ZÜRICH AIRPORT

Interim report | 2010

Key data, first half of 2010[1]

Amounts in accordance with International Financial Reporting Standards (IFRS).

(CHF 1,000)	Jan. to June 2010	Jan. to June 2009	Change in %
Total revenue	408,079	395,719	3.1
of which revenue from aviation operations	247,759	238,583	3.9
of which revenue from non-aviation operations	160,320	157,136	2.0
Operating expenses	–213,097	–207,549	2.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	194,982	188,170	3.6
EBITDA margin (in %)	47.8	47.6	
Earnings before interest and tax (EBIT)	100,438	94,613	6.2
EBIT margin (in %)	24.6	23.9	
Profit	49,691	47,183	5.3
Cash flow from operating activities	206,882	144,559	43.1
Cash flow from investing activities	–104,703	–106,217	–1.4
Invested capital as of 30 June	2,738,482	2,772,893	–1.2
Average capital employed	2,755,688	2,750,046	0.2
Return on average capital employed (ROCE in %) [2]	6.3	5.6	
Equity as of 30 June	1,585,301	1,456,421	8.9
Return on equity (in %) [2]	12.7	6.1	
Equity ratio (in %)	46.3	42.1	
Interest-bearing liabilities (net)	861,394	1,022,080	–15.7
Interest-bearing liabilities/EBITDA [2]	2.11x	2.68x	
Key operational data			
Number of passengers	10,508,821	10,200,951	3.0
Number of flight movements	128,912	127,303	1.3
Freight in tonnes	200,630	162,418	23.5
Number of full-time positions as of 30 June	1,293	1,302	–0.7
Number of employees as of 30 June	1,539	1,546	–0.5
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	258.18	237.19	8.9
Basic earnings per share (CHF)	8.10	7.72	4.9
Diluted earnings per share (CHF)	8.09	7.72	4.8
Share price as of 30 June (CHF)	320.00	243.00	31.7
Market capitalisation as of 30 June (CHF million)	1,965	1,492	31.7
	Security No.	SIX symbol	ISIN
Flughafen Zürich AG (registered share)	1,056,796	FHZN	CH0010567961

[1] All cited key financial data are unaudited.

[2] Based on the result of the 12-month period preceding the reporting date.

Key data excluding the influence of aircraft noise[1)/2)]

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

(CHF 1,000)	Jan. to June 2010	Jan. to June 2009	Change in %
Total revenue [3)]	394,084	379,953	3.7
of which revenue from aviation operations	233,764	222,817	4.9
of which revenue from non-aviation operations [3)]	160,320	157,136	2.0
Operating expenses [3)]	–210,911	–205,242	2.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	183,173	174,711	4.8
EBITDA margin (in %) [3)]	46.5	46.0	
Earnings before interest and tax (EBIT)	91,446	83,971	8.9
EBIT margin (in %) [3)]	23.2	22.1	
Profit	44,901	40,152	11.8
Cash flow from operating activities	190,772	132,788	43.7
Cash flow from investing activities	–87,144	–85,645	1.8
Invested capital as of 30 June	2,592,254	2,638,381	–1.8
Average capital employed	2,615,317	2,562,051	2.1
Return on average capital employed (ROCE in %) [4)]	6.0	5.3	
Equity as of 30 June	1,439,074	1,321,908	8.9
Return on equity (in %) [4)]	13.1	6.1	
Equity ratio (in %)	48.2	43.4	
Interest-bearing liabilities (net)	1,059,720	1,192,927	–11.2
Interest-bearing liabilities/EBITDA [4)]	2.77x	3.37x	
Key operational data			
Number of passengers	10,508,821	10,200,951	3.0
Number of flight movements	128,912	127,303	1.3
Freight in tonnes	200,630	162,418	23.5
Number of full-time positions as of 30 June	1,282	1,290	–0.6
Number of employees as of 30 June	1,528	1,534	–0.4
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	234.36	215.28	8.9
Basic earnings per share (CHF)	7.32	6.57	11.4
Diluted earnings per share (CHF)	7.31	6.57	11.3
Share price as of 30 June (CHF)	320.00	243.00	31.7
Market capitalisation as of 30 June (CHF million)	1,965	1,492	31.7
	Security No.	SIX symbol	ISIN
Flughafen Zürich AG (registered share)	1,056,796	FHZN	CH0010567961

1) All cited key financial data are unaudited.

2) The reported key data excluding the influence of aircraft noise were adjusted for all main items relating to aircraft noise in the income statement and balance sheet. In the income statement, these positions are noise charges, noise-related operating expenses, amortisation on the intangible asset from the right of formal expropriation, noise-related finance costs and finance income, and the tax effects arising from these adjustments. In the balance sheet, all the main noise-related asset and liability items have been eliminated.

3) Eliminations of noise-related operating costs are now presented as reductions in operating expenses (previously non-aviation revenue). The prior-year amounts were reclassified accordingly.

4) Based on the result of the 12-month period preceding the reporting date.

Place
Butzenbüel
Zurich Airport

Name
Bettina Romeyke

Dear Shareholders,
Ladies and Gentlemen,

The performance of Flughafen Zürich AG in the first half of 2010 was impacted by a still challenging, yet slowly improving economic environment and an unforeseen natural event. Nevertheless, the company is able to post an upbeat set of interim results. For the first six months of the year, Flughafen Zürich AG is reporting a 3.1 percent increase in total revenue to CHF 408.1 million (H1 2009: CHF 395.7 million) and a profit of CHF 49.7 million (H1 2009: CHF 47.2 million). Both total revenue and profit would have been higher had it not been for the volcanic eruption in Iceland with a resulting loss of revenue. Earnings per share are up on the prior-year figure of CHF 7.72 at CHF 8.10.

Business trend

Trend in traffic volume

Zurich Airport was used by a total of 10,508,821 passengers in the first half of 2010 (+3.0 percent). While the number of local passengers increased by 5.3 percent to 6.8 million, the number of transfer passengers declined by a marginal 1.0 percent. Numbering roughly 3.7 million in total, the proportion of transfer passengers dropped slightly to 35.0 percent. Having recorded growth of 3.0 percent, Zurich Airport finds itself in the middle of the European league table, partly because it saw a relatively moderate decline in the first half of 2009.

Flight movements increased by 1.3 percent, i.e. at a slower pace than passenger numbers. This was reflected in a larger number of passengers per flight. The average number of passengers per flight rose by 2.2 to 96.4 and the seat load factor from 69.0 percent to 70.5 percent.

Passenger numbers increased both on flights to and from European countries and on intercontinental flights. While the number of passengers travelling to and from European countries rose by 2.1 percent, the number travelling to or from another continent climbed by 6.1 percent. North America recorded passenger growth that was clearly above average at 9.6 percent, followed by Asia at 4.9 percent, Africa at 3.9 percent and Latin America at 2.1 percent. The volume of passengers in the low-cost segment was up by 9.1 percent, while as a proportion of total traffic, the segment remained almost unchanged compared with the end of 2009 at 10.4 percent.

Trend in total revenue

Total revenue increased by 3.1 percent compared with the previous interim period, from CHF 395.7 million to CHF 408.1 million. It would have been higher had it not been for the volcanic eruption in Iceland with a resulting loss of revenue. Revenue from aviation operations rose by 3.9 percent to CHF 247.8 million. This growth is primarily the result of a greater number of passengers and the introduction on 1 November 2009 of the new fee to finance assistance for passengers with reduced mobility. Landing fees remained on a par with the previous year, as a slight increase in the number of flight movements coincided with a decline in the average take-off weight.

Non-aviation revenue was 2.0 percent up on the prior-year figure at CHF 160.3 million. An above-average contribution to this growth came from higher commercial revenue, which was up by 7.9 percent. Revenue per departing passenger rose by 2.3 percent, from CHF 43.19 to CHF 44.18. Parking revenue increased at a slower than-average pace of 1.8 percent due to a slight change in the transport mix of passengers and customers travelling to the airport, an increasing number of whom used public transport. Although revenue from facility management declined by 3.4 percent, this was purely due to a significant drop in revenue from energy and incidental costs. Factoring out this decrease, revenue from facility management remained stable compared with the first half of 2009. Revenue from services increased by 10.3 percent compared to the previous interim period due primarily to higher consulting revenue internationally and higher service revenue at Zurich Airport.

Key operating data and results

Operating expenses increased by 2.7 percent compared with the previous interim period to CHF 213.1 million, partly because of the first-time costs of assistance for passengers with reduced mobility. Excluding these costs, which are refinanced through a new fee, operating expenses would have been almost unchanged compared with the previous interim period. Personnel expenses were up by a marginal 1.1 percent due primarily to a nominal pay increase granted with effect from 1 May 2009. The number of employees was slightly lower than at the end of 2009 despite a rise in the traffic figures. Police and security expenses increased by 0.6 percent. Maintenance and material expenses rose at a faster-than-average pace of 6.7 percent, partly because of the harsh winter and the resulting increase in the amount of de-icing agents used. Administrative expenses declined at an above-average pace.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were CHF 6.8 million up on the prior-year figure of CHF 188.2 million at CHF 195.0 million. Despite the revenue lost as a result of the volcanic eruption, the EBITDA margin increased slightly to 47.8 percent. This was due to the improvement in productivity compared with the prior-year period.

Earnings before interest and tax (EBIT) rose by 6.2 percent, from CHF 94.6 million to CHF 100.4 million. Excluding noise-related income and costs, the improvement in EBIT comes to 8.9 percent.

EBIT in the “Non-aviation” segment declined from CHF 90.1 million to CHF 87.3 million, while in the “Aviation flight operations” segment it climbed from CHF 2.2 million to CHF 10.8 million. The “Aviation security” segment reported a further loss, this time in the amount of CHF 6.7 million (H1 2009: CHF –8.3 million). Finally, the “Aviation aircraft noise” segment contributed CHF 9.0 million to EBIT (H1 2009: CHF 10.6 million).

Net finance costs remained almost unchanged at CHF 38.3 million (–0.2 percent). The share of profit or loss of associates fell to zero compared with a profit of CHF 3.4 million in the prior-year period, which was primarily the result of a one-time effect. The local airport operator Bangalore International Airport Ltd. (BIAL) had reassessed the useful life of the infrastructure at Bengaluru Airport, which resulted in a lower depreciation charge for BIAL for financial year 2008/2009. Flughafen Zürich AG thus made a corresponding adjustment to its share of BIAL's equity at 30 June 2009. In the first half of 2010, this gratifying operating profit at BIAL was offset by an amortisation charge on an intangible asset at the Latin American holding A-port Operaçiones.

The reported interim profit is 5.3 percent up on the prior-year figure of CHF 47.2 million at CHF 49.7 million. The profit excluding aircraft noise comes to CHF 44.9 million (H1 2009: CHF 40.2 million), corresponding to a rise of 11.8 percent.

Assets and financial position

In the first half of 2010, investments in property, plant and equipment amounted to CHF 90.1 million, an increase of CHF 12.6 million over the prior-year figure (CHF 77.5 million). Approximately CHF 47.4 million was invested in the "Zurich 2010" project. Significant amounts were also invested in the airport vehicle fleet (CHF 4.1 million), various maintenance operations to maintain the value of engineering structures (CHF 3.8 million) and the renovation of car park 2 (CHF 3.0 million).

Financial liabilities declined by CHF 94.9 million compared with 31 December 2009 to CHF 1.15 billion. This reduction is due primarily to the repayment of a debenture in mid-June 2010. Net debt increased by 2.8 percent in the same period to CHF 861.4 million.

(CHF 1,000)	Jan. to June 2010 including aircraft noise	Elimination of aircraft noise	Jan. to June 2010 excluding aircraft noise	Jan. to June 2009 including aircraft noise	Elimination of aircraft noise	Jan. to June 2009 excluding aircraft noise
Revenue from aviation operations	247,759	–13,995	233,764	238,583	–15,766	222,817
Revenue from non-aviation operations [1]	160,320	0	160,320	157,136	0	157,136
Total revenue	408,079	–13,995	394,084	395,719	–15,766	379,953
Operating expenses [1]	–213,097	2,186	–210,911	–207,549	2,307	–205,242
Earnings before interest, tax, depreciation and amortisation (EBITDA)	194,982	–11,809	183,173	188,170	–13,459	174,711
EBITDA margin (in %)	47.8		46.5	47.6		46.0
Depreciation and amortisation	–94,544	2,817	–91,727	–93,557	2,817	–90,740
Earnings before interest and tax (EBIT)	100,438	–8,992	91,446	94,613	–10,642	83,971
EBIT margin (in %)	24.6		23.2	23.9		22.1
Profit	49,691	–4,790	44,901	47,183	–7,031	40,152
Profit in % of total revenue	12.2		11.4	11.9		10.6

[1] Eliminations of noise-related operating costs are now presented as reductions in operating expenses (previously non-aviation revenue). The prior-year amounts were reclassified accordingly.

Company

Flughafen Zürich AG faced a number of exceptional events during the first six months of the year. Some had been long planned and carefully prepared, while others brought surprises, some more pleasant than others.

The first highlight came right at the beginning of the year when Zurich Airport received its first visit from an Airbus A380. The factory-owned aircraft spent 24 hours at Zurich Airport so that a series of tests could be carried out. Although this was an extremely short window for the task in hand, the hard work put in by everyone involved meant that there was still time for the public event, “Welcome A380”. The response both from the public and in the media was overwhelming. Zurich Airport was promptly certified to handle the Airbus A380, enabling Singapore Airlines to start operating this aircraft on its daily service between Zurich and Singapore when the summer timetable began on 28 March. Construction work is currently under way on the third passenger ramp at stand E67. This will be completed in early December 2010, allowing the world’s largest passenger airliner to be serviced on two decks.

Another milestone that put the company in the spotlight then followed on 15 April 2010 when the extensive rebranding was launched at the General Meeting of Shareholders. As of that date, the company ceased to use the “Unique” brand and instead adopted a new single-brand strategy entitled “Flughafen Zürich”. The rebranding also involves the development of a new visual design for Zurich Airport as a travel destination and shopping centre as well as for marketing purposes in Switzerland and abroad.

The rebranding coincided almost exactly with an event of unexpected magnitude. On the day after the General Meeting of Shareholders, the Icelandic volcano Eyjafiallajökull erupted, bringing air traffic across half of Europe to a standstill for several days. Zurich Airport was also unable to operate flights for three days. Thanks not least to the professional organisation provided by the crisis team and partner companies at Zurich Airport, which coordinated their efforts superbly, Zurich was able to respond to this event quickly and efficiently.

Over the last few months, the business activities of Flughafen Zürich AG, including its cost and revenue structures, have undergone an in-depth review. Numerous areas with cost-saving potential have been identified. Among other things, this will result in a decrease in the headcount by about 60 full-time equivalent positions. One of the company’s priorities is to remain competitive over the long term, making it essential to examine performance and processes and systematically exploit the potential for savings, especially during times of financial success.

Progress on important infrastructure projects

Building sites are a part of everyday life at Zurich Airport. They are a permanent feature of the landscape and testify to the airport operator’s determination to provide modern infrastructure. Not just for today, but for tomorrow as well, as the demand for mobility is unceasing and, what’s more, is set to increase rapidly over the next 20 years.

Through its “Zürich 2010” project, Flughafen Zürich AG is providing the passenger infrastructure required by the Schengen Agreement and at the same time enhancing the quality and user-friendliness of the airport for travellers by revamping Dock B and centralising security checks. The first quarter of 2010 saw the start of construction work on the two projects, which are both on budget and on schedule.

By the end of 2011, what is currently a bare steel structure extending into the apron will be transformed into a resplendent new facility 250 metres long, 45 metres wide and encompassing 35,000 m² of floor space. The new Dock B will allow flexible servicing of Schengen and non-Schengen flights at up to nine docking bays and eight non-Schengen bus gates, with passengers split between two levels. This will enable operations to be highly adaptable and optimum use to be made of the stands. Dock B takes its cue from the Airside Center in terms of building quality and interior design, but has its own choice of materials, colour scheme, structural design and specification details. The building’s characteristic features include the glass façade, the light wells and the roof with the new viewing terrace, which will offer a number of attractions. Alongside the shopping and catering facilities for passengers, these are of enormous importance, as Zurich Airport is one of the most popular destinations in Switzerland.

In parallel with the construction of Dock B, extensive renovation work is being carried out on the apron and an operational bottleneck removed in the taxiway system. At the top of Dock B there will be a dual taxiway connecting the south hangar and the stands there with the terminal-side buildings and the eastern end of runway 10.

Following the completion of the security check building, all passengers and staff will be screened before they go airside, giving them more time to enjoy the attractive shopping and catering facilities in the Airside Center. The security check facilities are being centralised in a single area, with a total of 26 new security lines distributed over four floors. There are also plans to install retail space for tax- and duty-free products in the zone between security and the Airside Center. This offering will make an important contribution towards refinancing the entire project. Centralising security checks will also enable a reduction in operating costs.

The upgrading of the Skymetro was completed successfully on 19 April 2010. Each of the three Skymetro trains has been extended from two to three cars, enabling far more passengers to be transported and passenger flows to be separated. As well as being completed on time and on budget, the upgrade brings a welcome reduction in waiting times, particularly during peak travel periods.

Alongside "Zürich 2010", preparations are also progressing according to plan for another large-scale project. "The Circle" is Flughafen Zürich AG's project to create a high-quality facility for innovative services within walking distance of the terminals. The one-year international architecture competition drew to a close in February 2010. In a next step, the design presented by Japanese architect Riken Yamamoto will be further developed as part of a preliminary study in order to factor in the building owner's clearly defined requirements, particularly those regarding cost effectiveness, design and functionality. Construction is currently scheduled to begin in 2012 and the first section to be opened at the end of 2016. The schedule depends, among other things, on the further development of the project and the amount of time required for the approval process.

Update on aviation and non-aviation business

The percentage of on-time departures is one of the most important indicators of an airport's quality. In the first half of 2010, the punctuality rate of flights departing from Zurich was 77 percent, 3 percent below the annual target of 80 percent. This was due to the harsh winter in Switzerland and across Europe as well as the impact of the volcanic eruption and the air traffic restrictions in place between the middle of April and the beginning of May. Punctuality in the first half of the year was also negatively impacted by slot delays. These were caused, among other things, by the increase in air traffic, strikes outside Switzerland and adverse weather conditions.

San Francisco has long been on many people's wish list and is now back on the network of routes from Zurich. Since 2 June, Swiss International Air Lines has been flying to this "golden" destination with its trademark Golden Gate Bridge six times a week. Other new destinations include Casablanca, Rostock and Linz. Although Singapore Airlines only flies between Zurich and Singapore once a day, it is now operating the new Airbus A380 on this route. This has very quickly become a crowd-puller and even months after its introduction is still filling the viewing terrace and the "spotter" points around the airport. Air Berlin, the second largest user of Zurich Airport, is now flying to several new destinations in Europe, including Bari, Malaga, Naples, Palermo and Rimini. Vueling Airlines, a newcomer to Zurich, provides services to Santiago de Compostela.

The Commercial Real Estate division performed well. Despite the challenging economic environment, it is still able to let large areas of space and thus reduce the vacancy rate, testifying to Zurich Airport's attractiveness as an office and commercial location. Operation Center 1 and Prime Center 2 have been almost fully let again following the departure of Swiss and Skyguide. The new tenants are Swiss Federal Railways (SBB), Zurich's cantonal buildings insurer GVZ, the Federal Customs Administration and the border police. SBB is consolidating its various management offices across eastern Switzerland on one site at Zurich Airport and, with over 5,200 m² of space, will be the largest tenant. GVZ, on the space it rents, is setting up a call centre for emergency calls to 118 and 114, which will be operated by the staff of Zurich's Protection and Rescue service.

The airport operator was also able to renew contracts with other strategically important partners. A contract extension was agreed with SR Technics, for example, and important commercial agreements extended with partners such as Nuance Group AG, HMS Host and SSP Select Service Partners.

To enable it to maintain a presence in the key tourism industry, Zurich Airport extended a comprehensive and mutually beneficial agreement with Switzerland Tourism. The national tourist office represents its interests and relays its communications to tour operators, travel offices and media abroad, particularly in India, Russia, China, Japan, South Korea, the Gulf States, the USA, Canada and the United Kingdom, all of which are strategic target markets. In return, the airport operator provides Switzerland Tourism with various marketing platforms.

At the same time, the range of shopping facilities on offer continues to be developed. Over the last few months, a whole raft of well-known retailers have opened their doors at Zurich Airport. In March, Navyboot invited shoppers to the launch of its onshore store. It was followed at the end of April by nearby Herren Globus and, finally in June, Swiss Shop invited shoppers to its opening at Check-in 1.

Unfortunately, there is one gap in the offering at Zurich Airport that cannot be filled. Together with its partner Swiss Casinos, the airport operator had bid for a new casino licence, but this was awarded to the City of Zurich. For Flughafen Zürich AG, the decision is a disappointment and only partly understandable, especially as Zurich Airport would have been an ideal location for a casino, and not just because of its unique transport links.

Political developments
Flughafen Zürich AG needs an optimum political environment if it is to be sure of running a high-quality, commercially successful operation in the medium to long term. In recent years, both in the Sectoral Aviation Infrastructure Plan (Sachplan Infrastruktur Luftfahrt – SIL) and in negotiations with Germany, the technical foundations have been laid for the long-term defusing at political level of the noise problem at Zurich airport. The Federal Office of Civil Aviation (FOCA) published its final report on the SIL coordination process in February 2010. Of the three operational variants under consideration, the airport operator favours variant "J optimised".

Based on extending runway 28 westwards, this comes out significantly better than the other variants with regard to the number of people affected by noise, given the same capacity. It is now up to the federal government to make a decision as quickly as possible, thus creating legal and planning certainty for the airport and the region surrounding it.

A joint noise analysis conducted in connection with the negotiations with Germany has shown that inhabitants of the southern German part of the Upper Rhine region are not exposed to noise levels that would be deemed excessive in terms of German legislation. The areas in need of protection by this definition are located entirely in Switzerland. In mid-March, on the basis of noise analyses, the Head of the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) and his German opposite number asked a working group to hold discussions aimed at making long-term, mutually acceptable arrangements for the use of southern German airspace for landings at Zurich airport. This working group met at the end of April 2010 to consider the problem of noise. Switzerland presented proposals for a possible solution, and further meetings will be held to consider these.

The official "No new or extended runways" initiative is still pending. This calls on the canton of Zurich to exert its influence with the federal government and the Board of Directors of Flughafen Zürich AG in opposition to new and extended runways. The government of the canton of Zurich recommends rejecting the initiative, while on 23 February 2009 the cantonal council voted to support it. The right-of-centre parties on the council called for a referendum on that decision, and at the same time the VFSN – a group campaigning against a southern air corridor – has called for a referendum and filed a counterproposal. This urges the canton to go further than the initiative and oppose new flights (as compared with the situation in 2000) over densely populated areas and the construction of high-speed taxiway turn-offs. Both the government and council of the canton of Zurich have declared the counterproposal to be partially invalid, and have therefore decided only to put its valid components to the electorate in a referendum. The VFSN has lodged an appeal against that ruling with the Federal Supreme Court, and the verdict has yet to be handed down. The date when the referendum will be held is thus not yet known.

In April 2010 the Federal Supreme Court confirmed the verdict of the Federal Administrative Court on the airport's provisional operating regulations, despite the fact that it had yet to rule on a number of individual appeals. The ban on night flights at Zurich airport was thus extended by one hour as of 29 July 2010. It now lasts from 23:00, or 23.30 if a backlog of delayed flights has to be dealt with, until 06:00. With the extension of the ban on night flights, Flughafen Zürich AG is showing that it takes its neighbours' requirement for peace and quiet seriously. In tandem with the extension of the ban on night flights, the airport operator has applied for permission to make more flexible use of runways at early-morning and late-evening periods (06:00 to 07:00 and 21:00 to 22:00). Several objections to this proposal have been lodged.

On 29 June 2010, the Federal Supreme Court handed down another ruling relating to the aircraft noise affecting Flughafen Zürich AG. It held that householders to the east are only entitled to noise compensation if they acquired their properties before 1 January 1961. This finally settles one important, hitherto open question relating to the factual assessment of the reduction in property values. The ruling means that the still-pending proceedings relating to the area to the east of the airport can continue, and agreement reached with owners wherever possible. Compensation payments continue to be made, and the noise-protection programme is still under way.

Flughafen Zürich AG is now analysing the aforementioned ruling of the Federal Supreme Court with regard to the costs of noise compensation and sound insulation measures. The canton of Zurich will also be involved in this work, since a codicil to the merger agreement provides that, following any definitive resolution of a pending issue, mutual understanding must be reached on its financial implications. And this, in its turn, will determine what happens next in relation to the funding of old noise liabilities. Once its analysis is completed, the company will be able to provide information on the effects of the ruling and thus on total estimated noise-related costs.

Flughafen Zürich AG has adopted a climate-change policy aimed at gradually reducing CO_2 emissions. By adopting long-term CO_2 targets for 2020 and 2030, the airport operator has demonstrated its long-term commitment to the fight against climate change. The revised emission charge model, introduced on 1 April 2010, is the same as that employed at other European airports. The change has no net effect on profit.

Development of international activities

Following the sale of some of its shares in Bengaluru Airport in India to GVK Power & Infrastructure Ltd. in 2009, the main focus is now on continuing to improve quality in both operational and commercial terms. In its first full year of operations, Bengaluru International Airport posted a profit of just under CHF 10.0 million.

One of the countries in which Flughafen Zürich AG is actively seeking opportunities to enter the market is Vietnam, where it has expressed its interest in operating Hanoi airport. Markets in eastern and southeastern Europe are also under intense scrutiny. The focus here is primarily on Poland, the Baltic states and Romania. Moreover, the company is closely following the process of airport privatisation in Greece.

In Latin America Flughafen Zürich AG is concentrating on its strategic cooperation with A-port, a strong local partner in which it holds a minority 15 percent interest. The two companies jointly consider and develop potential airport projects. One of these is in Brazil, where the football World Cup in 2014 and the Olympic Games in 2016 can be expected to provide additional impetus for airport privatisation.

Outlook

Barring any unforeseen events, Flughafen Zürich AG expects another rise in traffic volumes and a recovery in the non-aviation business in the second half of 2010. For the year as a whole, it still anticipates passenger growth of 3 to 5 percent and profit growth of 10 to 20 percent (excluding profit from the partial sale of the Indian holding in 2009).

Zurich Airport, 16 August 2010

Andreas Schmid Chairman of the Board of Directors	Thomas E. Kern Chief Executive Officer

Place
VIP Lounge
Zurich Airport

Name
Ian Wilmot

Interim consolidated income statement[1)]

(CHF 1,000)	Notes	2010 Jan. to June	2009 Jan. to June	2009 Jan. to Dec.
Revenue from goods and services				
Revenue from aviation operations		247,759	238,583	505,092
Revenue from non-aviation operations		160,320	157,136	315,115
Total revenue		408,079	395,719	820,207
Personnel expenses		–79,136	–78,273	–158,416
Police and security		–56,928	–56,579	–113,458
Maintenance and material		–21,313	–19,971	–40,697
Sales, marketing, administration		–17,358	–18,180	–38,175
Energy and waste		–13,409	–13,347	–24,553
Other operating expenses		–24,558	–20,030	–40,181
Other expenses/income, net		–395	–1,169	–2,493
Earnings before interest, tax, depreciation and amortisation (EBITDA)		194,982	188,170	402,234
Depreciation and amortisation		–94,544	–93,557	–189,078
Earnings before interest and tax (EBIT)		100,438	94,613	213,156
Finance costs	(1)	–40,569	–41,993	–82,823
Finance income	(1)	2,261	3,592	5,011
Share of profit or loss of associates		11	3,372	8,376
Gain on disposal of shares in associate		0	0	95,278
Profit before tax		62,141	59,584	238,998
Income tax expense		–12,450	–12,401	–48,388
Profit		49,691	47,183	190,610
Basic earnings per share (CHF)		8.10	7.72	31.20
Diluted earnings per share (CHF)		8.09	7.72	31.18

1) All financial data presented here are unaudited, with the exception of figures for the period from January to December 2009.

Interim consolidated statement of comprehensive income[1)]

(CHF 1,000)	2010 Jan. to June	2009 Jan. to June	2009 Jan. to Dec.
Profit	49,691	47,183	190,610
Other comprehensive income			
Cross currency interest rate swaps, net of income tax			
– Adjustments to fair value	–18,314	693	–11,860
– Transfer to income statement	2,810	2,566	7,926
Available-for-sale securities			
– Adjustments to fair value	–1,164	–55	–423
– Transfer to income statement	436	127	399
Reclassification to income statement of cumulative foreign exchange differences relating to disposal of shares in associate	0	0	2,982
Foreign exchange differences	–823	648	2,871
Other comprehensive income, net of income tax	–17,055	3,979	1,895
Total comprehensive income	32,636	51,162	192,505

1) All financial data presented here are unaudited, with the exception of figures for the period from January to December 2009.

Interim consolidated balance sheet[1)]

(CHF 1,000)	Notes	30.6.2010	30.6.2009	31.12.2009
Assets				
Land	(2)	109,512	109,547	109,547
Buildings, engineering structures	(2)	2,314,295	2,334,971	2,295,490
Leased assets	(2)	53,517	59,397	56,457
Projects in progress	(2)	175,230	136,135	195,511
Movables	(2)	91,333	95,369	90,074
Total property, plant and equipment		2,743,887	2,735,419	2,747,079
Intangible asset from right of formal expropriation	(2)	230,519	236,153	233,336
Other intangible assets	(2)	6,511	7,579	6,359
Investments in associates	(2)	14,569	17,246	15,571
Non-current financial assets of Airport of Zurich Noise Fund	(2/6)	119,393	88,377	97,922
Other financial assets	(2)	11	1,241	11
Non-current assets		3,114,890	3,086,015	3,100,278
Inventories		8,730	9,088	8,867
Current financial assets of Airport of Zurich Noise Fund	(6)	74,925	71,034	80,334
Trade receivables		96,271	127,303	114,687
Other receivables and prepaid expenses		30,913	32,173	23,896
Cash and cash equivalents	(3)	97,469	134,981	231,693
Current assets		308,308	374,579	459,477
Total assets		3,423,198	3,460,594	3,559,755
Equity and liabilities				
Share capital		307,019	307,019	307,019
Own shares		–758	–1,634	–1,612
Capital reserves		587,379	587,341	587,966
Hedging reserve, net		–98,028	–75,331	–82,524
Fair value reserve, net		725	1,549	1,453
Translation reserve, net		188	–4,194	1,011
Other retained earnings		788,776	641,671	785,098
Equity		1,585,301	1,456,421	1,598,411
Debentures and non-current loans	(4)	991,651	1,060,213	995,058
Non-current lease liabilities	(4)	56,098	61,054	58,601
Non-current provisions for sound insulation and formal expropriations	(5)	250,338	246,089	246,354
Deferred tax liabilities	(7)	96,729	101,633	102,955
Employee benefit obligations		3,835	3,759	3,708
Non-current liabilities		1,398,651	1,472,748	1,406,676
Trade payables		50,396	50,450	33,407
Current financial liabilities	(4)	105,432	195,205	194,465
Other current liabilities, accruals and deferrals	(4)	264,725	274,756	311,155
Current tax liabilities		17,564	9,885	14,512
Deferred revenue		1,129	1,129	1,129
Current liabilities		439,246	531,425	554,668
Total liabilities		1,837,897	2,004,173	1,961,344
Total equity and liabilities		3,423,198	3,460,594	3,559,755

1) All financial data presented here are unaudited, with the exception of figures as of 31 December 2009.

Interim consolidated statement of changes in equity[1)]

(CHF 1,000)	Share capital	Own shares	Capital reserves	Hedging reserve, net	Fair value reserve, net	Translation reserve, net	Other retained earnings	Total equity
Balance at 31.12.2008	307,019	–11,841	590,584	–78,590	1,477	–4,842	625,128	1,428,935
Profit, first half of 2009							47,183	47,183
Cross currency interest rate swaps, net of income tax								
– Adjustments to fair value				693				693
– Transfer to income statement				2,566				2,566
Available-for-sale-securities								
– Adjustments to fair value					–55			–55
– Transfer to income statement					127			127
Foreign exchange differences						648		648
Other comprehensive income, net of income tax	0	0	0	3,259	72	648	0	3,979
Total comprehensive income	0	0	0	3,259	72	648	47,183	51,162
Dividends for the 2008 financial year							–30,640	–30,640
Purchase of own shares		–45						–45
Sale of own shares		9,115	–2,485					6,630
Share-based payments		1,137	–758					379
Balance at 30.6.2009	307,019	–1,634	587,341	–75,331	1,549	–4,194	641,671	1,456,421
Balance at 31.12.2009	307,019	–1,612	587,966	–82,524	1,453	1,011	785,098	1,598,411
Profit, first half of 2010							49,691	49,691
Cross currency interest rate swaps, net of income tax								
– Adjustments to fair value				–18,314				–18,314
– Transfer to income statement				2,810				2,810
Available-for-sale-securities								
– Adjustments to fair value					–1,164			–1,164
– Transfer to income statement					436			436
Foreign exchange differences						–823		–823
Other comprehensive income, net of income tax	0	0	0	–15,504	–728	–823	0	–17,055
Total comprehensive income	0	0	0	–15,504	–728	–823	49,691	32,636
Dividends for the 2009 financial year							–46,013	–46,013
Purchase of own shares		–97						–97
Sale of own shares		0	0					0
Share-based payments		951	–587					364
Balance at 30.6.2010	307,019	–758	587,379	–98,028	725	188	788,776	1,585,301

[1)] All financial data presented here are unaudited, with the exception of figures as of 31 December 2009.

Interim consolidated cash flow statement[1)]

(CHF 1,000)	Notes	2010 Jan. to June	2009 Jan. to June	2009 Jan. to Dec.
Profit		49,691	47,183	190,610
Net finance costs		38,308	38,401	77,812
Share of profit or loss of associates		-11	-3,372	-8,376
Gain on disposal of shares in associate		0	0	-95,278
Income tax expense		12,450	12,401	48,388
Depreciation of property, plant and equipment	(2)	90,000	88,524	179,202
Amortisation of intangible assets	(2)	4,883	5,392	10,586
Recognition of government subsidies and grants on buildings and engineering structures in the income statement	(2)	-339	-358	-710
Loss on disposal of property, plant and equipment, net		1,190	1,407	2,039
Share-based payments		364	-525	1,041
Increase (-)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		11,536	-29,158	-3,068
Increase (+)/decrease (-) in current liabilities, excluding current financial liabilities		10,064	-1,508	-25,154
Increase (+)/decrease (-) in provisions for employee benefit obligations		127	316	265
Total expenses for sound insulation and formal expropriations		-943	-2,478	-6,033
Income tax paid		-10,438	-11,666	-20,391
Cash flow from operating activities		206,882	144,559	350,933
of which related to aircraft noise		16,110	11,771	26,063
Cash flow from noise charges	(6)	17,053	14,249	32,096
Cash flow for sound insulation and formal expropriations		-943	-2,478	-6,033
Investments in property, plant and equipment (projects in progress)		-89,796	-82,992	-180,949
Proceeds from disposals of property, plant and equipment		179	144	208
Proceeds from disposals of shares in associate		0	0	87,329
Capital contributions paid to associates		0	-5,273	-5,273
Investments in financial assets of Airport of Zurich Noise Fund		-53,669	-59,882	-113,649
Change in other financial assets		0	-116	156
Repayment of current financial assets of Airport of Zurich Noise Fund		36,110	39,310	73,630
Interest received		2,473	2,592	4,111
Cash flow from investing activities		-104,703	-106,217	-134,437
of which related to aircraft noise		-17,559	-20,572	-40,019
Investments in financial assets of Airport of Zurich Noise Fund		-53,669	-59,882	-113,649
Repayment of current financial assets of Airport of Zurich Noise Fund		36,110	39,310	73,630
Redemption of outstanding debenture	(4)	-150,000	-128,000	-128,000
Issue of new debenture		0	222,576	222,576
Repayment of liabilities to banks arising from US car park lease		0	0	-50,697
Repayment of lease liabilities		-2,403	-2,298	-4,652
Repayment to Zurich Airport Staff Pension Fund		2	-45	-52
Payment of dividend for the 2009/2008 financial years		-46,013	-30,640	-30,640
Purchase of own shares		-97	-45	-59
Sale of own shares		0	6,630	6,629
Interest paid		-38,863	-46,175	-75,400
Capitalised borrowing costs	(1)	969	598	1,526
Cash flow from financing activities		-236,405	22,601	-58,769
Effect of foreign exchange differences on cash and cash equivalents held		2	0	-72
Increase/decrease in cash and cash equivalents	(3)	-134,224	60,943	157,655
Balance at beginning of reporting period	(3)	231,693	74,038	74,038
Balance at end of reporting period	(3)	97,469	134,981	231,693
of which included in Airport of Zurich Noise Fund	(3)	4,008	11,436	7,013
of which cash at banks and in postal accounts	(3)	4,008	11,436	7,013

1) All financial data presented here are unaudited, with the exception of figures for the period from January to December 2009.

Segment reporting[1)]

(CHF million)	Aviation (flight operations)		Aviation (security)		Aviation (aircraft noise)		Non-aviation		Eliminations		Consolidated	
	Jan. to June 2010	Jan. to June 2009	Jan. to June 2010	Jan. to June 2009	Jan. to June 2010	Jan. to June 2009	Jan. to June 2010	Jan. to June 2009	Jan. to June 2010	Jan. to June 2009	Jan. to June 2010	Jan. to June 2009
Revenue from third parties	165.7	157.0	68.1	65.8	14.0	15.8	160.3	157.1			408.1	395.7
Inter-segment revenue	6.3	6.6					59.7	62.2	–66.0	–68.8		
Total revenue	172.0	163.6	68.1	65.8	14.0	15.8	220.0	219.3	–66.0	–68.8	408.1	395.7
Segment result	10.8	2.2	–6.7	–8.3	9.0	10.6	87.3	90.1			100.4	94.6
Earnings before interest and tax (EBIT)											100.4	94.6
Finance costs	–1.3	–1.4			–5.4	–4.1	–3.6	–4.5			–10.3	–10.0
Unallocated finance costs											–29.8	–32.4
Finance income					2.0	2.1					2.0	2.1
Unallocated finance income											–0.1	1.9
Share of profit or loss of associates							0.0	3.4			0.0	3.4
Unallocated income tax expense											–12.5	–12.4
Profit											49.7	47.2
Property, plant and equipment and intangible assets	954.8	924.8	50.6	44.6	232.2	238.1	1,743.3	1,772.9			2,980.9	2,980.4
Financial assets					119.4	88.4					119.4	88.4
Investments in associates							14.6	17.2			14.6	17.2
Current financial assets and cash and cash equivalents					78.9	82.5					78.9	82.5
Total segment assets	954.8	924.8	50.6	44.6	430.5	409.0	1,757.9	1,790.1			3,193.8	3,168.5
Unallocated current financial assets and cash and cash equivalents											93.5	123.5
Unallocated other assets											135.9	168.6
Total assets											3,423.2	3,460.6
Total segment liabilities	61.1	65.8			250.3	246.1	189.1	171.8			500.5	483.7
Unallocated liabilities											1,337.4	1,520.5
Total liabilities											1,837.9	2,004.2
Capital expenditure	20.4	25.5	1.2	2.5	48.6	35.9	68.3	55.4			138.5	119.4
Depreciation and amortisation	27.5	27.3	3.5	2.9	2.8	2.8	60.7	60.6			94.5	93.6
Number of employees (full-time positions)	571	565	18	15	11	12	693	710			1,293	1,302

[1)] All financial data presented here are unaudited.

Accounting policies (unaudited)

A) Compliance with accounting standards

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2010 were prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. They do not contain all the information included in the consolidated financial statements for the year ended 31 December 2009 and should therefore be read in conjunction with the latter. This applies in particular to the notes on the reporting of noise-related costs in the financial statements.

B) Changes in accounting policies

The company adopted a number of new and revised International Financial Reporting Standards and Interpretations which are mandatory for the first time for the financial year beginning 1 January 2010. These are IFRIC 17 “Distributions of Non-cash Assets to Owners”, the amended IAS 27 “Consolidated and Separate Financial Statements”, the amendments to IAS 39 “Financial Instruments: Recognition and Measurement” for eligible hedged items, the amendments to IFRS 2 “Share-based Payment for cash-settled share-based payment transactions”, the revised IFRS 3 “Business Combinations” and the Improvements to the IFRSs 2008 and 2009. The application of the new and revised Standards and Interpretations does not have any impact on these condensed interim consolidated financial statements.

C) Seasonal factors

Due to the nature of the civil aviation sector and based on the statistics recorded in previous years, traffic volumes (flights and passengers) are always higher in the second half of the year than in the first half.

Notes to condensed interim consolidated financial statements (unaudited)

Current developments relating to the reporting of noise-related costs in the financial statements

Foreseeability of eastern approaches

On 29 June 2010 the Federal Supreme Court handed down another ruling relating to the aircraft noise affecting Flughafen Zürich AG. It corrected the decision handed down by the Federal Administrative Court on 26 May 2009, which had set 23 May 2000 as the date for the foreseeability of eastern approaches. According to the decision handed down by the Federal Supreme Court, at the most only those home owners to the east of Zurich Airport who acquired their property before 1 January 1961 may claim noise compensation. This finally settles one important, hitherto open question relating to the factual assessment of the reduction in property values.

Flughafen Zürich AG is now analysing the Federal Supreme Court’s decision to determine the cost of noise compensation and sound insulation measures. Due to the large quantity of data it has to examine and the complex calculation model, this analysis requires a considerable amount of time and resources and has not yet been completed. The Canton of Zurich will also be involved in this work, as the codicil to the merger agreement requires the two parties to reach a mutual understanding regarding the financial impact of such a last-instance ruling. Once its analysis is completed, the company will be able to provide information on the effects of the ruling and thus on total estimated noise-related costs.

Until then, Flughafen Zürich AG will keep in place the current estimate, which puts the total noise-related costs at CHF 759.8 million, and will retain the related provisions for sound insulation and formal expropriations. This original cost estimate at 30 June 2008 was based on a number of assumptions, such as pending legal issues where there was no decision by a court of last instance. The date for the foreseeability of the eastern approach was another of these assumptions.

1) Net finance costs

(CHF 1,000)	2010 Jan. to June	2009 Jan. to June	2009 Jan. to Dec.
Interest expenses on debentures and non-current loans	30,929	31,975	63,943
Less capitalised interest on borrowings for buildings under construction	–969	–598	–1,526
Net interest expenses on debentures and non-current loans	29,960	31,377	62,417
Interest expenses on finance lease liabilities	1,268	1,384	2,700
Accretion of interest on financial liabilities at amortised cost	1,503	1,412	3,325
Other interest expenses	46	8	33
Interest difference related to interest rate swap	0	1,088	1,088
Total interest expenses	32,777	35,269	69,564
Loss on financial assets of Airport of Zurich Noise Fund	334	127	128
Other finance costs	2,378	2,558	4,763
Foreign exchange losses	153	33	542
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	4,927	4,006	7,826
Total finance costs	40,569	41,993	82,823
Interest income on financial assets of Airport of Zurich Noise Fund	–1,954	–2,176	–3,383
Interest income on postal accounts and bank deposits/loans	–242	–139	–301
Interest on arrears	–3	–2	–5
Total interest income	–2,199	–2,317	–3,689
Gain on derivatives held for trading (adjustments to fair value of interest rate swap)	0	–1,084	–1,084
Foreign exchange gains	–59	–160	–201
Other finance income	–3	–31	–37
Total finance income	–2,261	–3,592	–5,011
Net finance costs	38,308	38,401	77,812

Interest expenses on debentures and non-current loans were CHF 1.0 million, or 3.3 percent less than in the prior-year period. This was due primarily to the lower level of gross debt.

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.00 percent in the first half of 2010 (H1 2009: 5.73 percent).

The CHF 0.2 million decline in interest income on financial assets of the Airport of Zurich Noise Fund is due to the generally lower level of interest rates.

Despite generally low interest rates, interest income on postal accounts, bank deposits and loans was slightly higher than in the prior-year period due to a higher amount of cash and cash equivalents held throughout the current period.

2) Changes in non-current 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	Investments in associates	Non-current financial assets of Airport of Zurich Noise Fund	Total
Cost												
Balance as of 31.12.2009	109.5	1,371.9	3,580.5	91.6	195.6	239.5	5,588.6	241.8	71.4	16.0	97.9	6,015.7
Additions					90.1		90.1				48.5	138.6
Disposals		-0.2	-21.8		-0.1	-8.9	-31.0		-5.5			-36.5
Reclassification							0.0				-25.5	-25.5
Transfers		34.1	62.9		-110.4	11.1	-2.3		2.3			0.0
Change in fair value							0.0				-1.5	-1.5
Foreign exchange differences							0.0			-1.0		-1.0
Balance as of 30.6.2010	109.5	1,405.8	3,621.6	91.6	175.2	241.7	5,645.4	241.8	68.2	15.0	119.4	6,089.8
Depreciation and amortisation												
Balance as of 31.12.2009	0.0	629.1	2,023.6	35.1	0.1	149.4	2,837.4	8.4	65.1	0.4	0.0	2,911.3
Additions		20.4	56.7	3.0		9.8	89.9	2.8	2.1			94.8
Disposals			-20.6		-0.1	-8.8	-29.5		-5.5			-35.0
Balance as of 30.6.2010	0.0	649.5	2,059.7	38.1	0.0	150.4	2,897.7	11.2	61.7	0.4	0.0	2,971.0
Government subsidies and grants												
Balance as of 31.12.2009	0.0	0.1	4.1	0.0	0.0	0.0	4.2	0.0	0.0	0.0	0.0	4.2
Recognition in income statement			-0.3				-0.3					-0.3
Balance as of 30.6.2010	0.0	0.1	3.8	0.0	0.0	0.0	3.9	0.0	0.0	0.0	0.0	3.9
Net carrying amount as of 31.12.2009	109.5	742.7	1,552.8	56.5	195.5	90.1	2,747.1	233.4	6.3	15.6	97.9	3,100.3
Net carrying amount as of 30.6.2010	109.5	756.2	1,558.1	53.5	175.2	91.3	2,743.8	230.6	6.5	14.6	119.4	3,114.9

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

When awarded 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 was granted on condition that the airport operator bears the costs associated with compensation payments and is recognised as an intangible asset. The right is recognised as an intangible asset at the date when the probable total costs can be estimated based on last-instance court rulings, and the costs can therefore be estimated reliably 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 (see note 5, "Non-current provisions for sound insulation and formal expropriations"). A portion of the Airport of Zurich Noise Fund in the amount of CHF 115.4 million was also recognised as an intangible asset from the right of formal expropriation at 30 June 2008. This portion was transferred to the Canton of Zurich under the supplementary agreement (to the merger agreement) dated 8 March 2006.

These intangible assets are amortised using the straight-line method over the remaining term of the operating licence (i.e. until May 2051).

3) Cash and cash equivalents

(CHF 1,000)	30.6.2010	of which AZNF	30.6.2009	of which AZNF	31.12.2009	of which AZNF
Cash on hand	181		191		211	
Cash at banks and in postal accounts	85,800	4,008	82,375	11,436	81,523	7,013
Call deposits due within 30 days	5,000		34,000		115,000	
Fixed deposits due within 30 days	0		0		25,012	
Fixed deposits due within 90 days	0		15,000		0	
Collateral due within 90 days	6,488		3,415		9,947	
Total cash and cash equivalents	97,469	4,008	134,981	11,436	231,693	7,013

4) Financial liabilities

(CHF 1,000)	30.6.2010	30.6.2009	31.12.2009
Japanese private placement	445,184	411,341	409,131
US private placement	234,688	295,184	279,282
Debentures	223,186	222,738	222,958
Non-current liabilities to banks arising from US car park lease	88,593	130,950	83,687
Non-current lease liabilities	56,098	61,054	58,601
Non-current financial liabilities	1,047,749	1,121,267	1,053,659
Debenture (redemption 14.6.2010)	0	149,632	149,825
Current liabilities to banks arising from US car park lease	41,765	40,817	39,785
Current liabilities arising from US private placement	58,712	0	0
Current lease liabilities	4,955	4,756	4,855
Current financial liabilities	105,432	195,205	194,465
Total financial liabilities	1,153,181	1,316,472	1,248,124

The changes to the Japanese private placement and the US private placement are attributable to foreign exchange movements affecting the amounts raised. In the case of the liabilities to banks arising from the US car park lease, the change comprises the effect of foreign exchange movements and the annual repayments.

Flughafen Zürich AG holds derivative financial instruments in the form of cross currency interest rate swaps for the purposes of hedging the currency risks associated with future interest payments and repayments relating to financial liabilities in foreign currencies. The fair value of these derivative financial instruments is recognised in other current liabilities, accruals and deferrals and at 30 June 2010 was approximately CHF 191.5 million (30 June 2009: CHF 201.7 million).

On 14 June 2010, a debenture with a face value of CHF 150.0 million which was due for repayment was repaid out of cash and cash equivalents.

The US private placement will be repaid in five annual tranches between 2011 and 2015. The first tranche falling due in April 2011 is therefore recognised as a current financial liability.

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

(CHF 1,000)	Sound insulation	Formal expropriations	Total
Provisions as of 31.12.2008	118,794	125,767	244,561
Provision used [1]	–2,478	0	–2,478
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	1,490	2,516	4,006
Provisions as of 30.6.2009	117,806	128,283	246,089
Provision used [1]	–3,555	0	–3,555
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	1,305	2,515	3,820
Provisions as of 31.12.2009	115,556	130,798	246,354
Provision used [1]	–943	0	–943
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	2,311	2,616	4,927
Provisions as of 30.6.2010	116,924	133,414	250,338

[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.

Provisions for outstanding sound insulation costs
The company has effectively committed itself to bearing approximately CHF 240.0 million in costs for sound insulation measures, some of which have already been carried out while others have been announced. By the end of the reporting period, a total of CHF 108.6 million had been paid out. The estimated outstanding costs are stated at present value (CHF 116.9 million) in the breakdown of provisions. The discount rate is 4.0 percent.

Provisions for formal expropriations
Based on the fundamental issues on which the Federal Supreme Court has ruled to date (see also notes to the condensed interim consolidated financial statements, “Current developments relating to the reporting of noise-related costs in the financial statements”) and taking account of the prefinancing provided by the Canton of Zurich, an amount of CHF 133.4 million was recognised as a provision for “new” noise-related liabilities (nominal value CHF 150.1 million as before) at 30 June 2010. Again, the discount rate is 4.0 percent. This provision is based on the recognition of an intangible asset from the right of formal expropriation (see note 2, “Changes in non-current assets”).

As a result of the Canton of Zurich assuming the “old” noise-related liabilities as part of the prefinancing solution, Flughafen Zürich AG is no longer required to recognise a provision for these “old” noise-related liabilities.

During the reporting period, the Canton of Zurich paid out approximately CHF 2.1 million in compensation for formal expropriations for “old” noise-related liabilities.

6) Airport of Zurich Noise Fund

(CHF 1,000)	30.6.2010	30.6.2009	31.12.2009
Airport of Zurich Noise Fund as of 1 January	185,449	161,595	161,595
Revenue from noise charges [1]	17,053	14,249	32,096
Costs for sound insulation and other measures	–943	–2,478	–6,033
Costs for formal expropriations [2]	–413	–274	–767
Net result before operating costs and finance costs	201,146	173,092	186,891
Noise-related operating costs	–2,186	–2,307	–4,667
Interest income from assets of Airport of Zurich Noise Fund	1,963	2,099	3,377
Adjustments to fair value of available-for-sale securities	728	72	–24
Write-off of financial assets	–334	–127	–128
Airport of Zurich Noise Fund as of end of reporting period	201,317	172,829	185,449

[1] Excluding the proportion of collected revenue from noise charges for the Canton of Zurich as of 1 July 2008.
[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).

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

(CHF 1,000)	30.6.2010	30.6.2009	31.12.2009
Cash equivalents (see note 3, "Cash and cash equivalents")	4,008	11,436	7,013
Current available-for-sale securities	74,925	71,034	80,334
Non-current available-for-sale securities	119,393	88,377	97,922
Accrued asset/(liability) towards Flughafen Zürich AG [1]	2,991	1,982	180
Total financial assets invested for Airport of Zurich Noise Fund	201,317	172,829	185,449

[1] For accounting reasons, an accrual towards Flughafen Zürich AG arises as of the end of the reporting period. This is compensated in the following month, so the balance of liquid funds is restored.

Flughafen Zürich AG refinances all the costs relating to aircraft noise through special noise charges based on the "user pays" principle. In the interests of transparency, costs and income relating to aircraft noise are recognised in a special liquidity-based fund statement for the Airport of Zurich Noise Fund.

The funds of the Airport of Zurich Noise Fund are managed by professional investment institutions on the basis of a conservative, money market-oriented investment strategy and invested mainly in fixed-rate debt instruments. The income from these investments is credited to the fund statement.

Due to the fact that, as part of the prefinancing solution, an amount of CHF 115.4 million was transferred to the Canton of Zurich on 1 July 2008 (separation of the "old" noise-related liabilities) and, as of that date, the Canton of Zurich also receives a portion of the collected noise charges, the balance of the Airport of Zurich Noise Fund relates to the "new" noise-related liabilities of Flughafen Zürich AG.

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 current information (including an overview of the investments and a consolidated overview of the Airport of Zurich Noise Fund) can be downloaded from the following website: www.zurich-airport.com/aznf.

7) Deferred tax liabilities

Deferred tax assets and liabilities are calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability settled. The balance changed as follows:

(CHF 1,000)	30.6.2010	30.6.2009	31.12.2009
Opening balance (deferred tax liability, net) as of 1 January	102,955	96,459	96,459
Deferred taxes on adjustments to fair value of cross currency interest rate swaps recognised in hedging reserve	–4,722	179	–3,058
Cross currency interest rate swaps - transfer to income statement	724	662	2,044
Change according to income statement	–2,228	4,333	7,510
Deferred tax liability, net as of end of reporting period	96,729	101,633	102,955

8) Additional disclosures

8.1) Contingent liabilities

A number of legal proceedings and claims against Flughafen Zürich AG are still pending in the context of its normal business activities. 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 or cash flow.

If, due to future legal judgments, total noise-related costs in the worst case (“negative case”) should ultimately be below the applicable threshold, the Canton of Zurich would no longer be required under the supplementary agreement of 8 March 2006 to prefinance the “old” noise-related liabilities. In this case, Flughafen Zürich AG would assume the still unpaid “old” noise-related liabilities and in return would receive back the Canton of Zurich’s corresponding share of the assets of the Airport of Zurich Noise Fund (“reversal”). As of that date, noise charges would also cease to be split. At that point in time, Flughafen Zürich AG would make a current estimate of the total outstanding noise-related liabilities and make adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet.

Depending on future and last-instance legal judgments, especially concerning approaches from the south, the “new” noise-related liabilities may in future also be subject to substantial adjustments, which would require adjustments to be made to the noise-related costs recognised as assets and liabilities in the balance sheet. In this case, the Canton of Zurich would continue to provide prefinancing and the noise charges would continue to be split. At the present time, it is not possible to reliably estimate the total costs to be recognised as an intangible asset from the right of formal expropriation, the amortisation period and the corresponding provision.

8.2) Events after the reporting period

The Audit & Finance Committee authorised these condensed interim consolidated financial statements for issue on 16 August 2010. No events occurred between 30 June 2010 and the date on which these condensed interim consolidated financial statements were authorised for issue by the Audit & Finance Committee which would require an adjustment to the carrying amounts of the group’s assets and liabilities or which would have to be disclosed here.

Place
Center Bar
Zurich Airport

Name
Yael Morat

Publishing details

Photos: Thorsten Futh, Berlin
Design: Hotz&Hotz, Steinhausen
Typography: Victor Hotz AG, Steinhausen
Printing: www.bmdruck.ch

The Interim report 2010 is available in German and English.
The German version is binding.

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