

Interim report as of 30 June 2008



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

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Key data, 1st half-year 2008

Key financial data¹⁾

All amounts in accordance with International Financial Reporting Standards (IFRS)

(CHF thousand)	1-6/2008	1-6/2007	Change in %
Total revenue	424,706	372,932	13.9
Of which revenue from aviation operations	260,255	225,164	15.6
Of which revenue from non-aviation operations	164,451	147,768	11.3
Operating expenses	(198,202)	(190,496)	4.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	226,504	182,436	24.2
EBITDA margin (in %)	53.3	48.9	0.0
Profit	79,793	46,104	73.1
Cash flow from operations	208,290	178,553	16.7
Cash flow from investing activities	(114,474)	(48,035)	138.3
Ø Capital employed	2,670,885	2,691,769	[0.8]
Return on Ø capital employed (ROCE, in %)	8.0	5.7	
Equity as of 30 June	1,441,845	1,289,186	11.8
Return on equity (in %)	12.0	7.7	
Equity ratio (in %)	41.2	40.1	
Interest-bearing liabilities (net, in accordance with IFRS)	933,155	1,080,125	[24.3]
Interest-bearing liabilities (IFRS)/EBITDA ²⁾	2.05x	2.86x	
Interest-bearing liabilities (nominal)	1,160,795	1,201,903	[13.0]
Interest-bearing liabilities (nominal)/EBITDA ²⁾	2.56x	3.18x	
Key operational data	1-6/2008	1-6/2007	Change in %
Number of passengers	10,606,574	9,702,855	9.3
Number of flight movements	138,343	130,912	5.7
Freight in tonnes	199,937	183,050	9.2
Number of full-time positions as of 30 June	1,222	1,308	[6.6]
Number of employees	1,461	1,546	[5.5]
Key data for shareholders	1-6/2008	1-6/2007	Change in %
Number of issued shares	6,140,375	6,140,375	0.0
Basic earnings per share (in Swiss francs)	12.99	7.51	73.0
Diluted earnings per share (in Swiss francs)	12.99	7.51	73.0
Share price as of 30 June (in Swiss francs)	371.50	498.00	[25.4]
Market capitalisation as of 30 June (in million Swiss francs)	2,281	3,058	[25.4]

¹⁾ All cited key financial data are unaudited.

²⁾ Basis for EBITDA: the 12-month period preceding the balance sheet date.

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

Selected key data excluding the influence of aircraft noise¹⁾

(CHF thousand)	1-6/2008	1-6/2007	Change in %
Total revenue	397,029	347,420	14.5
Of which revenue from aviation operations	230,419	198,018	16.7
Of which revenue from non-aviation operations	166,610	149,402	11.5
Operating expenses	(198,202)	(190,496)	4.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	198,827	156,924	27.2
EBITDA margin (in %)	50.1	45.2	
Profit	60,496	26,557	127.8
Cash flow from operations	185,188	153,517	20.6
Cash flow from investing activities	102,227	25,193	305.8
Basic earnings per share (in Swiss francs)	9.85	4.33	127.5
Diluted earnings per share (in Swiss francs)	9.85	4.33	127.5

¹⁾ All cited key financial data are unaudited.

The calculation of selected key data excluding the influence of aircraft noise is shown in detail below (unaudited):

(CHF thousand)	1-6/2008 With aircraft noise	Elimination of aircraft noise	1-6/2008 Without aircraft noise	1-6/2007 With aircraft noise	Elimination of aircraft noise	1-6/2007 Without aircraft noise
Revenue from aviation operations	260,255	(29,836)	230,419	225,164	(27,146)	198,018
Revenue from non-aviation operations	164,451	2,159	166,610	147,768	1,634	149,402
Total revenue	424,706	(27,677)	397,029	372,932	(25,512)	347,420
Operating expenses	(198,202)		(198,202)	(190,496)		(190,496)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	226,504	(27,677)	198,827	182,436	(25,512)	156,924
EBITDA margin (in %)	53.3		50.1	48.9		45.2
Depreciation and amortisation	(92,135)	2	(92,133)	(90,410)		(90,410)
Profit from operations (EBIT)	134,369		106,694	92,026		66,514
EBIT margin (in %)	31.6		26.9	24.7		19.1
Profit	79,793	(19,297)	60,496	46,104	(19,547)	26,557
Profit in % of total revenue	18.8		15.2	12.4		7.6



Interim report

Dear Shareholders,

Unique (Flughafen Zürich AG) was able to maintain its positive momentum in the first half of 2008, and reported a profit of 79.8 million Swiss francs for the period under review (prior year, 46.1 million – an increase of 73.1 percent). Earnings per share thus rose from 7.51 Swiss francs in the first half of 2007 to 12.99 Swiss francs (plus 73.0 percent).

The strong growth in the passenger volume, which rose by 9.3 percent (prior year, plus 8.1 percent) in the first six months, contributed significantly towards this pleasing result. The trend in commercial business was also very positive: the average expenditure per departing passenger in the retail, duty-free and food and beverage segments rose to 44.07 Swiss francs, which represents an increase by 4.1 percent versus the prior-year figure (42.35 Swiss francs).

If noise-related data are excluded from consideration, the profit would be 60.5 million Swiss francs (versus 26.6 million in the same period last year), which corresponds to an increase of 127.8 percent.

Zurich Airport enjoys an extremely good reputation among consumers, passengers and visitors, and the high quality of its services is widely appreciated. In passenger surveys conducted by Airport Council International (ACI) among more than 100,000 passengers at 110 airports throughout the world, Zurich Airport has figured as one of the top three airports in Europe during the past three years, and in the first quarter of 2008 it was Europe's leading airport. In the 2007 Airport Service Quality awards, Zurich was voted second-best airport in Europe, and third in the category of airports with 15 to 25 million passengers worldwide. For almost all 33 rating criteria it placed among the top three airports – a result that clearly confirms that Zurich Airport is on the right track with its quality strategy.

Course of business

Trend in traffic volume

In the first half of 2008, a total of 10,606,574 passengers used Zurich Airport (plus 9.3 percent versus the same period last year). The number of local passengers increased by 8.5 percent to 6.9 million, while the volume of transfer passengers increased by 12.0 percent to 3.6 million.

The proportion of transfer passengers thus rose from 33.7 to 34.5 percent.

The growth in passenger volume was strongly influenced by our main client, Swiss International Air Lines AG (Swiss), which not only strengthened its own position within the Star Alliance, but also helped reinforce the role of Zurich as a hub airport. In the first half of 2008, Swiss carried a significantly higher number of passengers than in the same period last year (plus 11.5 percent), while the other airlines in the Star Alliance increased their passenger figures by 8.4 percent versus the prior year. Low-cost carriers (especially Air Berlin) also reported higher passenger figures, and consequently increased their share of passenger volume from 8.2 to 10.4 percent.

The passenger volume rose in all regions: the highest increase was in Europe (plus 10.4 percent), followed by Asia (10.1 percent), Latin America (9.1 percent), Africa (4.1 percent) and North America (0.2 percent).

A total of 138,343 flight movements (take-offs and landings) were recorded at Zurich Airport in the first half of 2008, which represents an increase of 5.7 percent versus the same period last year. Airlines increased their seating capacity (charter and scheduled flights) by 8.5 percent, while seating capacity utilisation rose by 0.7 percent. The average number of passengers per flight was 92.8 persons (an increase of 3.4 percent).

Trend in total revenue

Revenue rose by 13.9 percent versus the prior year period, from 372.9 million Swiss francs to 424.7 million. Revenue from aviation operations increased to 260.3 million Swiss francs (plus 15.6 percent). This increase was attributable to the growth in the traffic volume, but also to the higher security charges, which were increased by an average of 3 Swiss francs on 1 July 2007. At 164.5 million Swiss francs, non-aviation revenue was 11.3 percent higher versus the same period last year. Here, the increase in commercial revenue (retail, duty free, food and beverage operations) by 12.8 percent was again very pleasing. The average expenditure per departing passenger ("retail spent") rose by 4.1 percent from 42.35 to 44.07 Swiss francs. Revenue from facility management rose by 11.8 percent. This increase was primarily attributable to higher revenue from energy and incidental cost allocation (plus 3.3 million Swiss francs, or 33.4 percent). Lower temperatures in the first few months of this year compared with the same period in 2007, plus the reinstatement of in-house

electricity production in the fourth quarter of 2007, a lower vacancy rate and higher commodity prices, all contributed towards this increase in revenue.

Key operating data and results

Operating expenses rose in the first half of 2008 by 4.1 percent to 198.2 million Swiss francs. The increase in costs associated with police and security operations (56.4 million Swiss francs, plus 9.9 percent) was disproportionately high, and was primarily attributable to the continued implementation of EU security regulations.

Once again, the largest cost item was personnel expenses (73.4 million Swiss francs – minus 5.4 percent). Here, the reduction is mainly due to the outsourcing of the airport rescue services to the City of Zurich as of 1 January 2008. The services provided by the City of Zurich and charged to Flughafen Zürich AG are now included in other operating expenses, which increased by 7.2 million Swiss francs versus the same period last year. Overall, productivity (operating expenses per workload unit) improved by 4.8 percent.

(CHF thousand)	January to June 2008	January to June 2007	Change in %
Workload units ¹⁾	12,605,944	11,533,355	9.3
Total operating expenses	198,202	190,496	4.1
Operating expenses per workload unit (in CHF)	15.72	16.52	(4.8)

¹⁾ 1 workload unit = 1 passenger or 100 kilograms of freight

At 226.5 million Swiss francs, earnings before interest, taxes, depreciation and amortisation (EBITDA) were 44.1 million Swiss francs above the prior-year figure (182.4 million). The EBITDA margin increased significantly from 48.9 to 53.3 percent. Earnings before interest and taxes (EBIT) rose by 92.0 million Swiss francs to 134.4 million (plus 46.1 percent). The result (EBIT) in the non-aviation segment rose by 23.7 percent versus the prior year, from 79.3 million Swiss francs to 98.1 million. The result in the aviation security sub-segment was again negative [-4.7 million Swiss francs, versus -16.4 million in the same

period last year), despite the increase in security charges in 2007. The result in the flight operations sub-segment improved to 13.3 million Swiss francs versus the prior year (3.7 million). The aircraft noise sub-segment contributed 27.7 million Swiss francs to the operating result (prior year, 25.5 million). At 32.4 million Swiss francs, the net financial expenses were 4.9 percent lower than in the prior year. This was primarily attributable to scheduled repayments of interest-bearing borrowings. At 79.8 million Swiss francs, the profit for the first six months was 73.0 percent higher than last year's figure of 46.1 million.

(CHF thousand)	January to June 2008	January to June 2007	Change in %
Financial expenses	35,094	39,960	(12.2)
Change in fair value of interest rate swap	(2,731)	(5,934)	(54.0)
Total financial result	32,363	34,026	(4.9)

Assets and financial position

In the first half of 2008, investments in property, plant and equipment amounted to 101.1 million Swiss francs, which is 70.7 million higher than in the same period last year (29.4 million Swiss francs). This increase is primarily attributable to the renovation of runway 16/34, the "Zurich 2010" project and the expansion of commercial floor space in Airport Shopping (accumulated investments, approximately 48.1 million Swiss francs).

Nominal net debt fell in the first half of 2008 to 1.05 billion Swiss francs (minus 32 million Swiss francs versus the end of 2007). For the calculation of nominal net debt, borrowings are shown at effective values in Swiss francs, taking into account the cash flow hedges.

(CHF thousand)	30.6.2008	30.6.2007	31.12.2007
Financial liabilities, nominal	1,397,619	1,524,361	1,399,797
Less cash and cash equivalents ¹⁾	(352,200)	(322,458)	(322,352)
Nominal net debt	1,045,419	1,201,903	1,077,445
Decrease/Increase	(32,026)	(88,457)	(124,458)

¹⁾ Including financial assets of Airport of Zurich Noise Fund (AZNF)

Aviation business

Punctuality

In the first half of 2008, the degree of punctuality of departures was 77.5 percent, which is 2.5 percentage points higher than the target of 75 percent for the full year. Here the mild winter and generally favourable weather conditions had a positive influence. On the other hand, strong traffic growth is causing increasing congestion in European air space, and this has a negative influence on punctuality.

The number of passengers departing from Dock E rose sharply in the period under review, and this led to longer waiting times here during peak periods. In view of this, additional security check lines were opened in Dock E at the beginning of June in order to optimise the procedure.

EURO 2008

Transport facilities were an important factor in the organisation of EURO 2008, one of the world's biggest sporting events. The extra flights at Zurich Airport primarily took place on the three days when matches were played in Zurich and Bern (9, 13 and 17 June). Between 14 and 16 flights with 1,600 to 2,000 passengers were carried out during these three nights. Thanks to the experience of all involved airport partners, as well as careful co-ordination with the cantonal police, the Swiss Federal Office of Civil Aviation (FOCA) and Swiss Federal Railways, and the deployment of highly motivated personnel, these night flights took place without a hitch.

The "Zurich 2010" project

The purpose of the "Zurich 2010" project is to render the passenger infrastructure at Zurich Airport compatible with the respective EU requirements. The main goal is to implement measures to secure the compliance of Zurich Airport – which will form one of Switzerland's very few external borders to the Schengen area – with the provisions of the Schengen Agreement. The required separation of Schengen passengers from all other passengers calls for modifications and extensions to the existing infrastructure, in particular additional departure

gates. In order to ensure that the airport is ready in time for the official introduction of the Schengen Agreement on 29 March 2009, three sub-projects were initiated in the first phase (construction of Bus Gate South, a connecting corridor between Dock B and the arrivals hall, and the conversion of the central arrivals hall). All activities are proceeding according to schedule.

The next stage will be initiated in 2009, when the revamping of Dock B commences along with the construction of a new building to house the central security check facilities, which will be located between Check-in 1 and 2. These projects underscore the company's intention to continue developing Zurich as a high-quality airport. The revamped Dock B will permit flexible handling of Schengen and non-Schengen flights, and thus optimum utilisation of the infrastructure. Distances to be covered by passengers will be shortened, and the interior of Dock B will be completely redesigned. By centralising security checks, passengers will be able to make better use of the time they spend at the airport, and the company will be able to reduce its operating costs.

"Staff screening phase III"

In accordance with the bilateral agreements between Switzerland and the EU, Flughafen Zürich AG is required to implement EU Directive 2320 (which governs staff screening) by not later than 1 July 2009. This directive stipulates that all personnel have to pass through a security check at all points of access to sensitive areas of airports. At Zurich Airport, the sensitive area is the zone inside the airport perimeter. On the occasion of an EU audit, Flughafen Zürich AG decided to implement phase III of the directive (final phase) ahead of time on 1 July 2008.

This means that, as of the above date, all personnel, vehicles and goods have to be subjected to security checks at all gates and points of access to the sensitive area. The intensification of security checks for personnel will result in a further increase in security costs. For example, the investment costs for

the required new infrastructure alone amount to around 30 million Swiss francs. This includes the expansion and alteration of five gates and the installation of control equipment (X-ray devices and magnetometers) at all gates and remaining points of access to the sensitive area.

In addition, the intensified security checks will also lead to higher direct and indirect operating costs. For example, many employees now require more time to get to their workplace, and various processes have become more complicated for all partners at the airport due to the reduced number of access points and the extra security checks.

Since it was not possible to complete the necessary work on all gates by 1 July 2008, some entrances are still being used as provisional access points. Only Gate 101, which is the main entrance to the airport premises, has been completed and handed over for operation to date. Work on all other gates, and thus the definitive implementation of staff screening phase III, will be completed by 1 July 2009.

Renovation of runway 16/34

Runway 16/34, which is used for blind landings, was opened in 1948 and was last renovated in 1976. After many years of intensive use, especially by large passenger jets, it is currently undergoing complete renovation. Work commenced in September 2007 with the installation of the power supply for the runway lighting system, after which various civil engineering tasks were carried out during the winter. According to the original plans, the surfacing work was to be carried out in two phases (in 2007 and 2008). Due to cold temperatures and frequent rainfall in autumn 2007, however, it had to be postponed until the night of 1/2 April 2008, and is now being carried out in overnight stages. The runway is handed over to the contractor at around 11.30 p.m., and has to be cleared again by not later than 5.30 a.m. in time for the first flight operations at 6 a.m. The resurfacing work is scheduled for completion by October 2008.

Alternative flight path along Switzerland's northern border

The unilateral German ordinance forced Flughafen Zürich AG to introduce approaches from the south as of October 2003 so that it could maintain flight operations during the curfews imposed by Germany. Flughafen Zürich AG then made every possible effort to find a suitable alternative approach procedure, and at the end of December 2004 it submitted an application to the Swiss Federal Office of Civil Aviation (FOCA) for a new approach route along

Switzerland's northern border (i.e. through Swiss airspace) to runway 14. The aim here was to ease the burden on the densely populated area to the south of the airport by directing some flights to the proposed alternative approach path.

The application was subsequently modified in accordance with the requirements of the FOCA, and was then presented for public consultation from 9 May to 7 June 2007. The FOCA also carried out a series of test flights and confirmed that the proposed approach path was navigable and complied with all international safety requirements. Nonetheless, the FOCA rejected the application on 3 July 2008 because the flight path does not meet the same safety level as a precision approach path with an instrument landing system.

For Flughafen Zürich AG, the fact that the application was turned down on the stated grounds after a period of three-and-a-half years is incomprehensible – the specific nature of the proposed flight path was, after all, clear right from the start. Flughafen Zürich AG is also disappointed that its efforts to at least partially ease the burden on the densely populated area to the south of the airport resulting from the restrictions imposed by Germany have now been thwarted.

Civil Aviation Infrastructure Plan (SIL)

It is the responsibility of the federal government to secure those areas that will be required for the development of Zurich Airport in the coming 25 years by defining spatial planning measures in the Civil Aviation Infrastructure Plan (SIL). In December 2006, the FOCA publicly presented 19 potential operating options for Zurich Airport. The cantons involved in terms of spatial planning were then given an opportunity to comment on the various operating options and optimisation proposals at co-ordination meetings II and III that were held on 6 July 2007 and 3 April 2008 respectively.

At the beginning of July 2008, the federal government announced its surprising decision not to secure the necessary space for a parallel runway within the scope of the SIL process. It was with considerable dismay that Flughafen Zürich AG noted this decision by the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) concerning the future of Zurich Airport. From the point of view of aviation transport policy, the opportunity to secure the long-term development perspectives for Zurich Airport as a civil aviation hub of national importance should under no

circumstances have been missed. As an area planning instrument, the Civil Aviation Infrastructure Plan (SIL) would have merely served to prevent the zoning of land for residential use and thus to secure sufficient space for a parallel runway, thereby keeping this option open for the benefit of future generations. The effective implementation of a parallel runway would in any case have had to be decided at a later date by means of a referendum. But the failure to secure this space means that the room for manoeuvre for Zurich Airport to adapt to the future needs of society, culture, tourism and the economy will become increasingly narrow over the course of time.

Non-aviation business

Expansion of floor space, facilities and services

The range of commercial facilities was expanded again in the period under review. In the public area, 17 new retail outlets offering fashion goods, consumer electronics and sporting/leisure-time articles were opened on almost 5,000 square metres of floor space. The Travel Market was also revamped, and two additions were made to the range of cafés, restaurants and bars. And in the airside area (i.e. the zone reserved solely for passengers), a number of attractive new retail outlets were also opened, offering brands such as Gucci, Montblanc, Porsche Design and Fossil. In addition, many of the existing retail and food and beverage outlets were given a facelift, and opening hours were extended to 9 p.m. for the convenience of consumers. The success of these measures is reflected in the pleasing sales growth reported by commercial partners for the first half of 2008. In accumulated terms, commercial revenue rose by more than 13 percent versus the same period last year. Turnover per departing passenger also increased again. Zurich Airport is now the third largest shopping centre in Switzerland. Since opening in 2003, the annual trend in sales figures for commercial partners has been positive, increasing at an even higher rate than passenger growth and the overall Swiss market.

The range of services for passengers was also expanded during the period under review. Swiss now operates a new check-in zone for first-class and business-class passengers. In addition, a variety of airlines will be opening new lounges in Airside Center and in Dock E at the end of October.

The low vacancy rate for office premises in comparison with the property market has been reduced still further and now stands at approximately 3.6 percent. Commercial space is rented on a

long-term basis and the trend with respect to revenue is positive. As expected, the use of parking facilities and thus the trend in the associated revenue is developing in line with growth in the volume of local departing passengers. The efforts to expand parking capacities are now being accelerated.

Expansion of maintenance capacities for the baggage sorting and handling system and the aircraft energy supply system

On 1 May 2008, Flughafen Zürich AG assumed responsibility for the maintenance of the baggage sorting and handling system and the aircraft energy supply system, which until then had been maintained by an external partner. The corresponding service level agreements were prematurely terminated, the existing components and replacement parts were purchased from the external partner, and a workforce of 40 personnel was insourced. This insourcing process represents another significant element in the efforts aimed at internally securing the availability of the necessary airport infrastructure following the grounding of Swissair.

Airport hotel

Radisson/SAS opened the new hotel and conference centre at the beginning of August 2008 – a move that represents another milestone in the development of Zurich Airport. The hotel, which has 330 rooms, plus bars, restaurants and conference facilities, will offer a range of top quality services. Flughafen Zürich AG is to operate the top three floors of the new complex under the name "Prime Office Center 3". All floor space has already been rented on a long-term basis.

Strategic partnerships

All the previously successful strategic partnerships (e.g. with Switzerland Tourism, Zurich Tourism and the Swiss Museum of Transport in Lucerne) have been extended again. By optimising the range of reciprocal services, these partnerships form the basis for Zurich Airport to effectively and successfully position itself on the market, both in Switzerland (as gateway to the world and an attractive destination for day trips) and abroad (as gateway to the Alps). They also enable the airport to effectively network with important business partners at home and abroad.

Noise management and protection of residents

Flughafen Zürich AG has received a total of around 19,000 noise-related complaints, and approximately 2,600 cases have been referred to the relevant Swiss Federal Appraisal Commission. Rulings by the Swiss Federal Supreme Court (formerly Swiss Federal Tribunal) have been pronounced concerning the 18

pilot cases for the municipality of Opfikon. The fundamental issues on which the Supreme Court ruled in the first half of 2008 enable Flughafen Zürich AG to reliably assess the noise-related costs. This means the company is required to disclose its estimated noise-related costs in the consolidated financial statements, recognise a provision (provision for formal expropriations) and simultaneously recognise an intangible asset from the right to formal expropriation.

Based on the above-mentioned Supreme Court rulings, the estimated noise-related costs amount to a total of 759.8 million Swiss francs (including formal expropriations, costs for sound insulation measures and all operating expenses). This means that, based on the reliable assessment that can be made at this time, the total costs are below the previously disclosed potential costs (in the form of a risk assessment) associated with formal expropriations amounting to between 800 million and 1.2 billion Swiss francs. Taking into account the prefinancing solution agreed with the Canton of Zurich, the corresponding figures for compensation for formal expropriations have been recognised in the interim consolidated financial statement as of 30 June 2008. See also "Notes to interim condensed consolidated financial statements" in the financial section of this report.

In addition Flughafen Zürich AG is drawing up a concept concerning the remuneration of the costs of sound insulation measures that have already been financed by house owners.

International activities

Bengaluru (India)

Bengaluru International Airport (BIAL) was officially opened for operation on 24 May 2008. After a construction period of 35 months, the first aircraft began landing at and taking off from the new international airport in Bengaluru (formerly Bangalore), southern India, during the night of 23/24 May.

Bengaluru is widely regarded as the Silicon Valley of Asia, and is the Indian capital of the IT industry. As a consequence of this development, there has been a tremendous increase in the demand for air travel in the past few years, and the size of the airport therefore had to be modified accordingly, even before construction work had been completed. The new airport is designed to handle 12 to 13 million passengers a year, but since demand for air travel in

India continues to grow at a tremendous pace, plans have already been drawn up for its further expansion.

Flughafen Zürich AG holds a 17 percent stake in airport operator BIAL, and is assisting the latter with the planning, construction and operation of the airport on the basis of an operating, management and service agreement that is valid until 2015.

Strengthening of market position in Latin America

In December 2007, Flughafen Zürich AG entered into a joint venture with Camargo Corrêa (Brazil) and Gestión e Ingeniería IDC S.A. (IDC) (Chile) under the name "A-Port". Based in São Paulo, Brazil, A-Port invests in the construction and operation of airport projects and airport-related infrastructure in Latin America. Flughafen Zürich AG holds a 15 percent minority interest in A-Port, while IDC's stake in the joint venture is 5 percent.

Flughafen Zürich AG and IDC are combining all joint holdings and management agreements in Latin America (with the exception of those in Venezuela) under the umbrella of A-Port. The practical implementation of the joint venture is scheduled for the second half of 2008.

Colombia

El Dorado airport in Bogotá handled a total of around 12.9 million passengers in 2007, and the trend in the passenger volume remained positive in the first half of 2008. The main hall of the terminals was expanded in the early part of 2008 as a first milestone in the ongoing expansion project, while phase two was initiated in the summer. According to the current schedule, the first part of the new cargo terminal is to be completed by March 2009. Once the expansion is finished, the airport will be able to handle up to 16 million passengers a year. Flughafen Zürich AG holds 49.5 percent of the share capital of Unique IDC Colombia S.A., plus a single (formal) share of operator OPAIN S.A., which it supports within the scope of a technical service agreement.

Chile

In Chile, Flughafen Zürich AG holds an interest in the licences for terminal and landside utilisation at three regional airports (Puerto Montt, Calama and La Serena), together with its Chilean partner, Gestión e Ingeniería IDC S.A. In October 2007, the operating licence (which also involves two other Chilean partners) for Puerto Montt airport was extended for a further 15 years. This airport is to undergo expansion as of the second half of 2008.

Venezuela

In 2006, the governor of the province of Nueva Esparta expropriated the airport on Isla de Margarita for the second time, and since then the airport has been operated by a "Junta Interventora" under the supervision of the Venezuelan supreme court. At the same time, legal proceedings were initiated for the purpose of determining whether the governor had the right to expropriate the airport from the Unique/IDC consortium. The final-instance court ruling has been expected since autumn 2007. There are indications that the decision will be positive for Flughafen Zürich AG, and we thus hope for a definitive solution in the course of 2008.

Projects in progress

In addition to the commitments described above, Flughafen Zürich AG is currently considering projects in Latin America, Asia and Eastern Europe.

Outlook

Flughafen Zürich AG anticipates a slowdown in traffic growth in the second half of the year. The volume of passengers is expected to increase by 7 to 7.5 percent for the year on whole.

Within the scope of the prefinancing solution agreed with the Canton of Zurich for compensation for formal expropriations, 47 percent of the collected noise charges is to be transferred to the Canton with effect from 1 July 2008. This adjustment will be reflected in the reported revenue in the second half of the year.

In the non-aviation segment, too, Flughafen Zürich AG anticipates that growth will not continue at the same rate as reported for the first half of the year.

In view of the anticipated traffic growth, Flughafen Zürich AG expects profit for the full year to increase by around 10 percent versus the prior year, despite a reduction in revenue from noise charges.

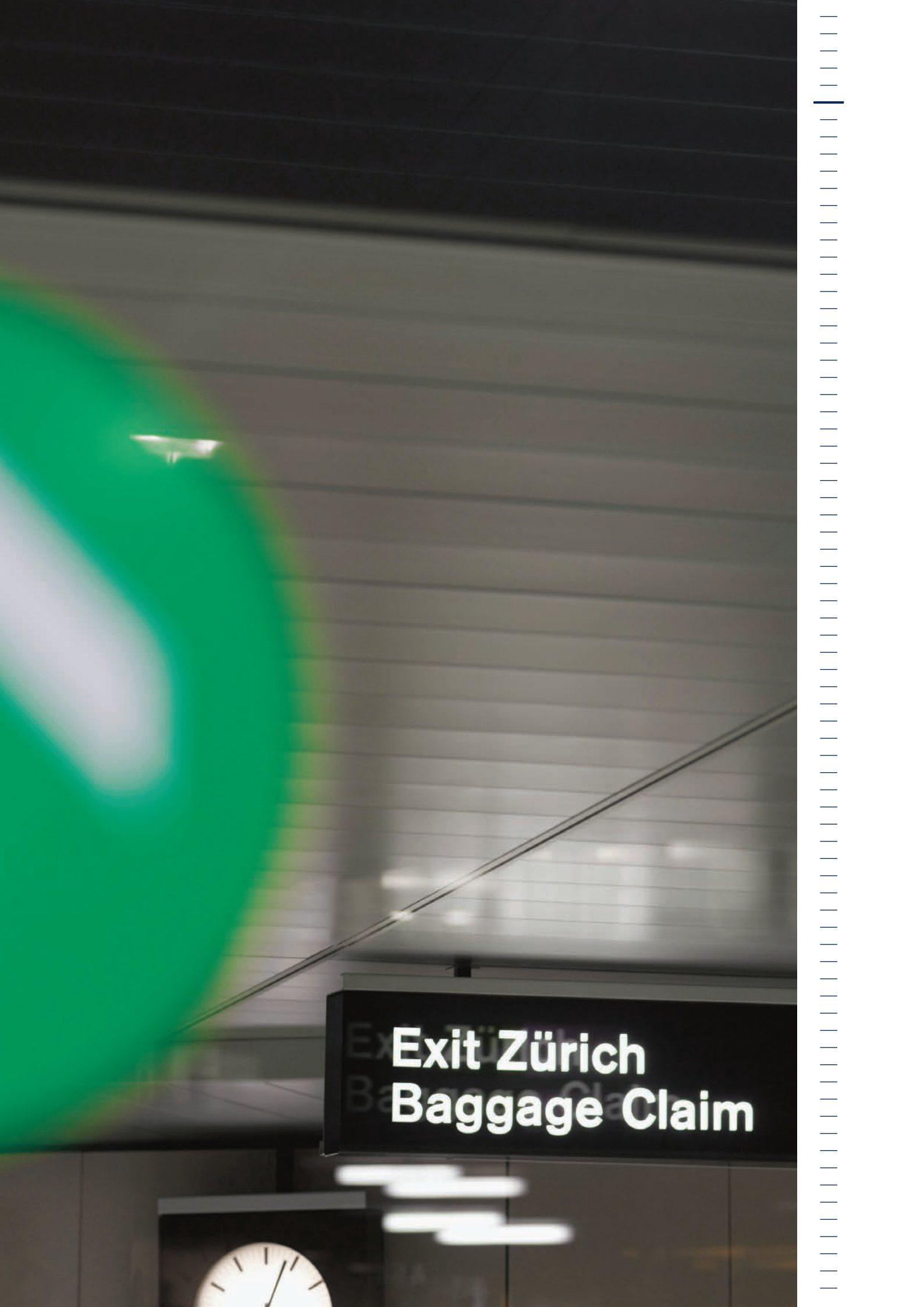
Zurich Airport, 20 August 2008



Andreas Schmid
Chairman
of the Board of Directors



Thomas E. Kern
Chief Executive Officer



**Exit Zürich
Baggage Claim**



Interim consolidated income statement¹⁾
(according to IFRS)

(CHF thousand)	Notes	2008 Jan. to June	2007 Jan. to June	2007 Jan. to Dec.
Revenue from goods and services				
Revenue from aviation operations		260,255	225,164	495,981
Revenue from non-aviation operations		164,451	147,768	306,887
Total revenue		424,706	372,932	802,868
Depreciation and amortisation		(92,135)	(90,410)	(180,913)
Personnel expenses		(73,352)	(77,571)	(160,042)
Police and security		(56,410)	(51,325)	(108,538)
Maintenance and material		(19,745)	(21,484)	(47,727)
Sales, marketing, administration		(18,990)	(17,543)	(40,767)
Energy and waste		(11,785)	(9,976)	(19,095)
Other operating expenses		(17,869)	(10,651)	(20,806)
Other expenses/income, net		(51)	(1,946)	4,222
Profit from operations		134,369	92,026	229,202
Financial expenses	(1)	(39,209)	(43,716)	(81,056)
Financial income	(1)	6,846	9,690	16,467
Share of profit or loss of associates	(2)	(2,053)	368	864
Profit before tax		99,953	58,368	165,477
Income taxes		(20,160)	(12,264)	(34,802)
Profit		79,793	46,104	130,675
Basic earnings per share (in Swiss francs)		12.99	7.51	21.30
Diluted earnings per share (in Swiss francs)		12.99	7.51	21.28

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2007.

Interim consolidated balance sheet¹⁾
(according to IFRS)

(CHF thousand)	Notes	30.6.2008	30.6.2007	31.12.2007
Assets				
Land	(2)	109,547	112,195	112,194
Buildings, engineering structures	(2)	2,294,567	2,389,978	2,318,889
Facilities in leasing	(2)	65,242	70,977	68,124
Projects in progress	(2)	142,803	30,875	103,508
Projects in progress in leasing	(2)	0	0	0
Movables	(2)	79,426	102,774	83,673
Total property, plant and equipment		2,691,585	2,706,799	2,686,388
Intangible assets	(2)	10,760	16,232	12,698
Intangible asset from right of formal expropriation	(2)	241,808	0	240
Investments in associates	(2)	14,572	12,855	17,352
Non-current financial assets of Airport of Zurich Noise Fund	(2/6)	137,033	66,033	126,067
Other financial assets	(2)	291	1,052	287
Non-current assets		3,096,049	2,802,971	2,843,032
Inventories		9,067	5,532	5,054
Current financial assets of Airport of Zurich Noise Fund ²⁾	(6)	118,388	150,866	119,254
Trade receivables		146,434	132,341	115,624
Other receivables and prepaid expenses		27,011	19,011	15,028
Current tax assets		0	0	0
Cash and cash equivalents ²⁾	(3)	100,806	107,360	82,356
Current assets		401,706	415,110	337,316
Total assets		3,497,755	3,218,081	3,180,348
Equity and Liabilities				
Share capital		307,019	307,019	307,019
Own shares		(143)	(537)	(650)
Capital reserves		589,275	590,370	590,869
Hedging reserve, net		(27,752)	(52,448)	(52,105)
Fair value reserve, net		(6,794)	(2,577)	(2,919)
Translation reserve		(3,367)	489	(271)
Other retained earnings		583,607	446,870	531,441
Total equity		1,441,845	1,289,186	1,373,384
Debentures and non-current loans	(4)	1,062,740	1,205,522	1,127,787
Lease liabilities	(4)	65,764	70,213	68,122
Non-current provisions for sound insulation	(5)	124,112	133,796	123,226
Non-current provisions for formal expropriations	(5)	125,740	0	240
Deferred tax liabilities	(7)	107,674	84,652	94,354
Deferred revenue		0	10,011	0
Retirement benefit plans		3,183	2,578	2,918
Non-current liabilities		1,489,213	1,506,772	1,416,647
Trade payables		56,865	26,968	47,773
Current financial liabilities	(4)	156,850	126,848	45,276
Other current debt, accruals and deferrals		336,444	266,442	291,548
Current tax liabilities		15,409	1,865	4,591
Deferred revenue		1,129	0	1,129
Current liabilities		566,697	422,123	390,317
Total liabilities		2,055,910	1,928,895	1,806,964
Total equity and liabilities		3,497,755	3,218,081	3,180,348

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2007.

²⁾ Current financial assets of Airport of Zurich Noise Fund have been reported as a separate item here since the 2007 financial year. The figures have been restated accordingly.

Interim consolidated statement of changes in equity¹⁾
(according to IFRS)

	Share capital	Own shares	Capital reserves	Hedging reserve, net	Fair value reserve, net	Translation reserve	Other retained earnings	Total equity
(CHF thousand)								
Balance at 31.12.2006	307,019	(693)	588,473	(81,683)	(1,386)	(437)	419,171	1,230,464
Adjustment of cross currency interest rate swaps to fair value				27,865				27,865
Cross currency interest rate swaps – transfer to income statement				1,370				1,370
Changes in fair value of available-for-sale securities ³⁾					(1,191)			(1,191)
Foreign exchange differences						926		926
Income and expense recognised directly in equity	0	0	0	29,235	(1,191)	926	0	28,970
Profit, 1 st half-year 2007							46,104	46,104
Total recognised income and expense	0	0	0	29,235	(1,191)	926	46,104	75,074
Dividends paid relating to the 2006 financial year							(18,405)	(18,405)
Purchase of own shares		(93)						(93)
Distribution of own shares		249	(218)					31
Share-based payments			2,115					2,115
Balance at 30.6.2007	307,019	(537)	590,370	(52,448)	(2,577)	489	446,870	1,289,186
Balance at 31.12.2007	307,019	(650)	590,869	(52,105)	(2,919)	(271)	531,441	1,373,384
Change in tax rate ²⁾				(330)				(330)
Adjustment of cross currency interest rate swaps to fair value				20,815				20,815
Cross currency interest rate swaps – transfer to income statement				3,868				3,868
Changes in fair value of available-for-sale securities ³⁾					(3,875)			(3,875)
Foreign exchange differences						(3,096)		(3,096)
Income and expense recognised directly in equity	0	0	0	24,353	(3,875)	(3,096)	0	17,382
Profit, 1 st half-year 2008							79,793	79,793
Total recognised income and expense	0	0	0	24,353	(3,875)	(3,096)	79,793	97,175
Dividends paid relating to the 2007 financial year							(27,627)	(27,627)
Purchase of own shares		(898)						(898)
Distribution of own shares		1,405	(839)					566
Share-based payments			(755)					(755)
Balance at 30.6.2008	307,019	(143)	589,275	(27,752)	(6,794)	(3,367)	583,607	1,441,845

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2007.

²⁾ See "Notes to interim consolidated financial statements (unaudited)", note 7, "Deferred tax liabilities".

³⁾ See "Notes to interim consolidated financial statements (unaudited)", note 6, "Financial assets of Airport of Zurich Noise Fund".

Interim condensed consolidated cash flow statement ¹⁾
(according to IFRS)

(CHF thousand)	2008	2007	2007
	Jan. to June	Jan. to June	Jan. to Dec.
Cash flow from operations	208,290	178,553	410,911
Of which related to aircraft noise	23,102	25,036	50,705
Total cash flow from noise charges	27,849	25,639	57,743
Total cash flow for sound insulation and formal expropriations	[4,747]	[603]	[7,038]
Cash flow from investing activities	(114,474)	(48,035)	(147,339)
Of which related to aircraft noise	(12,247)	(22,842)	(52,606)
Total non-current financial assets of Airport of Zurich Noise Fund	[115,147]	[42,842]	[134,506]
Total current financial assets of Airport of Zurich Noise Fund ²⁾	102,900	20,000	81,900
Cash flow from financing activities	(75,366)	(65,720)	(223,778)
Increase (decrease) in cash and cash equivalents	18,450	64,798	39,794
Balance at beginning of financial period ²⁾	82,356	42,562	42,562
Increase (decrease) in cash and cash equivalents	18,450	64,798	39,794
Balance at end of financial period	100,806	107,360	82,356
Of which included in Airport of Zurich Noise Fund	9,927	153	2,620

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2007.

²⁾ Current financial assets of Airport of Zurich Noise Fund have been reported as a separate item here since the 2007 financial year. The figures have been restated accordingly.

Notes (unaudited)

Segment reporting

	Aviation (flight operations)		Aviation (security) ¹⁾		Aviation (aircraft noise)		Non-Aviation		Eliminations		Consolidated	
	Jan. to June 2008	Jan. to June 2007	Jan. to June 2008	Jan. to June 2007	Jan. to June 2008	Jan. to June 2007	Jan. to June 2008	Jan. to June 2007	Jan. to June 2008	Jan. to June 2007	Jan. to June 2008	Jan. to June 2007
(CHF million)												
Revenue from third parties	161.2	150.7	69.3	47.3	29.8	27.1	164.5	147.8			424.7	372.9
Inter-segment revenue	5.2	4.8	0.3				61.7	63.5	(67.2)	(68.3)		
Total revenue	166.4	155.6	69.6	47.3	29.8	27.1	226.2	211.3	(67.2)	(68.3)	424.7	372.9
Segment result	13.3	3.7	(4.7)	(16.4)	27.7	25.5	98.1	79.3			134.4	92.0
Unallocated expenses												
Profit from operations											134.4	92.0
Financial expenses	(1.5)	(1.4)			(3.5)	(2.5)	(5.4)	(5.7)			(10.4)	(9.5)
Unallocated finance expenses											(28.8)	(34.2)
Financial income					3.6	2.9					3.6	2.9
Unallocated finance income											3.3	6.8
Share of profit or loss of associates	(2.1)	0.4									(2.1)	0.4
Unallocated income taxes											(20.2)	(12.3)
Profit											79.8	46.1
Tangible and intangible assets	878.0	850.3	35.0	28.7	244.1	1.6	1,787.1	1,842.3			2,944.2	2,723.0
Financial assets	0.3	1.1			137.0	66.0					137.3	67.1
Investments in associates	14.6	12.9									14.6	12.9
Current financial assets and cash and cash equivalents					128.3	151.0					128.3	151.0
Total segment assets	892.8	864.2	35.0	28.7	509.4	218.7	1,787.1	1,842.3			3,224.4	2,954.0
Unallocated current financial assets and cash and cash equivalents											90.9	107.2
Unallocated other assets											182.5	156.9
Consolidated assets											3,497.8	3,218.1
Total segment liabilities	70.3	74.7			249.9	133.8	197.4	282.6			517.5	491.0
Unallocated liabilities											1,538.4	1,437.9
Consolidated liabilities											2,055.9	1,928.9
Capital expenditure	28.9	9.2	4.4	1.4	345.6	42.8	69.6	18.8			448.6	72.2
Depreciation and amortisation	25.0	25.5	2.1	2.3	0.1	0.1	65.0	62.5			92.1	90.4
Other non-cash expenses						2.5						2.5
Number of employees (full-time positions)	523	576	15	13	11	11	673	708			1,222	1,308

¹⁾ In order to report in as transparent a manner as possible on the use of security charges, the sub-segment "Aviation security" was created, and was included in the 2007 annual report for the first time.

Notes: As engagements abroad are negligible, a breakdown by geographical region has not been undertaken.
When adding up rounded-up or rounded-down sums, it is possible that minor discrepancies may occur.

Accounting policies (unaudited)

A) Valuation and balance-sheet principles

The unaudited interim condensed consolidated financial statements as of 30 June 2008 were prepared in accordance with International Accounting Standard 34 (IAS 34) governing interim reporting. They do not contain all the data reported in the 2007 consolidated financial statements, and therefore should be read in conjunction with the latter. This is particularly important with respect to the noise-related costs reported in the financial statements.

B) Accounting policies

The accounting policies were the same as those applied in 2007. New standards and interpretations that have to be applied for the first time in the 2008 annual report do not have any influence on interim reporting.

C) Seasonal factors

Given the nature of the civil aviation sector and based on the statistics recorded in previous years, the traffic volume (flights and passengers) is always greater in the second half of the year than in the first half.

Notes to interim condensed consolidated financial statements (unaudited)

Introduction to the notes

Reporting of noise-related costs in the balance sheet

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, as well as to unclear or pending legal practice and political debate.

Around 19,000 claims for noise compensation were submitted to Flughafen Zürich AG of which approximately 2,600 are being handled by the Swiss Federal Appraisals Commission. Rulings have in the meantime been received from the Swiss Federal Supreme Court (formerly "Swiss Federal Tribunal") on the 18 selected pilot cases in the municipality of Opfikon.

The fundamental issues concerning formal expropriations on which the Supreme Court has ruled in the first half of 2008 enable Flughafen Zürich AG to now assess the overall costs for compensating formal expropriations with a degree of reliability – despite the remaining significant uncertainties concerning the accuracy of estimates. This means the company is required to disclose its estimated noise-related costs in the consolidated financial statements, recognise a provision (provision for formal expropriations) and simultaneously recognise an intangible asset from the right to formal expropriation.

Based on the fundamental issues on which the Supreme Court has ruled to date, the reliably calculable noise-related costs ("base case") tentatively amount to a total of 759.8 million Swiss francs (including formal expropriations, costs for sound insulation measures and all operating expenses). This means that the total costs associated with formal expropriations will be less than the previously disclosed potential costs (in the form of a risk assessment) of between 800 million and 1.2 billion Swiss francs.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplement to the merger agreement dated 14 December 1999. The purpose of this supplement was to limit the risks to Flughafen Zürich AG associated with formal expropriations. Under this supplemental agreement, the Canton of Zurich would assume the prefinancing of all "old" noise-related liabilities in the event that, upon payment of the first formal expropriations, the risk should arise that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating expenses) may exceed 1.1 billion Swiss francs (threshold) in an assumed worst case ("negative case"). "Old" noise-related liabilities are liabilities that came into being prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence, making it appropriate for the Canton to assume the prefinancing of these liabilities in an external capacity.

Since at the present time, despite the estimate of 759.8 million Swiss francs stated above, the total expected noise-related costs will still exceed 1.1 billion Swiss francs in a worst-case situation ("negative case") – assuming that rulings still pending will go against Flughafen Zürich AG – the cited prefinancing obligation of the Canton of Zurich

now enters into effect. Under the terms of the supplemental agreement, in return for bearing the risk attached to "old" noise-related liabilities and providing the related financing, the Canton of Zurich is to be allocated a portion of the assets of the Airport of Zurich Noise Fund as of 30 June 2008 and from 1 July 2008 is to receive part of the noise charges as defined in the cited agreement. As a result of the adoption of "old" noise-related liabilities by the Canton of Zurich, the requirement for Flughafen Zürich AG to recognise a provision for "old" compensation payments no longer applies (see note 8.1, "Contingent liabilities").

The rulings on some of the fundamental issues and the initiation of prefinancing by the Canton of Zurich have the following effects on the interim consolidated financial statements as of 30 June 2008:

- In the interim consolidated financial statements as of 30 June 2008, the amount of 125.5 million Swiss francs (present value) has been recognised as a provision for compensation for formal expropriations (nominal amount 150.1 million Swiss francs). At the same time, the present value of these anticipated costs has been recognised at the same level as an intangible asset for the right to formal expropriation (see note 2, "Changes in non-current assets").
- As noted, the prefinancing by the Canton for "old" noise-related liabilities means that the Airport of Zurich Noise Fund has been split as of 30 June 2008. The portion of 115.4 million Swiss francs from the Airport of Zurich Noise Fund, which has to be transferred to the Canton of Zurich, is reported as a current financial liability (see note 4, "Financial liabilities") and at the same time as an intangible asset of the same value (previously as an asset within the Airport of Zurich Noise Fund). This intangible asset represents the effective costs for "old" noise-related liabilities which now have to be processed by the Canton of Zurich, but have already been financed by Flughafen Zürich AG up to 30 June 2008 through collected noise charges.

As of 30 June 2008, the company has thus recognised expenses amounting to 241.8 million Swiss francs for formal expropriations and has recognised provisions for formal expropriations amounting to 125.7 million Swiss francs, plus recognised additional provisions for sound insulation measures amounting to 124.1 million Swiss francs.

As of 1 July 2008, the measures cited above will have the following effects on the consolidated financial statements:

- The revenue from noise charges recognised in the income statement will be reduced by the portion to which the Canton of Zurich is entitled.
- Remuneration for formal expropriations relating to the "new" noise-related liabilities will be paid from the corresponding provision.
- The intangible assets for formal expropriations 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 discounted provision for formal expropriations will be accounted for in the same manner as the unwinding of discount on provisions for sound insulation measures.
- As before, operating expenses will be borne in their entirety by Flughafen Zürich AG (Aircraft Noise section) and charged to the AZNF.
- As before, remuneration for sound insulation measures will be recognised as a separate provision.

Explanations can also be found in the following notes:

- Note 2 "Changes in non-current assets"
- Note 4 "Financial liabilities"
- Note 5 "Non-current provisions for sound insulation and formal expropriations"
- Note 6 "Airport of Zurich Noise Fund (AZNF)"
- Note 8.1 "Contingent liabilities"

Interim consolidated income statement

1) Financial result

(CHF thousand)	2008 Jan. to June	2007 Jan. to June	2007 Jan. to Dec.
Interest expenses on debentures and non-current loans	30,657	33,292	65,714
Less capitalised interest on borrowings for buildings under construction	(923)	(113)	(388)
Net interest expenses on debentures and non-current loans	29,734	33,179	65,326
Interest expenses on finance lease payments	1,485	1,406	2,966
Unwinding of financial liabilities	1,271	1,266	2,554
Other interest expenses	11	8	8
Total interest expenses	32,501	35,859	70,854
Interest difference related to interest rate swap	2,575	3,738	6,720
Other financial expenses	1,692	1,638	3,437
Foreign exchange losses	16	11	45
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	2,425	2,470	0
Total financial expenses	39,209	43,716	81,056
Interest income on financial assets in Airport of Zurich Noise Fund	(3,052)	(2,892)	(5,286)
Interest income on postal cheque accounts and bank deposits/loans	(1,007)	(830)	(2,435)
Interest on arrears	(4)	(10)	(18)
Total interest income	(4,063)	(3,732)	(7,739)
Gain from trading in derivatives			
(change in fair value of interest rate swap)	(2,731)	(5,934)	(6,993)
Interest income on unwinding of discount on non-current provisions for sound insulation and formal expropriations	0	0	(1,665)
Foreign exchange gains	(50)	(17)	(60)
Financial income	(2)	(7)	(10)
Total financial income	(6,846)	(9,690)	(16,467)
Total financial result	32,363	34,026	64,589

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.63 percent for the first half of 2008 (5.55 percent in the prior-year period).

The company holds an interest rate swap to the value of 300 million Swiss francs, which expire on 16 March 2009. This swap does not meet the requirements for cash flow

hedge accounting, and for this reason the changes in fair value of the interest rate swap of 2.7 million Swiss francs (prior-year period, 5.9 million Swiss francs) are recognised in the income statement. The fair value of the interest rate swap as of 30 June 2008 was minus 4.9 million Swiss francs (30 June 2007: minus 9.1 million Swiss francs).

Interim consolidated balance sheet

2) Changes in non-current assets
(according to IFRS)

(CHF million)	Land	Engineering structures	Buildings	Facilities in leasing	Projects in progress	Projects in progress in leasing	Movables	Total property, plant and equipment	Intangible assets	Intangible asset from right of formal expropriation	Investments in associates	Non-current financial assets of Airport of Zurich Noise Fund	Other financial assets	Goodwill	Total
Closing balance sheet as of 31.12.2007	112.2	1,286.8	3,600.4	91.6	103.6	0.0	213.1	5,407.7	76.4	0.2	17.4	129.0	0.3	0.2	5,631.2
Change in consolidation structure								0.0							0.0
Additions					100.1			100.1		241.6	3.2	103.7			448.6
Disposals	(3.7)	(23.9)	(58.3)				(6.3)	(92.2)	(8.3)		(0.4)	(88.3)			(189.2)
Transfers	1.0	39.6	16.8		(60.8)		2.4	(1.0)	1.0						0.0
Foreign exchange differences											(3.1)	(0.5)			(3.6)
Closing balance sheet as of 30.6.2008	109.5	1,302.5	3,558.9	91.6	142.9	0.0	209.2	5,414.6	69.1	241.8	17.1	143.9	0.3	0.2	5,887.0
Depreciation/amortisation and impairment losses															
Closing balance sheet as of 31.12.2007	0.0	594.0	1,968.7	23.5	0.1	0.0	129.4	2,715.7	63.7	0.0	0.0	2.9	0.0	0.2	2,782.5
Change in consolidation structure								0.0							0.0
Additions		18.0	54.6	2.9			8.3	83.8	2.9		2.4				89.2
Changes in fair value / Transfer		0.0	1.9				(1.9)	0.0				3.9			3.9
Disposals		(23.1)	(52.4)				(6.1)	(81.6)	(8.3)						(89.9)
Closing balance sheet as of 30.6.2008	0.0	588.9	1,972.8	26.4	0.1	0.0	129.7	2,717.9	58.4	0.0	2.4	6.8	0.0	0.2	2,785.7
Government subsidies and grants															
Closing balance sheet as of 31.12.2007	0.0	0.1	5.4	0.0	0.0	0.0	0.0	5.5	0.0	0.0	0.0	0.0	0.0	0.0	5.5
Disposals			(0.3)					(0.3)							(0.3)
Closing balance sheet as of 30.6.2008	0.0	0.1	5.1	0.0	0.0	0.0	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0	5.2
Net carrying amount as of 31.12.2007	112.2	692.7	1,626.3	68.1	103.5	0.0	83.7	2,686.5	12.7	0.2	17.4	126.1	0.3	0.0	2,843.2
Net carrying amount as of 30.6.2008	109.5	713.5	1,581.0	65.2	142.8	0.0	79.5	2,691.5	10.7	241.8	14.7	137.1	0.3	0.0	3,096.1

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

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 of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments. This right is capitalised as an intangible asset. Capitalisation takes place at the time at which the probable total costs can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21.

At the same time as the intangible asset is recognised at present value of the expected future payments (125.5 million Swiss francs as of 30 June 2008), an equal amount is recognised as a provision (see note 5, "Non-current provisions for sound insulation and formal expropriations"). The portion of the Airport of Zurich Noise Fund (AZNF) amounting to 115.4 million Swiss francs,

which under the supplement to the merger agreement concluded on 8 March 2006 is to be allocated to the Canton, is also recognised in the balance sheet as an intangible asset from the right of formal expropriation. These intangible assets are amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

Investments in associates

Flughafen Zürich AG holds a 17 percent stake in the Indian airport operator, Bengaluru International Airport Ltd. (BIAL). BIAL was officially handed over for flight operations on 24 May 2008 after a construction period of 35 months. As of 30 June 2008, Flughafen Zürich AG carried out a valuation adjustment amounting to a total of -5.5 million Swiss francs based on foreign exchange valuation differences and using the equity accounting method. The adjusted carrying amount of BIAL as of 30 June 2008 is 13.1 million Swiss francs.

3) Cash and cash equivalents

(CHF thousand)	30.6.2008	Of which AZNF ¹⁾	30.6.2007	Of which AZNF ¹⁾	31.12.2007	Of which AZNF ¹⁾
Cash on hand	126		156		134	
Cash at banks and in postal cheque accounts	31,155	5,427	14,403	153	30,896	2,620
Call deposits due within 30 days	10,500	4,500	11,000		11,000	
Fixed deposits due within 30 days	10,000		70,000		35,000	
Collateral due within 90 days	4,025		1,801		5,326	
Fixed deposits due within 90 days	45,000		10,000		0	
Total cash and cash equivalents	100,806	9,927	107,360	153	82,356	2,620

¹⁾ Since 14 June 2006, the liquid funds of Airport of Zurich Noise Fund (AZNF) have been invested separately in financial assets and cash equivalents (see also note 6, "Airport of Zurich Noise Fund").

4) Financial liabilities

(CHF thousand)	30.6.2008	30.6.2007	31.12.2007
Japanese private placement	349,673	361,279	369,224
US private placement	275,525	332,619	304,551
Debentures	277,087	276,495	276,789
Non-current liabilities towards banks arising from US car park lease	160,456	235,129	177,223
Lease liabilities	65,764	70,213	68,122
Non-current financial liabilities	1,128,505	1,275,735	1,195,909
Current liabilities towards banks arising from US car park lease	36,895	47,422	40,877
Current lease liabilities	4,555	4,450	4,399
Debenture (redemption 28.9.2007)	0	74,976	0
Current financial liability towards Canton of Zurich	115,400	0	0
Current financial liabilities	156,850	126,848	45,276
Total financial liabilities	1,285,355	1,402,583	1,241,185

The changes in the Japanese private placement and US private placement are attributable to foreign currency fluctuations on the borrowed amounts. The change in liabilities towards banks arising from the US car park lease comprises the foreign exchange influence as well as the annual repayment instalments.

As already stated in the introduction to the notes, the prefinancing by the Canton for old noise-related liabilities means that the Airport of Zurich Noise Fund has been split between the Canton of Zurich and Flughafen Zürich AG as of 30 June 2008. The portion of 115.4 million Swiss francs, which will be transferred to the Canton of Zurich within an agreed deadline, is recognised as a current financial liability.

5) Non-current provisions for sound insulation and formal expropriations

(CHF in thousand)	Sound insulation	Formal expropriations	Total
Provisions as of 31.12.2006	131,929	0	131,929
Provision used	(603)	0	(603)
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	2,470	0	2,470
Provisions as of 30.6.2007	133,796	0	133,796
Provision used	(6,435)	0	(6,435)
Provision reversed	0	0	0
Provision made	0	240	240
Interest income from unwinding of discount ¹⁾	(4,135)	0	(4,135)
Provisions as of 31.12.2007	123,226	240	123,466
Provision used	(1,539)	0	(1,539)
Provision reversed	0	0	0
Provision made	0	125,500	125,500
Unwinding of discount	2,425	0	2,425
Provisions as of 30.6.2008	124,112	125,740	249,852

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

Provisions for sound insulation costs

Flughafen Zürich AG has effectively committed itself to bearing approximately 240 million Swiss francs in costs for sound insulation measures, some of which have already been carried out, while others have been announced. As of the balance sheet date, a total of 97.2 million Swiss francs had been paid. Flughafen Zürich AG is in the process of drafting a concept for reimbursing home owners for the costs they incur for sound insulation measures. The estimated costs still outstanding are stated at the present value in the breakdown of provisions shown below. The applicable discount rate for the unwinding of discount is 4 percent.

Provisions for formal expropriations

Based on the fundamental issues on which the Supreme Court has ruled to date, the reliably calculable noise-related costs amount to a total of 759.8 million Swiss francs (including formal expropriations, costs for sound insulation measures and all operating expenses). Taking into account the prefinancing by the Canton of Zurich, the sum of 125.5 million Swiss francs (nominal value, 150.1 million) has been discounted in the interim consolidated financial statements as of 30 June 2008 as a provision for compensation of formal expropriations. The applicable discount rate is 4 percent.

6) Airport of Zurich Noise Fund (AZNF)

The situation of this fund is as follows:

(CHF thousand)	30.6.2008	30.6.2007	31.12.2007
Airport of Zurich Noise Fund as of 1 January	248,564	197,010	197,010
Total revenue from noise charges ¹⁾	27,849	25,639	57,743
Total costs for sound insulation and other measures	[4,747]	[603]	[7,038]
Net result before operating and imputed costs	271,666	222,046	247,715
Noise-related operating costs	[2,158]	[1,634]	[3,974]
Interest income from assets of Airport of Zurich Noise Fund	3,968	2,160	7,256
Change in fair value of available-for-sale securities	[3,875]	[1,191]	[1,533]
Realised loss on financial assets	[503]	0	[900]
Airport of Zurich Noise Fund as of balance sheet date	269,098	221,381	248,564

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

(CHF thousand)	30.6.2008	30.6.2007	31.12.2007
Cash equivalents [see note 3, "Cash and cash equivalents"]	9,927	153	2,620
Current available-for-sale securities	118,388	150,866	119,254
Non-current available-for-sale securities	137,033	66,033	126,067
Obligation for Flughafen Zürich AG ²⁾	3,750	4,329	623
Total assets invested for Airport of Zurich Noise Fund	269,098	221,381	248,564

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

²⁾ For accounting reasons, a credit or an obligation results for Flughafen Zürich AG as of balance sheet date. This is compensated in the month following, so the balance of liquid funds is restored.

These funds are managed by professional investment advisers on the basis of a conservative, money-market-oriented investment strategy.

As already stated in the introduction to the notes to the interim condensed consolidated financial statements,

the prefinancing by the Canton for "old" noise-related liabilities means that the Airport of Zurich Noise Fund has been split between the Canton of Zurich and Flughafen Zürich AG as of 30 June 2008. The amount of 115.4 million Swiss francs will be transferred to the Canton of Zurich within an agreed deadline.

7) Deferred tax liabilities

In accordance with IAS 12.47, deferred tax assets and liabilities are calculated at the anticipated yearly income tax rate. Flughafen Zürich AG anticipates a new yearly tax rate of 20.5 percent (previous rate, 21 percent). In accordance with IAS 12.60, the change in the tax rate is recognised in the income statement or in equity.

The status of deferred taxes evolved as follows:

(CHF thousand)	30.6.2008	30.6.2007	31.12.2007
Opening balance (deferred tax liability, net)	94,354	68,416	68,416
Change in tax rate, recognised in equity (hedging reserves)	330	0	0
Change in tax rate, recognised in the income statement	(2,576)	0	0
Deferred taxes on changes in fair value of cross currency interest rate swaps booked in equity (hedging reserves)	5,367	2,241	6,540
Cross currency interest rate swaps-transfer to income statement	998	5,531	1,322
Change according to income statement	9,201	8,464	18,076
At end of period (deferred tax liability, net)	107,674	84,652	94,354

8) Further details

8.1) Contingent liabilities

A number of legal proceedings and claims against Flughafen Zürich AG within the scope of normal business activities are still pending. In the opinion of the company, the amount required for settling these lawsuits and claims will not have a negative impact on the consolidated financial statements and cash flow.

On 4 October 2001, Swissair Schweizerische Luftverkehr Aktiengesellschaft (Swissair) paid the amount of 21.8 million Swiss francs to Flughafen Zürich AG in settlement of airport charges for the month of July 2001. On 2 October 2001, Swissair had already ceased operation due to lack of liquidity. Swissair then applied for deferment of bankruptcy, which was granted on 5 October 2001. On 23 May 2005, the liquidator of Swissair Schweizerische Luftverkehr AG in Nachlassliquidation contested the cited payment and demanded that it be refunded, since in his view, Flughafen Zürich AG had been given preference over other creditors. Flughafen Zürich AG regards this payment as lawful. On 17 November 2005, a lawsuit was filed within the stated deadline with the commercial court by Swissair, represented by its liquidator. On 19 November 2007, the commercial court ruled in favour of Flughafen Zürich AG and rejected the demand on the part of Swissair. The latter appealed to the Swiss Supreme Court as final instance against the ruling of the commercial court, and this means that the lawsuit is still pending.

In the event that, as a result of future legal practice, the assumed worst-case scenario ("negative case") relating to the reporting of the total noise-related costs should be

below the threshold of 1.1 billion Swiss francs, in accordance with the supplemental agreement dated 8 March 2006 the prefinancing of "old" noise-related liabilities by the Canton of Zurich no longer applies. Instead, Flughafen Zürich AG would assume the remaining unpaid "old" noise-related liabilities and in return the Canton of Zurich would pay back the proportional balance of the AZNF ("reversal"). At the same time, the split of noise charges would no longer apply. At this juncture, Flughafen Zürich will carry out an updated estimate of the total outstanding noise-related costs and adjust the recognised assets and liabilities accordingly. Should the total noise-related costs be higher than the threshold of 1.1 billion Swiss francs as the result of final rulings (worst case), Flughafen Zürich AG will also carry out an updated estimate of the total outstanding noise-related costs (only "new" noise-related liabilities) and adjust the recognised assets and liabilities accordingly. In this case, the prefinancing by the Canton of Zurich and the division of noise charges remain applicable. It is not possible to make reliable estimates at this time.

8.2) Events occurring after the balance sheet date

On 14 August 2008, the Audit and Finance Committee authorised this interim report for issue. No events occurred between 30 June 2008 and the date on which the interim consolidated condensed financial statements were authorised for issue by the Audit and Finance Committee which would require the modification of any of the carrying amounts concerning the assets and liabilities of the group or which would have to be reported here.

