

INTERIM REPORT //

2011

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Key data, first half of 2011¹⁾

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

(CHF 1,000)	Jan. to June 2011	Jan. to June 2010	Change in %
Total revenue	438,259	408,079	7.4
of which revenue from aviation operations	274,709	247,759	10.9
of which revenue from non-aviation operations	163,550	160,320	2.0
Operating expenses	-212,679	-213,097	-0.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	225,580	194,982	15.7
EBITDA margin (in %)	51.5	47.8	
Earnings before interest and tax (EBIT)	126,459	100,438	25.9
EBIT margin (in %)	28.9	24.6	
Profit	73,499	49,691	47.9
Cash flow from operating activities	211,502	206,882	2.2
Cash flow from investing activities	-158,982	-104,703	51.8
Invested capital as of 30 June	2,903,370	2,738,482	6.0
Average capital employed	2,820,926	2,755,688	2.4
Return on average capital employed (ROCE in %) ²⁾	7.7	6.3	
Equity as of 30 June	1,745,949	1,585,301	10.1
Return on equity (in %) ²⁾	9.7	12.7	
Equity ratio (in %)	46.7	46.3	
Interest-bearing liabilities (net)	724,087	861,394	-15.9
Interest-bearing liabilities/EBITDA ²⁾	1.55x	2.11x	
Key operational data			
Number of passengers	11,457,331	10,508,821	9.0
Number of flight movements	138,085	128,912	7.1
Freight in tonnes	210,807	200,630	5.1
Number of full-time positions as of 30 June	1,287	1,293	-0.5
Number of employees as of 30 June	1,531	1,539	-0.5
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	284.34	258.18	10.1
Basic earnings per share (CHF)	11.97	8.10	47.8
Diluted earnings per share (CHF)	11.97	8.09	48.0
Share price as of 30 June (CHF)	383.75	320.00	19.9
Market capitalisation as of 30 June (CHF million)	2,356	1,965	19.9
	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 2011	Jan. to June 2010	Change in %
Total revenue	415,209	394,084	5.4
of which revenue from aviation operations	251,659	233,764	7.7
of which revenue from non-aviation operations	163,550	160,320	2.0
Operating expenses	-210,518	-210,911	-0.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	204,691	183,173	11.7
EBITDA margin (in %)	49.3	46.5	
Earnings before interest and tax (EBIT)	109,102	91,446	19.3
EBIT margin (in %)	26.3	23.2	
Profit	63,264	44,901	40.9
Cash flow from operating activities	191,812	190,772	0.5
Cash flow from investing activities	-153,790	-87,144	76.5
Invested capital as of 30 June	2,737,841	2,592,254	5.6
Average capital employed	2,665,048	2,615,317	1.9
Return on average capital employed (ROCE in %) ³⁾	7.2	6.0	
Equity as of 30 June	1,580,420	1,439,074	9.8
Return on equity (in %) ³⁾	9.5	13.1	
Equity ratio (in %)	49.0	48.2	
Interest-bearing liabilities (net)	948,214	1,059,720	-10.5
Interest-bearing liabilities/EBITDA ³⁾	2.20x	2.77x	
Key operational data			
Number of passengers	11,457,331	10,508,821	9.0
Number of flight movements	138,085	128,912	7.1
Freight in tonnes	210,807	200,630	5.1
Number of full-time positions as of 30 June	1,276	1,282	-0.5
Number of employees as of 30 June	1,520	1,528	-0.5
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	257.38	234.36	9.8
Basic earnings per share (CHF)	10.30	7.32	40.7
Diluted earnings per share (CHF)	10.30	7.31	40.9
Share price as of 30 June (CHF)	383.75	320.00	19.9
Market capitalisation as of 30 June (CHF million)	2,356	1,965	19.9
	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 significant items relating to aircraft noise in the income statement and balance sheet. In the income statement, these items 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 significant noise-related asset and liability items have been eliminated.

³⁾ Based on the result of the 12-month period preceding the reporting date.

Gates

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Interim report 2011

Dear Shareholders,
Ladies and Gentlemen,

The performance of Flughafen Zürich AG was very positive in the first half of 2011. Part of the above-average growth in passenger figures is, however, due to the fact that the air space over Zurich was closed for three days in April 2010 after the eruption of the volcano in Iceland. The company is able to post a profit of CHF 73.5 million for the first half of 2011, corresponding to a 47.9% increase over the prior-year period. Earnings per share amount to CHF 11.97, likewise an increase on the prior-year period figure of CHF 8.10.

Business review

Traffic volume trends

The airport was used by a total of 11,457,331 passengers in the first half of 2011, an increase of 9.0%. While the number of local passengers increased by 10.1% to 7.5 million, the number of transfer passengers saw a disproportionately rise of 7.0%. Numbering roughly 3.9 million in total, the proportion of transfer passengers dropped slightly to 34.4%. In terms of its growth figure of 9.0%, Zurich Airport occupies the middle ranks of European airports. The high increase in volume is also attributable to the above-mentioned volcano eruption which resulted in a corresponding drop in passenger numbers in the previous year.

Flight movements increased by 7.1%, 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 2.0% to 98.3. At 70.6%, the seat load factor remained virtually unchanged as compared with the prior-year period.

Passenger numbers increased both on flights to and from European countries and on intercontinental flights. While the number of passengers travelling to and from Europe rose by 10.7%, the number of intercontinental passengers climbed by 3.3%. North America showed the greatest increase with above-average passenger growth of 12.9%. Asia advanced by 3.4%. In comparison with the prior-year period, the figures for Latin America and Africa fell by 2.2% and 15.2% respectively. The sharp decline in Africa is due to the political situation in North Africa. The volume of passengers in the low-cost segment went up by 14.4% to a share of 11.0% compared to 2010.

Trend in total revenue

Total revenue increased by 7.4% year on year, from CHF 408.1 million to CHF 438.3 million. The high growth is partly attributable to both the Icelandic volcano eruption in 2010 as well as to the positive business performance. Revenue from aviation operations rose by 10.9% to CHF 274.7 million. This increase is primarily due to passenger growth and higher revenue from noise charges. The main reason for the higher noise charges is the redistribution of the noise charge between Flughafen Zürich AG and the Canton of Zurich, which was introduced on 1 January 2011. The fee for passengers with reduced mobility (PRM) was reduced from CHF 1.00 to CHF 0.90 on 1 April 2011. All other passenger-related fees remained unchanged compared with the prior-year period.

Non-aviation revenue is up 2.0% on the prior-year period at CHF 163.6 million. However, commercial revenue of CHF 41.9 million is around 0.7% below the prior-year period. Revenue per outbound passenger fell by 8.8%, from CHF 44.2 to CHF 40.3. The main reason for this is the currently strong Swiss franc, meaning that the airside commercial offering in the transfer zone is in even stronger competition with offerings abroad. Moreover, airside commercial sales are also impacted by various reconstruction work in connection with the large "Zürich 2010" project. Parking revenue increased at a below-average rate of 3.3% compared with local passenger growth. This was primarily due to a change in the transport mix of local passengers and customers travelling to the airport. Revenue from facility management rose by 1.4%.

Key operating data and results

Operating expenses remained virtually unchanged year on year at CHF 212.7 million (-0.2%). Personnel expenses increased by 1.4%. This was due to the nominal pay increase granted from 1 May 2011 and the higher social security contributions in effect as of 1 January 2011. The higher traffic volumes and increased patrol activities resulted in a 3.3% increase in police and security expenses. Consumption of de-icing material was lower, as a result of the mild winter. Therefore costs for maintenance and material were cut during the reporting period. Administrative expenses remained at the level of the prior-year period.

At CHF 225.6 million, earnings before interest, tax, depreciation and amortisation (EBITDA) were CHF 30.6 million up on the prior-year period figure of CHF 195.0 million. The EBITDA margin rose from 47.8% to 51.5% as a result of the higher revenue and unchanged operating expenses.

Earnings before interest and tax (EBIT) rose by 25.9%, from CHF 100.4 million to CHF 126.5 million. Excluding noise-related income and expenses, EBIT improved by 19.3%.

The result in the "Non-aviation" segment improved slightly from CHF 87.3 million to CHF 89.3 million. The result for the "Aviation flight operations" segment increased from CHF 10.8 million to CHF 21.5 million, driven by passenger growth. The loss in the "Aviation security" segment was reduced by CHF 5.1 million to CHF -1.6 million. The "Aviation aircraft noise" segment improved from CHF 9.0 million to CHF 17.3 million. This is due, on the one hand, to passenger growth and, on the other, to the redistribution of noise charges between Flughafen Zürich AG and the Canton of Zurich.

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The net finance result declined by CHF 3.2 million to CHF 35.2 million (–8.2%). Compared with the prior-year period, the share of profit or loss of associates went up to CHF 1.1 million. The holdings in India (Bangalore) and Latin America made a positive contribution to results.

The reported interim profit is 47.9% up on the prior-year period figure of CHF 49.7 million at CHF 73.5 million. The result excluding aircraft noise comes to CHF 63.3 million (H1 2010: CHF 44.9 million), corresponding to a rise of 40.9%.

Assets and financial position

In the first half of 2011, investments in property, plant and equipment amounted to CHF 151.5 million, an increase of around CHF 61.4 million over the prior-year period (CHF 90.1 million). Approximately CHF 77.6 million was invested in the "Zürich 2010" project. Significant amounts were also invested in the Terminal 2 upgrade project (CHF 11.6 million), various maintenance operations to preserve the value of buildings (CHF 6.4 million) and the freight dispatch hall new-build (CHF 7.6 million).

As at 30 June 2011, financial liabilities were up CHF 119.3 million compared with the balance sheet date of 31 December 2010 to CHF 1.16 billion. The change is primarily the result of the issue of a new bond for CHF 250.0 million in May 2011, the first repayment of the US private placement in April 2011 and foreign exchange translations. Net debt fell from CHF 755.9 million to CHF 724.1 million in the same period.

	Jan. to June 2011 including aircraft noise	Elimination of aircraft noise	Jan. to June 2011 excluding aircraft noise	Jan. to June 2010 including aircraft noise	Elimination of aircraft noise	Jan. to June 2010 excluding aircraft noise
(CHF 1,000)						
Revenue from aviation operations	274,709	–23,050	251,659	247,759	–13,995	233,764
Revenue from non-aviation operations	163,550		163,550	160,320		160,320
Total revenue	438,259	–23,050	415,209	408,079	–13,995	394,084
Operating expenses	–212,679	2,161	–210,518	–213,097	2,186	–210,911
Earnings before interest, tax, depreciation and amortisation (EBITDA)	225,580	–20,889	204,691	194,982	–11,809	183,173
EBITDA margin (in %)	51.5		49.3	47.8		46.5
Depreciation and amortisation	–99,121	3,532	–95,589	–94,544	2,817	–91,727
Earnings before interest and tax (EBIT)	126,459	–17,357	109,102	100,438	–8,992	91,446
EBIT margin (in %)	28.9		26.3	24.6		23.2
Profit	73,499	–10,235	63,264	49,691	–4,790	44,901
Profit in % of total revenue	16.8		15.2	12.2		11.4

Company

Another Icelandic volcano eruption and the environmental catastrophe in Japan presented major challenges to flight operations at some times in the first half of 2011. However, thanks to forward-looking planning and close cooperation with the airport's partners we again succeeded in maintaining operations at all times. What is more, Flughafen Zürich AG achieved 9.0% growth in traffic compared to the same period last year.

A year of openings

As momentous as these events were, operations at Zurich Airport will be shaped by quite different factors in 2011. It is a "year of openings", both from a construction and operational point of view. Although the two major building projects – Dock B and the centralised security building – are not scheduled to come on stream until 1 December 2011, work on them is already proceeding apace, and visible progress is being made daily.

On June 1, the first arrival duty free-shop was opened in Arrival 2. A second shop followed in Arrival 1 in July. This development has a number of benefits: travelling will be simpler for passengers as they will now be able to make their duty-free purchases after landing at Zurich and so will no longer need to take duty-free articles on board the aircraft. Moreover, sales will shift from abroad to Switzerland, and additional jobs will be created in the new shops at Zurich Airport.

The new freight dispatch hall has also commenced operation. Export freight is prepared there for handover to handling agents, and imports also go through customs clearance prior to delivery. This functional building with its curved roof has been erected to counter the shortage of cargo handling space. The entire hall space of 8,400 m² and around 1,000 m² ramp area has been let.

Likewise now operational, although still in the initial stages, is a technological development that has been undergoing trials at Zurich Airport since March. Zurich was the first airport in Switzerland to introduce satellite-supported landing. This advanced approach procedure uses GPS technology to guide aircraft on to runway 14 from the north. As a member of a consortium that also includes the Frankfurt, Munich, Amsterdam, Paris and London airports, Flughafen Zürich AG is heavily involved in the development and introduction of new flight procedures under the auspices of the European research project SESAR. The aim is to gather data and experience with satellite-supported landing as part of the "CHIPS" project, a Swiss platform for sharing innovative ideas in the field of flight procedures.

One welcome piece of news reached Zurich Airport shortly before mid-year: the airport won ACI's Eco-Innovation Award for the first time in recognition of its comprehensive and systematic approach to environmental management. The judges praised the effective measures it had taken which go well beyond the minimum required to protect the environment.

Major building projects on track

Already at the topping-out ceremonies in spring 2011 it was clear how the new Dock B and centralised security building will contribute to improving the quality and efficiency of our daily flight operations. The new Dock B will enable flexible handling of Schengen and non-Schengen flights at up to 9 docking bays and 8 non-Schengen bus gates. The new building's striking features include a glass façade, light wells and the large roof. The latter will in turn have an observation deck with breathtaking views over the apron and will provide a truly unique offering for visitors. The construction of Dock B is without doubt a milestone in the history of Zurich Airport. Everyone involved in the work on the new dock is therefore looking forward to its opening with immense pride.

Centralised checks will also set new standards for security and noticeably improve the travel experience. Security checks are already being conducted immediately after boarding card control so passengers have more time to relax, shop and enjoy the many bars and restaurants airside. This centralisation will also simplify the deployment of security staff. The four-storey building slots in between Check-in 1, Check-in 2 and the Airside Center. The common security check area will have 26 lanes which can be opened or closed, depending on passenger volume. These are augmented by the decentralised points in Dock B and Dock E for transfer passengers.

The ground-breaking ceremony for the third major construction project is scheduled to be held in two years' time. "The Circle" is, however, already shaping up to be a highly promising project. Active marketing and negotiations with potential anchor tenants are already underway.

Renovations

Various other buildings are undergoing extensive redevelopment. These include Terminal 2, one of the earliest parts of Zurich Airport which commenced operation in 1975. The five-storey building is undergoing refurbishment to make it fit for the next 30 years. Since the work has to be done during ongoing operations, the renovations will be carried out in a number of phases. The building work in Arrival 2 has already been completed. In addition to the alterations required for the arrival duty-free shop, the baggage claim hall of the former Terminal B has been completely renovated. The upgrading work at Terminal 2 will be concluded by the end of 2015 at a total cost of approximately CHF 220.0 million.

Not far from the above-mentioned freight dispatch hall, car park 6 is being extended. However, no additional parking spaces will be created as Flughafen Zürich AG is merely offsetting the capacity of car parks P5 and P40, which require renovation and are located at the foot of Butzenbüel. These will make way in the future for the planned major construction project "The Circle".

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It is not only buildings that need upgrading, runways also require renewal. Following the successful renovation of runway 16/34 in 2008, Flughafen Zürich AG submitted a planning application at the beginning of June to renovate the 35-year old runway 14/32. The main work is scheduled to begin in 2014 and will be carried out during the night. Sound insulation measures will be put in place to ensure that noise levels in neighbouring residential areas are kept to a minimum.

The future of travel

Over the first half of 2011, a number of automated passenger processes were tested in cooperation with airport partners such as Swiss, Swissport and the cantonal police.

One of these processes is automated baggage check-in. Passengers scan in their boarding cards and put their baggage into the "BagDrop" machine. The machine measures the weight and dimensions of the bag, checks the weight allowance of the relevant airline and prints out the bag tag. The trials were completed in July 2011, and analysis of the findings should give an indication of the potential efficiency savings to be made in handling operations at Zurich Airport.

Trials of automated boarding card checks have also been completed. Once the new centralised security building opens, automated procedures will be used for all travellers. When passing into the passenger zone, travellers insert their boarding card into a reader. If the boarding card is valid, the security door will open. Passengers will then continue through security and – if they are leaving the Schengen zone – border controls. An automated system for biometric passports was tested here, but as yet there are no concrete plans for implementation.

Over the past year, extensive self-boarding trials have been conducted at Gate A67. These trials have proved satisfactory in terms of functionality, user friendliness and efficiency. Both passengers and boarding staff quickly got used to the automated process, which likewise involves reading in the boarding card. Provided it is valid, the security door to the airbridge or to the exit for the aircraft bus then opens. Self-boarding will be used everywhere at new Dock B, with 18 double security doors at the gates and 8 single doors at the bus gates.

These automated processes will give passengers more independence on their journey. However, anyone who wishes or requires personal attention will continue to receive this at every stage. By automating processes, the airport has succeeded in increasing efficiency while at the same time maintaining its customary high-quality standard of service.

The Business Traveller Award for best transfer airport in Europe and Skytrax's World Best Airport Baggage Delivery award, both presented in spring 2011, bear testament to Zurich Airport's leading role.

Wide-ranging offering enhances attractiveness

Zurich as a destination attracts not only passengers but also people from the region to shop and spend time at the airport. Over the first half of the year, the airport operator welcomed a number of new retailers. Airside, there is a striking presence of stores noted for luxury brands such as Omega, Bucherer/Rolux and world-renowned jeweller Tiffany, whose shop here is their first ever at an airport in continental Europe. The area open to the general public has also seen many changes of late. Several commercial spaces are being exchanged, extended and will be opening with new tenants in the course of 2011. Among others, the newcomers include fashion retailers H&M and a Grieder boutique.

Just as attractive as the retail outlets is the excellent range of food and drink on offer. Culinary pleasures have long since established themselves as an essential and popular part of the whole travel experience. The opening of Mövenpick Marché eateries was enthusiastically welcomed by both passengers and airport staff. Since May, Mövenpick has offered enticingly fresh produce in both its passenger-zone restaurant and its take-away bistro at the bus station. The landside Foodland underwent an extensive makeover, both in terms of the range of food on offer and its appearance. Within view of Foodland, a full-service restaurant plus café and wine bar is also being built on the mezzanine level in the middle of the Airport Center. These are scheduled to open in spring 2012.

Successful partnerships

The amount of empty office space has been reduced. As well as letting additional space to existing tenants, such as the Airport Medical Center in the Prime Center for example, the airport also succeeded in recruiting new tenants such as Cambridge Technology Partners for Office Center 1. The key tenancy agreement with the Rhenus Alpina Group in the Fracht Ost (Freight East) complex was extended for seven years. Tenancy agreements for a Swiss arrival lounge in Terminal 2 and a temporary subletting of the former freight inspection area (1,600 m²) were also agreed. Our major tenant SBB successfully launched its control centre for eastern Switzerland in the Operations Center. Advertising business at Zurich Airport also progressed well. The partnership with Clear Channel was renewed for another three years. Revenue from advertising rose. Branding with traditional Swiss products such as Omega, Ulysse Nardin and Lindt & Sprüngli is making a noticeable impact.

Car parking bottlenecks still present a challenge. It is certainly undisputed that the use of public transport should be encouraged and further increased. But in view of constantly rising passenger volumes and increasing staff numbers, a moderate expansion of car parking at the airport is important to ensure its smooth operation. Applications for additional car parks were consequently submitted last autumn. The car parks for "The Circle" have already been approved.

Lively service-oriented information desk

Zurich Airport is renowned for the quality of its service and the friendliness of its staff. A new offering impressively illustrates these two qualities: the "switzerlandinfo+" information and service desk in Arrival 2. The info desk caters to the various needs of arriving passengers and offers comprehensive information on flights to and from Zurich. It also makes bookings for day excursions in popular Swiss tourist regions, as well as for hotel accommodation. Alongside the staffed desk, there is also an interactive information zone where visitors and travellers can search for offers themselves. The desk is operated by Flughafen Zürich AG in partnership with various companies in the tourism sector. Its opening was timed to coincide with the start of the summer holidays.

Zurich Airport is already one of the most popular excursion destinations in Switzerland. Its attractiveness will no doubt be boosted further this year when the new observation deck on Dock B opens on 1 December. Visitors to the airport can find out about the wide-range of guided airport tours and bus tours as well as the shuttle bus to the observation deck on Dock E. Along with watching ground-handling operations, the platform with its world-unique aviation components offers a view of aircraft landing and taking off against a peerless alpine backdrop.

The best products and services, however, are worth very little if the general public is not aware of them. Zurich Airport therefore also maintains a presence on social media platforms. A fan page on Facebook, a Twitter stream and our own in-house online AirportTV channel ensure that our stakeholders are kept informed about Zurich Airport in real time. Moreover, thanks to these channels the airport can maintain a direct dialogue with aviation enthusiasts, nearby residents, airport staff and passengers, find out what their needs are, and positively influence how Zurich Airport and its operator Flughafen Zürich AG are perceived. Naturally, this virtual contact is always in addition to personal communication. This is why Flughafen Zürich AG took a large stand at the Kloten trade fair in May to present its Dock B and "The Circle" building projects. Through a variety of brochures and in face-to-face discussions, the company presented its strengths as an employer and the possible impact of the forthcoming cantonal referendum on the municipalities' "Behördeninitiative II" (No New or Expanded Runways) and the counterproposal for Zurich Airport.

Challenging political climate

In addition to the sound insulation measures stipulated in its provisional operating regulations, Flughafen Zürich AG was required by the Swiss Federal Supreme Court ruling last December to submit a sound insulation concept for the southern approaches to the Federal Office of Civil Aviation (FOCA). Work on this concept is progressing and should be completed in the latter half of the year.

As a first step to revising the noise charge framework, noise charges for loud aircraft types in noise classes I and II were doubled in the summer flight plan, and the corresponding night-time noise charges were also increased.

Discussions continue with respect to the regulations concerning security checks for liquids at European airports. In close cooperation with Airport Council International (ACI) Europe, an agreement was reached with the European association of airport operators. The European Union (EU) originally wanted to push through spot checks on duty-free articles from third countries from the end of April 2011. As the technology to implement this regulation is still not sufficiently mature, the security processes would have become more complex and incurred additional costs. Together with many EU member states, Switzerland decided to retain the status quo, but with more stringent security measures. Until further notice, passengers who bring in duty-free articles from third countries must hand them over when transferring at Zurich Airport.

Financial

In April 2011, the rating agency Standard & Poor's increased the company's rating by one level from BBB+ to A-. Shortly thereafter, Flughafen Zürich AG issued a six-year debenture for CHF 250.0 million. The debenture was well received by the capital market – due in some measure to this higher rating.

The revision of the Swiss Federal Aviation Act (FAA) is creating a formal basis for airport charges in Switzerland. The Federal Office of Civil Aviation (FOCA) is currently drafting the necessary legislation, which will probably be passed by the Federal Council in the next few months. The regulation will also set out the transitional periods applicable until full implementation.

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New destinations and international business trends

A number of new destinations have been added to Zurich's route network. One important step has been the establishment of Chinese operator Hainan Airlines. It has been operating a direct flight from Zurich to Beijing three times a week since the end of May. Edelweiss Air added Whitehorse, Anchorage and Beirut to its routes in June. Helvetic Airways now also flies to Cardiff, and Tunisair serves Enfidha.

The Bengaluru International Airport flagship project in southern India – in which Flughafen Zürich AG has a minority stake – remains on course for success. Expansion of the terminal has commenced, and traffic volumes have also risen sharply in the first half of 2011. In June, the Bengaluru International Airport won the Skytrax World Airport Award for best airport in India. Flughafen Zürich AG has also been commissioned to act as consultants for the Gdansk Airport in Poland and the major hub airport in Mumbai, India.

In order to deploy the expertise of Flughafen Zürich AG as profitably as possible in international projects in terms of the strategy relating to operation and management agreements, a structural optimisation in Latin America was initiated with local partners, against the backdrop of the continuing privatisation process in Brazil. This will be implemented in the next few months.

Crucial vote in autumn

The current year will also be challenging from a political point of view. On 27 November 2011, the Zurich referendum will decide on the "No New or Expanded Runways" initiative and its counterproposal. The initiators are aiming to change the legislation governing Zurich Airport so as to prevent any runway expansion in future. This represents a de facto halt to the development of Zurich Airport and must be prevented. Together with its partners in the industry, the airport operator is therefore already gearing up for this cantonal referendum. It is necessary to inform and educate the public, as this very important vote is also highly complicated. Those who wish to support Zurich Airport as an economic engine and transport hub should vote "No" twice, and consequently say "Yes" to Zurich Airport.

Outlook

Following the strong growth in passenger volumes in the first half of the year, which is also attributable to the impact of the volcanic eruption in 2010, Flughafen Zürich AG expects a slight slowdown in the rate at which passenger volumes are increasing in the second half of 2011 and growth of 5.0 to 6.0% for the year as a whole. In addition to passenger growth, the many renovation projects and the further development of the Swiss franc in particular will impact non-aviation business. Overall growth of 15.0 to 20.0% is anticipated for 2011 as a whole.

Zurich Airport, 19 August 2011



Andreas Schmid
Chairman of the Board
of Directors

Thomas E. Kern
Chief Executive Officer

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Interim consolidated income statement¹⁾

(CHF 1,000)	Notes	2011 Jan. to June	2010 Jan. to June	2010 Jan. to Dec.
Revenue from goods and services				
Revenue from aviation operations		274,709	247,759	538,102
Revenue from non-aviation operations		163,550	160,320	324,889
Total revenue		438,259	408,079	862,991
Personnel expenses		-80,278	-79,136	-157,567
Police and security		-58,826	-56,928	-114,549
Energy and waste		-12,836	-13,409	-24,359
Maintenance and material		-17,993	-21,313	-43,350
Other operating expenses		-25,180	-24,558	-49,497
Sales, marketing, administration		-17,217	-17,358	-37,277
Other expenses/income, net		-349	-395	56
Earnings before interest, tax, depreciation and amortisation (EBITDA)		225,580	194,982	436,448
Depreciation and amortisation		-99,121	-94,544	-190,718
Earnings before interest and tax (EBIT)		126,459	100,438	245,730
Finance costs	(1)	-36,719	-40,569	-76,661
Finance income	(1)	1,564	2,261	4,625
Share of profit or loss of associates		1,069	11	456
Profit before tax		92,373	62,141	174,150
Income tax expense		-18,874	-12,450	-35,631
Profit		73,499	49,691	138,519
Basic earnings per share (CHF)		11.97	8.10	22.57
Diluted earnings per share (CHF)		11.97	8.09	22.56

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2010.

Interim consolidated statement of comprehensive income¹⁾

(CHF 1,000)	2011 Jan. to June	2010 Jan. to June	2010 Jan. to Dec.
Profit	73,499	49,691	138,519
Other comprehensive income			
Cross-Currency interest rate swaps, net of income tax			
– Adjustments to fair value	25,261	-18,314	-13,254
– Transfer to income statement	5,248	2,810	8,683
Available-for-sale securities			
– Adjustments to fair value	486	-1,164	-2,782
– Transfer to income statement	275	436	1,424
Foreign exchange differences	-585	-823	-1,267
Other comprehensive income, net of income tax	30,685	-17,055	-7,196
Total comprehensive income	104,184	32,636	131,323

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2010.

Financial report | Interim consolidated balance sheet

Interim consolidated balance sheet¹⁾

(CHF 1,000)	Notes	30.06.2011	30.06.2010	31.12.2010
Assets				
Land	(2)	109,508	109,512	109,509
Buildings, engineering structures	(2)	2,212,999	2,314,295	2,267,592
Leased assets	(2)	53,061	53,517	57,505
Projects in progress	(2)	399,830	175,230	283,800
Movables	(2)	86,331	91,333	88,680
Total property, plant and equipment		2,861,729	2,743,887	2,807,086
Intangible asset from right of formal expropriation	(2)	281,937	230,519	285,469
Other intangible assets	(2)	9,795	6,511	9,432
Investments in associates	(2)	15,279	14,569	14,767
Non-current financial assets of Airport Zurich Noise Fund	(2/6)	132,671	119,393	150,904
Other financial assets	(2)	11	11	11
Non-current assets		3,301,422	3,114,890	3,267,669
Inventories		8,117	8,730	8,643
Current financial assets of Airport Zurich Noise Fund	(6)	80,051	74,925	57,628
Trade receivables		91,998	96,271	82,860
Other receivables and prepaid expenses		35,567	30,913	28,039
Cash and cash equivalents	(3)	220,612	97,469	73,642
Current assets		436,345	308,308	250,812
Total assets		3,737,767	3,423,198	3,518,481
Equity and liabilities				
Share capital		307,019	307,019	307,019
Own shares		-213	-758	-751
Capital reserves		587,575	587,379	587,786
Hedging reserve		-56,586	-98,028	-87,095
Fair value reserve		856	725	95
Translation reserve		-841	188	-256
Other retained earnings		908,139	788,776	877,604
Equity		1,745,949	1,585,301	1,684,402
Debentures and non-current loans	(4)	1,017,804	991,651	884,709
Non-current lease liabilities	(4)	52,339	56,098	59,734
Non-current provisions for noise & sound insulation plus formal expropriations	(5)	305,932	250,338	302,927
Deferred tax liabilities	(7)	105,977	96,729	98,484
Employee benefit obligations		3,914	3,835	3,933
Non-current liabilities		1,485,966	1,398,651	1,349,787
Trade payables		63,137	50,396	40,313
Current financial liabilities	(4)	87,278	105,432	93,639
Other current liabilities, accruals and deferrals		323,532	264,725	326,245
Current tax liabilities		31,905	17,564	24,095
Deferred revenue		0	1,129	0
Current liabilities		505,852	439,246	484,292
Total liabilities		1,991,818	1,837,897	1,834,079
Total equity and liabilities		3,737,767	3,423,198	3,518,481

¹⁾ All financial data presented here are unaudited, with the exception of figures as of 31 December 2010.

Financial report | Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity¹⁾

	Share capital	Own shares	Capital reserves	Hedging reserve	Fair value reserve	Translation reserve	Other retained earnings	Total equity
(CHF 1,000)								
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
Balance at 31.12.2010	307,019	-751	587,786	-87,095	95	-256	877,604	1,684,402
Profit, first half of 2011							73,499	73,499
Cross-Currency interest rate swaps, net of income tax								
– Adjustments to fair value				25,261				25,261
– Transfer to income statement				5,248				5,248
Available-for-sale-securities								
– Adjustments to fair value					486			486
– Transfer to income statement					275			275
Foreign exchange differences						-585		-585
Other comprehensive income, net of income tax	0	0	0	30,509	761	-585	0	30,685
Total comprehensive income	0	0	0	30,509	761	-585	73,499	104,184
Dividends for the 2010 financial year							-42,964	-42,964
Purchase of own shares		-228						-228
Sale of own shares		0	0					0
Share-based payments		766	-211					555
Balance at 30.6.2011	307,019	-213	587,575	-56,586	856	-841	908,139	1,745,949

¹⁾ All financial data presented here are unaudited, with the exception of figures as of 31 December 2009 and 2010.

Financial report | Interim consolidated cash flow statement

Interim consolidated cash flow statement¹⁾

(CHF 1,000)	Notes	2011 Jan. to June	2010 Jan. to June	2010 Jan. to Dec.
Profit		73,499	49,691	138,519
Net finance result		35,155	38,308	72,036
Share of profit or loss of associates		-1,069	-11	-456
Income tax expense		18,874	12,450	35,631
Depreciation of property, plant and equipment	(2)	93,778	90,000	181,097
Amortisation of intangible assets	(2)	5,680	4,883	10,299
Recognition of government subsidies and grants on buildings and engineering structures in the income statement	(2)	-337	-339	-678
Loss on disposal of property, plant and equipment, net		813	1,190	1,103
Share-based payments		555	364	789
Increase (-)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		-16,219	11,536	28,336
Increase (+)/decrease (-) in current liabilities, excluding current financial liabilities		15,508	10,064	5,324
Deferred revenue from utilisation fees		0	0	-1,129
Increase (+)/decrease (-) in provisions for employee benefit obligations		-19	127	225
Expenses for noise & sound insulation plus formal expropriations		-2,296	-943	-9,770
Income tax paid		-12,420	-10,438	-30,294
Cash flow from operating activities		211,502	206,882	431,032
of which related to aircraft noise		19,690	16,110	25,779
Cash flow from noise charges	(6)	21,986	17,053	35,549
Cash flow for noise & sound insulation plus formal expropriations	(5)	-2,296	-943	-9,770
Investments in projects in progress		-156,338	-89,796	-241,895
Proceeds from disposals of property, plant and equipment		3	179	372
Investments in financial assets of Airport Zurich Noise Fund		-36,094	-53,669	-118,072
Repayment of current financial assets of Airport Zurich Noise Fund		30,902	36,110	84,520
Interest received		2,545	2,473	5,535
Cash flow from investing activities		-158,982	-104,703	-269,540
of which related to aircraft noise		-5,192	-17,559	-33,552
Investments in financial assets of Airport Zurich Noise Fund		-36,094	-53,669	-118,072
Repayment of current financial assets of Airport Zurich Noise Fund		30,902	36,110	84,520
Redemption of outstanding debenture	(4)	0	-150,000	-150,000
Issue of new debenture	(4)	246,750	0	0
Repayment of liabilities to banks arising from US car park lease		0	0	-52,418
Repayment of liabilities to banks arising from US private placement		-73,150	0	0
Repayment of lease liabilities		-4,217	-2,403	-4,954
Repayment to Zurich Airport Staff Pension Fund		0	2	5
Payment of dividend for the 2010/2009 financial years		-42,964	-46,013	-46,013
Purchase of own shares		-228	-97	-108
Interest paid		-34,079	-38,863	-68,630
Capitalised borrowing costs	(1)	2,303	969	2,569
Cash flow from financing activities		94,415	-236,405	-319,549
Effect of foreign exchange differences on cash and cash equivalents held		35	2	6
Increase/decrease in cash and cash equivalents	(3)	146,970	-134,224	-158,051
Balance at beginning of reporting period	(3)	73,642	231,693	231,693
Balance at end of reporting period	(3)	220,612	97,469	73,642
of which included in Airport Zurich Noise Fund	(3)	11,405	4,008	3,889
Cash at banks and in postal accounts	(3)	11,405	4,008	3,389

¹⁾ All financial data presented here are unaudited, with the exception of figures for the period from January to December 2010.

Financial report | Notes

Segment reporting¹⁾

	Aviation flight operations		Aviation security		Aviation aircraft noise		Non-aviation		Eliminations		Consolidated	
	Jan. to June 2011	Jan. to June 2010	Jan. to June 2011	Jan. to June 2010	Jan. to June 2011	Jan. to June 2010	Jan. to June 2011	Jan. to June 2010	Jan. to June 2011	Jan. to June 2010	Jan. to June 2011	Jan. to June 2010
(CHF million)												
Revenue from third parties	177.4	165.7	74.2	68.1	23.1	14.0	163.6	160.3			438.3	408.1
Inter-segment revenue	5.8	6.3					59.5	59.7	-65.3	-66.0	0.0	0.0
Total revenue	183.2	172.0	74.2	68.1	23.1	14.0	223.1	220.0	-65.3	-66.0	438.3	408.1
Segment result	21.5	10.8	-1.6	-6.7	17.3	9.0	89.3	87.3			126.5	100.4
Earnings before interest and tax (EBIT)											126.5	100.4
Finance costs	-1.8	-1.3			-6.2	-5.4	-2.7	-3.6			-10.7	-10.3
Unallocated finance costs											-26.0	-29.8
Finance income					1.3	2.0					1.3	2.0
Unallocated finance income											0.2	-0.1
Share of profit or loss of associates							1.1	0.0			1.1	0.0
Unallocated income tax expense											-18.9	-12.5
Profit											73.5	49.7
Property, plant and equipment and intangible assets	966.0	954.8	45.8	50.6	283.2	232.2	1,858.5	1,743.3			3,153.5	2,980.9
Financial assets					132.7	119.4					132.7	119.4
Investments in associates							15.3	14.6			15.3	14.6
Current financial assets and cash and cash equivalents					91.5	78.9					91.5	78.9
Total segment assets	966.0	954.8	45.8	50.6	507.4	430.5	1,873.8	1,757.9			3,393.0	3,193.8
Unallocated current financial assets and cash and cash equivalents											209.1	93.5
Unallocated assets											135.7	135.9
Total assets											3,737.8	3,423.2
Total segment liabilities	61.2	61.1			305.9	250.3	68.2	189.1			435.3	500.5
Unallocated liabilities											1,556.5	1,337.4
Total liabilities											1,991.8	1,837.9
Total investments	18.6	20.4	0.7	1.2	36.1	48.6	132.2	68.3			187.6	138.5
Depreciation and amortisation	29.7	27.5	3.6	3.5	3.8	2.8	62.0	60.7			99.1	94.5
Number of employees (full-time positions)	576.0	571.0	16.0	18.0	11.0	11.0	684.0	693.0			1,287.0	1,293.0

¹⁾ All financial data presented here are unaudited.

Accounting policies

A) Statement of compliance

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2011 were prepared in accordance with the 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 2010 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 2011. These are IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", the amended IAS 24 "Related Party Disclosures", amendments to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues", amendments to IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of a Minimum Funding Requirement" and the improvements to the IFRSs (May 2010). 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 statistics recorded in previous years, traffic volumes (flights and passengers) are usually higher in the second half of the year than in the first half.

Notes to condensed interim consolidated financial statements

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

Based on the Swiss Federal Supreme Court ruling of 8 June 2010 on the foreseeability of an eastern approach and other fundamental issues, Flughafen Zürich AG, in cooperation with the Canton of Zurich, undertook, as of 31 December 2010, a reappraisal of noise-related operating costs. According to this updated calculation, total noise-related operating costs amount to CHF 739.5 million (originally CHF 759.8 million).

Since no new rulings were handed down by the Swiss Federal Supreme Court during the first half of 2011, the company decided on 30 June 2011 to adhere to the updated calculation of noise-related operating costs from the end of December 2010. This cost estimate is based on a number of assumptions, such as pending legal issues where there has been no decision by a court of final instance.

Since the updated calculation in the area of formal expropriations has resulted in reductions in the share of "old" noise-related liabilities pre-financed by the Canton of Zurich, Flughafen Zürich AG is entitled to 72% (previously 53%) of the collected noise charges as of 1 January 2011.

1) Net finance result

	2011	2010	2010
(CHF 1'000)	Jan. to June	Jan. to June	Jan. to Dec.
Interest expenses on debentures and non-current loans	27,932	30,929	59,669
Less capitalised interest on borrowings for buildings under construction	-2,303	-969	-2,569
Net interest expenses on debentures and non-current loans	25,629	29,960	57,100
Interest expenses on finance lease liabilities	1,763	1,268	2,525
Accretion of interest on financial liabilities at amortised cost	1,465	1,503	2,867
Other interest expenses	57	46	92
Total interest expenses	28,914	32,777	62,584
Loss on financial assets of Airport Zurich Noise Fund	409	334	495
Other finance costs	2,035	2,378	4,713
Foreign exchange losses	60	153	292
Unwinding of discount on non-current provisions for noise & sound insulation plus formal expropriations	5,301	4,927	8,577
Total finance costs	36,719	40,569	76,661
Interest income on financial assets of Airport Zurich Noise Fund	-1,303	-1,954	-3,477
Interest income on postal accounts and bank deposits/loans	-164	-242	-347
Interest on arrears	-1	-3	-3
Total interest income	-1,468	-2,199	-3,827
Gain on financial assets of Airport Zurich Noise Fund	0	0	-572
Foreign exchange gains	-77	-59	-213
Other finance income	-19	-3	-13
Total finance income	-1,564	-2,261	-4,625
Net finance result	35,155	38,308	72,036

Interest expenses on debentures and non-current loans were CHF 3.0 million or 9.7% lower than in the prior-year period.

In the first half of 2011, capitalised interest on borrowings for buildings under construction was calculated using a slightly higher average interest rate of 5.17% than in the prior-year period (5.00%). This was due to repayment of low interest-bearing financial liabilities in 2010.

For the period under review, total finance costs amount to CHF 36.7 million, 9.5% below the level of the prior-year period.

Owing to generally low interest rates, interest income on financial assets of the Airport Zurich Noise Fund sank by CHF 0.7 million despite higher investment volume.

The net finance result improved overall by 8.2% to CHF -35.2 million.

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 Zurich Noise Fund	Other financial assets	Total
Cost													
Balance as of 31.12.2010	109.5	1,384.6	3,617.5	98.5	283.8	244.3	5,738.2	299.6	71.4	14.7	150.9	0.0	6,274.8
Additions					151.5		151.5				36.1		187.6
Disposals		-3.6	-10.7			-41	-18.4		-7.4				-25.8
Reclassification		85.1	-86.1			1.0	0.0				-53.7		-53.7
Transfers		13.4	12.4		-35.5	7.0	-2.7		2.7				0.0
Adjustments to fair value							0.0				-0.6		-0.6
Foreign exchange differences							0.0			-0.6			-0.6
Balance as of 30.6.2011	109.5	1,479.5	3,533.1	98.5	399.8	248.2	5,868.6	299.6	66.7	14.1	132.7	0.0	6,381.7
Depreciation, amortisation and impairment losses													
Balance as of 31.12.2010	0.0	637.3	2,093.7	41.0	0.0	155.6	2,927.6	14.1	62.0	-0.1	0.0	0.0	3,003.6
Additions		21.8	58.0	4.4		9.6	93.8	3.6	2.1	-1.1			98.4
Disposals		-3.4	-10.3			-4.0	-17.7		-7.2				-24.9
Transfers		13.7	-14.4			0.7	0.0						0.0
Balance as of 30.6.2011	0.0	669.4	2,127.0	45.4	0.0	161.9	3,003.7	17.7	56.9	-1.2	0.0	0.0	3,077.1
Government subsidies and grants													
Balance as of 31.12.2010	0.0	0.1	3.4	0.0	0.0	0.0	3.5	0.0	0.0	0.0	0.0	0.0	3.5
Recognition in income statement			-0.3				-0.3						-0.3
Balance as of 30.6.2011	0.0	0.1	3.1	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	0.0	3.2
Net carrying amount as of 31.12.2010	109.5	747.2	1,520.4	57.5	283.8	88.7	2,807.1	285.5	9.4	14.8	150.9	0.0	3,267.7
Net carrying amount as of 30.6.2011	109.5	810.0	1,403.0	53.1	399.8	86.3	2,861.7	281.9	9.8	15.3	132.7	0.0	3,301.4

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 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 at the date when the probable total cost can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21.

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, and an additional amount of CHF 57.8 million was recognised at 31 December 2010. In each case, an equal amount was recognised as a provision (see note 5, "Non-current provisions for noise & sound insulation plus formal expropriations"). In mid 2008, the portion of the Airport Zurich Noise Fund in the amount of CHF 115.4 million was also recognised as an intangible asset from the right of formal expropriation. 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 (until May 2051).

3) Cash and cash equivalents

(CHF 1,000)	30.06.2011	of which AZNF	30.06.2010	of which AZNF	31.12.2010	of which AZNF
Cash on hand	212		181		212	
Cash at banks and in postal accounts	116,332	11,405	85,800	4,008	51,362	3,889
Call deposits due within 30 days	0		5,000		18,000	
Fixed deposits	100,000		0		0	
Collateral due within 90 days	4,068		6,488		4,068	
Total cash and cash equivalents	220,612	11,405	97,469	4,008	73,642	3,889

4) Financial liabilities

(CHF 1,000)	30.06.2011	30.06.2010	31.12.2010
Japanese private placement	376,397	445,184	419,549
US private placement	135,889	234,688	203,217
Debentures	470,484	223,186	223,417
Non-current liabilities to banks arising from US car park lease	35,034	88,593	38,526
Non-current lease liabilities	52,339	56,098	59,734
Non-current financial liabilities	1,070,143	1,047,749	944,443
Current liabilities to banks arising from US car park lease	33,128	41,765	37,229
US private placement	45,306	58,712	50,743
Current lease liabilities	8,844	4,955	5,667
Current financial liabilities	87,278	105,432	93,639
Total financial liabilities	1,157,421	1,153,181	1,038,082

Changes to the Japanese private placement are attributable to foreign exchange movements. In the case of liabilities to banks arising from the US car park lease and the US private placement, the changes comprise the combined effects of foreign exchange movements and annual repayments. In April 2011 the first of five annual tranches was repaid to the US private placement.

Flughafen Zürich AG holds derivative financial instruments in the form of cross-currency interest rate swaps for the purpose 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 was approximately CHF 259.3 million at 30 June 2011 (30 June 2010: CHF 191.5 million).

A debenture issued on 5 May 2011 in the amount of CHF 250.0 million (repayable in 2017) with an interest coupon of 2.25% has been recognised under non-current financial liabilities.

At the beginning of 2011, the lease term of the new baggage sorting system (GSA) was shortened from 2020 to 2016. This led, among other things, to an increase of CHF 3.9 million in current lease liabilities at the end of the reporting period.

At 30 June 2011, financial liabilities had increased by CHF 4.2 million over the prior-year period.

5) Non-current provisions for noise & sound insulation plus formal expropriations

(CHF 1,000)	Noise & sound insulation	Formal expropriations	Total
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
Provision used ¹⁾	-8,828	0	-8,828
Provision reversed	0	0	0
Provision made	0	57,767	57,767
Unwinding of discount	2,515	1,135	3,650
Provisions as of 31.12.2010	110,611	192,316	302,927
Provision used ¹⁾	-2,235	-61	-2,296
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	1,935	3,366	5,301
Provisions as of 30.6.2011	110,311	195,621	305,932

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 Zurich Noise Fund.

Provisions for outstanding noise & sound insulation costs

The company has effectively committed itself to bearing approximately CHF 240.0 million in costs for noise & sound insulation measures, some of which have already been carried out while others have been announced. At the end of the reporting period, a total of CHF 119.7 million had been paid out. The estimated outstanding costs are stated at present value (CHF 110.3 million) in the breakdown of provisions shown above. The discount rate is 3.5% (previous year: 4.0%).

Provisions for formal expropriations

Based on the fundamental issues on which the Swiss 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 pre-financing provided by the Canton of Zurich, an amount of CHF 195.6 million was recognised as a provision for "new" noise-related liabilities at 30 June 2011 (nominal amount CHF 231.9 million). The discount rate is 3.5% (previous year: 4.0%). 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").

Because the Canton of Zurich has assumed the "old" noise-related liabilities as part of the pre-financing solution, Flughafen Zürich AG is no longer required to recognise a provision for these "old" liabilities.

During the reporting period, Flughafen Zürich AG paid out compensation for formal expropriations for "new" noise-related liabilities in the amount of CHF 0.1 million.

6) Airport Zurich Noise Fund

(CHF 1,000)	2011 Jan. to June	2010 Jan. to June	2010 Jan. to Dec.
Airport Zurich Noise Fund as of 1 January	209,050	185,449	185,449
Revenue from noise charges ¹⁾	21,986	17,053	35,549
Costs for noise & sound insulation and other measures	-2,234	-943	-9,771
Costs for formal expropriations ²⁾	-590	-413	-1,036
Net result before operating costs and financial result	228,212	201,146	210,191
Noise-related operating costs	-2,161	-2,186	-4,349
Interest income from assets of Airport Zurich Noise Fund	2,386	1,963	4,489
Adjustments to fair value of financial assets	761	728	-1,358
Gains / losses on financial assets	-409	-334	77
Airport Zurich Noise Fund as of end of reporting period	228,789	201,317	209,050

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 Zurich Noise Fund).

Summary of assets invested for the Airport Zurich Noise Fund:

(CHF 1,000)	30.06.2011	30.06.2010	31.12.2010
Cash equivalents (see note 3, "Cash and cash equivalents")	11,405	4,008	3,889
Current available-for-sale securities	80,051	74,925	57,628
Non-current available-for-sale securities	132,671	119,393	150,904
Accrued asset/(liability) towards Flughafen Zürich AG ¹⁾	4,662	2,991	-3,371
Total assets invested for Airport Zurich Noise Fund	228,789	201,317	209,050

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

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

The funds of the Airport 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.

As part of the pre-financing 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). Since that date, the Canton of Zurich also receives a portion of the collected noise charges. Thus, the balance of the Airport 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 Zurich Noise Fund and other current information (including an overview of the investments and a consolidated overview of the Airport 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 has changed as follows:

(CHF 1,000)	30.06.2011	30.06.2010	31.12.2010
Opening balance (deferred tax liability, net) as of 1 January	98,484	102,955	102,955
Deferred taxes on adjustments to fair value of cross-currency interest rate swaps recognised in hedging reserve	6,514	-4,722	-3,419
Cross-currency interest rate swaps - transfer to income statement	1,353	724	2,239
Change according to income statement	-374	-2,228	-3,291
Deferred tax liability, net as of end of reporting period	105,977	96,729	98,484

8) Additional disclosures

8.1) Contingent liabilities

A number of legal proceedings and claims against Flughafen Zürich AG in the context of its normal business activities are still pending. The company does not expect the amounts 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 decisions, 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 pre-finance 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 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 final-instance legal judgments, especially concerning the area used for approaches from the south, the "new" noise-related liabilities may in future also be subject to substantial adjustments, which would likewise 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 presumably continue to provide pre-financing and the noise charges would presumably 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 resulting amortisation and the corresponding provisioning requirements.

In a decision on 22 December 2010 the Swiss Federal Supreme Court ruled on the provisional operating regulations and confirmed that Flughafen Zürich AG must submit a plan for additional sound insulation measures in the south of the airport within one year. It is not possible at this time to estimate any resulting costs or the corresponding need for provisions.

With regard to the recapitalisation of the "BVK" (Employee Pension Fund of the Canton of Zurich) that is currently under discussion, we refer to the notes in the 2010 consolidated financial statements, "Valuation uncertainties and significant estimates and assumptions in the application of accounting policies".

8.2) Events after the reporting period

The Audit & Finance Committee authorised these condensed interim consolidated financial statements for date of issue on 19 August 2011. No events occurred between 30 June 2011 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 require disclosure here.



Publishing details

Copyright: Flughafen Zürich AG

Photos: Thorsten Futh, Berlin

Design: Hotz&Hotz, Steinhausen

Layout: Victor Hotz AG, Steinhausen

Printing: www.bmdruck.ch

The Interim report 2011 is available in German and English.
The German version is binding.

