



**2014**

INTERIM REPORT  
OF FLUGHAFEN ZÜRICH AG



<b>Key data</b>	4
<b>Interim report</b>	7
<b>Financial report</b>	
Interim consolidated income statement	14
Interim consolidated statement of comprehensive income	14
Interim consolidated balance sheet	15
Interim consolidated statement of changes in equity	16
Interim consolidated cash flow statement	17
Notes to the interim consolidated financial statements	18

## Key data for the first half of 2014 <sup>1)</sup>

(CHF 1,000)	First half 2014	First half 2013	Change in %
Total revenue	453,676	469,425	-3.4
of which aviation revenue <sup>2)</sup>	268,841	286,440	-6.1
of which non-aviation revenue <sup>2)</sup>	184,835	182,985	1.0
Operating expenses	-213,053	-224,099	-4.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	240,623	245,326	-1.9
EBITDA margin (in %)	53.0	52.3	
Earnings before interest and tax (EBIT)	127,696	134,296	-4.9
EBIT margin (in %)	28.1	28.6	
Profit	88,129	10,078	n/a
Cash flow from operating activities	213,302	201,534	5.8
Cash flow from investing activities	-97,029	-79,296	22.4
Invested capital as at end of reporting period <sup>3)</sup>	3,134,119	3,274,578	-4.3
Average invested capital <sup>3)</sup>	3,204,349	3,203,806	0.0
Return on average invested capital (ROIC, in %) <sup>4)</sup>	7.4	4.3	
Equity as at end of reporting period	2,076,038	1,907,484	8.8
Return on equity (in %) <sup>4)</sup>	10.8	1.3	
Equity ratio (in %)	55.4	48.7	
Interest-bearing liabilities (net) <sup>5)</sup>	690,961	819,778	-15.7
Interest-bearing liabilities (net) / EBITDA	1.32x	2.08x	
<b>Key operational data</b>			
Number of passengers	11,884,873	11,829,390	0.5
Number of flight movements	128,289	128,509	-0.2
Freight in tonnes	211,814	204,606	3.5
Number of full-time positions as at end of reporting period <sup>6)</sup>	1,475	1,463	0.8
Number of employees as at end of reporting period <sup>6)</sup>	1,728	1,709	1.1
<b>Key data for shareholders of Flughafen Zurich AG</b>			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	338.10	310.65	8.8
Basic earnings per share (CHF)	14.33	1.64	n/a
Diluted earnings per share (CHF)	14.33	1.64	n/a
Share price as at end of reporting period (CHF)	545.00	474.50	14.9
Market capitalisation as at end of reporting period (CHF million)	3,347	2,914	14.9
Flughafen Zürich AG (registered share)	Security no. 1056796	SIX symbol FHZN	Reuters FHZN.S

<sup>1)</sup> All cited key financial data are unaudited.

<sup>2)</sup> Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly.

For the purpose of comparison, the previous year's figures have been adjusted accordingly.

<sup>3)</sup> Invested capital includes equity, interest-bearing debt and the fair values of the hedging instruments.

<sup>4)</sup> Based on the result of the 12-month period preceding the reporting date.

<sup>5)</sup> Interest-bearing liabilities (net) include interest-bearing debt and the fair value of hedging instruments less cash and cash equivalents, interest-bearing other current and non-current financial assets and fixed-term deposits.

<sup>6)</sup> Including employees of A-port Operaciones S.A. and its subsidiaries.

### Key data for the first half of 2014 (excluding the influence of aircraft noise) <sup>1)</sup>

Flughafen Zürich AG refinances all costs relating to aircraft noise through noise charges based on the "costs-by-cause" principle.

There is a specified purpose for these noise charges, and any surplus, after all noise-related expenses have been paid, is supposed to be repaid and does not belong to the owners of Flughafen Zürich AG.

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

(CHF 1,000)	First half 2014	First half 2013	Change in %
Total revenue	448,003	443,776	1.0
of which aviation revenue <sup>2)</sup>	263,168	260,791	0.9
of which non-aviation revenue <sup>2)</sup>	184,835	182,985	1.0
Operating expenses	-211,205	-222,193	-4.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	236,798	221,583	6.9
EBITDA margin (in %)	52.9	49.9	
Earnings before interest and tax (EBIT)	127,746	114,428	11.6
EBIT margin (in %)	28.5	25.8	
Profit/loss	89,581	-5,434	n/a
Cash flow from operating activities	210,155	188,586	11.4
Cash flow from investing activities	-102,564	-66,538	54.1
Invested capital as at end of reporting period <sup>3)</sup>	2,903,152	3,069,135	-5.4
Average invested capital <sup>3)</sup>	2,986,144	3,006,829	-0.7
Return on average invested capital (ROIC, in %) <sup>4)</sup>	7.3	3.5	
Equity as at end of reporting period	1,845,071	1,702,041	8.4
Return on equity (in %) <sup>4)</sup>	10.5	0.5	
Equity ratio (in %)	58.4	51.1	
Interest-bearing liabilities (net) <sup>5)</sup>	973,360	1,100,847	-11.6
Interest-bearing liabilities (net) / EBITDA	1.98x	3.19x	
<b>Key operational data</b>			
Number of passengers	11,884,873	11,829,390	0.5
Number of flight movements	128,289	128,509	-0.2
Freight in tonnes	211,814	204,606	3.5
Number of full-time positions as at end of reporting period <sup>6)</sup>	1,465	1,452	0.9
Number of employees as at end of reporting period <sup>6)</sup>	1,717	1,698	1.1
<b>Key data for shareholders of Flughafen Zurich AG</b>			
Number of issued shares	6,140,375	6,140,375	0.0
Equity per share (CHF)	300.48	277.19	8.4
Basic earnings / losses per share (CHF)	14.53	-0.89	n/a
Diluted earnings / losses per share (CHF)	14.52	-0.89	n/a
Share price as at end of reporting period (CHF)	545.00	474.50	14.9
Market capitalisation as at end of reporting period (CHF million)	3,347	2,914	14.9

<sup>1)</sup> All cited key financial data are unaudited.

<sup>2)</sup> Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly.

For the purpose of comparison, the previous year's figures have been adjusted accordingly.

<sup>3)</sup> Invested capital includes equity, interest-bearing debt and the fair values of the hedging instruments.

<sup>4)</sup> Based on the result of the 12-month period preceding the reporting date.

<sup>5)</sup> Interest-bearing liabilities (net) include interest-bearing debt and the fair value of hedging instruments less cash and cash equivalents, interest-bearing other current and non-current financial assets and fixed-term deposits.

<sup>6)</sup> Including employees of A-port Operaciones S.A. and its subsidiaries.







## 2014 Interim report

Dear Shareholders,  
Dear Sir or Madam,

Flughafen Zürich AG reported a positive operating performance in the first half of 2014 and posted a profit of CHF 88.1 million. Profit in the same period of the previous year was CHF 10.1 million, as the restructuring of non-current financial liabilities depressed the result for the first half of 2013 by CHF 73.3 million (after taxes). Excluding this one-time effect in the prior-year period, profit in the first half of 2014 was up by CHF 4.7 million.

### Business review

#### Trend in traffic volume

Zurich Airport was used by a total of 11,884,873 passengers in the first half of 2014, an increase of 0.5 %. While the number of local passengers increased by 4.1 % to 8.1 million, the volume of transit passengers contracted by 6.6 %. As a result, the number of passengers using Zurich as a transfer destination declined from 33.8 % to 31.4 %. A regional breakdown shows growth of 0.4 % in passenger volumes in Europe, the most important market. Asia saw an increase of 5.7 %, the sharpest and only positive growth outside Europe. North America lost 2.8 %, Latin America 1.4 % and Africa 10.1 % in the first half of the year.

The number of flight movements fell by 0.2 % to 128,289. With passenger numbers up slightly, the average number of passengers per flight rose by 1.3 % to 107.5. The seat load factor saw a year-on-year rise of 0.3 percentage points to 73.9 %.

#### Trend in total revenue

Total revenue for the first six months declined by CHF 15.7 million or 3.4 % year on year. This decline is due solely to the fact that the 5-franc noise supplement was suspended as of 1 February 2014. Excluding this effect, both aviation business and non-aviation business were on a positive trend.

As a result of the noise supplement being suspended, aviation revenue fell from CHF 286.4 million to CHF 268.8 million (-6.1 %). Other passenger-related airport charges showed an increase thanks to above-average growth in local passengers. Revenue from aircraft de-icing, on the other hand, was down due to the mild weather during the winter months, when there was little snow.

Non-aviation revenue climbed by CHF 1.9 million year on year (+1.0 %) to CHF 184.8 million. The increase in revenue in this segment was primarily attributable to the positive trend in parking revenue, which was driven mainly by the growth in local passengers. As a result of various challenges posed by larger construction projects, retail revenue climbed by just 0.6 % to CHF 52.2 million. Revenue per departing passenger dropped slightly to CHF 43.30 (-0.9 %). Revenue from facility management was 3.2 % down on the prior-year period mainly because of the mild winter months and

the resulting fall in revenue from utility costs. Revenue from services was 6.0 % up on the prior-year period due to the increase in revenue from consulting activities under international consultancy mandates.

#### Operating expenses and results

Operating expenses declined sharply in the first half of the year, by a total of CHF 11.0 million or 4.9 % to CHF 213.1 million. While personnel expenses remained on a par with the prior-year period (-0.1 %), expenses for police and security rose by 1.6 %, due in particular to an increase in work performed by the cantonal police. The mild winter resulted in a sharp reduction in expenses for energy and waste, maintenance and material, and other operating expenses. Fuel costs were markedly lower, for example, and fewer de-icing agents were consumed. Sales, marketing and administration expenses also fell sharply, by a total of CHF 1.5 million or 8.9 % thanks to systematic cost-cutting and cost discipline in various areas.

While earnings before interest, tax, depreciation and amortisation (EBITDA) were down slightly on the prior-year figure of CHF 245.3 million to CHF 240.6 million, the EBITDA margin was up from 52.3 % in the prior-year period to 53.0 %.

Earnings before interest and tax (EBIT) decreased from CHF 134.3 million to CHF 127.7 million (-4.9 %). Excluding noise-related items, however, EBIT improved by 11.6 %.

The result (EBIT) for the regulated business, which comprises the "Aviation", "PRM", "User fees" and "Security" segments, improved by CHF 7.9 million to CHF 39.8 million. This was due to lower operating costs - a result of the mild winter - as well as higher traffic volumes. The invested capital for the regulated business amounts to CHF 1.9 billion. The deterioration in the result for the "Noise" segment to CHF -0.1 million is due entirely to the suspension of the 5-franc noise supplement. In the first half of 2014, the result for the non-regulated business improved by CHF 5.1 million to CHF 88.0 million, which is due mainly to the higher external revenue. The invested capital for this non-regulated business amounts to CHF 1.0 billion.

The finance result amounted to CHF -16.7 million, a significant improvement on the CHF -123.3 million posted in the prior-year period. However, in the first half of the previous year, the finance result was impacted by one-time costs related to the restructuring of non-current financial liabilities in the amount of CHF 91.9 million. Due in particular to the restructuring of non-current financial liabilities as well as to the redemption of a debenture maturing in February 2014 in the amount of CHF 225.0 million and the annual repayment of the US private placement in April 2014, interest expenses were significantly lower in the first half of 2014.

After the deduction of income taxes, profit for the first half of 2014 amounts to CHF 88.1 million. Excluding the one-time effect of the restructuring of non-current liabilities in the prior-year period, profit in the first half of 2014 is CHF 4.7 million or 5.6 % higher.

## 2014 Interim report

### Assets and financial position

Non-current assets amounted to CHF 3.4 billion and were therefore in line with the end of 2013. The largest projects under way in the first half of 2014 were the upgrading of Terminal 2, the renovation of runway 14/32 and "The Circle at Zurich Airport".

Financial liabilities amounted to CHF 1.03 billion as at 30 June 2014, a decrease of CHF 279.2 million compared with 31 December 2013. Net debt also declined slightly, by CHF 1.8 million to CHF 691.0 million.

(CHF 1,000)	First half 2014 including aircraft noise	Elimination of aircraft noise	First half 2014 excluding aircraft noise	First half 2013 including aircraft noise	Elimination of aircraft noise	First half 2013 excluding aircraft noise
Aviation revenue <sup>1)</sup>	268,841	-5,673	263,168	286,440	-25,649	260,791
Non-aviation revenue <sup>1)</sup>	184,835		184,835	182,985		182,985
<b>Total revenue</b>	<b>453,676</b>	<b>-5,673</b>	<b>448,003</b>	<b>469,425</b>	<b>-25,649</b>	<b>443,776</b>
Operating expenses	-213,053	1,848	-211,205	-224,099	1,906	-222,193
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>240,623</b>	<b>-3,825</b>	<b>236,798</b>	<b>245,326</b>	<b>-23,743</b>	<b>221,583</b>
EBITDA margin (in %)	53.0		52.9	52.3		49.9
Depreciation and amortisation	-112,927	3,875	-109,052	-111,030	3,875	-107,155
<b>Earnings before interest and tax (EBIT)</b>	<b>127,696</b>	<b>50</b>	<b>127,746</b>	<b>134,296</b>	<b>-19,868</b>	<b>114,428</b>
EBIT margin (in %)	28.1		28.5	28.6		25.8
<b>Profit/loss</b>	<b>88,129</b>	<b>1,452</b>	<b>89,581</b>	<b>10,078</b>	<b>-15,512</b>	<b>-5,434</b>
Profit/loss in % of total revenue	19.4		20.0	2.1		-1.2

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

### Company

The first half of 2014 saw a series of commissionings and successes in the strategic divisions. Overall, however, the situation remains challenging for Flughafen Zürich AG, in particular in the political arena. The state treaty approved by the Swiss Parliament was unilaterally suspended by Germany, and the discrepancy created by Zurich's Cantonal Council between the cantonal development plan (section 4.7.1) and the Sectoral Aviation Infrastructure Plan (SAIP) will have to be eliminated by the Federal Council over the next few months.

#### Commissionings – added value for passengers and partners

Zurich Airport repeatedly wins awards for its efficiency and user friendliness. Maintaining this level in the future is a key goal for Flughafen Zürich AG. The company is therefore continuing to invest around CHF 1 million per working day in infrastructure in order to optimise processes and offer both passengers and the airport's partners a high-quality airport.

Making changes during continuing operations is a major challenge. One of the most visible and thus most interesting construction sites in the midst of passenger operations is Terminal 2. It has been operating for almost 40 years and is an integral part of Zurich Airport's passenger infrastructure. In addition to the large Check-in Hall 2, Terminal 2 is also home to Arrival 2 as well as a variety of shops, restaurants and offices. As passenger operations have to be

maintained throughout the construction work, the renovations are taking place in several phases. The southern section of the new Terminal 2 commenced operation on 26 March 2014. Passengers and partners alike are satisfied with the renovated southern part of Terminal 2, especially with the more flexible check-in capacities and the comprehensively renovated building technology. The new building shell with the facade and roof admits ample daylight to the hall and thus helps to significantly optimise energy consumption. In a second phase, the renovation work will be continued in the northern half of Terminal 2. The second renovation phase should be finished by October 2015, and the whole "Terminal 2 upgrade" project, including the overhauled curbside lanes, is scheduled to be completed in mid-2016. The investment costs of the whole project are currently expected to remain within budget.

While several construction sites will remain ongoing for some time yet, one major construction project – the noise protection hangar – was completed in the year under review. The ground-breaking ceremony took place on 4 October 2012, and the airport operator celebrated the commissioning of this imposing infrastructure with numerous guests from political and business circles on 18 June 2014. The hangar will be used by airlines to test aircraft engine functionality after maintenance work has been carried out. In order to reduce the resulting noise burden on surrounding municipalities, Flughafen Zürich AG was obliged to approve the operating regulations in force since 2011 concerning construction of a new noise protection hangar.



In a complex evaluation and voting process, the airport operator and future users of the noise protection hangar decided on a closed construction, which is also a sustainable solution. With a length of 126 metres, a height of 26 metres and a width of 90 metres, the closed hangar permits ground run-up testing for large long-haul aircraft which was previously carried out mainly during the day directly on the hangar apron or on the runways. The new closed noise protection hangar is a major step towards improving the noise situation in the long term, especially during the night.

Progress has also been made in terms of passenger processes. 28 January 2014 saw changes to the procedure for security checks on liquids in hand baggage at Zurich Airport. Receptacles containing up to 100 ml of liquid are still allowed, as are special foodstuffs, including baby food and medications. From now on, these liquids and duty-free articles will undergo an additional separate check to ensure that they do not contain explosives. The new EU regulation is relevant in particular for transfer passengers, as travellers from most third countries outside the European Union (EU) had to hand in their duty-free articles at the transfer security check. In future, passengers transferring from third countries via Zurich Airport may carry duty-free articles in their hand baggage as well. This new regulation was issued by the EU and is binding on all EU member states. On account of the bilateral agreements Switzerland is also obliged to implement the new regulation. Thanks to extensive testing, the airport operator was able to gather valuable information last year and thus optimally prepare and efficiently implement the new security check process for passengers.

#### **Construction projects – a major challenge for operations**

The runways at Zurich Airport are permanently subject to heavy wear and tear. Full renovation of the centreline on the 38-year-old main landing runway 14/32 is thus essential in order to maintain Zurich Airport's high safety standards. The preparatory work for the main construction phase in 2014 was carried out over the past two years. The 22.5-metre-wide centreline on the 3,300-metre-long and 60-metre-wide concrete runway is being replaced with a multi-layer asphalt surface. The ground lighting system also had to be renewed.

In order to safeguard flight operations, the construction work is being carried out over an eight-hour period during the night. The areas used for flight operations must be cleaned, inspected and signed off by 6.30 a.m. at the latest, as the first plane comes in to land at 7 a.m. Extensive sound insulation measures ensure the lowest possible noise burden in the surrounding municipalities. To monitor noise emissions, Flughafen Zürich AG carried out noise measurements in the municipalities in question and submitted the reports to the local authorities. The airport operator wanted to actively involve the neighbouring municipalities and thus held two information events for residents – including a visit to the construction sites. This generated a great deal of interest. Over 1,100 registrations were received – more than the organisers had expected. This is a positive sign that the population appreciates the dialogue with the airport operator. Thanks to the mild weather the construction work proceeded quickly, and

an average of around seventy – or often ninety – metres of the runway's centreline were renovated each night. The construction work will therefore probably be completed earlier than originally planned.

Whereas the night-time renovation work is meeting with broad acceptance, the overhauling of the curbside lanes is generating resentment amongst some users. On the arrival level, the curbside lane had to be completely closed to private traffic in October 2013 to enable the extensive construction work to proceed and without resulting in the risk of traffic jams on the approach roads and obstructing ongoing operations. The refurbishment of the arrival level is taking place in two main phases and is scheduled to last until November 2014. Construction work on the departure level will then commence. The construction and upgrade of the entire infrastructure including the approach roads is set to be completed in 2016.

#### **“The Circle” – additional milestones and new faces**

“The Circle” is making great strides and is continuing to take shape. The large mixed-use real estate project is a key pillar in Zurich Airport's further development into a service hub that also has the role of a regional centre. Following on from the signing of agreements with Swiss Life AG on the latter's 49 % stake, the next encouraging development occurred in mid-March: University Hospital of Zurich is planning to establish a university health centre covering around 10,800 m<sup>2</sup> with a 24-hour emergency room and additional out-patient and short-term services. University Hospital Zurich is the second anchor tenant after the international hotel group Hyatt, which will operate two hotels with a total of 550 rooms and a congress centre with seating for up to 2,300 people at “The Circle”. Other advance rentals are expected in the course of this year. Beat Pahud – an experienced project manager who is already known at Zurich Airport – was recruited in February 2014 and will take over the internal and external project organisation. A general planning team of around 80 people will conclude the construction project phase by the end of September so that the actual construction work can commence in 2015. Inauguration is planned for 2018. Although the office rental market is currently sluggish, the airport operator is confident that the unique location of “The Circle” and the forward-looking “Brands & Dialogue” concept will attract the right partners.

#### **International Business Development – more successes after a lean period**

A further important area in the strategic development of Flughafen Zürich AG – international airport activities – suffered a number of setbacks as its bids were often beaten by other contenders. But stamina, coupled with the necessary realism and distance to a bidding process that is at times unpredictable, paid off for Flughafen Zürich AG. Before the end of 2013 a consortium comprising Brazil's CCR, Flughafen München GmbH and Flughafen Zürich AG won the concession for the Confins international airport in Belo Horizonte, Brazil. The contracts were signed in March 2014, and the consortium officially took over the operational management in August.

## 2014 Interim report

A further success was reported in spring 2014. Flughafen Zürich AG will provide advisory services for the operation of up to eleven airports in Kazakhstan as part of a joint venture. The airport in the capital, Astana, is one of these eleven. Flughafen Zürich AG will contribute its expertise in the form of a multi-year service level agreement and support the Kazakh operator. However, it will not invest in the airport infrastructure, which remains wholly owned by the state of Kazakhstan.

### **Charges and runway extensions – decisions with an unclear outcome**

In addition to these gratifying developments, difficult decisions also shape the airport's business. The planned moderate increase in airport charges for the 2014-2017 period failed because no agreement was reached between the negotiating parties. The Federal Office for Civil Aviation (FOCA) subsequently issued a decision. The Board of Airline Representatives, the airline Swiss and other airlines in the Lufthansa group contested part of this decision. This means that, until further notice, the new flight operations charges cannot be levied. The 5-franc noise supplement was suspended already on 1 February 2014, as proposed by Flughafen Zürich AG. The noise supplement is one of the tools used to finance the aircraft noise fund (Airport of Zurich Noise Fund), which in turn serves to refinance the costs incurred by aircraft noise. As things stand at present, the aircraft noise fund has sufficient resources to cover the costs of noise and resident protection measures in the area affected by aircraft noise and of formal expropriations. This applies in particular in terms of the noise-related landing charges, which continue to accrue to the noise fund to the tune of a figure in the low double-digit millions range. For passengers this has meant lower charges as of 1 February of this year. The unresolved issue of charges is unsatisfactory for the airport operator, as Flughafen Zürich AG is ultimately dependent on an ongoing optimisation of the infrastructure, partly due to the airport partners' quality requirements.

This is not the only obstacle that the airport has to contend with. The state treaty with Germany remains unilaterally suspended by Germany. Any implementation of the new curfew periods stipulated in the treaty would require an extension of runways 28 and 32, which is why Flughafen Zürich AG pressed ahead with planning these infrastructure-related modifications. These extensions would ensure that all types of aircraft approaching from the east could land on runway 28 even during the extended evening curfew periods and take off to the north on runway 32. The so-called East Concept would thus be just as viable as the currently used North Concept, thus guaranteeing the smooth and safe operation of Zurich Airport. In its debate on 24 March 2014 on the nature of the cantonal development plan (section 4.7.1), Zurich Cantonal Council deleted the entry for possible runway extensions from the plan and thus consciously created a discrepancy compared with the SAIP draft. Consequently, a procedure to eliminate this difference between the Infrastructure Plan and the cantonal development plan will now be required.

### **Quality airport – new offerings and awards**

Flughafen Zürich AG expanded its range of retail and catering services in the first half of 2014 too. In the Airport Center – one of the locations with the highest footfall – where passengers, visitors and employees meet, two new attractions opened. In mid-May, Confiserie Sprüngli opened a new store, just a few metres away from its old premises. The cube-shaped glass structure boasts a modern elegance and the popular Sprüngli range. At the same time, the new "Fernweh" Bar opened its doors. It enhances the quality of time spent in the Airport Center and also arouses wanderlust with impressions of beautiful destinations around the world. These two new additions also create room for the significant expansion of the Migros outlet planned for the second half of the year. Existing airside spaces were also optimised, including a completely overhauled culinary offering in Dock E and a new Starbucks in Dock A.

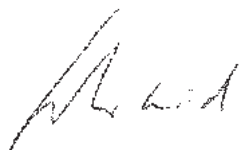
Also worthy of mention are the awards that the airport operator won in the first half of the year: the leading international umbrella organisation of airport operators, the Airports Council International (ACI), evaluated the results of passenger surveys conducted at over 280 airports worldwide in its Airport Service Quality (ASQ) Awards. Zurich Airport received awards in two categories. In the "Best Airport in Europe" category, Zurich Airport took second place behind Moscow Sheremetyevo. In the category of airports handling 15-25 million passengers per year, Zurich came fifth overall in the world behind Seoul Gimpo, Chongqing, Tampa and Salt Lake City. In March, Zurich Airport won the "Air Cargo Excellence Award 2014". As in the previous year, Zurich Airport came top of the "Airports Europe up to 399,999 Tonnes" category. Zurich is ranked fourth in the world after Doha, Anchorage and Cologne. And, last but not least, Zurich Airport won the World Travel Award as the "Leading Airport Europe" for the 11<sup>th</sup> time.

These awards are a token of appreciation for everyone who works on a daily basis on behalf of Zurich Airport and the result of the good, close cooperation between the airport operator and its partner companies.

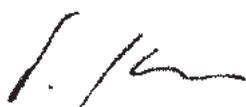
**Outlook**

Flughafen Zürich AG expects passenger growth of 1 % for 2014, which will be boosted in particular by the positive trend in local passengers. Factoring out the extraordinary effect of the previous year and excluding noise-related factors, both earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest and tax (EBIT) are expected to be above the previous year's levels. Investments for 2014 will be in the range of CHF 250 million.

Zurich Airport, 25 August 2014



Andreas Schmid  
Chairman of the Board of Directors



Thomas E. Kern  
Chief Executive Officer





REFLECTION, APRON CONTROL TOWER

**Financial report**

Interim consolidated income statement	14
Interim consolidated statement of comprehensive income	14
Interim consolidated balance sheet	15
Interim consolidated statement of changes in equity	16
Interim consolidated cash flow statement	17
Notes to the interim consolidated financial statements	18

## Interim consolidated income statement <sup>1)</sup>

(CHF 1,000)	Notes	First half 2014	First half 2013	Financial year 2013
Aviation revenue <sup>2)</sup>		268,841	286,440	601,437
Non-aviation revenue <sup>2)</sup>		184,835	182,985	373,657
<b>Total revenue</b>		<b>453,676</b>	<b>469,425</b>	<b>975,094</b>
Personnel expenses		-88,761	-88,882	-178,180
Police and security		-59,389	-58,440	-118,113
Energy and waste		-10,080	-13,837	-25,185
Maintenance and material		-18,628	-20,122	-43,568
Other operating expenses		-25,880	-27,727	-53,618
Sales, marketing, administration		-15,773	-17,320	-38,278
Capitalised expenditure and other income/ expenses, net		5,458	2,229	8,561
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>240,623</b>	<b>245,326</b>	<b>526,713</b>
Depreciation and amortisation		-112,927	-111,030	-224,710
<b>Earnings before interest and tax (EBIT)</b>		<b>127,696</b>	<b>134,296</b>	<b>302,003</b>
Finance costs	(1)	-18,664	-143,673	-164,070
Finance income	(1)	1,922	20,363	29,632
Share of profit or loss of associates		19	1,365	2,988
<b>Profit before tax</b>		<b>110,973</b>	<b>12,351</b>	<b>170,553</b>
Income tax expense		-22,844	-2,273	-33,501
<b>Profit</b>		<b>88,129</b>	<b>10,078</b>	<b>137,052</b>
Profit attributable to shareholders of Flughafen Zürich AG		87,982	10,041	137,084
Profit attributable to non-controlling interests		147	37	-32
Basic earnings per share (CHF)		14.33	1.64	22.34
Diluted earnings per share (CHF)		14.33	1.64	22.33

## Interim consolidated statement of comprehensive income <sup>1)</sup>

(CHF 1,000)	First half 2014	First half 2013	Financial year 2013
<b>Profit</b>	<b>88,129</b>	<b>10,078</b>	<b>137,052</b>
<b>Other comprehensive income</b>			
Cross-currency interest rate swaps, net of income tax			
Adjustments to fair value	-820	-11,442	-12,266
Transfer to income statement	1,262	90,974	92,141
Available-for-sale securities			
Adjustments to fair value	1,087	-2,171	-1,453
Foreign exchange differences	176	-423	-2,326
<b>Items that are or may be reclassified subsequently to profit or loss</b>	<b>1,705</b>	<b>76,938</b>	<b>76,096</b>
Remeasurement of defined benefit liability, net of income tax	-4,503	17,224	34,866
<b>Items that will never be reclassified to profit or loss</b>	<b>-4,503</b>	<b>17,224</b>	<b>34,866</b>
<b>Other comprehensive income, net of income tax</b>	<b>-2,798</b>	<b>94,162</b>	<b>110,962</b>
<b>Total comprehensive income</b>	<b>85,331</b>	<b>104,240</b>	<b>248,014</b>
Comprehensive income attributable to shareholders of Flughafen Zürich AG	85,176	104,199	248,055
Comprehensive income attributable to non-controlling interests	155	41	-41

<sup>1)</sup> All financial data presented here are unaudited, with the exception of figures for the financial year 2013.

<sup>2)</sup> Based on the new Ordinance on Airport Charges, the allocation to aviation revenue and non-aviation revenue was amended slightly. For the purpose of comparison, the previous year's figures have been adjusted accordingly.



## Financial report | Interim consolidated balance sheet

### Interim consolidated balance sheet <sup>1)</sup>

(CHF 1,000)	Notes	30.06.2014	30.06.2013	31.12.2013
<b>Assets</b>				
Land	(2)	110,195	110,195	110,195
Buildings and engineering structures	(2)	2,437,899	2,456,241	2,451,985
Leased assets	(2)	30,897	41,491	36,194
Projects in progress	(2)	257,231	194,669	247,375
Movables	(2)	81,808	90,607	86,189
<b>Total property, plant and equipment</b>		<b>2,918,030</b>	<b>2,893,203</b>	<b>2,931,938</b>
Intangible asset from right of formal expropriation	(2)	286,074	293,823	289,949
Other intangible assets	(2)	9,402	13,370	11,555
Investments in associates		26,372	15,938	12,415
Non-current financial assets of Airport of Zurich Noise Fund	(6)	206,055	201,613	206,944
Other financial assets		3,684	24	3,854
<b>Non-current assets</b>		<b>3,449,617</b>	<b>3,417,971</b>	<b>3,456,655</b>
Inventories		9,811	9,913	10,206
Current financial assets of Airport of Zurich Noise Fund	(6)	44,900	61,664	49,244
Trade receivables		107,035	114,407	115,460
Other receivables and prepaid expenses		21,781	26,745	21,167
Fixed-term deposits		0	45,000	20,000
Cash and cash equivalents	(3)	116,165	239,039	392,943
<b>Current assets</b>		<b>299,692</b>	<b>496,768</b>	<b>609,020</b>
<b>Total assets</b>		<b>3,749,309</b>	<b>3,914,739</b>	<b>4,065,675</b>
<b>Equity and liabilities</b>				
Share capital		307,019	307,019	307,019
Treasury shares		-701	-1,206	-1,335
Capital reserves		591,086	590,777	591,263
Hedging reserve, net		-465	-1,250	-907
Fair value reserve		2,084	279	997
Translation reserve		-3,218	-1,496	-3,386
Other retained earnings		1,178,437	1,011,641	1,156,326
<b>Equity attributable to shareholders of Flughafen Zürich AG</b>		<b>2,074,242</b>	<b>1,905,764</b>	<b>2,049,977</b>
Equity attributable to non-controlling interests		1,796	1,720	1,641
<b>Total equity</b>		<b>2,076,038</b>	<b>1,907,484</b>	<b>2,051,618</b>
Debentures and non-current loans	(4)	947,270	998,025	995,618
Non-current lease liabilities	(4)	25,481	37,692	31,640
Non-current provisions for sound insulation and resident protection plus formal expropriations	(5)	271,058	279,041	280,362
Deferred tax liabilities	(7)	101,379	93,823	104,662
Employee benefit obligations		89,877	110,347	84,410
<b>Non-current liabilities</b>		<b>1,435,065</b>	<b>1,518,928</b>	<b>1,496,692</b>
Trade payables		54,635	46,709	51,415
Current financial liabilities	(4)	60,348	287,631	285,016
Other current liabilities, accruals and deferrals		74,736	106,225	138,218
Current provisions for sound insulation and resident protection plus formal expropriations	(5)	29,510	46,712	25,000
Current tax liabilities		18,977	1,050	17,716
<b>Current liabilities</b>		<b>238,206</b>	<b>488,327</b>	<b>517,365</b>
<b>Total liabilities</b>		<b>1,673,271</b>	<b>2,007,255</b>	<b>2,014,057</b>
<b>Total equity and liabilities</b>		<b>3,749,309</b>	<b>3,914,739</b>	<b>4,065,675</b>

<sup>1)</sup> All financial data presented here are unaudited, with the exception of figures as at 31 December 2013.

## Financial report | Interim consolidated statement of changes in equity

### Interim consolidated statement of changes in equity <sup>1)</sup>

	Share capital	Treasury shares	Capital reserves	Hedging reserve, net	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
(CHF 1,000)										
<b>Balance as at 1 January 2013</b>	<b>307,019</b>	<b>-1,467</b>	<b>590,968</b>	<b>-80,782</b>	<b>2,450</b>	<b>-1,069</b>	<b>1,042,684</b>	<b>1,859,803</b>	<b>0</b>	<b>1,859,803</b>
Profit, first half 2013							10,041	10,041	37	10,078
Other comprehensive income, net of income tax				79,532	-2,171	-427	17,224	94,158	4	94,162
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,532</b>	<b>-2,171</b>	<b>-427</b>	<b>27,265</b>	<b>104,199</b>	<b>41</b>	<b>104,240</b>
Dividends for the 2012 financial year							-58,308	-58,308	-74	-58,382
Purchase of treasury shares		-415						-415		-415
Sale of treasury shares								0		0
Share-based payments		676	-191					485		485
Change in scope of consolidation								0	1,753	1,753
<b>Balance as at 30 June 2013</b>	<b>307,019</b>	<b>-1,206</b>	<b>590,777</b>	<b>-1,250</b>	<b>279</b>	<b>-1,496</b>	<b>1,011,641</b>	<b>1,905,764</b>	<b>1,720</b>	<b>1,907,484</b>
<b>Balance as at 1 January 2014</b>	<b>307,019</b>	<b>-1,335</b>	<b>591,263</b>	<b>-907</b>	<b>997</b>	<b>-3,386</b>	<b>1,156,326</b>	<b>2,049,977</b>	<b>1,641</b>	<b>2,051,618</b>
Profit, first half 2014							87,982	87,982	147	88,129
Other comprehensive income, net of income tax				442	1,087	168	-4,503	-2,806	8	-2,798
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>442</b>	<b>1,087</b>	<b>168</b>	<b>83,479</b>	<b>85,176</b>	<b>155</b>	<b>85,331</b>
Dividends for the 2013 financial year							-61,368	-61,368		-61,368
Purchase of treasury shares		-80						-80		-80
Sale of treasury shares								0		0
Share-based payments		714	-177					537		537
<b>Balance as at 30 June 2014</b>	<b>307,019</b>	<b>-701</b>	<b>591,086</b>	<b>-465</b>	<b>2,084</b>	<b>-3,218</b>	<b>1,178,437</b>	<b>2,074,242</b>	<b>1,796</b>	<b>2,076,038</b>

<sup>1)</sup> All financial data presented here are unaudited, with the exception of figures as at 1 January 2013 and 2014.

## Financial report | Interim consolidated cash flow statement

### Interim consolidated cash flow statement <sup>1)</sup>

(CHF 1,000)	Notes	First half 2014	First half 2013	Financial year 2013
<b>Profit</b>		<b>88,129</b>	<b>10,078</b>	<b>137,052</b>
Finance result	(1)	16,742	123,310	134,438
Share of profit or loss of associates		-19	-1,365	-2,988
Income tax expense		22,844	2,273	33,501
Depreciation / amortisation of				
Buildings and engineering structures	(2)	93,760	91,498	184,909
Movables	(2)	7,655	8,473	17,075
Intangible asset from right of formal expropriation	(2)	3,875	3,875	7,749
Other intangible assets	(2)	2,598	2,609	5,416
Leased assets	(2)	5,297	4,887	10,184
Recognition of government subsidies and grants on buildings and engineering structures in the income statement				
Buildings and engineering structures	(2)	-258	-312	-623
Gains (-) / losses (+) on disposal of property, plant and equipment (net)		527	2,890	4,347
Share-based payments		538	485	1,004
Increase (-) / decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		6,345	-13,978	-9,172
Increase (+) / decrease (-) in current liabilities, excluding current financial liabilities		-2,390	-2,464	-7,614
Increase (+) / decrease (-) in employee benefit obligations		-1,022	976	-301
Increase (+) / decrease (-) in provision for sound insulation and resident protection plus formal expropriations	(5)	-7,085	-10,639	-22,869
Income tax paid		-24,234	-21,062	-33,115
<b>Cash flow from operating activities</b>		<b>213,302</b>	<b>201,534</b>	<b>458,993</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		3,147	12,948	30,281
Income from noise charges		10,808	23,939	53,799
Expenses for sound insulation and resident protection plus formal expropriations		-7,661	-10,991	-23,518
Investments in property, plant and equipment (projects in progress)		-111,178	-100,854	-223,873
Proceeds from disposal of property, plant and equipment		39	32	124
Change in share of voting rights (A-port Operaciones)		0	1,798	1,798
Investments in associates		-13,358	0	0
Investments in financial assets of Airport of Zurich Noise Fund		-24,365	-48,758	-73,169
Repayment of current financial assets of Airport of Zurich Noise Fund		29,900	36,000	-20,000
Investments in fixed-term deposits due > 90 days		0	-40,000	75,038
Repayment of fixed-term deposits due > 90 days		20,000	70,038	67,200
Interest received		1,933	2,448	1,643
<b>Cash flow from investing activities</b>		<b>-97,029</b>	<b>-79,296</b>	<b>-171,239</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		5,535	-12,758	-5,969
Investments in financial assets Airport of Zurich Noise Fund		-24,365	-48,758	-73,169
Repayment of current financial assets Airport of Zurich Noise Fund		29,900	36,000	67,200
Issue of new debenture	(4)	0	399,534	399,534
Repayment of outstanding debenture	(4)	-225,000	0	0
Repayment of liabilities to banks arising from US private placement	(4)	-73,150	-73,150	-73,150
Repayment of lease liabilities	(4)	-5,856	-5,172	-10,883
Repayment of liabilities to banks arising from Japanese private placement	(4)	0	-373,018	-373,018
Repayment MtM Swap Japanese private placement		0	-111,924	-111,924
Payment of dividend for the 2013 / 2012 financial years		-61,367	-58,382	-58,379
Purchase of treasury shares		-80	-415	-577
Sale of treasury shares		0	0	0
Interest paid		-27,488	-29,330	-34,831
<b>Cash flow from financing activities</b>		<b>-392,941</b>	<b>-251,857</b>	<b>-263,228</b>
<b>Increase (+) / decrease (-) in cash and cash equivalents</b>	<b>(3)</b>	<b>-276,668</b>	<b>-129,619</b>	<b>24,526</b>
Balance at 1 January	(3)	392,943	368,713	368,713
Effect of foreign exchange differences on cash and cash equivalents held		-110	-55	-296
<b>Balance as at end of reporting period</b>	<b>(3)</b>	<b>116,165</b>	<b>239,039</b>	<b>392,943</b>
of which included in Airport of Zurich Noise Fund	(3)	31,444	17,792	45,760

<sup>1)</sup> All financial data presented here are unaudited, with the exception of figures for the financial year 2013.



## **Accounting policies**

### **Statement of compliance**

The unaudited interim consolidated financial statements for the six months ended 30 June 2014 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 2013 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.

### **Changes in accounting policies**

The company adopted the following new and amended International Financial Reporting Standards and Interpretations which are mandatory for the first time for the financial year beginning 1 January 2014: IFRIC 21 "Leases", "Offsetting Financial Assets and Financial Liabilities" (Amendments to IAS 32), "Investment Entities" (Amendments to IFRS 10, IFRS 12 and IAS 27) and "Novation of Derivatives and Continuation of Hedge Accounting" (Amendments to IAS 39). The application of the new and amended Standards and Interpretations does not have a significant impact on these interim consolidated financial statements. Moreover, with the exception of the changes to the segment reporting described below, these interim consolidated financial statements were prepared in accordance with the accounting policies described in the 2013 consolidated financial statements.

### **Seasonal factors**

Due to the nature of the civil aviation sector and based on statistics, traffic volumes (passenger volumes and number of flights) are usually higher in the second half of the year than in the first half.

## **Annotations to the 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 rulings of 8 June 2010 on the foreseeability of an eastern approach and 9 December 2011 on the method used to calculate a decline in the market value of investment property as well as other fundamental issues, Flughafen Zürich AG and the Canton of Zurich last undertook a reappraisal of noise-related operating costs on 31 December 2011. As no new rulings had been handed down by the Swiss Federal Supreme Court, this was still valid on 31 December 2013. According to the updated calculations, total noise-related operating costs were therefore unchanged at CHF 740.6 million at the end of December 2013. Since no new rulings were handed down by the Swiss Federal Supreme Court in the first half of 2014, the company decided on 30 June 2014 to adhere to the most recently updated calculation of noise-related operating costs from the end of December 2011. This cost estimate continues to be based on a number of assumptions, such as pending legal issues where there has been no decision by a court of last instance.

### **Changes to the segment reporting**

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

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

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

The "Aviation" segment comprises the original infrastructure and services related to flight operations. This includes all core services provided to airlines and passengers with the exception of central infrastructure, which is shown in the "User fees" segment and refinanced through separate charges.

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

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

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

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

The prior-year figures in the segment reporting have been adjusted accordingly for comparative purposes.

## Segment reporting

	Regulated business		Noise		Non-regulated business		Eliminations		Consolidated	
	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013
(CHF million)										
Revenue from third parties	263.2	260.8	5.7	25.6	184.8	183.0			453.7	469.4
Inter-segment revenue	10.2	11.2			45.9	45.9	-56.1	-57.1	0.0	0.0
<b>Total revenue</b>	<b>273.4</b>	<b>272.0</b>	<b>5.7</b>	<b>25.6</b>	<b>230.7</b>	<b>228.9</b>	<b>-56.1</b>	<b>-57.1</b>	<b>453.7</b>	<b>469.4</b>
<b>Segment result (EBITDA)</b>	<b>105.9</b>	<b>97.6</b>	<b>3.8</b>	<b>23.5</b>	<b>130.9</b>	<b>124.2</b>	<b>0.0</b>	<b>0.0</b>	<b>240.6</b>	<b>245.3</b>
Depreciation and amortisation	-66.1	-65.7	-3.9	-4.0	-42.9	-41.3			-112.9	-111.0
<b>Earnings before interest and tax (EBIT)</b>	<b>39.8</b>	<b>31.9</b>	<b>-0.1</b>	<b>19.5</b>	<b>88.0</b>	<b>82.9</b>	<b>0.0</b>	<b>0.0</b>	<b>127.7</b>	<b>134.3</b>
Finance result									-16.7	-123.3
Share of profit or loss of associates									0.0	1.4
Income tax expense									-22.9	-2.3
<b>Profit</b>									<b>88.1</b>	<b>10.1</b>
<b>Invested capital</b>	<b>1,885.8</b>	<b>1,993.5</b>	<b>230.9</b>	<b>205.5</b>	<b>1,017.4</b>	<b>1,075.6</b>			<b>3,134.1</b>	<b>3,274.6</b>
Non-interest-bearing non-current liabilities <sup>1)</sup>									462.3	483.2
Non-interest-bearing current liabilities <sup>2)</sup>									152.9	156.9
<b>Total assets</b>									<b>3,749.3</b>	<b>3,914.7</b>
<b>ROIC (in %) <sup>3)</sup></b>	<b>3.8</b>	<b>0.2</b>	<b>8.4</b>	<b>16.2</b>	<b>13.8</b>	<b>9.6</b>			<b>7.4</b>	<b>4.3</b>
Capital expenditure	46.9	23.9	5.1	6.6	41.6	64.7			93.6	95.2
Investments in associates					26.4	15.9			26.4	15.9

The segment information of the regulated business is as follows:

	Aviation		PRM		User fees		Security		Eliminations		Total regulated business	
	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013	First half 2014	First half 2013
(CHF million)												
Revenue from third parties	154.9	150.7	5.3	5.3	25.0	28.0	78.0	76.8			263.2	260.8
Inter-segment revenue	9.9	11.8			2.9	2.2	0.3	0.3	-2.9	-3.1	10.2	11.2
<b>Total revenue</b>	<b>164.8</b>	<b>162.5</b>	<b>5.3</b>	<b>5.3</b>	<b>27.9</b>	<b>30.2</b>	<b>78.3</b>	<b>77.1</b>	<b>-2.9</b>	<b>-3.1</b>	<b>273.4</b>	<b>272.0</b>
<b>Segment result (EBITDA)</b>	<b>81.6</b>	<b>70.1</b>	<b>-0.9</b>	<b>-0.7</b>	<b>14.6</b>	<b>16.8</b>	<b>10.6</b>	<b>11.4</b>	<b>0.0</b>	<b>0.0</b>	<b>105.9</b>	<b>97.6</b>
Depreciation and amortisation	-45.9	-45.0			-14.6	-14.9	-5.6	-5.8			-66.1	-65.7
<b>Earnings before interest and tax (EBIT)</b>	<b>35.7</b>	<b>25.1</b>	<b>-0.9</b>	<b>-0.7</b>	<b>0.0</b>	<b>1.9</b>	<b>5.0</b>	<b>5.6</b>	<b>0.0</b>	<b>0.0</b>	<b>39.8</b>	<b>31.9</b>
<b>Invested capital</b>	<b>1,438.7</b>	<b>1,486.1</b>	<b>1.0</b>	<b>2.9</b>	<b>313.5</b>	<b>335.9</b>	<b>132.6</b>	<b>168.6</b>			<b>1,885.8</b>	<b>1,993.5</b>
<b>ROIC (in %) <sup>3)</sup></b>	<b>4.0</b>	<b>-0.1</b>	<b>n/a</b>	<b>n/a</b>	<b>0.9</b>	<b>-0.4</b>	<b>9.3</b>	<b>4.7</b>			<b>3.8</b>	<b>0.2</b>

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

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

<sup>3)</sup> Based on the result of the 12-month period preceding the reporting date.

## 1) Finance result

(CHF 1,000)	First half 2014	First half 2013	Financial year 2013
Interest expenses on debentures and non-current loans	-11,751	-18,874	-35,100
Less capitalised interest on borrowings for buildings under construction	281	341	635
<b>Net interest expenses on debentures and non-current loans</b>	<b>-11,470</b>	<b>-18,533</b>	<b>-34,465</b>
Interest expenses on finance lease liabilities	-978	-1,239	-2,362
Accretion of interest on financial liabilities at amortised cost	-797	-5,786	-6,774
Net interest expenses on defined benefit obligations	-846	-984	-2,195
Other interest expenses	-53	-44	-75
<b>Total interest expenses</b>	<b>-14,144</b>	<b>-26,586</b>	<b>-45,871</b>
Loss on financial assets of Airport of Zurich Noise Fund	-722	-1,492	-3,285
Other finance costs	-1,464	-113,426	-114,687
Foreign exchange losses	-44	-163	-227
Unwinding of discount on provisions for sound insulation and resident protection plus formal expropriations	-2,290	-2,006	0
<b>Total finance costs</b>	<b>-18,664</b>	<b>-143,673</b>	<b>-164,070</b>
Interest income on financial assets of Airport of Zurich Noise Fund	1,715	2,448	5,300
Interest income on postal accounts and bank deposits / loans	116	222	417
Interest on arrears	4	8	11
<b>Total interest income</b>	<b>1,835</b>	<b>2,678</b>	<b>5,728</b>
Unwinding of discount on provisions for sound insulation and resident protection plus formal expropriations	0	0	6,155
Foreign exchange gains	86	17,671	17,718
Other finance income	1	14	31
<b>Total finance income</b>	<b>1,922</b>	<b>20,363</b>	<b>29,632</b>
<b>Finance result</b>	<b>-16,742</b>	<b>-123,310</b>	<b>-134,438</b>

Flughafen Zürich AG's finance result amounted to CHF -16.7 million, a significant improvement on the CHF -123.3 million posted in the prior-year period. However, in the first half of the previous year, the finance result was impacted by one-time costs related to the restructuring of non-current financial liabilities in the amount of CHF 91.9 million.

Interest expenses on debentures and non-current loans were CHF 7.1 million or 37.7 % down on the prior-year period to CHF 11.8 million. The savings are attributable to the restructuring of non-current financial liabilities in the previous year, the redemption of a debenture maturing in February 2014 in the amount of CHF 225.0 million and the annual repayment of the US private placement in April 2014.

Capitalised interest on borrowings for buildings under construction declined by CHF 0.1 million. In the first half of financial year 2014, it was calculated using an average interest rate of 2.33 % (H1 2013: 2.83 %).

## 2) Changes in property, plant and equipment and intangible assets

	Land	Engineering structures	Buildings	Leased assets	Projects in progress	Movables	Total property, plant and equipment	Intangible asset from right of formal expropriation	Other intangible assets	Total intangible assets
<b>(CHF million)</b>										
<b>Cost</b>										
Balance as at 1 January 2014	110.2	1,568.2	4,025.5	105.2	250.9	265.2	6,325.2	326.6	77.5	404.1
Additions					93.6		93.6			0.0
Disposals		-1.3	-10.0			-12.1	-23.4		-4.1	-4.1
Transfers		16.8	63.0		-83.8	3.4	-0.6		0.6	0.6
Translation adjustments							0.0		-0.1	-0.1
Balance as at 30 June 2014	110.2	1,583.7	4,078.5	105.2	260.7	256.5	6,394.8	326.6	73.9	400.5
<b>Depreciation, amortisation and impairment losses</b>										
Balance as at 1 January 2014	0.0	785.6	2,354.7	69.0	0.0	179.0	3,388.3	36.6	66.0	102.6
Additions		24.9	68.7	5.3		7.7	106.6	3.9	2.6	6.5
Disposals		-1.3	-9.6			-12.0	-22.9		-4.1	-4.1
Balance as at 30 June 2014	0.0	809.2	2,413.8	74.3	0.0	174.7	3,472.0	40.5	64.5	105.0
<b>Government subsidies and grants</b>										
Balance as at 1 January 2014	0.0	0.0	1.5	0.0	3.5	0.0	5.0	0.0	0.0	0.0
Disposals			-0.2				-0.2			0.0
Balance as at 30 June 2014	0.0	0.0	1.3	0.0	3.5	0.0	4.8	0.0	0.0	0.0
Net carrying amount as at 1 January 2014	110.2	782.6	1,669.3	36.2	247.4	86.2	2,931.9	290.0	11.5	301.5
Net carrying amount as at 30 June 2014	110.2	774.5	1,663.4	30.9	257.2	81.8	2,918.0	286.1	9.4	295.5

### 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.

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 and adjustments in the amount of CHF 57.8 million and CHF 27.0 million were recognised at 31 December 2010 and 31 December 2011, an equal amount was in each case recognised as a provision (see note 5, "Provision for sound insulation and resident protection plus formal expropriations"). In addition to compensation for pilot cases amounting to CHF 0.9 million, in mid-2008, 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. This portion was transferred to the Canton of Zurich under the supplementary agreement (to the merger agreement) dated 8 March 2006.

The intangible asset from the right of expropriation is 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)	30.06.2014	of which AZNF	30.06.2013	of which AZNF	31.12.2013	of which AZNF
Cash on hand	215		240		219	
Cash at banks and in postal accounts	103,440	31,444	236,534	17,792	392,724	45,760
Collateral due within 90 days	12,510		2,265		0	
<b>Total cash and cash equivalents</b>	<b>116,165</b>	<b>31,444</b>	<b>239,039</b>	<b>17,792</b>	<b>392,943</b>	<b>45,760</b>

### 4) Financial liabilities

(CHF 1,000)	30.06.2014	30.06.2013	31.12.2013
Debentures	947,270	946,575	946,922
US private placement	0	51,450	48,696
Non-current lease liabilities	25,481	37,692	31,640
<b>Non-current financial liabilities</b>	<b>972,751</b>	<b>1,035,717</b>	<b>1,027,258</b>
Debentures	0	224,664	224,929
US private placement	48,142	51,305	48,138
Current lease liabilities	12,206	11,662	11,949
<b>Current financial liabilities</b>	<b>60,348</b>	<b>287,631</b>	<b>285,016</b>
<b>Total financial liabilities</b>	<b>1,033,099</b>	<b>1,323,348</b>	<b>1,312,274</b>

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

The change in the liabilities to banks arising from the US private placement comprises the combined effects of foreign exchange movements and annual repayments. In April 2014, the fourth of five annual tranches of the US private placement was repaid. The company holds a derivative financial instrument in the form of a cross-currency interest rate swap for the purpose of hedging the currency risk associated with future interest payments and repayments. The fair value of the derivative financial instrument is recognised in Other current liabilities, accruals and deferrals and was CHF 25.0 million at 30 June 2014 (31 December 2013: CHF 49.6 million).

Non-current financial liabilities as at 30 June 2014 were CHF 54.5 million lower than on the previous reporting date, while current financial liabilities declined by CHF 224.7 million in the same period. Overall, therefore, financial liabilities declined by CHF 279.2 million or 21.3 %.

## 5) Provision for sound insulation and resident protection plus formal expropriations

(CHF 1,000)	Sound insulation and resident protection	Formal expropriations	Total
<b>Balance as at 1 January 2013</b>	<b>86,334</b>	<b>248,052</b>	<b>334,386</b>
Provisions used <sup>1)</sup>	-8,426	-2,213	-10,639
Provisions made	0	0	0
Unwinding of discount	518	1,488	2,006
<b>Balance as at 30 June 2013</b>	<b>78,426</b>	<b>247,327</b>	<b>325,753</b>
thereof current (planned payment within 1 year)	29,074	17,638	46,712
thereof non current (planned payment from 1 year on)	49,352	229,689	279,041
<b>Balance as at 1 January 2014</b>	<b>65,660</b>	<b>239,702</b>	<b>305,362</b>
Provisions used <sup>1)</sup>	-6,094	-990	-7,084
Provisions made	0	0	0
Unwinding of discount	492	1,798	2,290
<b>Balance as at 30 June 2014</b>	<b>60,058</b>	<b>240,510</b>	<b>300,568</b>
thereof current (planned payment within 1 year)	18,000	11,510	29,510
thereof non current (planned payment from 1 year on)	42,058	229,000	271,058

<sup>1)</sup> 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.

### Provision for sound insulation and resident protection

Flughafen Zürich AG has effectively committed itself to bearing approximately CHF 240.0 million in costs for sound insulation and resident protection measures, some of which have already been carried out and others which have been announced. As of the reporting date, a total of around CHF 177.0 million had been paid out. The estimated outstanding costs are stated at present value in the breakdown of provisions shown above. The discount rate used to calculate the interest cost on the nominal payment flows is 1.5 % (H1 2013: 1.2 %). It is currently expected that the payments can be completed by the end of 2020.

### Provision for formal expropriations

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date (see also notes to the 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 240.5 million was recognised as a provision for "new" noise-related liabilities (nominal amount CHF 258.1 million) as at 30 June 2014. This amount takes account of the last-instance court rulings made to date in the various regions around the airport. The discount rate is also 1.5 % (H1 2013: 1.2 %). In this case too, it is currently expected that the payments can be completed by the end of 2020.

## 6) Airport of Zurich Noise Fund

(CHF 1,000)	First half 2014	First half 2013	Financial year 2013
<b>Airport of Zurich Noise Fund as at 1 January</b>	<b>300,197</b>	<b>273,786</b>	<b>273,786</b>
Revenue from noise charges <sup>1)</sup>	10,808	23,939	53,799
Costs for sound insulation and resident protection	-31,094	-8,426	-20,611
Costs for formal expropriations <sup>2)</sup>	-1,567	-2,565	-2,907
<b>Net result before operating costs and finance result</b>	<b>278,344</b>	<b>286,734</b>	<b>304,067</b>
Noise-related operating costs	-1,848	-1,906	-3,887
Interest income from financial assets of Airport of Zurich Noise Fund	1,802	2,141	4,755
Adjustments to fair value of financial assets (available-for-sale securities)	1,087	-2,171	-1,453
Gains / losses on financial assets	-722	-1,492	-3,285
<b>Airport of Zurich Noise Fund as at end of reporting period</b>	<b>278,663</b>	<b>283,306</b>	<b>300,197</b>

<sup>1)</sup> Excluding the proportion of collected noise charges for the Canton of Zurich as of 1 July 2008.

<sup>2)</sup> 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)	30.06.2014	30.06.2013	31.12.2013
Cash equivalents (see note 3, Cash and cash equivalents)	31,444	17,792	45,760
Current available-for-sale securities	44,900	61,664	49,244
Non-current available-for-sale securities	206,055	201,613	206,944
Accrual / deferral towards Flughafen Zürich AG <sup>1)</sup>	-3,736	2,237	-1,751
<b>Total assets invested for Airport of Zurich Noise Fund</b>	<b>278,663</b>	<b>283,306</b>	<b>300,197</b>

<sup>1)</sup> For accounting reasons, an accrual (deferral) towards Flughafen Zürich AG arises as at 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 relating to aircraft noise through special noise charges based on the "costs-by-cause" principle. In the interest of transparency, costs and income relating to aircraft noise are recognised in a special liquidity-based fund statement for the Airport of Zurich Noise Fund. As, based on the current state of knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations, sound insulation and resident protection measures that can be estimated at the present time, the passenger-related noise supplement (5-franc noise supplement) was suspended as of 1 February 2014. This reduces noise revenue substantially as of that date.

The assets 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 an amount of CHF 115.4 million was transferred to the Canton of Zurich on 1 July 2008 as part of the pre-financing solution with the Canton of Zurich (separation of the "old" noise-related liabilities) and, as of that date, the Canton of Zurich has also received 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 and the relevant authorities. The regulations of the Airport of Zurich Noise Fund and other current information (including an overview of the investments and the Fund's financial development) can be downloaded from the following website: [www.zurich-airport.com/aznf](http://www.zurich-airport.com/aznf).

## 7) Deferred tax liabilities

The balance of deferred tax assets and liabilities changed as follows:

(CHF 1,000)	30.06.2014	30.06.2013	31.12.2013
<b>Deferred tax liability, net as at 1 January</b>	<b>104,662</b>	<b>80,281</b>	<b>80,281</b>
Deferred taxes on adjustments to fair value of cross-currency interest rate swaps recognised in hedging reserve	-207	-2,896	-3,106
Cross-currency interest rate swaps – transfer to income statement	319	23,028	23,324
Deferred taxes on remeasurement of defined benefit liability, recognised in OCI	-1,140	0	8,826
Change in scope of consolidation	0	0	26
Change according to income statement	-2,255	-6,590	-4,689
<b>Deferred tax liability, net as at end of reporting period</b>	<b>101,379</b>	<b>93,823</b>	<b>104,662</b>

## 8) Fair value disclosures

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

Financial assets in the Airport of Zurich Noise Fund: The fair value corresponds to the market price of the securities at the reporting date.

Derivatives: The fair value of the cross-currency interest rate swap is determined using a valuation model whose key input factors are foreign exchange rates and interest rates observable in the market. Non-observable input factors do not have any material influence on the valuation.

Financial liabilities: The fair value of the debentures corresponds to the market price. The fair value of the other fixed-interest financial liabilities corresponds to the present value of the future cash flows. The discount rate corresponds to the market interest rate at the reporting date.

(CHF 1,000)	Carrying amount 30.06.2014	Fair value 30.06.2014	Carrying amount 31.12.2013	Fair value 31.12.2013
Debentures	947,270	992,725	1,171,851	1,183,100
US private placement	48,142	49,844	96,834	98,149
<b>Total</b>	<b>995,412</b>	<b>1,042,569</b>	<b>1,268,685</b>	<b>1,281,249</b>

Financial assets and liabilities recognised at fair value are categorised according to the following hierarchy, reflecting the significance of the inputs used to measure fair value:

Level 1 – Quoted market prices:

The inputs used to measure the assets or liabilities are quoted, unadjusted market prices determined in active markets for identical assets or liabilities at the measurement date.

Level 2 – Measurement based on observable inputs:

The assets or liabilities are measured on the basis of inputs (other than the quoted prices included within level 1) that are directly or indirectly observable for the asset or liability.

Level 3 – Measurement based on unobservable inputs:

The inputs for these assets or liabilities are not observable. Flughafen Zürich AG does not have any assets or liabilities on this level.

(CHF 1,000)	Available-for-sale securities Financial assets of Airport of Zurich Noise Fund			Other financial liabilities Derivative financial instruments		
	30.06.2014	30.06.2013	31.12.2013	30.06.2014	30.06.2013	31.12.2013
Level 1	250,955	263,277	256,188	0	0	0
Level 2	0	0	0	-24,982	-43,746	-49,615
Level 3	0	0	0	0	0	0
<b>Total at fair value</b>	<b>250,955</b>	<b>263,277</b>	<b>256,188</b>	<b>-24,982</b>	<b>-43,746</b>	<b>-49,615</b>



## 9) Additional disclosures

### 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, on the basis of future legal practice, total noise-related costs in the worst case ("negative case") should be below the applicable threshold or the adjusted threshold based on the changes in the equity of Flughafen Zürich AG should exceed the current amount in the "negative case", the Canton of Zurich would no longer be required under the supplementary agreement of 8 March 2006 to assume the pre-financing of 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 from the Airport of Zurich Noise Fund ("reversal"). As of that date, the splitting of noise charges would also no longer apply. At that point in time, Flughafen Zürich AG would make a current estimate of the total outstanding noise-related liabilities and adjust the noise-related costs on both the assets and liabilities sides of the balance sheet. Assuming that the relevant parameters do not change (any further) and no exceptional events occur, Flughafen Zürich AG expects the pre-financing of the "old" noise-related liabilities by the Canton of Zurich to be reversed in the next few months.

Depending on future and final-instance legal judgments, especially with respect to the southern approaches, the "new" noise-related liabilities in future may also be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. In this case, pre-financing by the Canton of Zurich and the splitting of noise charges would presumably continue to apply, provided that the pre-financing of the "old" noise-related liabilities has not already been reversed. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision.

In this context please refer to the notes in the 2013 consolidated financial statements, "Valuation uncertainties and significant estimates and assumptions in the application of accounting policies".

### Events after the reporting period

The Audit & Finance Committee authorised these interim consolidated financial statements for issue on 25 August 2014. No events occurred between 30 June 2014 and the date on which these 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.

Publishing details

Copyright: Flughafen Zürich AG

Photos: Markus Bertschi, Zurich

Design: Hotz Brand Consultants, Steinhausen/Zug, Switzerland

Translation: BMP Translations AG, Basel

Preproduction: gateB AG, Empowering Marketing Performance, Steinhausen/Zug, Switzerland

Printing: [www.bmdruck.ch](http://www.bmdruck.ch)

The 2014 Interim Report is available in German and English.

The German version is binding.

