

INTERIM REPORT OF  
FLUGHAFEN ZÜRICH AG

2016





---

# CONTENTS

---

<b>KEY DATA</b>	<b>4</b>
<hr/>	
<b>2016 INTERIM REPORT</b>	<b>7</b>
Business review	7
Aviation	8
Non-aviation	9
Infrastructure and projects	10
Corporate	10
<hr/>	
<b>FINANCIAL REPORT</b>	<b>13</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

In the first half of 2016, Flughafen Zürich AG's total revenue increased by CHF 12.1 million or 2.6 % year on year to CHF 480.7 million.

## KEY DATA FOR THE FIRST HALF OF 2016 <sup>1)</sup>

(CHF 1,000)	First half 2016	First half 2015	Change in %
Total revenue	480,741	468,659	2.6
of which aviation revenue	292,218	278,974	4.7
of which non-aviation revenue	188,523	189,685	-0.6
Operating expenses	-214,872	-281,324	-23.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	265,869	187,335	41.9
EBITDA margin (in %)	55.3	40.0	
Earnings before interest and tax (EBIT)	150,478	74,178	102.9
EBIT margin (in %)	31.3	15.8	
Profit	103,810	40,316	157.5
Cash flow from operating activities	175,367	191,234	-8.3
Cash flow from investing activities	-86,998	-58,042	-49.9
Invested capital as at end of reporting period	3,062,921	3,060,130	0.1
Return on invested capital (in %) <sup>2)</sup>	9.1	6.2	
Equity as at end of reporting period	2,095,431	2,079,800	0.8
Return on equity (in %) <sup>2)</sup>	11.7	7.6	
Equity ratio (in %)	53.6	53.1	
Interest-bearing liabilities (net)	302,577	332,267	-8.9
Interest-bearing liabilities (net) / EBITDA <sup>2)</sup>	0.52x	0.71x	
<b>Key operational data</b>			
Number of passengers	12,619,216	12,202,655	3.4
Number of flight movements	129,587	128,309	1.0
Freight in tonnes	206,215	202,640	1.8
Number of full-time positions as at end of reporting period	1,502	1,461	2.8
Number of employees as at end of reporting period	1,750	1,712	2.2
<b>Key data for shareholders of Flughafen Zurich AG</b>			
Number of issued shares <sup>3)</sup>	30,701,875	30,701,875	
Equity per share (CHF) <sup>3)</sup>	68.25	67.74	0.8
Basic earnings per share (CHF) <sup>3)</sup>	3.38	1.31	158.0
Diluted earnings per share (CHF) <sup>3)</sup>	3.38	1.31	158.0
Flughafen Zürich AG (registered share)	Security number	SIX Symbol	Reuters
	31941693	FHZN	FHZN.S
Share price as at 30 June (CHF) <sup>3)</sup>	172.20	144.70	19.0

1) All cited key financial data are unaudited.

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

3) A 5-for-1 share split was implemented on 6 May 2016. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

## KEY DATA FOR THE FIRST HALF OF 2016 (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 consolidated financial statements of Flughafen Zürich AG include noise charges, noise-related expenses and noise-related items in the balance sheet, key figures are also stated excluding the influence of aircraft noise for the shareholders. In the long term, noise-related items will not impact the income statement or cash flow statement of Flughafen Zürich AG.

The following adjusted key figures reflect all significant noise-related items in the income statement and balance sheet:

(CHF 1,000)	First half 2016	First half 2015	Change in %
Total revenue	475,196	463,455	2.5
of which aviation revenue	286,673	273,770	4.7
of which non-aviation revenue	188,523	189,685	-0.6
Operating expenses	-213,146	-182,601	16.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	262,050	280,854	-6.7
EBITDA margin (in %)	55.1	60.6	
Earnings before interest and tax (EBIT)	149,592	170,565	-12.3
EBIT margin (in %)	31.5	36.8	
Profit	108,303	122,089	-11.3
Cash flow from operating activities	176,085	200,407	-12.1
Cash flow from investing activities	-102,500	-51,649	-98.5
Invested capital as at end of reporting period	2,922,683	2,916,455	0.2
Return on invested capital (in %) <sup>2)</sup>	9.5	9.2	
Equity as at end of reporting period	1,963,893	1,936,125	1.4
Return on equity (in %) <sup>2)</sup>	13.1	12.9	
Equity ratio (in %)	60.0	59.7	
Interest-bearing liabilities (net)	777,642	818,946	-5.0
Interest-bearing liabilities (net) / EBITDA <sup>2)</sup>	1.36x	1.46x	
<b>Key data for shareholders of Flughafen Zurich AG</b>			
Number of issued shares <sup>3)</sup>	30,701,875	30,701,875	
Equity per share (CHF) <sup>3)</sup>	63.97	63.06	1.4
Basic earnings per share (CHF) <sup>3)</sup>	3.52	3.95	-10.9
Diluted earnings per share (CHF) <sup>3)</sup>	3.52	3.95	-10.9

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

## RESULT FOR THE FIRST HALF OF 2016 INCLUDING AND EXCLUDING NOISE-RELATED ITEMS

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

(CHF 1,000)	First half 2016			First half 2015		
	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise
Revenue	480,741	-5,545	475,196	468,659	-5,204	463,455
Operating expenses	-214,872	1,726	-213,146	-281,324	98,723	-182,601
EBITDA	265,869	-3,819	262,050	187,335	93,519	280,854
Depreciation and amortisation	-115,391	2,933	-112,458	-113,157	2,868	-110,289
EBIT	150,478	-886	149,592	74,178	96,387	170,565
Profit	103,810	4,493	108,303	40,316	81,773	122,089





# 206,215 tonnes

PREPARATION OF AN AIR FREIGHT SHIPMENT

Zurich Airport handles an average of 1,150 tonnes of freight each day.  
In the first half of 2016 freight totalled 206,215 tonnes.

---

# 2016 INTERIM REPORT

The current economic climate and capacity constraints at peak times remain major challenges. The first half of 2016 also saw landmark decisions concerning flight operations charges as well as compensation payments related to the eastern and southern approach routes.

Dear Shareholders,  
Dear Sir or Madam

Flughafen Zürich AG can look back on a successful first half of 2016. At CHF 480.7 million, total revenue was up CHF 12.1 million on the same period in 2015, in particular thanks to solid growth in passenger numbers. First-half profit for 2016 amounted to CHF 103.8 million, 15.3 % higher than profit of CHF 90.0 million for the prior-year period after adjustment for one-off effects.

---

## BUSINESS REVIEW

### Trend in traffic volume

12,619,216 passengers used Zurich Airport in the first half of 2016, an increase of 3.4 %. While the number of local passengers rose by 6.0 % to 9.2 million, the volume of transfer passengers contracted by 3.0 %. As a result, the share of passengers using Zurich as a transfer point declined from 28.7 % to 26.9 %. Broken down by region, passenger volumes in the largest market – Europe – made the biggest contribution to growth (+3.2 %). Other positive performances were reported by the Middle East market at +10.7 %, the Far East at +5.0 %, North America at +4.2 % and Latin America at +10.0 %, while the African market posted a drop of 16.4 %.

The number of flight movements went up by 1.0 % to 129,587. Driven by the above-average increase in passenger volumes, the average number of passengers per flight rose by 2.0 % to 111.6. The seat load factor saw a year-on-year decrease of 1.2 percentage points to 73.4 %.

### Trend in total revenue

Compared with the prior-year period, total revenue for the first six months of 2016 increased by CHF 12.1 million to CHF 480.7 million, representing a rise of 2.6 %. This growth is attributable to aviation business.

In comparison with the same period in 2015, flight operations charges rose by CHF 12.6 million or 5.1 % to CHF 258.5 million, mainly thanks to the continued above-average growth in local

passengers. Aviation fees posted a slight increase of CHF 0.8 million, in particular due to increased revenues from the baggage sorting system which is also a result of higher passenger volumes. Aviation revenue overall was lifted by CHF 13.2 million to CHF 292.2 million (+4.7 %), accounting for 60.8 % of total revenue.

Overall, non-aviation revenue fell slightly in the first half of 2016, declining by 0.6 % from CHF 189.7 million to CHF 188.5 million. The slight upswing in commercial and parking revenue and revenue from facility management was offset here by the fall in revenue from services. This was due in particular to the drop in revenue from consulting activities for international clients where the contracts have expired (India and Kazakhstan).

---

**“While total revenue saw an increase of 2.6 % during the reporting period, at the same time the corresponding operating expenses fell by 1.8 %.”**

---

### Operating expenses

Factoring out the one-off effects in the prior-year period in connection with “The Circle” and the recognition of additional provisions for the expanded sound insulation programme, operating expenses fell by 1.8 % from CHF 218.8 million to CHF 214.9 million.

The 3.5 % rise in personnel expenses to CHF 95.5 million was in line with expectations. Operational management of Skymetro was transferred to Flughafen Zürich AG with effect from 1 January 2016, which resulted in a transfer of staff and consequently higher personnel expenses. The corresponding costs for the previous operational management contract were reported under “Material and maintenance” until the end of 2015. In addition,

further costs relating to employee benefit provisions pursuant to IAS 19 contributed to the increase in personnel expenses. Despite significantly higher passenger volumes, the costs for police and security rose only slightly by 0.4 %. The mild winter compared with the previous year, together with more favourable prices, led to markedly lower costs for energy and waste (CHF 8.7 million compared with CHF 11.3 million in the previous year).

#### Operating result and profit

At CHF 265.9 million, earnings before interest, tax, depreciation and amortisation (EBITDA) were well above the 2015 figure of CHF 187.3 million. Adjusted for one-off effects stated in the previous year, EBITDA improved by 6.4 %. The EBITDA margin improved to 55.3 % (prior-year period adjusted 53.3 %).

After deducting the finance result of CHF –15.0 million, the share in the result of associates and income tax, the profit remaining for the first half of 2016 amounted to CHF 103.8 million. Factoring out the one-off effects in the previous year, this equates to an increase of CHF 13.8 million or 15.3 % (prior-year period adjusted CHF 90.0 million).

#### Segment reporting

The improvement of CHF 15.4 million in the result (EBIT) for the regulated business to CHF 61.3 million is attributable in particular to the “Aviation” and “Security” segments. The disproportionately high growth in local passengers contributed to this positive development. The capital invested for the regulated business amounted to CHF 1.8 billion as at the balance sheet date (31 December 2015: CHF 1.9 billion). The clear improvement in the result for the “Noise” segment is due entirely to the recognition in the previous year of the additional provisions for the expanded sound insulation programme. The lower result for the non-regulated business at EBIT level is due primarily to the profit generated in the prior-year period from the partial sale of land and the creation of the co-ownership structure in connection with “The Circle”. The capital invested for the non-regulated business remains virtually unchanged at CHF 1.1 billion.

#### Assets and financial position

Non-current assets amounted to CHF 3.3 billion and were therefore slightly below their level at the end of 2015. In the first half of 2016, the biggest ongoing projects, besides “The Circle”, were the upgrading of Terminal 2 and the curbside lanes as well as expansion of the parking facilities.

The average invested capital as at mid-2016 – adjusted for the noise component – was still CHF 2.9 billion, and the return on invested capital (ROIC) was 9.5 % (prior-year period 9.2 %).

#### Capital management

Flughafen Zürich AG is currently benefiting both from a very high equity ratio and greater planning certainty, especially now the matter of flight operations charges has been settled and good progress is being made on the major project “The Circle”. The intention is to utilise the greater financial leeway this offers primarily for investing in defined growth areas to enhance value. The stable economic climate also presents the opportunity to distribute capital reserves to shareholders over the coming years in the form of a special dividend in addition to the ordinary dividend.

At this year's General Meeting of Shareholders to present the 2015 financial statements, for the first time the payment of an additional dividend out of reserves from capital contributions was agreed, along with the ordinary dividend, and paid out in May 2016.

---

## AVIATION

#### Aviation policy report

In the Swiss aviation policy report (LUPO), the Federal Council analyses the current situation of the civil aviation sector in Switzerland and sets out how it intends to strengthen aviation for the benefit of the public and the economy as a key pillar of its transport policy, taking economic, environmental and social factors into consideration.

---

**“The aviation policy report, which serves as a strategic guideline for policymakers, government agencies and the public, was revised at the beginning of 2016.”**

---

Flughafen Zürich AG acknowledges that the Federal Council has accurately analysed aviation policy in the new report and has clearly stated the greatest challenges facing Swiss aviation. In particular, Flughafen Zürich AG endorses the finding that the national airports, and specifically the Zurich intercontinental hub, constitute fundamental elements of Switzerland's basic infrastructure and form an important part of its overall transport system. Other positive findings were that the immediate capacity constraints at the two national airports in Geneva and Zurich will require resolving primarily with technical and operational optimisation measures, and that over the long term demand-driven capacity growth through construction-related measures must remain possible as well.

In order to address these identified problems and challenges facing Switzerland's national airports, however, the federal government must also move quickly to accept the improvements proposed in the aviation policy report to the legislation and to the Sectoral Aviation Infrastructure Plan (SAIP) and its associated detailed plans for each airport.

#### Capacities and punctuality

The Zurich Airport system is increasingly approaching the limits of its capacity. Capacities are stretched above all during the mid-day peak, and the growing constraints have a detrimental affect on punctuality. The rising demand for air transport is set to continue, however. Besides streamlining operational processes in collaboration with its system partners Swiss International Air Lines and Skyguide, the most important tasks involve regaining the capacity lost over recent years and reducing the complexity of the different operating concepts.

Implementation of a range of short-term, efficiency-boosting measures has helped to reduce the load on the system on days with particularly high passenger volumes. As part of a flight operations development strategy, in particular the North and East



Concept are to be strengthened so that comparable capacity levels are attained for all weather conditions, the safety margin is improved, and some leeway for growth can be retained. Along with better separation on the ground and in the air, adjustments to the infrastructure – including a taxiway around runway 28 and the construction of additional high-speed taxiways for runways 28 and 34 – will provide some relief.

#### **Landmark decisions on test cases for eastern and southern approaches and charges**

In the middle of March and at the beginning of April this year, the Swiss Federal Supreme Court made two decisions in test cases concerning compensation claims relating to the eastern and southern approach routes. Various points regarding the amount of compensation payable for low-level direct overflying of properties were clarified. The court ruled that flying over a property at an altitude of 350 metres did not constitute a direct overflight. In order to qualify for noise compensation in the case of approaches from the south irrespective of direct overflights, the further condition that a property must have been acquired already prior to 1 January 1961 also applies. These rulings in the final instance clarified important questions for the ongoing processing of pending claims for compensation and significantly bolstered legal certainty.

A further key decision was taken at the beginning of May 2016. The Federal Office of Civil Aviation (FOCA) decided on the charges proposed by Flughafen Zürich AG in September of the previous year. This primarily concerns passenger-related flight operations charges which are being reduced from CHF 36.40 to CHF 35.00 for local passengers, and from CHF 18.90 to CHF 16.00 for transfer passengers. At the same time, landing and aircraft parking charges are now also included in the new charging regulations. The new charges will come into effect on 1 September 2016. Despite the lower charges, the capital costs of the regulated side of the airport's operations will still be covered, on the one hand thanks to strict cost management and investment discipline, and on the other hand to the welcome growth in passenger volumes, especially local passengers.

#### **Swiss fleet renewal**

Swiss is currently investing in renewing its fleet.

---

**“With its fleet renewal programme, Swiss is investing in larger aircraft and is set to increase its capacity by around 20 % by 2018.”**

---

The “Jumbolinos” are gradually being replaced by Bombardier C Series aircraft, and the airline will also be deploying Boeing 777 on its long-haul routes alongside the Airbus A340. The Boeing 777 has already been flying from Zurich Airport since the end of January, while the C Series has been in use since mid-July 2016.

---

## **NON-AVIATION**

### **Retail**

The Swiss retail industry remained under pressure during the first half of 2016. However, contrary to the negative trend in the bricks-and-mortar sector of the Swiss market, retail business at the airport is growing. The expansion and optimisation of the retail offering at Zurich Airport over recent years is now paying off. The strong Swiss franc in relation to other major currencies remains an omnipresent factor, however, in particular influencing airside consumer behaviour. In addition, the purchasing power of certain passenger segments, especially from the CIS states and the Far East, is influenced by local developments such as the luxury tax in China for example. Close cooperation with the airport's partners is therefore all the more important in order to develop and implement appropriate strategies for increasing sales. The early extension of the duty free agreement with Dufry AG, signed shortly after the end of the first half of 2016, marks a first important milestone in this regard. Dufry AG is to redesign all duty-free shops at the airport and launch an innovative, high quality store concept.

Providing a high-quality service remains the focus of retail business at Zurich Airport. To achieve this objective and to further develop the retail offering for “The Circle”, the Commercial division was created at Management Board level and given greater prominence.

### **Digital services**

The airport's digital competence and presence are being continually expanded. One example is the further development of the Zurich Airport app which was relaunched in the spring. As well as enhancing existing functions, passengers can now also use it to book a parking space or create a travel itinerary all the way from their home to the gate.

Free use of the wireless network at Zurich Airport was extended to two hours. The infrastructure and central data management in the background are being gradually expanded.

### **Awards**

The fact that Zurich Airport offers so many services is one of the reasons travellers rate it so highly. These various services are evaluated regularly, based on representative surveys of passengers at the gate.

---

**“In the first half of the year, among other accolades received, the airport operator was rated the second-best airport in the Europe category of the Airport Service Quality Award (up from 5<sup>th</sup> place the year before).”**

---

For no less than the fifth time in succession, Zurich Airport scooped the Air Cargo Excellence Award for its freight handling services.

---

## INFRASTRUCTURE AND PROJECTS

### New curbside lanes and parking

Following a construction period lasting some three years, the renovated and upgraded curbside lanes saw a phased reopening: at the beginning of June 2016 the upper level reopened with a drop-off zone along the entire length of the check-in halls, followed in mid-June by the lower level in front of the arrival halls. The new curbside lanes have appreciably improved passenger convenience. Architecturally, the now unified design of this part of the infrastructure will make it easier for passengers to find their way around while also staying dry. At the same time, the system for picking up and dropping off passengers was simplified. As well as the drop-off zone, the short-stay car park P4 was also opened for the curbside lanes. This avoids tailbacks on the approach roads, and users can choose whichever parking option suits them best.

Travellers are also making increasing use of alternative options such as public transport, taxis or off-airport parking facilities. A new online booking system for parking spaces also simplifies parking and is being utilised more frequently. Thanks to various launch offers, the airport succeeded in attracting additional leisure travellers with longer parking times.

### Construction work on arrestor system and preparations for Zone West

Following completion of the civil engineering work in the previous year, installation of the EMAS (Engineered Materials Arresting System) bed at the end of runway 28 commenced in the middle of May 2016. With EMAS, aircraft that overrun the end of runway 28 during an aborted take-off or landing will roll onto an area with a bed made of specially constructed concrete blocks. This bed absorbs the kinetic energy and decelerates the aircraft. Since the construction site is located within the safety strip for runway 28, the building work was carried out at night after flight operations had ceased for the day. Various noise control measures were implemented in order to minimise the impact on local residents.

At the beginning of July, the airport operator began construction of new apron areas on the western side of the airport as part of its Zone West development. The first phase will provide stands for category E aircraft (Boeing 777 or Airbus 340). As a consequence of this expansion, the airport fence will be moved further to the west. In order to continue to provide visitors with a good view of flight operations in future, a new elevated viewing platform, dubbed "plane spotters' hill", is envisaged.

### "The Circle"

The massive construction site at the main airport complex is now impossible to miss. Around 150,000 cubic metres of excavated material has already been removed and some 500 energy piles are being bored. Besides forming the foundations, they will also ensure high energy efficiency for the building.

A two-storey model of the facade of "The Circle" has been situated outside the airport site since the spring. As big as a family house, it displays full-size sample sections of the different facades. Two standard hotel rooms are also being included. This 1:1 scale model is used for development and presentation purposes.

Marketing is already well underway. With respect to the brand houses, Dufry AG was secured as an additional anchor tenant

shortly after the end of the first half of 2016. Exploratory talks are also being held with organisations potentially interested in the art and training modules. When it comes to leasing the office spaces, the current economic cycle certainly presents a challenge. However, discussions with prospective tenants are showing that the excellent location coupled with modern office concepts can be marketed well. Handing the spaces over to the tenants is starting from the beginning of 2019, and "The Circle" itself is due to be opened in autumn 2019.

### International

Despite the currently difficult political and economic climate, involvement in the Brazilian Belo Horizonte airport is showing great progress. The reconstruction of Terminal 2 is proceeding apace, and phased commissioning of the new building will begin from the middle of October 2016. Renovation of the existing Terminal 1 is also going to plan. The combination of the renovated Terminal 1 and the new Terminal 2 will make Belo Horizonte a flagship project for Latin American airports – also thanks to the know-how of expats from Flughafen Zürich AG. Preparations ahead of the third round of privatisation involving a further four Brazilian airports are also expected towards the end of this year. Flughafen Zürich AG is planning to take part in these too.

During the first half of 2016, Flughafen Zürich AG signed an agreement to sell its 5 % stake in Bangalore International Airport Limited (BIAL), the company that operates Kempegowda International Airport in the Indian city of Bengaluru. The agreed purchase price is USD 48.9 million before tax. Subject to the customary contract conclusion conditions, the transaction is expected to be completed in the second half of 2016. The disposal of its stake in the airport marks the end of a success story for Flughafen Zürich AG in Bengaluru.

---

## CORPORATE

### New Management Board members

The airport has experienced continuous growth over recent years, especially as regards to the airport's building infrastructure and as a commercial centre. In order to be better able to meet the challenges of the future, the organisational structure has been modified slightly, and two highly experienced managers have joined the Management Board.

As of 1 February 2016, Stefan Gross has been responsible for the Commercial division. Born in Switzerland in 1969, he was managing director of the Glatt shopping centre, the largest in Switzerland, from 2010 to the end of 2015. Prior to that he worked in various leading roles at IKEA in Switzerland and abroad for 14 years.

Since 1 April 2016, Daniel Scheifele has assumed overall responsibility for the buildings infrastructure at Zurich Airport. The 54-year old has held various senior management positions within the Swiss real estate industry, latterly as a technical manager at Strabag Switzerland and prior to that as Chief Operating Officer and member of the Group Executive Board of the Swiss general contractor Steiner AG.

Together with Chief Financial Officer Daniel Schmucki, Chief Operation Officer Stefan Conrad and Chief Executive Officer Stephan Widrig, they make up the five-strong Management Board.

### **Acceptance of popular initiative “Give people the vote on runway modifications” proposed**

In March 2016, Zurich Canton's Commission for Energy, Transport and the Environment (KEVU) decided by a large majority to recommend that the full parliament should accept the popular initiative “Give people the vote on runway modifications” which had been submitted by a broad-based committee. Acceptance of the initiative will ensure that, irrespective of any decision of the Cantonal Parliament, local people will have the right to be consulted on any runway modifications by means of an optional referendum. Since any change to the position or length of runways at Zurich Airport would affect most of the population of Zurich in various ways, the case for this democratic argument is overwhelming.

With this decision, the Government Council and the Commission are also clearing the way for a gap in the current Zurich Cantonal Airport Act to be plugged. In its report, the Government Council explicitly notes that the introduction of a right to a referendum which is linked to this initiative does not represent an undesirable special provision in the event of a negative decision by the Cantonal Parliament, but rather including the special provision in the Airport Act would bolster the democratic right of consultation on decisions taken by a private company. The full Cantonal Parliament must now debate the bill. A decision is expected in the autumn of 2016.

### **Airport experience weekends**

The first airport experience weekend at Zurich Airport was held over the last weekend in June. The aim of the event was to make the fascination of flying tangible for visitors and to communicate interesting information about Switzerland's gateway to the world. A total of eight event areas featuring numerous activities offered the opportunity to discover the many facets of Zurich Airport. The organisers counted around 9,000 guests over the two days. The second airport experience weekend will take place on 10 and 11 September 2016.

### **BVK pension fund restructuring**

The decision of the BVK's Board of Trustees to significantly lower their conversion rate, depending on age, will result in noticeably smaller retirement pensions. To offset this, the savings contributions from employees and employers will be increased from 1 January 2017. At the same time, BVK decided to boost the savings of those born in or before 1968, and also to offer a guaranteed minimum pension for the cohort born in or before 1956. On the basis of a detailed assessment, the Management Board of Flughafen Zürich AG took the decision to remain with BVK.

### **Employee survey**

After a break of five years, an employee survey was once again conducted in the spring of this year. Both the high level of responses at 81.4 % (2011: 71.7 %) and the ratings themselves are most gratifying, as virtually all the areas covered gained higher scores. The attractiveness of Flughafen Zürich AG as an employer received the highest score in the survey. The leadership skills of line managers, working climate, strategy and cooperation within the team were all rated “very good”.

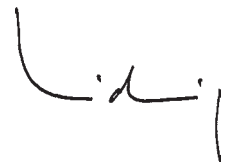
### **Outlook**

Flughafen Zürich AG is expecting passenger growth of around 3.5 % for 2016, boosted in particular by the positive trend in local passengers. Excluding one-off effects and any further extraordinary factors, earnings before interest, tax, depreciation and amortisation (EBITDA) is expected to be on a par with the previous year. Compared with the prior-year period, higher depreciation is expected to result in a decrease in earnings before interest and tax (EBIT) and in profit excluding noise-related items. Investments for 2016 will be in the range of CHF 250 million to CHF 300 million.

Zurich Airport, 23 August 2016



Andreas Schmid  
Chairman of the  
Board of Directors



Stephan Widrig  
Chief Executive Officer



# 30,000 enquiries

> 1 PERSON A MINUTE

Located between Check-in 3 and Check-in 2, the Service Center counter is the first place many travellers seek information. To cope with the constant stream of enquiries, Service Center staff work very quickly and efficiently. On average they serve more than one person a minute. The centre handles some 30,000 enquiries a month.



---

# 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 2016	First half 2015
Aviation revenue	(2)	292,218	278,974
Non-aviation revenue	(2)	188,523	189,685
<b>Total revenue</b>		<b>480,741</b>	<b>468,659</b>
Personnel expenses		-95,535	-92,293
Police and security		-58,955	-58,749
Energy and waste		-8,686	-11,277
Material and maintenance		-15,589	-19,639
Other operating expenses		-25,725	-25,327
Sales, marketing and administration		-16,113	-16,511
Capitalised expenditure and other income	(3)	6,023	40,624
Other expenses	(3)	-292	-98,152
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>265,869</b>	<b>187,335</b>
Depreciation and amortisation		-115,391	-113,157
<b>Earnings before interest and tax (EBIT)</b>		<b>150,478</b>	<b>74,178</b>
Finance costs	(4)	-16,567	-18,923
Finance income	(4)	1,596	2,072
Share of profit or loss of associates		-2,791	-3,110
<b>Profit before tax</b>		<b>132,716</b>	<b>54,217</b>
Income tax expense	(13)	-28,906	-13,901
<b>Profit</b>		<b>103,810</b>	<b>40,316</b>
Profit attributable to shareholders of Flughafen Zürich AG		103,625	40,250
Profit attributable to non-controlling interests		185	66
Basic earnings per share (CHF) <sup>2)</sup>		3.38	1.31
Diluted earnings per share (CHF) <sup>2)</sup>		3.38	1.31

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME <sup>1)</sup>

(CHF 1,000)	Notes	First half 2016	First half 2015
<b>Profit</b>		<b>103,810</b>	<b>40,316</b>
<b>Other comprehensive income</b>			
Cross-currency interest rate swaps, net of income tax			
Adjustments to fair value		0	-393
Transfer to income statement		0	497
Available-for-sale securities			
Adjustments to fair value		4,196	557
Transfer to income statement		0	0
Foreign exchange differences		1,429	-4,158
<b>Items that are or may be reclassified subsequently to profit or loss</b>		<b>5,625</b>	<b>-3,497</b>
Remeasurement of defined benefit liability, net of income tax		-36,114	-14,873
<b>Items that will never be reclassified to profit or loss</b>		<b>-36,114</b>	<b>-14,873</b>
<b>Other comprehensive income, net of income tax</b>		<b>-30,489</b>	<b>-18,370</b>
<b>Total comprehensive income</b>		<b>73,321</b>	<b>21,946</b>
Comprehensive income attributable to shareholders of Flughafen Zürich AG		73,129	21,877
Comprehensive income attributable to non-controlling interests		192	69

1) All financial data presented here are unaudited.

2) A 5-for-1 share split was implemented on 6 May 2016. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

## INTERIM CONSOLIDATED BALANCE SHEET <sup>1)</sup>

(CHF 1,000)	Notes	30.06.2016	31.12.2015
<b>Assets</b>			
Property, plant and equipment	(5)	2,771,128	2,829,983
Investment properties	(6)	100,787	73,574
Intangible asset from right of formal expropriation	(7)	137,593	161,356
Other intangible assets	(7)	6,926	6,865
Investments in associates		13,406	15,378
Non-current financial assets of Airport of Zurich Noise Fund	(12)	309,819	257,373
Non-current fixed-term deposits		0	50,000
Other financial assets		3,455	3,279
<b>Non-current assets</b>		<b>3,343,114</b>	<b>3,397,808</b>
Inventories		10,928	10,041
Current financial assets of Airport of Zurich Noise Fund	(12)	55,477	69,964
Trade receivables		129,317	99,153
Other receivables and prepaid expenses		47,518	43,625
Current tax assets		10,819	0
Current fixed-term deposits	(8)	50,000	50,000
Cash and cash equivalents	(8)	249,617	371,970
Non-current assets held for sale	(9)	9,362	0
<b>Current assets</b>		<b>563,038</b>	<b>644,753</b>
<b>Total assets</b>		<b>3,906,152</b>	<b>4,042,561</b>
<b>Equity and liabilities</b>			
Share capital		307,019	307,019
Treasury shares		-477	-642
Capital reserves		493,694	592,090
Fair value reserve		7,268	3,072
Translation reserve		-9,132	-10,554
Other retained earnings		1,295,347	1,319,932
<b>Equity attributable to shareholders of Flughafen Zürich AG</b>		<b>2,093,719</b>	<b>2,210,917</b>
Equity attributable to non-controlling interests		1,712	1,520
<b>Total equity</b>		<b>2,095,431</b>	<b>2,212,437</b>
Debentures and non-current loans	(10)	699,192	948,341
Non-current lease liabilities	(10)	5,616	6,454
Non-current provisions for sound insulation and resident protection plus formal expropriations	(11)	413,347	450,780
Deferred tax liabilities	(13)	46,431	58,238
Employee benefit obligations		218,209	168,960
<b>Non-current liabilities</b>		<b>1,382,795</b>	<b>1,632,773</b>
Trade payables		52,952	41,081
Current financial liabilities	(10)	262,682	19,195
Other current liabilities, accruals and deferrals		61,039	68,851
Current provisions for sound insulation and resident protection plus formal expropriations	(11)	51,253	34,940
Current tax liabilities		0	33,284
<b>Current liabilities</b>		<b>427,926</b>	<b>197,351</b>
<b>Total liabilities</b>		<b>1,810,721</b>	<b>1,830,124</b>
<b>Total equity and liabilities</b>		<b>3,906,152</b>	<b>4,042,561</b>

1) All financial data presented here are unaudited, with the exception of figures as at 31 December 2015.

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>1)</sup>

(CHF 1,000)	Share capital	Treasury shares	Capital reserves	Hedging reserve, net	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
<b>Balance as at 1 January 2016</b>	<b>307,019</b>	<b>-642</b>	<b>592,090</b>	<b>0</b>	<b>3,072</b>	<b>-10,554</b>	<b>1,319,932</b>	<b>2,210,917</b>	<b>1,520</b>	<b>2,212,437</b>
Profit, first half 2016							103,625	103,625	185	103,810
Available-for-sale securities										
Adjustments to fair value					4,196			4,196		4,196
Transfer to income statement					0			0		0
Foreign exchange differences						1,422		1,422	7	1,429
Remeasurement of defined benefit liability, net of income tax							-36,114	-36,114		-36,114
Other comprehensive income, net of income tax	0	0	0	0	4,196	1,422	-36,114	-30,496	7	-30,489
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,196</b>	<b>1,422</b>	<b>67,511</b>	<b>73,129</b>	<b>192</b>	<b>73,321</b>
Ordinary dividend for the 2015 financial year							-92,096	-92,096		-92,096
Additional distribution from the capital contribution reserves for the 2015 financial year			-98,236					-98,236		-98,236
Purchase of treasury shares		-519						-519		-519
Share-based payments		684	-160					524		524
<b>Balance as at 30 June 2016</b>	<b>307,019</b>	<b>-477</b>	<b>493,694</b>	<b>0</b>	<b>7,268</b>	<b>-9,132</b>	<b>1,295,347</b>	<b>2,093,719</b>	<b>1,712</b>	<b>2,095,431</b>
<b>Balance as at 1 January 2015</b>	<b>307,019</b>	<b>-1,098</b>	<b>591,671</b>	<b>-104</b>	<b>2,420</b>	<b>-4,300</b>	<b>1,243,144</b>	<b>2,138,752</b>	<b>1,770</b>	<b>2,140,522</b>
Profit, first half 2015							40,250	40,250	66	40,316
Cross-currency interest rate swaps, net of income tax										
Adjustments to fair value				-393				-393		-393
Transfer to income statement				497				497		497
Available-for-sale securities										
Adjustments to fair value					557			557		557
Transfer to income statement					0			0		0
Foreign exchange differences						-4,161		-4,161	3	-4,158
Remeasurement of defined benefit liability, net of income tax							-14,873	-14,873		-14,873
Other comprehensive income, net of income tax	0	0	0	104	557	-4,161	-14,873	-18,373	3	-18,370
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>557</b>	<b>-4,161</b>	<b>25,377</b>	<b>21,877</b>	<b>69</b>	<b>21,946</b>
Ordinary dividend for the 2014 financial year							-82,881	-82,881	-175	-83,056
Purchase of treasury shares		-140						-140		-140
Share-based payments		654	-126					528		528
<b>Balance as at 30 June 2015</b>	<b>307,019</b>	<b>-584</b>	<b>591,545</b>	<b>0</b>	<b>2,977</b>	<b>-8,461</b>	<b>1,185,640</b>	<b>2,078,136</b>	<b>1,664</b>	<b>2,079,800</b>

1) All financial data presented here are unaudited, with the exception of figures as at 1 January 2016 and 2015.

## INTERIM CONSOLIDATED CASH FLOW STATEMENT <sup>1)</sup>

(CHF 1,000)	Notes	First half 2016	First half 2015
<b>Profit</b>		<b>103,810</b>	<b>40,316</b>
Finance result	(4)	14,971	16,851
Share of profit or loss of associates		2,791	3,110
Income tax expense		28,906	13,901
Depreciation/ amortisation of			
Property, plant and equipment	(5)	111,518	108,816
Intangible asset from right of formal expropriation	(7)	2,278	2,278
Other intangible assets	(7)	2,026	2,446
Recognition of government subsidies and grants on buildings and engineering structures in the income statement			
Property, plant and equipment	(5)	-431	-383
Gains (-)/ losses (+) on disposal of property, plant and equipment (net)		-38	-30,352
Share-based payments		524	528
Increase (-)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		-35,014	-17,752
Increase (+)/decrease (-) in current liabilities, excluding current financial liabilities		17,250	2,332
Increase (+)/decrease (-) in employee benefit obligations		3,198	1,256
Increase (+)/decrease (-) in provision for sound insulation and resident protection plus formal expropriations	(11)	-5,200	83,317
Income tax paid		-71,222	-35,430
<b>Cash flow from operating activities</b>		<b>175,367</b>	<b>191,234</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		-718	-9,173
Income from noise charges	(12)	4,829	4,887
Expenses for sound insulation and resident protection plus formal expropriations	(12)	-5,547	-14,060
Investments in property, plant and equipment (projects in progress)		-64,021	-85,772
Investments in investment property (incl. advance payments)		-30,878	0
Proceeds from disposal of property, plant and equipment		123	32,073
Investments in associates		-9,194	0
Investments in financial assets of Airport of Zurich Noise Fund		-68,698	-81,093
Investments in fixed-term deposits of Airport of Zurich Noise Fund due > 90 days	(8)	0	-50,000
Repayment of current financial assets of Airport of Zurich Noise Fund		34,200	29,700
Repayment of fixed-term deposits of Airport of Zurich Noise Fund due > 90 days	(8)	50,000	95,000
Interest received		1,470	2,050
<b>Cash flow from investing activities</b>		<b>-86,998</b>	<b>-58,042</b>
of which related to aircraft noise (Airport of Zurich Noise Fund)		15,502	-6,393
Investments in financial assets Airport of Zurich Noise Fund		-68,698	-131,093
Repayment of current financial assets Airport of Zurich Noise Fund		84,200	124,700
Repayment of liabilities to banks arising from US private placement	(10)	0	-73,150
Repayment of lease liabilities	(10)	-6,862	-6,538
Payment of dividend for the 2015/ 2014 financial years		-190,326	-82,881
Purchase of treasury shares		-519	-140
Interest paid		-13,142	-15,270
<b>Cash flow from financing activities</b>		<b>-210,849</b>	<b>-177,979</b>
<b>Increase (+)/decrease (-) in cash and cash equivalents</b>		<b>-122,480</b>	<b>-44,787</b>
Balance at 1 January	(8)	371,970	226,126
Effect of foreign exchange differences on cash and cash equivalents held		127	-322
<b>Balance as at end of reporting period</b>	(8)	<b>249,617</b>	<b>181,017</b>
of which included in Airport of Zurich Noise Fund	(8)	59,769	19,633

1) All financial data presented here are unaudited.

## I ACCOUNTING POLICIES

### Statement of compliance

The unaudited interim consolidated financial statements for the six months ended 30 June 2016 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 2015 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 amended International Financial Reporting Standards which are mandatory for the first time for the financial year beginning 1 January 2016: Disclosure Initiative (Amendments to IAS 1), Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38), Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) and the Annual Improvements to IFRSs (2012–2014 cycle). The application of the amended Standards does not have a significant impact on these interim consolidated financial statements. Moreover, these interim consolidated financial statements were prepared in accordance with the accounting policies described in the 2015 consolidated financial statements.

### Application of accounting policies to new transactions and events

In connection with the planned sale of the interest in Bangalore International Airport Ltd., the following accounting policy was applied for the first time:

#### *Non-current assets held for sale*

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) requires a non-current asset or disposal group to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This sale transaction to which management has committed should be expected to be completed within one year from the date of classification as held for sale.

Non-current assets or disposal groups held for sale are required to be presented separately under current assets and liabilities. In doing so, the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any impairment losses arising on initial reclassification are recognised in profit or loss.

### 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.

## II NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

In the first half of 2016, the Swiss Federal Supreme Court handed down two rulings in pilot cases regarding claims for compensation due to eastern and southern approach routes. By answering important questions relating to how pending claims for compensation will be dealt with in a court of last instance, these rulings increased legal certainty significantly.

As a result of these Swiss Federal Supreme Court rulings, Flughafen Zürich AG was able, as at 30 June 2016, to undertake a reappraisal of the outstanding costs for formal expropriations for the first time since the end of 2011. Based on the recalculation, the provision for formal expropriations (see Note 11, Provision for sound insulation and resident protection plus formal expropriations) was reduced by CHF 21.5 million. At the same time, the intangible asset from the right of formal expropriation (see Note 7, Intangible assets) was reduced by the same amount.

As at the reporting date, the company has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 137.6 million and provisions for formal expropriations of CHF 334.1 million plus further provisions for outstanding sound insulation and resident protection costs of CHF 130.5 million.

### Planned sale of the interest in Bangalore International Airport Ltd.

On 15 April 2016, Flughafen Zürich AG signed an agreement for the sale of its 5 % interest in Bangalore International Airport Ltd. (BIAL), the owner and operator of the international airport in the Indian city of Bengaluru. The agreed purchase price before tax is USD 48.9 million. Subject to the customary terms and conditions, the sale is expected to be completed in the second half of 2016.

At that date, the interest in BIAL was measured for the last time using the equity method applied thus far. This resulted in a carrying amount of CHF 9.4 million (31 December 2015: CHF 8.6 million). The related asset has since been presented as a "Non-current asset held for sale" within current assets on Flughafen Zürich AG's consolidated balance sheet (see Note 9, Non-current assets held for sale).



## 1 SEGMENT REPORTING

	Regulated business		Noise		Non-regulated business		Eliminations		Consolidated	
	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015
(CHF million)										
Revenue from third parties	286.7	273.8	5.5	5.2	188.5	189.7	0.0	0.0	480.7	468.7
Inter-segment revenue	10.3	7.9	0.0	0.0	43.9	41.7	-54.2	-49.6	0.0	0.0
<b>Total revenue</b>	<b>297.0</b>	<b>281.7</b>	<b>5.5</b>	<b>5.2</b>	<b>232.4</b>	<b>231.4</b>	<b>-54.2</b>	<b>-49.6</b>	<b>480.7</b>	<b>468.7</b>
<b>Segment result (EBITDA)</b>	<b>126.9</b>	<b>111.0</b>	<b>3.8</b>	<b>-93.5</b>	<b>135.2</b>	<b>169.8</b>	<b>0.0</b>	<b>0.0</b>	<b>265.9</b>	<b>187.3</b>
Depreciation and amortisation	-65.6	-65.1	-2.9	-2.9	-46.9	-45.1	0.0	0.0	-115.4	-113.1
<b>Segment result (EBIT)</b>	<b>61.3</b>	<b>45.9</b>	<b>0.9</b>	<b>-96.4</b>	<b>88.3</b>	<b>124.7</b>	<b>0.0</b>	<b>0.0</b>	<b>150.5</b>	<b>74.2</b>
Finance result									-15.0	-16.9
Share of profit or loss of associates									-2.8	-3.1
Income tax expense									-28.9	-13.9
<b>Profit</b>									<b>103.8</b>	<b>40.3</b>
<b>ROIC (in %) <sup>1)</sup></b>	<b>7.0</b>	<b>4.8</b>	<b>0.9</b>	<b>n/a</b>	<b>14.3</b>	<b>18.1</b>			<b>9.1</b>	<b>6.2</b>
(CHF million)										
<b>Invested capital</b>	<b>1,779.3</b>	<b>1,878.8</b>	<b>140.2</b>	<b>155.6</b>	<b>1,143.4</b>	<b>1,152.0</b>			<b>3,062.9</b>	<b>3,186.4</b>
Non-interest-bearing non-current liabilities <sup>2)</sup>									678.0	678.0
Non-interest-bearing current liabilities <sup>3)</sup>									165.3	178.2
<b>Total assets</b>									<b>3,906.2</b>	<b>4,042.6</b>

	Aviation		PRM		User fees		Security		Eliminations		Total regulated business	
	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015	First half 2016	First half 2015
(CHF million)												
Revenue from third parties	169.2	160.3	5.6	5.4	27.8	27.2	84.1	80.9	0.0	0.0	286.7	273.8
Inter-segment revenue	10.7	9.4	0.0	0.0	2.4	3.5	2.0	1.7	-4.8	-6.7	10.3	7.9
<b>Total revenue</b>	<b>179.9</b>	<b>169.7</b>	<b>5.6</b>	<b>5.4</b>	<b>30.2</b>	<b>30.7</b>	<b>86.1</b>	<b>82.6</b>	<b>-4.8</b>	<b>-6.7</b>	<b>297.0</b>	<b>281.7</b>
<b>Segment result (EBITDA)</b>	<b>94.2</b>	<b>81.8</b>	<b>-0.2</b>	<b>-0.2</b>	<b>16.3</b>	<b>15.7</b>	<b>16.6</b>	<b>13.7</b>	<b>0.0</b>	<b>0.0</b>	<b>126.9</b>	<b>111.0</b>
Depreciation and amortisation	-43.5	-44.4	-0.1	0.0	-15.7	-15.4	-6.3	-5.3	0.0	0.0	-65.6	-65.1
<b>Segment result (EBIT)</b>	<b>50.7</b>	<b>37.4</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.6</b>	<b>0.3</b>	<b>10.3</b>	<b>8.4</b>	<b>0.0</b>	<b>0.0</b>	<b>61.3</b>	<b>45.9</b>
<b>ROIC (in %) <sup>1)</sup></b>	<b>7.0</b>	<b>4.8</b>	<b>n/a</b>	<b>n/a</b>	<b>1.1</b>	<b>0.6</b>	<b>22.0</b>	<b>16.3</b>			<b>7.0</b>	<b>4.8</b>
(CHF million)												
<b>Invested capital</b>	<b>1,365.9</b>	<b>1,427.2</b>	<b>2.5</b>	<b>4.1</b>	<b>296.6</b>	<b>308.9</b>	<b>114.3</b>	<b>138.6</b>			<b>1,779.3</b>	<b>1,878.8</b>

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

2) 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.

3) 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.

## 2 REVENUE

(CHF 1,000)	First half 2016	First half 2015
Flight operations charges	258,511	245,895
Aviation fees	32,077	31,327
Other aviation revenues	1,630	1,752
<b>Total aviation revenue</b>	<b>292,218</b>	<b>278,974</b>
Commercial and parking revenue	104,189	103,322
Revenue from facility management	61,196	61,076
Revenue from services	23,138	25,287
<b>Total non-aviation revenue</b>	<b>188,523</b>	<b>189,685</b>
<b>Total revenue</b>	<b>480,741</b>	<b>468,659</b>

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

(CHF 1,000)	First half 2016	First half 2015
Capitalised expenditure	5,964	5,999
Other income	59	34,625
<b>Total capitalised expenditure and other income</b>	<b>6,023</b>	<b>40,624</b>
Other expenses	-292	-98,152
<b>Total other expenses</b>	<b>-292</b>	<b>-98,152</b>
<b>Total capitalised expenditure and other income / expenses</b>	<b>5,731</b>	<b>-57,528</b>

The decrease in "Other income" is attributable to the prior-year gain from the partial sale of land for "The Circle" and the related establishment of the co-ownership structure amounting to CHF 34.6 million.

In the prior-year period, the "Other expenses" item primarily included expenses relating to the increased provision for sound insulation and resident protection measures for the expanded sound insulation programme totalling CHF 97.1 million.

## 4 FINANCE RESULT

(CHF 1,000)	First half 2016	First half 2015
Net interest expenses on debentures and non-current loans	-7,688	-8,590
Unwinding of discount on provisions for sound insulation and resident protection plus formal expropriations	-5,565	-5,625
Net interest expenses on defined benefit obligations	-623	-791
Other interest expenses	-1,070	-1,291
Loss on financial assets of Airport of Zurich Noise Fund	-828	-980
Other finance costs and foreign exchange losses	-793	-1,646
<b>Total finance costs</b>	<b>-16,567</b>	<b>-18,923</b>
Interest income on financial assets of Airport of Zurich Noise Fund	1,230	1,592
Other interest income	44	47
Other finance income and foreign exchange gains	322	433
<b>Total finance income</b>	<b>1,596</b>	<b>2,072</b>
<b>Total finance result</b>	<b>-14,971</b>	<b>-16,851</b>

## 5 PROPERTY, PLANT AND EQUIPMENT

(CHF million)	Land	Engineering structures	Buildings	Leased assets	Projects in progress	Movables	Total property, plant and equipment
<b>Cost</b>							
Balance as at 1 January 2016	108.3	1,659.6	4,029.7	112.6	227.2	273.3	6,410.7
Additions					54.9		54.9
Disposals						-0.9	-0.9
Transfers		1.5	23.5		-28.4	3.4	0.0
Reclassification					-2.0		-2.0
Balance as at 30 June 2016	108.3	1,661.1	4,053.2	112.6	251.7	275.8	6,462.7
<b>Depreciation, amortisation and impairment losses</b>							
Balance as at 1 January 2016	0.0	-791.8	-2,497.3	-90.9	0.0	-191.3	-3,571.3
Additions		-26.0	-72.4	-5.6		-7.5	-111.5
Disposals						0.9	0.9
Balance as at 30 June 2016	0.0	-817.8	-2,569.7	-96.5	0.0	-197.9	-3,681.9
<b>Government subsidies and grants</b>							
Balance as at 1 January 2016	0.0	-3.6	-1.0	0.0	-4.6	-0.2	-9.4
Additions					-0.7		-0.7
Disposals		0.2	0.2				0.4
Transfers							0.0
Balance as at 30 June 2016	0.0	-3.4	-0.8	0.0	-5.3	-0.2	-9.7
Net carrying amount as at 1 January 2016	108.3	864.2	1,531.4	21.7	222.6	81.8	2,830.0
Net carrying amount as at 30 June 2016	108.3	839.9	1,482.7	16.1	246.4	77.7	2,771.1

### Projects in progress

In the first half of 2016, Flughafen Zürich AG invested a total of CHF 54.9 million in projects in progress (prior-year period: CHF 58.1 million). The biggest items comprise the following projects:

- Upgrade of Terminal 2 (CHF 11.3 million)
- Refurbishment of curbside lanes (CHF 8.0 million)
- Expansion of car parking facilities (CHF 6.7 million)
- Arresting system on runway 28 (CHF 4.2 million)

### Depreciation

Depreciation of property, plant and equipment totalling CHF 111.5 million was offset against government grants and subsidies recognised in the income statement in the amount of CHF 0.4 million.

## 6 INVESTMENT PROPERTY

(CHF 1,000)	Land	Project in progress	Total investment property
<b>Cost</b>			
Balance as at 1 January 2016	950	72,624	73,574
Additions	0	27,213	27,213
<b>Balance as at 30 June 2016</b>	<b>950</b>	<b>99,837</b>	<b>100,787</b>
<b>Depreciation, amortisation</b>			
Balance as at 1 January 2016	0	0	0
Additions	0	0	0
<b>Balance as at 30 June 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net carrying amount as at 1 January 2016</b>	<b>950</b>	<b>72,624</b>	<b>73,574</b>
<b>Net carrying amount as at 30 June 2016</b>	<b>950</b>	<b>99,837</b>	<b>100,787</b>

Based on the nature of the contractual arrangement, the co-ownership structure for "The Circle" is classified as a joint operation in accordance with IFRS 11. The share of the rights to the assets and the share of the obligations for the liabilities of the co-ownership structure are therefore recognised and presented in the relevant line items in the consolidated financial statements of Flughafen Zürich AG (Flughafen Zürich AG's share: 51 %).

The share of the property under construction for "The Circle" is classified as investment property in accordance with IAS 40. In this context, Flughafen Zürich AG has decided to apply the cost model. The land recognised for "The Circle" in the amount of CHF 1.0 million represents the purchase cost of the share of the plot of land on which the project will be implemented. The item "Project in progress" in the amount of CHF 99.8 million includes the share of the production costs capitalised to date (project and construction costs). The fair value of "The Circle" was CHF 144.4 million at the reporting date (31 December 2015: CHF 118.3 million).

## 7 INTANGIBLE ASSETS

(CHF 1,000)	Intangible asset from right of formal expropriation	Other intangible assets	Total intangible assets
<b>Cost</b>			
Balance as at 1 January 2016	210,043	69,386	279,429
Additions	0	135	135
Disposals	-21,485	0	-21,485
Reclassification	0	1,952	1,952
<b>Balance as at 30 June 2016</b>	<b>188,558</b>	<b>71,473</b>	<b>260,031</b>
<b>Depreciation, amortisation</b>			
Balance as at 1 January 2016	-48,687	-62,521	-111,208
Additions	-2,278	-2,026	-4,304
Disposals	0	0	0
<b>Balance as at 30 June 2016</b>	<b>-50,965</b>	<b>-64,547</b>	<b>-115,512</b>
<b>Net carrying amount as at 1 January 2016</b>	<b>161,356</b>	<b>6,865</b>	<b>168,221</b>
<b>Net carrying amount as at 30 June 2016</b>	<b>137,593</b>	<b>6,926</b>	<b>144,519</b>

As a result of the Swiss Federal Supreme Court rulings in the first half of 2016 in pilot cases regarding claims for compensation due to eastern and southern approach routes, Flughafen Zürich AG was able, as at 30 June 2016, to undertake a reappraisal of the outstanding costs for formal expropriations. Based on the recalculation, the provision for formal expropriations was reduced by CHF 21.5 million (see Note 11, Provision for sound insulation and resident protection plus formal expropriations). At the same time, the intangible asset from the right of formal expropriations was reduced by the same amount.



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

(CHF 1,000)	30.06.2016		31.12.2015	
	Total	of which AZNF	Total	of which AZNF
Cash on hand	238	0	227	0
Cash at banks and in postal accounts	214,379	59,769	336,743	49,149
Fixed-term deposits <sup>1)</sup>	35,000	0	35,000	0
<b>Total cash and cash equivalents</b>	<b>249,617</b>	<b>59,769</b>	<b>371,970</b>	<b>49,149</b>
Current fixed-term deposits <sup>2)</sup>	50,000	50,000	50,000	50,000
Non-current fixed-term deposits <sup>2)</sup>	0	0	50,000	50,000
<b>Total fixed-term deposits</b>	<b>50,000</b>	<b>50,000</b>	<b>100,000</b>	<b>100,000</b>

1) Due within 90 days from date of acquisition.

2) Due after 90 days from date of acquisition.

## 9 NON-CURRENT ASSETS HELD FOR SALE

As at 30 June 2016, the carrying amount of non-current assets held for sale was CHF 9.4 million (31 December 2015: CHF 0.0 million). This amount represents the investment held for sale in the associate Bangalore International Airport Ltd. (BIAL). On 15 April 2016, Flughafen Zürich AG signed an agreement for the sale of its 5% investment in BIAL. The agreed purchase price before tax is USD 48.9 million. Subject to the customary terms and conditions, the sale is expected to be completed in the second half of 2016.

## 10 FINANCIAL LIABILITIES

(CHF 1,000)	30.06.2016	31.12.2015
Debentures	699,192	948,341
Non-current lease liabilities	5,616	6,454
<b>Non-current financial liabilities</b>	<b>704,808</b>	<b>954,795</b>
Debentures	249,512	0
Current lease liabilities	13,170	19,195
<b>Current financial liabilities</b>	<b>262,682</b>	<b>19,195</b>
<b>Total financial liabilities</b>	<b>967,490</b>	<b>973,990</b>

A debenture with a nominal value of CHF 250.0 million is due to mature in May 2017. In this context, the carrying amount of the debenture of CHF 249.5 million was reclassified out of non-current and into current financial liabilities. In addition, lease liabilities declined by a total of CHF 6.9 million due to regular repayments.

## 11 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 2016</b>	<b>131,413</b>	<b>354,307</b>	<b>485,720</b>
Provisions used <sup>1)</sup>	-2,947	-2,253	-5,200
Release of provision	0	-21,485	-21,485
Increase of provision	0	0	0
Unwinding of discount	2,034	3,531	5,565
<b>Balance as at 30 June 2016</b>	<b>130,500</b>	<b>334,100</b>	<b>464,600</b>
of which current (planned payment within 1 year)	23,553	27,700	51,253
of which non-current (planned payment from 1 year on)	106,947	306,400	413,347

1) The amount paid for formal expropriations only includes effective payments of compensation, and excludes other associated external costs in accordance with the regulations of the Airport of Zurich Noise Fund.

### Provision for sound insulation and resident protection

The company has effectively undertaken to bear costs totalling a nominal amount of approximately CHF 340.0 million for sound insulation and resident protection measures, some of which have already been carried out and others which have been announced. As at the reporting date, a total of around CHF 209.5 million had been paid out. The estimated outstanding costs in the amount of CHF 130.5 million are stated at present value in the breakdown of provisions. As the discount rate used to calculate the interest cost on the nominal payment flows dropped to 0.0% (31 December 2015: 0.4%), the present value reported as at the reporting date is also the nominal amount of the future payments. It is currently expected that the payments can be completed by the end of 2025.

### Provision for formal expropriations

In the first half of 2016, the Swiss Federal Supreme Court handed down two rulings in pilot cases regarding claims for compensation due to eastern and southern approach routes. By answering important questions relating to how pending claims for compensation will be dealt with in a court of last instance, these rulings increased legal certainty significantly.

As a result of these Swiss Federal Supreme Court rulings, Flughafen Zürich AG was able, as at 30 June 2016, to undertake a reappraisal of the outstanding costs for formal expropriations for the first time since the end of 2011. Based on the recalculation, the total costs for formal expropriations decreased from CHF 406.5 million to CHF 385.0 million, enabling the provision for formal expropriations to be reduced by CHF 21.5 million. At the same time, the intangible asset from the right of formal expropriation (see Note 7, Intangible assets) was reduced by the same amount.

As at the reporting date, CHF 50.9 million of the total costs of CHF 385.0 million had already been paid out. The estimated outstanding costs in the amount of CHF 334.1 million are stated at present value in the breakdown of provisions. As the discount rate used to calculate the interest cost on the nominal payment flows dropped to 0.0% (31 December 2015: 0.3%), the present value reported as at the reporting date is also the nominal amount of the future payments. In the course of reappraising the outstanding costs, the distribution of the expected cash outflows over time was also updated. It is currently expected that the payments can be completed by the end of 2025 (previously by the end of 2020).

## 12 AIRPORT OF ZURICH NOISE FUND

(CHF 1,000)	2016
<b>Airport of Zurich Noise Fund as at 1 January</b>	<b>471,744</b>
Revenue from noise charges	4,829
Costs for sound insulation and resident protection	-2,947
Costs for formal expropriations <sup>1)</sup>	-2,600
<b>Net result before operating costs and finance result</b>	<b>471,026</b>
Noise-related operating costs	-1,582
Interest income from financial assets of Airport of Zurich Noise Fund	1,106
Adjustments to fair value of financial assets (available-for-sale securities)	4,196
Gains / losses on financial assets	-828
<b>Airport of Zurich Noise Fund as at 30 June</b>	<b>473,918</b>

1) 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).

Flughafen Zürich AG refinances all costs relating to aircraft noise through 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.

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

(CHF 1,000)	30.06.2016	31.12.2015
Cash equivalents (see note 8, “Cash and cash equivalents”)	59,769	49,149
Fixed-term deposits (see note 8, “Cash and cash equivalents”)	50,000	100,000
Current available-for-sale securities	55,477	69,964
Non-current available-for-sale securities	309,819	257,373
Accrual / deferral towards Flughafen Zürich AG <sup>1)</sup>	-1,147	-4,742
<b>Total assets invested for Airport of Zurich Noise Fund</b>	<b>473,918</b>	<b>471,744</b>

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

Further information about the Airport of Zurich Noise Fund can be downloaded from the following website: [www.zurich-airport.com/aznf](http://www.zurich-airport.com/aznf).

## 13 INCOME TAX AND DEFERRED TAX LIABILITIES

In accordance with IAS 12.47, deferred tax assets and liabilities are calculated at the rate that is expected to apply when the asset is realised or the liability settled. Flughafen Zürich AG currently anticipates an applicable tax rate of 20.5 % (31 December 2015: 20.5 %).

The balance of deferred tax liabilities changed as follows:

(CHF 1,000)	2016
<b>Deferred tax liability, net as at 1 January</b>	<b>58,238</b>
Deferred taxes on remeasurement of defined benefit liability, recognised in OCI	-9,313
Change according to income statement	-2,494
<b>Deferred tax liability, net as at 30 June</b>	<b>46,431</b>

## 14 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 are a reasonable approximation of their fair values.

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

Financial liabilities: The fair value of the debentures corresponds to the market price as at the reporting date.

	Carrying amount	Fair value	Carrying amount	Fair value
(CHF 1,000)	30.06.2016	30.06.2016	31.12.2015	31.12.2015
Debentures	948,704	1,012,173	948,341	1,006,075
<b>Total</b>	<b>948,704</b>	<b>1,012,173</b>	<b>948,341</b>	<b>1,006,075</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. Flughafen Zürich AG does not have any assets or liabilities in this level.

### Level 3 - Measurement based on unobservable inputs

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

	Available-for-sale securities Financial assets of Airport of Zurich Noise Fund	
Assets/liabilities	30.06.2016	31.12.2015
(CHF 1,000)		
Level 1	365,296	327,337
Level 2	0	0
Level 3	0	0
<b>Total at fair value</b>	<b>365,296</b>	<b>327,337</b>

---

## 15 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.

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

In this context, please refer to the notes to the 2015 consolidated financial statements, "Judgements and significant estimates and assumptions in the application of accounting policies".

As part of its involvement in the expansion and operation of Confins International Airport in Belo Horizonte, Flughafen Zürich AG provides a guarantee as credit protection for local debt financing, which is made available by the Brazilian development bank Banco Nacional de Desenvolvimento Econômico e Social (BNDES). As at the reporting date, the amount of this guarantee is CHF 6.2 million (31 December 2015: CHF 0.0 million). Moreover, the company has entered into a counterbond for a performance bond which the operator, Concessionária do Aeroporto Internacional de Confins S.A., had to submit to Brazil's National Civil Aviation Authority (ANAC). As at the reporting date, the amount arising from the counterbond was CHF 23.7 million (31 December 2015: CHF 18.2 million).

Flughafen Zürich AG is jointly and severally liable in respect of third parties for debts of the co-ownership structure of "The Circle" and the ordinary partnership "The Circle".

### Events after the reporting period

The Board of Directors authorised these interim financial statements for issue on 23 August 2016. No events occurred between 30 June 2016 and the date on which these interim consolidated financial statements were authorised for issue by the Board of Directors 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	Eclat AG, Zurich
Preproduction	Neidhart + Schön AG, Zurich
Translation	BMP Translations AG, Basel

The 2016 Interim Report is available in German and English.  
The German version is binding.

