>- 17,819</b>

Analysis of the amounts recognised in other comprehensive income:

(CHF 1,000)	2014	2013
Actuarial gains/(losses) due to changes in financial assumptions	- 84,792	17,676
Actuarial gains/(losses) due to experience	- 257	9,004
Return on plan assets excluding amounts included in net interest	12,850	17,012
<b>Total remeasurements recognised in other comprehensive income</b>	<b>- 72,199</b>	<b>43,692</b>

Assumptions used to determine the defined benefit obligations at year-end:

	2014	2013
Discount rate	1.10 %	2.20 %
Underlying consumer price inflation	1.00 %	1.00 %
Future salary increases	1.00 %	1.00 %
Rate of pension increases	0.05 %	0.10 %

## Breakdown of plan assets by asset class:

(in %)	31.12.2014	31.12.2013
Asset category:		
Cash and cash equivalents	7.0	11.5
Shares	32.0	31.5
Bonds	31.0	28.1
Property	19.0	18.6
Other	11.0	10.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Sensitivities

The discount rate, the assumption regarding future salary increases and the interest rate on retirement savings accounts are the significant actuarial assumptions in calculating the present value of the defined benefit obligations. A change in the assumptions of +0.25 % or -0.25 % has the following impact on the present value of the defined benefit obligations (DBO):

	2014 Effect on DBO		2013 Effect on DBO	
	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Discount rate	Decrease by 3.7 %	Increase by 3.9 %	Decrease by 3.6 %	Increase by 3.9 %
Future salary increases	Increase by 0.4 %	Decrease by 0.1 %	Increase by 0.4 %	Decrease by 0.4 %
Interest rate on retirement savings accounts	Increase by 0.2 %	Decrease by 0.2 %	Increase by 0.9 %	Decrease by 0.8 %

The above sensitivity calculations are based on one assumption changing while the others remain unchanged. In practice, however, there are certain correlations between the individual assumptions. The same method was used to calculate the sensitivities and the defined benefit obligations recognised at the reporting date.

## b) Defined contribution plan

An agreement exists with Zurich Insurance Company offering benefits to the pensioners of 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 all future benefits.

## 18.2) Other long-term employee benefits

Flughafen Zürich AG pays its employees loyalty bonuses on the basis of years of service, in accordance with the employment regulations of 1 July 2012. The corresponding provision of CHF 9.6 million (2013: CHF 8.6 million) was calculated based on the number of accumulated service years which, at the reporting date, was 8.8 years (2013: 8.7 years).

## 19 OTHER CURRENT LIABILITIES, ACCRUALS AND DEFERRALS

(CHF 1,000)	31.12.2014	31.12.2013
Expenses not invoiced	33,810	39,874
Accrued interest on financial liabilities	10,466	20,033
Investments not invoiced	16,787	10,840
Deferred income	4,519	2,520
<b>Deferred income and accruals</b>	<b>65,582</b>	<b>73,267</b>
Fair value of cross-currency interest rate swap <sup>1)</sup>	18,632	49,615
Amounts due to personnel (holidays and overtime)	3,782	3,851
Deposits and advance payments by customers	5,060	5,755
Social security contributions	3,390	4,175
Other liabilities	3,348	1,555
<b>Total other current liabilities, accruals and deferrals</b>	<b>99,794</b>	<b>138,218</b>

1) See also note 14, "Financial liabilities".

Other current liabilities, accruals and deferrals include the following financial instruments:

(CHF 1,000)	31.12.2014	31.12.2013
Expenses not invoiced	33,810	39,874
Accrued interest on financial liabilities	10,466	20,033
Investments not invoiced	16,787	10,840
<b>Total liabilities carried at amortised cost</b>	<b>61,063</b>	<b>70,747</b>
Fair value of cross-currency interest rate swap <sup>1)</sup>	18,632	49,615
<b>Total financial instruments held for hedging purposes</b>	<b>18,632</b>	<b>49,615</b>
Amounts due to personnel (holidays and overtime)	3,782	3,851
Deposits and advance payments by customers	5,060	5,755
Deferred income	4,519	2,520
Social security contributions	3,390	4,175
Other liabilities	3,348	1,555
<b>Total other current liabilities, accruals and deferrals excluding financial instruments</b>	<b>20,099</b>	<b>17,856</b>
<b>Total other current liabilities, accruals and deferrals</b>	<b>99,794</b>	<b>138,218</b>

1) See also note 14, "Financial liabilities".



### 20.1) Information concerning the performance of a risk assessment

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.

Risk management ensures that risks are handled systematically with due consideration. As well as making all the risks associated with business activities transparent and enabling risk situations to be monitored, it supports a process of continual improvement.

The Flughafen Zürich AG risk management system is the management and operating 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

The risk management organisation forms the backbone of this system and includes the following units and functions:

#### Board of Directors, Management Board and Chief Risk Officer

The Board of Directors and Management Board have the overall responsibility under Swiss company law for ensuring the group's existence and profitability. The Board of Directors is responsible for overall supervision of risk management. The Chief Financial Officer also acts as the Management Board's Chief Risk Officer.

#### Risk Management Centre

The Risk Management Centre is run by the Head of Financial Services, who reports to the Chief Risk Officer. This centre supports line managers in all matters relating to risk management and is responsible for the operation and continued development of the risk management system.

#### Line management (divisions and departments)

As part of their function, the line managers bear responsibility for risks in their respective division or department and manage them within the framework of the risk management system (risk owner concept).

#### Specialised units

In consultation with the Risk Management Centre, the specialised units perform specific risk-related cross-divisional functions within the group (liquidity management, occupational safety and health, information security, fire prevention, contingency planning, etc.).

The risk management organisation periodically reviews the risk management system in order to ensure that it adequately reflects changes in the commercial and regulatory environment or in the corporate structure.

In reporting on risks, Flughafen Zürich AG describes each identified risk in detail and assesses risks for probability of occurrence as well as for potential operational and economic impact. Responsibilities and a plan of action with specific target dates are also defined and outline how the respective risk can be reduced. The risk management organisation monitors implementation of the plan on an ongoing basis.

#### a) Financial risk management

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)

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, accruals, trade receivables and other financial assets are exposed to credit risk.

Flughafen Zürich AG invests its cash and cash equivalents and fixed-term deposits with major Swiss banks with at least an “A” rating (Standard & Poor’s). In addition, the company minimises other risks relating to cash and cash equivalents and fixed-term deposits in that it does not invest with a single bank, but with a variety of financial service providers.

As a rule, accruals as at the reporting date are invoiced within one month and subsequently monitored as part of trade receivables management.

With the exception of Swiss as the main client, credit risk is distributed over a broad clientele. Trade receivables include an amount of CHF 31.2 million (2013: CHF 38.2 million) (see note 10, “Trade receivables”). In the period between the reporting date and the preparation of the 2014 annual report, Swiss paid the outstanding amount arising from airport charges as at 31 December 2014 in full.

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 security is requested (mainly in the form of bank guarantees).

The financial investments of the Airport of Zurich Noise Fund 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 direct use of derivative financial instruments is not permitted. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund and averages two to four years. The minimum acceptable rating is BBB+ (Standard & Poor’s) or Baa1 (Moody’s), or an equivalent rating from a recognised agency (see note 16, “Airport of Zurich Noise Fund”).

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 in the credit exposure above the respective carrying amounts. The maximum exposure to credit risk as at the reporting date was as follows:

(CHF 1,000)	31.12.2014	31.12.2013
Cash equivalents (excluding cash on hand)	225,925	392,724
Fixed-term deposits	195,000	20,000
Non-current financial assets of Airport of Zurich Noise Fund	217,252	206,944
Trade receivables, net	101,605	115,460
Current financial assets of Airport of Zurich Noise Fund	49,005	49,244
Other receivables and prepaid expenses	11,758	9,817
Other financial assets	20	11
<b>Total maximum exposure to credit risk</b>	<b>800,565</b>	<b>794,200</b>

## ii) Liquidity risk

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

Flughafen Zürich AG monitors liquidity risk via a carefully conceived liquidity management. 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 facilities, and being able to issue shares on the capital market. For this purpose, the company uses rolling liquidity planning that is based on expected cash flows and is periodically updated. Treasury is responsible for monitoring liquidity risk. As at the reporting date, Flughafen Zürich AG had the following unused credit facilities at its disposal:

(CHF 1,000)	Duration	31.12.2014	31.12.2013
Operating credit lines (committed credit lines) <sup>1)</sup>	31.12.2015	240,000	240,000
Airport of Zurich Noise Fund (committed credit lines) <sup>2)</sup>	31.12.2014	200,000	200,000
<b>Total credit lines</b>		<b>440,000</b>	<b>440,000</b>
Utilisation <sup>3)</sup>		-8,637	-47,059
<b>Total unused credit lines</b>		<b>431,363</b>	<b>392,941</b>

1) The operating credit lines were extended on 8 December 2014 in the amount of CHF 240.0 million and with duration from 1 January 2015 until 31 December 2019.

2) The credit lines of the Airport of Zurich Noise Fund were terminated early on 25 November 2014, effective as of 31 December 2014.

3) Letter of credit and bank guarantees.

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

(CHF 1,000)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
<b>31.12.2014</b>					
Debentures	947,623	1,043,375	15,375	300,250	727,750
US private placement	54,436	56,380	56,380		
Lease liabilities	38,894	41,211	14,528	25,476	1,207
Trade payables	43,823	43,823	43,823		
Other current liabilities and accruals	61,063	61,063	61,063		
<b>Total non-derivative financial liabilities</b>	<b>1,145,839</b>	<b>1,245,852</b>	<b>191,169</b>	<b>325,726</b>	<b>728,957</b>
Cross-currency interest rate swap	18,632	18,498	18,498		
<b>Total derivative financial liabilities</b>	<b>18,632</b>	<b>18,498</b>	<b>18,498</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,164,471</b>	<b>1,264,350</b>	<b>209,667</b>	<b>325,726</b>	<b>728,957</b>

(CHF 1,000)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
<b>31.12.2013</b>					
Debentures	1,171,851	1,293,875	250,500	305,875	737,500
US private placement	96,834	104,016	53,556	50,460	0
Lease liabilities	43,589	47,539	13,768	31,030	2,741
Trade payables	51,415	51,415	51,415	0	0
Other current liabilities and accruals	70,747	70,747	70,747	0	0
<b>Total non-derivative financial liabilities</b>	<b>1,434,436</b>	<b>1,567,592</b>	<b>439,986</b>	<b>387,365</b>	<b>740,241</b>
Cross-currency interest rate swap	49,615	49,257	24,838	24,419	0
<b>Total derivative financial liabilities</b>	<b>49,615</b>	<b>49,257</b>	<b>24,838</b>	<b>24,419</b>	<b>0</b>
<b>Total</b>	<b>1,484,051</b>	<b>1,616,849</b>	<b>464,824</b>	<b>411,784</b>	<b>740,241</b>

## 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 finance 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 that 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.

As at the reporting date, Flughafen Zürich AG is exposed to currency risk in connection with the private placement in US dollars, although the currency risk 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. As at the reporting date, the company still has a foreign currency account for US dollars.

The table below shows the currency risks arising from financial instruments in currencies other than Swiss francs:

(CHF 1,000)	31.12.2014		31.12.2013	
	Euro	US dollars	Euro	US dollars
Cash at banks and in postal accounts	0	522	0	484
<b>Total currency risk assets</b>	<b>0</b>	<b>522</b>	<b>0</b>	<b>484</b>
Current financial liabilities	0	54,436	0	48,138
Debentures and non-current loans	0	0	0	48,696
Cross-currency interest rate swap	0	26,840	0	57,754
<b>Total currency risk liabilities</b>	<b>0</b>	<b>81,276</b>	<b>0</b>	<b>154,588</b>

An appreciation or depreciation in the exchange rate of the Swiss franc by 10 % against the currencies below as at 31 December 2014 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 the prior year was based on the same assumptions.

(CHF 1,000)	Appreciation of CHF (plus 10 %)		Depreciation of CHF (minus 10 %)	
	Equity	Profit	Equity	Profit
US dollars	924	- 39	1,486	39
Euro	0	0	0	0
<b>31.12.2013</b>	<b>924</b>	<b>- 39</b>	<b>1,486</b>	<b>39</b>
US dollars	434	- 41	769	41
Euro	0	0	0	0
<b>31.12.2014</b>	<b>434</b>	<b>- 41</b>	<b>769</b>	<b>41</b>

### iiib) 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 in 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. The risk on short-term variable advances is hedged on a case-by-case basis using interest rate swaps.

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

As at the reporting date, Flughafen Zürich AG's interest rate profile was as follows (interest-bearing financial instruments):

(CHF 1,000)	31.12.2014	31.12.2013
Fixed-interest financial assets of Airport of Zurich Noise Fund	266,257	256,188
Fixed-term deposits	195,000	20,000
<b>Fixed-interest financial instruments (assets)</b>	<b>461,257</b>	<b>276,188</b>
Cash and cash equivalents	188,568	347,183
Cash and cash equivalents of Airport of Zurich Noise Fund	37,558	45,760
<b>Variable-interest financial instruments (assets)</b>	<b>226,126</b>	<b>392,943</b>
<b>Total interest-bearing assets</b>	<b>687,383</b>	<b>669,131</b>
Debentures	- 947,623	- 1,171,851
US private placement	- 54,436	- 96,834
Cross-currency interest rate swap	- 18,632	- 49,615
Lease liabilities	- 38,894	- 43,589
<b>Fixed interest financial instruments (liabilities)</b>	<b>- 1,059,585</b>	<b>- 1,361,889</b>
<b>Total interest-bearing liabilities</b>	<b>- 1,059,585</b>	<b>- 1,361,889</b>

The table below shows the sensitivity analysis for variable and fixed-rate financial instruments with a deviation of 50 basis points:

(CHF 1,000)	Interest rate increase by 50 bp		Interest rate decrease by 50 bp	
	Equity	Profit	Equity	Profit
Variable-interest financial instruments	0	1,568	0	- 157
Fixed-interest financial instruments	- 2,262	0	2,290	0
<b>31.12.2013</b>	<b>- 2,262</b>	<b>1,568</b>	<b>2,290</b>	<b>- 157</b>
Variable-interest financial instruments	0	902	0	- 902
Fixed-interest financial instruments	- 2,213	0	2,216	0
<b>31.12.2014</b>	<b>- 2,213</b>	<b>902</b>	<b>2,216</b>	<b>- 902</b>

## b) Fair values

Due to their short-term nature, the carrying amounts of cash and cash equivalents, fixed-term deposits, trade receivables, other current receivables and current liabilities are a reasonable approximation of their fair values.

Financial assets in the Airport of Zurich Noise Fund: The fair value corresponds to the market price of the securities at the reporting date (level 1). Derivatives: The fair value of the cross-currency interest rate swap is determined using a fair value model (level 2). The key inputs are foreign exchange rates and interest rates observable in the market. Unobservable inputs are not significant to the measurement.

Financial liabilities: The fair value of the debentures corresponds to the market price (level 1). The fair value of the other fixed-interest financial liabilities corresponds to the present value of the future cash flows (level 2). The discount rate corresponds to the market interest rate at the reporting date.

(CHF 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Debentures	947,623	1,003,725	1,171,851	1,183,100
US private placement	54,436	55,767	96,834	98,149
<b>Total</b>	<b>1,002,059</b>	<b>1,059,492</b>	<b>1,268,685</b>	<b>1,281,249</b>



### c) Categories of financial instruments

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

(CHF 1,000)	31.12.2014	31.12.2013
Cash (excl. cash on hand) and cash equivalents, collateral and short-term monetary investments	225,925	392,724
Fixed-term deposits	195,000	20,000
Trade receivables, net	101,605	115,460
Other receivables and prepaid expenses	11,758	9,817
Other financial assets	11	11
<b>Total loans and receivables</b>	<b>534,299</b>	<b>538,012</b>
Current and non-current financial assets of Airport of Zurich Noise Fund	266,257	256,188
Other financial assets <sup>1)</sup>	3,782	3,843
<b>Total available-for-sale financial assets</b>	<b>270,039</b>	<b>260,031</b>
Financial liabilities	- 1,040,953	- 1,312,274
Trade payables, net	- 43,823	- 51,415
Other current liabilities and prepaid expenses, excluding derivatives and non-financial instruments	- 61,063	- 70,747
<b>Total liabilities carried at amortised cost</b>	<b>- 1,145,839</b>	<b>- 1,434,436</b>
Other current liabilities (cross-currency interest rate swap)	- 18,632	- 49,615
<b>Total derivative financial instruments held for hedging purposes</b>	<b>- 18,632</b>	<b>- 49,615</b>

1) Carried at cost

### d) Fair value hierarchy of financial instruments

Financial instruments recognised at fair value or disclosed at fair value are categorised according to the following hierarchy, reflecting the significance of the inputs used to measure fair value:

#### Level 1 – Quoted market prices

The inputs used to measure the assets or liabilities are quoted, unadjusted market prices determined in active markets for identical assets or liabilities at the measurement date.

#### Level 2 – Measurement based on observable inputs

The assets or liabilities are measured on the basis of inputs (other than the quoted prices included within level 1) that are directly or indirectly observable for the asset or liability.

#### Level 3 – Measurement based on unobservable inputs

The inputs for these assets or liabilities are not observable. Flughafen Zürich AG does not have any assets or liabilities in this level.

Assets / liabilities	Available-for-sale securities Debt instruments Airport of Zurich Noise Fund		Other financial liabilities Derivative financial instruments	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
(CHF 1,000)				
Level 1 (quoted market price)	266,257	256,188	0	0
Level 2 (valuation based on observable input)	0	0	- 18,632	- 49,615
Level 3 (valuation based on unobservable input)	0	0	0	0
<b>Total at fair value</b>	<b>266,257</b>	<b>256,188</b>	<b>- 18,632</b>	<b>- 49,615</b>

### e) Capital management

With respect to capital management, Flughafen Zürich AG pays particular attention to ensuring the continuation of the group's activities, achieving an acceptable dividend for shareholders and optimising the balance sheet structure, particularly in periods of major investment activity, taking account of the cost of capital. 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 treasury shares may be held for the purpose of employee and bonus programmes. It is not permitted to accumulate several years' worth of treasury shares for the purpose of bonus programmes, however. Neither is it permitted to hold treasury shares to use as payment for acquisitions (exchange of shares in the event of a takeover) or for the purpose of speculating on higher selling prices. Accumulated treasury shares may in no case exceed 10 % of all shares issued.

## **20.2) Tenancy agreements**

The tenancy agreements entered into 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.

### **Turnover-based agreements**

New tenancy agreements were concluded with all business partners occupying commercial areas which have been rented since 2003 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 and have a fixed term of five years with a two-year extension option.

## **20.3) Capital commitments**

As at the reporting date, capital commitments for various engineering structures amount to approximately CHF 179 million. The most significant capital commitments concern the expansion of car parking (CHF 73 million), the upgrade of Terminal 2 (CHF 58 million), maintenance operations to preserve the value of engineering structures (CHF 29 million) and the redevelopment of the curbside lanes (CHF 28 million). Furthermore, there are proportional investment obligations totalling CHF 15 million for "The Circle".

In signing the concession agreement for the expansion and operation of Confins International Airport in Belo Horizonte (Brazil), Flughafen Zürich AG has committed itself to contributing equity of an equivalent of up to CHF 25 million via the private consortium in which the company holds a 25 % stake and to providing management services. An initial sum of around CHF 13 million was invested in the reporting period.

## **20.4) Contingent liabilities**

A number of legal proceedings and claims against Flughafen Zürich AG in the context of its normal business activities are still pending. The company does not expect the amount required to settle these lawsuits and claims to have a significantly negative impact on the consolidated financial statements and cash flow of Flughafen Zürich AG.

Depending on future and final-instance legal judgments, especially with respect to the southern approaches, in particular the "new" noise-related liabilities, but also the "old" ones, may in future also be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision.

## **20.5) Related parties**

Related parties are:

- Canton of Zurich
- Members of the Board of Directors
- Members of the Management Board
- Associates
- BVK

### **a) Transactions with related parties**

In the year under review, the Canton of Zurich police force was reimbursed for services rendered for a total amount of CHF 96.7 million (2013: 97.4 million) in accordance with the applicable service level agreement.

In the reporting period, Flughafen Zürich AG generated revenue of CHF 1.9 million (2013: CHF 1.3 million) from the Operations, Management & Service Agreement (OMSA) with Bangalore International Airport Ltd. The consulting revenue from the management agreement for the airport in Belo Horizonte amounted to CHF 2.2 million in the year under review (2013: CHF 0 million).

## b) Shares held by related parties

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

Name	Function	Number of shares as at	Number of shares as at
		31.12.2014	31.12.2013
Andreas Schmid	Chairman	4	4
Lukas Briner	Vice Chairman	21	21
Martin Candrian *	Member; Chairman of the Audit & Finance Committee *	n/a	375
Ulrik Svensson **	Member; Chairman of the Audit & Finance Committee **	0	0
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Com.	13	13
Ernst Stocker	Member; Chairman of the Political Affairs Committee	0	0
Guglielmo L. Brentel ***	Member ***	0	n/a
Corine Mauch	Member	0	0
Martin Wetter	Member	0	0
<b>Total</b>		<b>38</b>	<b>413</b>

\* Member of the Board of Directors and Chairman of the Audit & Finance Committee until 10.4.2014

\*\* Chairman of the Audit & Finance Committee since 10.4.2014

\*\*\* Member of the Board of Directors since 10.4.2014

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

Name	Number of shares as at	Number of shares as at
	31.12.2014	31.12.2013
Thomas E. Kern	2,431	2,160
Stefan Conrad	448	342
Michael Schallhart	524	568
Daniel Schmucki	1,053	947
Stephan Widrig	857	751
<b>Total</b>	<b>5,313</b>	<b>4,768</b>

Neither members of the Board of Directors nor the Management Board held options on the company's shares at the reporting date.

## c) Key management personnel compensation

Compensation for the members of the Board of Directors and Management Board comprises the following:

(CHF 1,000)	2014	2013
Short-term employee benefits	3,473	3,445
Post-employment benefits	423	746
Other long-term benefits	50	0
Share-based payments	416	322
<b>Total</b>	<b>4,362</b>	<b>4,513</b>

## 20.6) Composition of the group

In the reporting period, the group comprised the following companies:

Company	Domicile	Share Capital	Stake held in %
Flughafen Zürich AG	Kloten	CHF 307,018,750	Parent company
Zurich Airport International AG	Kloten	CHF 100,000	100.0
Zurich Airport Latin America S. A.	Santiago de Chile	CLP 4,403 million	100.0
A-Port Operaciones S. A.	Santiago de Chile	CLP 1,352 million	62.0
A-Port Operaciones Colombia S. A.	Bogotá	COP 100 million	62.0
Unique IDC S. A. de C.V.	Tegucigalpa	HNL 200 million	62.0

In addition, the following associates are included by applying the equity method:

Company	Domicile	Share Capital	Stake held in %
Bangalore International Airport Ltd.	Bengaluru	INR 3,846 million	5.0
A-port Chile S. A.	Santiago de Chile	CLP 5,264 million	49.0
Sociedad Concesionaria Aeropuerto Antofagasta S. A.	Santiago de Chile	CLP 3,600 million	49.0
Sociedad Concesionaria Aeropuerto Iquique S. A.	Santiago de Chile	CLP 600 million	49.0
Sociedad Concesionaria Puerto Montt S. A.	Santiago de Chile	CLP 1,120 million	16.3
Concesion Aeropuerto La Florida S. A.	Santiago de Chile	CLP 231 million	49.0
Sociedade de Participação no Aeroporto de Confins S. A.	Belo Horizonte	BRL 144 million	25.0
Administradora Unique IDC C. A.	Porlamar	VEB 25 million	49.5
Aeropuertos Asociados de Venezuela C. A.	Porlamar	VEB 10 million	49.5

## 20.7) Notes on service concession agreements

The Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) awarded Flughafen Zürich AG the licence to operate 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 the necessary infrastructure for this purpose. To accomplish this, it is entitled to collect charges 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, mail 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 concessionaire 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 Sectoral Aviation Infrastructure Plan (SAIP) and the provisions of the operating regulations.

The concessionaire is obligated to implement all measures relating to regulations governing the use of German airspace 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 concessionaire is empowered and obliged to enforce sound insulation measures and to implement them where they are not contested.

The provision whereby the concessionaire 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 for Flughafen Zürich AG dated 30 June 2011. As a consequence, licences for ground handling operations in areas in which the number of admissible service providers can be limited, after expiry of an initial seven-year period, have been awarded on the basis of tender procedures as at 1 December 2011 with a maturity until the end of November 2018.

**20.8) Events after the reporting date**

The Board of Directors authorised the 2014 consolidated financial statements for issue on 12 March 2015. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2014 and the date on which the consolidated financial statements were authorised for issue by the Board of Directors which would require the adjustment 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 Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Flughafen Zürich AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 68 to 115) for the year ended 31 December 2014.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### *Emphasis of Matter*

We draw attention to the disclosure regarding "1.5 Reporting of noise-related costs in the financial statements" on pages 78 and 79 in the notes to the consolidated financial statements. The uncertainties and risks referred to therein with regard to noise-related costs that are largely beyond the company's influence, could have significant effects on the nature and scope of the business activities and thus on the financial position, the results of operations and the cash flows. At present such effects cannot be conclusively determined. Our opinion is not qualified in respect of this matter.

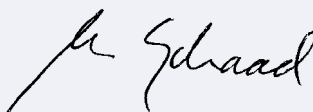
### **Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Article 728 CO and Article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG



Martin Schaad  
Licensed Audit Expert  
Auditor in Charge



Samuel Seiler  
Licensed Audit Expert

Zurich, 12 March 2015

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# FINANCIAL STATEMENTS

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## FINANCIAL STATEMENTS ACCORDING TO THE SWISS CODE OF OBLIGATIONS (CO)

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## INCOME STATEMENT

### (FINANCIAL STATEMENTS ACCORDING TO THE SWISS CODE OF OBLIGATIONS)

(CHF 1,000)	Notes	2014	2013
Aviation revenue <sup>1)</sup>		574,959	601,437
Non-aviation revenue <sup>1)</sup>		383,423	370,579
<b>Total revenue</b>		<b>958,382</b>	<b>972,016</b>
Personnel expenses		- 169,482	- 164,794
Police and security		- 117,828	- 118,113
Energy and waste		- 20,732	- 25,185
Cost of materials used and maintenance		- 41,277	- 43,568
Other operating expenses		- 52,059	- 52,901
Sales, marketing, administration		- 29,555	- 34,237
Expenses for sound insulation and resident protection plus formal expropriations		- 3,096	- 46,607
Deposits into renovation fund		- 5,500	- 5,500
Other income and expenses		12,182	9,903
<b>Ordinary profit before depreciation and amortisation, interest and tax</b>		<b>531,035</b>	<b>491,014</b>
Depreciation and amortisation		- 206,307	- 197,257
<b>Ordinary profit before interest and tax</b>		<b>324,728</b>	<b>293,757</b>
Finance result	(1)	- 25,692	- 102,808
Extraordinary result	(2)	- 1,573	- 1,952
<b>Profit before tax</b>		<b>297,463</b>	<b>188,997</b>
Tax		- 62,503	- 40,112
<b>Profit for the year</b>		<b>234,960</b>	<b>148,885</b>

- 1) Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

**BALANCE SHEET**  
(FINANCIAL STATEMENTS ACCORDING TO THE SWISS CODE OF OBLIGATIONS)

(CHF 1,000)	Notes	31.12.2014	31.12.2013
<b>Assets</b>			
Land		110,195	110,195
Buildings, engineering structures	(13)	2,340,211	2,300,461
Projects in progress	(13)	266,350	247,375
Movables	(13)	86,269	86,004
<b>Total property, plant and equipment</b>		<b>2,803,025</b>	<b>2,744,035</b>
Intangible asset from right of formal expropriation		0	83,845
Other intangible assets		9,203	10,384
Non-current financial assets of Airport of Zurich Noise Fund	(3)	217,252	206,944
Investments and other financial assets	(4)	24,791	11,623
<b>Non-current assets</b>		<b>3,054,271</b>	<b>3,056,831</b>
Inventories		9,207	10,206
Current financial assets of Airport of Zurich Noise Fund	(3)	49,005	49,244
Trade receivables		101,745	115,021
Other receivables		7,292	8,821
Prepaid expenses		12,903	10,344
Treasury shares	(5)	1,098	1,335
Fixed-term deposits		195,000	20,000
Cash and cash equivalents		222,689	390,206
<b>Current assets</b>		<b>598,939</b>	<b>605,177</b>
<b>Total assets</b>		<b>3,653,210</b>	<b>3,662,008</b>
<b>Equity and liabilities</b>			
Share capital		307,019	307,019
Legal reserves			
General reserves from capital contributions		509,980	509,980
General reserves		42,370	42,370
Reserves for treasury shares	(5)	1,098	1,335
Other reserves		107,609	107,372
Available earnings			
Profit brought forward		667,034	576,457
Dividend payment for 2013 - 2012		- 61,368	- 58,308
Profit for the year		234,960	148,885
<b>Equity</b>		<b>1,808,702</b>	<b>1,635,110</b>
Debentures and non-current loans	(6)	950,000	1,023,150
Non-current provision for aircraft noise	(7)	481,914	362,047
Renovation fund		151,602	146,102
Other non-current provisions	(8)	3,384	11,891
<b>Non-current liabilities</b>		<b>1,586,900</b>	<b>1,543,190</b>
Trade payables		46,064	55,416
Current financial liabilities	(9)	73,150	298,150
Other current liabilities		6,407	5,329
Accruals and deferrals		65,532	74,210
Current provision for aircraft noise	(7)	32,000	25,000
Other current provisions	(10)	34,455	25,603
<b>Current liabilities</b>		<b>257,608</b>	<b>483,708</b>
<b>Total liabilities</b>		<b>1,844,508</b>	<b>2,026,898</b>
<b>Total equity and liabilities</b>		<b>3,653,210</b>	<b>3,662,008</b>

## GENERAL REMARKS

These financial statements of Flughafen Zürich AG were prepared in accordance with the provisions of the Swiss Code of Obligations. They also serve for tax purposes and form the basis for the statutory business of the General Meeting of Shareholders.

## CURRENT RISK SITUATION

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

### 1. Legal uncertainties

Various domestic and foreign restrictions could mean that Flughafen Zürich AG will not be able to fully utilise its infrastructure and would need to finance additional investments. These restrictions include the following:

- Regulation governing the use of south German airspace
- Sectoral Aviation Infrastructure Plan (SAIP)
- Designation of areas in the vicinity of runways as moorland
- Investments to reduce complexity
- Zurich Aircraft Noise Index (ZFI)

### 2. Decline in demand

Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as economic crises, acts of terrorism or epidemics. Such events could temporarily cause a drop in demand at Zurich Airport. In addition, other external factors such as the political and macro-economic environment could impact negatively on demand in both the aviation and non-aviation business at Zurich Airport.

### 3. Increasing safety and security requirements

Additional safety and security regulations may result in rising costs and reduced revenue or changes in capacity. While some of these higher costs could at least subsequently be offset or refinanced through higher charges, in the case of other cost elements a negative impact on earnings cannot be ruled out.

### 4. Hub carrier

The airline Swiss is the main customer of Flughafen Zürich AG. Like any other hub airport, Zurich Airport depends to a considerable extent on the operational and financial performance of its hub carrier.

### 5. Reporting of noise-related costs in the financial statements

Costs for formal expropriations qualify as an intangible asset under the accounting provisions of the Swiss Code of Obligations. They are recognised as assets at the latest on the date on which the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same date. Adequate provisions are recognised for liabilities arising from sound insulation and resident protection measures. Amortisation of capitalised costs for formal expropriations is based at a minimum on the consolidated financial statements. Any balance of revenue after deduction of noise-related costs (compensation for formal expropriations, sound insulation and resident protection measures, operating costs, financing costs and amortisation) is transferred to the provision for aircraft noise (see note 7, "Provision for aircraft noise").

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 and political debate.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 14,000 were still pending at the end of 2014. Approximately 1,400 cases are currently being examined by the Swiss Federal Assessments Commission.

With respect to formal expropriations, the rulings on fundamental issues by the Swiss Federal Supreme Court in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total costs for the first time, in spite of remaining uncertainties regarding the accuracy of this estimate.

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date, the reliably estimated noise-related costs ("base case") as at 30 June 2008 amounted to a total of CHF 759.8 million (including formal expropriations, costs for sound insulation and resident protection plus all related operating costs). This means that the total estimated costs associated with formal expropriations were below the previously disclosed potential costs (in the form of a risk assessment) of between CHF 800 million and CHF 1.2 billion.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999. The purpose of the supplementary agreement was to limit the risks for the company associated with formal expropriations. Under this supplementary agreement, the Canton of Zurich undertook to assume the pre-financing of all "old"



noise-related liabilities if, upon payment of the first compensation for formal expropriations, there is a risk that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and resident protection plus all related operating costs) will exceed the amount of CHF 1.1 billion (the "threshold") in the worst-case scenario ("negative case").

"Old" noise-related liabilities are liabilities that arose prior to June 2001. The Canton of Zurich assumes the pre-financing for these noise-related liabilities since it was the holder of the operating licence until that date and is therefore liable for prior noise-related liabilities in relation to third parties. The threshold is subject to an annual adjustment based on the development of the equity of Flughafen Zürich AG.

Despite the mid-2008 estimate of CHF 759.8 million stated above, the total estimated noise-related costs exceeded the threshold of CHF 1.1 billion in the worst case ("negative case"). As a result, the pre-financing by the Canton of Zurich for "old" noise-related liabilities entered into effect on 30 June 2008 in accordance with the supplementary agreement. This was subject to the condition that the still pending fundamental issues were decided against Flughafen Zürich AG. In return for bearing the risk and financing these "old" noise-related liabilities, the Canton of Zurich received a portion of the Airport of Zurich Noise Fund (CHF 115.4 million) on 30 June 2008 in accordance with the supplementary agreement. This amount was recognised in these financial statements as an intangible asset from the right of formal expropriation and represented a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 had been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges. As a result of the assumption of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG was no longer required to recognise a provision for these "old" noise-related liabilities.

With further rulings on 8 June 2010 and 9 December 2011 the Swiss Federal Supreme Court definitively set the cut-off date for the foreseeability of an eastern approach as 1 January 1961 and subsequently decided on the method used to calculate a decline in the market value of investment property. These decisions laid the legal basis for settling other outstanding claims for compensation.

Based on these Swiss Federal Supreme Court rulings and other fundamental issues that have since been decided in a court of last instance, the company, in cooperation with the Canton of Zurich, undertook a reappraisal of noise-related costs at the end of 2010 and 2011 ("updated base case"). The most recently updated calculation as at 31 December 2011 showed estimated noise-related costs to be CHF 740.6 million. This cost estimate continues to be based on a number of assumptions, such as pending legal issues where there has been no decision by a court of last instance.

As in the worst case ("updated negative case"), the total estimated noise-related costs exceeded the adjusted threshold as set out in the supplementary agreement by the end of financial year 2013, the Canton of Zurich continued to provide pre-financing.

Owing to the positive trend in Flughafen Zürich AG's equity, the adjusted threshold exceeded the current value of the "negative case" in the second half of financial year 2014. As a result of this development, the Canton of Zurich was no longer required to assume the pre-financing of the "old" noise-related liabilities and the supplementary agreement to the merger agreement of 2006 was terminated with effect from 30 November 2014.

At that time, Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund in the amount of CHF 224.2 million. In a reversal of the pre-financing initiated in 2008, this amount was netted against the intangible asset from the right of formal expropriation. The excess was allocated to the provision for aircraft noise in accordance with the applicable accounting requirements (see note 7, "Provision for aircraft noise").

As at 31 December 2014, Flughafen Zürich AG has therefore recognised a provision for aircraft noise amounting to CHF 513.9 million (2013: CHF 387.0 million) in the financial statements according to the provisions of the Swiss Code of Obligations. However, the reappraisal of the noise-related costs last undertaken in 2011 as CHF 740.6 million still applies at the end of financial year 2014 as there have been no further final-instance court rulings since 9 December 2011.

Depending on future and final-instance legal judgments, especially with respect to the southern approaches, in particular the "new" noise-related liabilities, but also the "old" ones, may in future also be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision.

As based on current knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations and noise insulation and resident protection measures that can be estimated under the base case at the present time, the passenger-related five-franc noise supplement was suspended as of 1 February 2014.

## 1 FINANCE RESULT

(CHF 1,000)	2014	2013
Interest expenses on debentures and non-current loans	- 21,177	- 35,100
Capitalised interest on borrowings for buildings under construction	518	635
<b>Interest expenses on debentures and non-current loans</b>	<b>- 20,659</b>	<b>- 34,465</b>
Interest expenses on finance lease liabilities	- 1,830	- 2,362
Realised and unrealised losses on financial assets of Airport of Zurich Noise Fund	0	- 1,421
Other interest expenses and finance costs	- 8,311	- 118,254
<b>Total finance expenses</b>	<b>- 30,800</b>	<b>- 156,502</b>
Interest income on financial assets of Airport of Zurich Noise Fund	3,403	4,240
Realised and unrealised gains on financial assets of Airport of Zurich Noise Fund	1,095	0
Other interest and finance income	610	49,454
<b>Total finance income</b>	<b>5,108</b>	<b>53,694</b>
<b>Finance result</b>	<b>- 25,692</b>	<b>- 102,808</b>

The finance result of Flughafen Zürich AG for financial year 2014 amounted to CHF - 25.7 million in the year under review, a significant improvement on the CHF - 102.8 million posted in the prior-year period.

However, in the 2013 financial year, the finance result was impacted by one-off costs related to the restructuring of non-current financial liabilities. On 25 March 2013, the company gave notice of the termination of the Japanese private placement in the amount of JPY 37 billion and, on 23 May 2013, repaid it in full. The hedging instrument used to hedge currency risks associated with future interest payments and repayments from the Japanese private placement was terminated at the same time. The significant effects of the restructuring are reported under "Other interest expenses and finance costs" (costs for terminating the hedging instrument amounting to CHF 111.9 million) and under "Other interest and finance income" (foreign currency gain from the repayment of the Japanese private placement of CHF 48.2 million).

In the year under review, interest expenses on debentures and non-current loans were CHF 13.9 million or 39.7 % down on the prior-year period to CHF 21.2 million. The savings are attributable to the restructuring of non-current financial liabilities in the previous year, the redemption of a debenture maturing in February 2014 in the amount of CHF 225.0 million and the annual repayment of the US private placement in April 2014.

In 2014, capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of von 2.24 % (2013: 2.78 %).

## 2 EXTRAORDINARY RESULT

(CHF 1,000)	2014	2013
Extraordinary income	410	2,673
Extraordinary expenses	- 1,983	- 4,625
<b>Extraordinary result</b>	<b>- 1,573</b>	<b>- 1,952</b>

In the year under review, extraordinary expenses primarily include losses on the disposal of non-current assets.

## 3 FINANCIAL ASSETS OF AIRPORT OF ZURICH NOISE FUND

(CHF 1,000)	31.12.2014	31.12.2013
Non-current financial assets	217,252	206,944
Current financial assets	49,005	49,244
<b>Total financial assets of Airport of Zurich Noise Fund</b>	<b>266,257</b>	<b>256,188</b>

These funds are managed by professional financial institutions on the basis of a conservative, money market-oriented investment strategy.

## 4 INVESTMENTS AND OTHER FINANCIAL ASSETS

(CHF 1,000)		31.12.2014	31.12.2013
Zurich Airport International AG, Kloten	Equity share 100 % / share capital CHF 0.1 million	6,012	6,012
Administradora Unique IDC C. A., Venezuela	Equity share 49.5 % / share capital VEB 25 million	0	0
Aeropuertos Asociados de Venezuela C. A., Venezuela	Equity share 49.5 % / share capital VEB 10 million	0	0
Bangalore International Airport Ltd., India	Equity share 5 % / share capital INR 3,846 million	5,500	5,500
Unique Betriebssysteme AG, Kloten	Equity share n/a / share capital n/a	0	100
Zurich Airport International AG, Kloten	Loan	13,268	0
FZ Colombia S. A., Chile	Loan	11	11
<b>Total investments and other financial assets</b>		<b>24,791</b>	<b>11,623</b>

Zurich Airport International AG, the wholly-owned subsidiary responsible for advising, operating and/or owning airports and airport-related companies throughout the world, holds the investment companies in Latin America (with the exception of Venezuela).

In 2010, Flughafen Zürich AG and its consortium partner Unique IDC turned to the International Centre for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the investment protection treaty between Venezuela, Switzerland and Chile. The ICSID reached its decision in November 2014, requiring the Bolivarian Republic of Venezuela to reimburse the consortium the costs incurred for the proceeding and project plus a compensation payment of around USD 19.5 million as well as interest incurred up until receipt of payment (around USD 14.2 million accrued as at 31 December 2014). Flughafen Zürich AG is entitled to 50 % of the total amount of the payments. The parties have 120 days to request that the ICSID award be annulled. This period ends on 18 March 2015. The value of this holding was fully impaired in 2006.

Moreover, Flughafen Zürich AG holds 5 % of the share capital of Bangalore International Airport Ltd. (BIAL), the owner and operator of the airport that opened in Bengaluru, India, in May 2008. It is also involved in the operation of the airport under an Operations, Management & Service Agreement (OMSA) and from which it receives revenue. Flughafen Zürich AG is also represented on the Board of Directors of BIAL.

In the year under review, Unique Betriebssysteme AG was merged with Flughafen Zürich AG.

## 5 TREASURY SHARES

(Number of shares)	2014	2013
<b>Holdings as at 1 January</b>	<b>3,559</b>	<b>4,432</b>
Acquisitions (at applicable market price)	855	1,237
Sales (at applicable market price)	0	0
Free distribution of shares	-1,981	-2,110
<b>Holdings as at 31 December</b>	<b>2,433</b>	<b>3,559</b>

(CHF 1,000)	31.12.2014	31.12.2013
Carrying amount of treasury shares	1,098	1,335
Reserves for treasury shares	1,098	1,335

Reserves for treasury shares are reported separately within equity.

## 6 DEBENTURES AND NON-CURRENT LOANS

(CHF 1,000)	31.12.2014	31.12.2013
Debentures	950,000	950,000
US private placement	0	73,150
<b>Total debentures and non-current loans</b>	<b>950,000</b>	<b>1,023,150</b>

Non-current fixed interest-bearing financial liabilities as at the reporting date:

(CHF 1,000)	Nominal amount 31.12.2014	Duration	Interest rate	Early amortisation	Interest payment dates
Debenture	250,000	2011 - 2017	2.250 %	no	5.5.
Debenture	300,000	2012 - 2020	1.250 %	no	3.7.
Debenture	400,000	2013 - 2023	1.500 %	no	17.4.

## 7 PROVISION FOR AIRCRAFT NOISE

(CHF 1,000)	2014	2013
<b>Balance as at 1 January</b>	<b>387,047</b>	<b>365,025</b>
Increase in provision for aircraft noise	126,867	22,022
<b>Balance as at 31 December</b>	<b>513,914</b>	<b>387,047</b>
of which current (planned payment within 1 year)	32,000	25,000
of which non current (planned payment from 1 year on)	481,914	362,047

The increase in the provision for aircraft noise comprises the balance of revenue from noise charges and noise-related costs and expenses:

(CHF 1,000)	2014	2013
Revenue from noise charges	10,199	54,357
Costs for sound insulation and resident protection	-21,405	-20,611
Costs for formal expropriations	-1,942	-2,907
Noise-related operating costs	-3,892	-3,887
Interest income and realised/unrealised gains/losses on financial assets of Airport of Zurich Noise Fund	4,498	2,819
Amortisation of intangible asset from right of formal expropriation	-7,103	-7,749
Increase of provision due to the reversal of the pre-financing of the "old" noise-related liabilities	146,512	0
<b>Total increase of provision for aircraft noise</b>	<b>126,867</b>	<b>22,022</b>

As a result of this positive equity trend, the Canton of Zurich was no longer required to assume the pre-financing of the "old" noise-related liabilities and the supplementary agreement to the merger agreement of 2006 was terminated with effect from 30 November 2014.

At that time, Flughafen Zürich AG assumed the still unpaid "old" noise-related liabilities from the Canton of Zurich again, receiving in return the corresponding share of the Airport of Zurich Noise Fund in the amount of CHF 224.2 million. In a reversal of the pre-financing initiated in 2008, this amount was netted against the intangible asset from the right of formal expropriation. The excess amounting to CHF 146.5 million was allocated to the provision for aircraft noise in accordance with the applicable accounting requirements.

For information on the reporting of noise-related data in the financial statements according to the Swiss Code of Obligations, see also "Notes to the financial statements, Current risk situation", point 5, "Reporting of noise-related costs in the financial statements" on pages 120 and 121.

## 8 OTHER NON-CURRENT PROVISIONS

(CHF 1,000)	31.12.2014	31.12.2013
Provision for financial restructuring of BVK pension fund	3,384	11,891
<b>Total other non-current provisions</b>	<b>3,384</b>	<b>11,891</b>

The disclosed provision includes the non-current portion of the estimated employer contributions for the restructuring of the BVK Employee Pension Fund of the Canton of Zurich. The current portion of the provision amounting to CHF 2.3 million (2013: CHF 2.3 million) is included in "Other current provisions".

## 9 CURRENT FINANCIAL LIABILITIES

(CHF 1,000)	31.12.2014	31.12.2013
Debenture	0	225,000
Current liabilities arising from US private placement	73,150	73,150
<b>Total current financial liabilities</b>	<b>73,150</b>	<b>298,150</b>

## 10 OTHER CURRENT PROVISIONS

(CHF 1,000)	31.12.2014	31.12.2013
Amounts due to personnel (holidays and overtime)	3,782	3,851
Tax liabilities	26,917	17,996
Other liabilities	3,756	3,756
<b>Total other current provisions</b>	<b>34,455</b>	<b>25,603</b>

## 11 MAJOR SHAREHOLDERS

As at the reporting date, the following shareholders or groups of shareholders held more than 3 % of the voting rights:

	2014	2013
Canton of Zurich	33.33 %	33.33 %
City of Zurich (including pension fund of the City of Zurich)	5.05 %	5.05 %

## 12 RELATED PARTIES

Related parties are:

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

### a) Transactions with related parties

In the year under review, the Canton of Zurich police force was reimbursed for services rendered for a total amount of CHF 96.7 million (2013: CHF 97.4 million) in accordance with the applicable service level agreement.

In the year under review, Flughafen Zürich AG generated revenue of CHF 1.9 million (2013: CHF 1.3 million) from the Operations, Management & Service Agreement (OMSA) with Bangalore International Airport Ltd. It also provides management and service-related services for its subsidiary Zurich Airport International AG totalling CHF 1.8 million (2013: CHF 0 million).



## b) Shares held by related parties

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

Name	Function	Number of shares as at	Number of shares as at
		31.12.2014	31.12.2013
Andreas Schmid	Chairman	4	4
Lukas Briner	Vice Chairman	21	21
Martin Candrian *	Member; Chairman of the Audit & Finance Committee *	n/a	375
Ulrik Svensson **	Member; Chairman of the Audit & Finance Committee **	0	0
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Com.	13	13
Ernst Stocker	Member; Chairman of the Political Affairs Committee	0	0
Guglielmo L. Brentel ***	Member ***	0	n/a
Corine Mauch	Member	0	0
Martin Wetter	Member	0	0
<b>Total</b>		<b>38</b>	<b>413</b>

\* Member of the Board of Directors and Chairman of the Audit & Finance Committee until 10.4.2014

\*\* Chairman of the Audit & Finance Committee since 10.4.2014

\*\*\* Member of the Board of Directors since 10.4.2014

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

Name	Number of shares as at	Number of shares as at
	31.12.2014	31.12.2013
Thomas E. Kern	2,431	2,160
Stefan Conrad	448	342
Michael Schallhart	524	568
Daniel Schmucki	1,053	947
Stephan Widrig	857	751
<b>Total</b>	<b>5,313</b>	<b>4,768</b>

Neither members of the Board of Directors nor the Management Board held options on the company's shares at the reporting date.

## 13 MISCELLANEOUS

### Fire insurance values

(CHF 1,000)	31.12.2014	31.12.2013
Buildings including loading bridges	3,625,511	3,650,455
Movables	910,337	903,821

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 and are therefore not included in the above amount. Upon completion, the buildings concerned will be insured on the basis of estimates by GVZ.

### Unrecognised finance lease liabilities

(CHF 1,000)	31.12.2014	31.12.2013
Finance lease liabilities not recognised in the balance sheet	41,198	47,439

### Collateral

For the cross-currency interest rate swap relating to the US private placement, as at the balance sheet date collateral of CHF 6.6 million was provided in the form of cash and cash equivalents (31 December 2013: CHF 0 million) and letters of credit amounting to CHF 0 million (31 December 2013: CHF 30.0 million).

### Liabilities in respect of employee pension funds

As at the reporting date, liabilities in respect of the BVK Employee Pension Fund of the Canton of Zurich amount to CHF 2.2 million (31 December 2013: CHF 2.1 million).

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## 14 INFORMATION CONCERNING THE PERFORMANCE OF A RISK ASSESSMENT

For information concerning the performance of a risk assessment, see "Notes to the consolidated financial statements", note 20.1 (pages 106 to 112).

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## 15 EVENTS AFTER THE REPORTING DATE

The Board of Directors authorised the 2014 financial statements according to the provisions of the Swiss Code of Obligations (CO) for issue on 12 March 2015. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2014 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 adjustment of any of the carrying amounts of the assets and liabilities in the financial statements according to the provisions of the Swiss Code of Obligations or which would have to be disclosed here.

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## PROPOSAL FOR THE DISTRIBUTION OF AVAILABLE EARNINGS

The Board of Directors proposes to the General Meeting of Shareholders that the available earnings of CHF 840,625,752 be used as follows:

(CHF)	
Allocation to legal reserves <sup>1)</sup>	0
Payment of an ordinary dividend of CHF 13.50 (gross) <sup>2)</sup>	82,895,063
To be carried forward	757,730,689
<b>Total available earnings</b>	<b>840,625,752</b>

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 eligible to a dividend. For this reason, the reported dividend sum may be correspondingly lower.

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Flughafen Zürich AG, which comprise the income statement, balance sheet and notes (pages 118 to 127) for the year ended 31 December 2014.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's Articles of Incorporation.

### Emphasis of Matter

We draw attention to the disclosure regarding "5. Reporting of noise-related costs in the financial statements" on pages 120 and 121 in the notes to the financial statements. The uncertainties and risks referred to therein with regard to noise-related costs that are largely beyond the company's influence, could have significant effects on the nature and scope of the business activities and thus on the financial position, the results of operations and the cash flows. At present such effects cannot be conclusively determined. Our opinion is not qualified in respect of this matter.

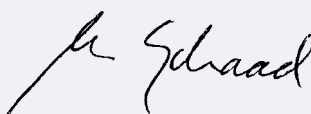
### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Article 728 CO and Article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Martin Schaad  
Licensed Audit Expert  
Auditor in Charge



Samuel Seiler  
Licensed Audit Expert

Zurich, 12 March 2015



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# 2015 FINANCIAL CALENDAR

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## FINANCIAL REPORTING DATES

17.03.2015	Publication of 2014 annual results
28.04.2015	2015 General Meeting of Shareholders
03.09.2015	Publication of 2015 interim results
28.04.2016	2016 General Meeting of Shareholders

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## TRAFFIC AND COMMERCIAL FIGURES

14.04.2015	Key Figures March 2015
12.05.2015	Key Figures April 2015
11.06.2015	Key Figures May 2015
14.07.2015	Key Figures June 2015
12.08.2015	Key Figures July 2015
14.09.2015	Key Figures August 2015
13.10.2015	Key Figures September 2015
12.11.2015	Key Figures October 2015
14.12.2015	Key Figures November 2015
13.01.2016	Key Figures December 2015

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## FURTHER INFORMATION

Other results and financial information:  
[www.zurich-airport.com/investorrelations](http://www.zurich-airport.com/investorrelations)

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## 2014 ANNUAL REPORT

The 2014 Annual Report of Flughafen Zürich AG is available in English and German. The German version is binding. To order a copy, please send an e-mail to the above Investor Relations address. Electronic version available at:  
[www.zurich-airport.com/annualreport](http://www.zurich-airport.com/annualreport)

### Publishing details

Copyright	Flughafen Zürich AG
Photos	Markus Bertschi, Zurich / Ralph Bensberg, Kerns
Design	Eclat AG, Erlenbach
Translation	BMP Translations AG, Basel
Preproduction	Neidhart + Schön AG, Zurich
Printing	Neidhart + Schön AG, Zurich





