ANNUAL REPORT//

2010

Significant events

18 January
Zurich Airport once again receives the Business Traveller Award for best transfer airport in Europe and moves up one in the overall rankings to second place for "best airport in the world".

20 January
An Airbus A380 lands at Zurich Airport as part of trials. Over 22,000 people take part in the public "Welcome A380" event.

11 February
The year-long architecture competition for "The Circle" comes to a close. The winner is renowned Japanese architect Riken Yamamoto.

19 March
The Federal Office of Civil Aviation (FOCA) certifies Zurich Airport for the Airbus A380. Since 28 March 2010, the biggest passenger aircraft in the world has been flying into the biggest airport in Switzerland daily.

31 March
46.3% of passengers, visitors and employees travel to Zurich Airport by public transport. The modal split has improved by three percentage points since the last survey in 2003.

1 April
In a survey conducted by World Airport Awards, around 9.8 million passengers vote Zurich Airport the second-best airport in Europe. Worldwide, Zurich Airport also ranks second.

15 April
The General Meeting of Shareholders agrees an ordinary dividend of CHF 5.00 per share, plus a special dividend of CHF 2.50 per share.

Rebranding comes into force. The "Unique" brand is retired, from now on only the "Zurich Airport" brand will be used.

16 April
The Icelandic volcano Eyjafiallajökull erupts, bringing air traffic across half of Europe to a standstill for several days. Zurich Airport is unable to operate flights for three days.

6 May
The ban on night flights at Zurich airport is to be extended by one hour from 29 July 2010. Flughafen Zürich AG proposed this itself in its provisional operating regulations.

8 June
A security scanner is tested at Zurich Airport between 8 June and 14 July 2010.

18 August
Despite the suspension of flights for several days owing to the volcanic eruptions in Iceland, Flughafen Zürich AG posts a positive result of CHF 49.7 million for the first half of 2010 (up 5.3% on the previous period).

6 September
Flughafen Zürich AG, the Zurich Airport police, the Zurich Rescue & Protection Service, and the Swiss Border Guard as well as 5,000 soldiers take part in the major "AEROPORTO" exercise from 6–29 September.

22 September
Solar-powered light aircraft Solar Impulse lands at Zurich Airport for the first time.

7 October
For the seventh time in succession, Zurich Airport receives the prestigious World Travel Award for its user-friendliness and consistent high quality.

10 November
In order to provide passengers, visitors and employees with adequate parking in the long term, Flughafen Zürich AG requests an additional 8,600 parking spaces in stages by 2020.

11 November
Flughafen Zürich AG's climate protection programme receives accreditation at a high level. The certificate is awarded under the European accreditation scheme run by Airports Council International Europe (ACI Europe).

19 November
Flughafen Zürich AG seeks to introduce a satellite-based landing procedure and submits an application to the Federal Office of Civil Aviation.

1 December
In collaboration with the Zurich cantonal police, Flughafen Zürich AG pilots automated border control checks.

Key data (5-year comparison)

Amounts in accordance with International Financial Reporting Standards (IFRS)

(CHF 1,000)	2010	2009	2008	2007	2006
Total revenue	862,991	820,207	855,103	802,868	737,109
of which revenue from aviation operations	538,102	505,092	525,689	495,981	444,238
of which revenue from non-aviation operations	324,889	315,115	329,414	306,887	292,871
Operating expenses	–426,543	–417,973	–434,862	–392,753	–358,837
Earnings before interest, tax, depreciation and amortisation (EBITDA)	436,448	402,234	420,241	410,115	378,272
EBITDA margin (in %)	50.6	49.0	49.1	51.1	51.3
Earnings before interest and tax (EBIT)	245,730	213,156	234,073	229,202	189,416
EBIT margin (in %)	28.5	26.0	27.4	28.5	25.7
Profit	138,519	190,610	121,314	130,675	87,448
Cash flow from operating activities	431,032	350,933	415,102	410,911	367,213
Cash flow from investing activities	–269,540	–134,437	–258,849	–147,339	–258,772
Invested capital as of 31 December	2,722,484	2,846,535	2,660,769	2,614,569	2,644,440
Average capital employed	2,784,510	2,753,652	2,637,669	2,629,505	2,614,618
Return on average capital employed (ROCE in %)	7.0	6.2	7.1	6.9	5.7
Equity as of 31 December	1,684,402	1,598,411	1,428,935	1,373,384	1,230,464
Return on equity (in %)	8.4	12.6	8.7	10.0	8.6
Equity ratio (in %)	47.9	44.9	42.5	43.2	38.8
Interest-bearing liabilities (net)	755,908	838,175	1,019,008	918,833	1,177,985
Interest-bearing liabilities/EBITDA	1.73x	2.08x	2.42x	2.24x	3.11x

Key operational data	2010	2009	2008	2007	2006
Number of passengers	22,878,251	21,926,872	22,099,233	20,739,113	19,237,216
Number of flight movements	268,765	262,121	274,991	268,476	260,786
Freight in tonnes	411,037	344,415	387,671	374,264	363,325
Number of full-time positions as of 31 December	1,292	1,302	1,254	1,319	1,290
Number of employees as of 31 December	1,543	1,549	1,482	1,552	1,523

Key data for shareholders	2010	2009	2008	2007	2006
Number of issued shares	6,140,375	6,140,375	6,140,375	6,140,375	6,140,375
Proposed/paid dividend per share (CHF) [1]	7.00	7.50	5.00	4.50	3.00
Dividend total (CHF 1,000)	42,983	46,053	30,702	27,632	18,421
Payout ratio (in %)	31.0	24.2	25.3	21.2	21.1
Equity per share (CHF)	274.32	260.31	232.71	223.66	200.39
Basic earnings per share (CHF)	22.57	31.20	19.78	21.30	15.35
Diluted earnings per share (CHF)	22.56	31.18	19.77	21.28	15.34
Share price (CHF)					
High	391.00	339.00	486.00	538.00	380.00
Low	284.00	198.00	242.60	383.00	235.00

	Security number	SIX symbol	Reuters
Flughafen Zürich AG (registered share)	1056796	FHZN	FHZN.S

[1] 2009: Ordinary dividend of CHF 5.00 and special dividend (from proceeds of partial disposal of Bangalore International Airport Ltd.) of CHF 2.50.

Selected key data excluding the influence of aircraft noise (5-year comparison) [1]

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

(CHF 1,000)	2010	2009	2008	2007	2006
Total revenue [2]	831,234	787,939	808,667	744,590	683,086
of which revenue from aviation operations	506,345	472,824	479,253	437,703	390,215
of which revenue from non-aviation operations [2]	324,889	315,115	329,414	306,887	292,871
Operating expenses [2]	–422,194	–413,306	–430,531	–388,779	–354,990
Earnings before interest, tax, depreciation and amortisation (EBITDA)	409,040	374,633	378,136	355,811	328,096
EBITDA margin (in %) [2]	49.2	47.5	46.8	47.8	48.0
Profit	124,662	176,653	100,613	83,495	46,952

Key data for shareholders	2010	2009	2008	2007	2006
Payout ratio (in %)	34.5	26.1	30.5	33.1	39.2
Basic earnings per share (CHF)	20.31	28.92	16.41	13.61	8.24

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

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

As a diversified business and a listed company, Flughafen Zürich AG operates Switzerland's most important transport and meeting hub – Zurich Airport – on behalf of the Swiss Confederation. In the formulation and implementation of its strategy, Flughafen Zürich AG underpins the three aspects of cost-efficiency, environment and social responsibility. In this way it aims to increase the company's competitiveness and credibility and add to its value on a sustainable basis. The company focuses on its core activities: national and international airport operator, operating the commercial centres in the landside and airside areas, and income-oriented management and further development of real estate at the Zurich location. Flughafen Zürich AG employs around 1,500 staff.

Zurich Airport – Switzerland's gateway to the world – is a quality airport in the heart of Europe and offers excellent access to international, national and regional transport networks. Zurich Airport is regularly awarded for the quality and scope of its services, its short transfer distances, its friendly staff, the cleanliness of its infrastructure and other quality indicators. This performance can be credited to around 24,000 employees at more than 270 partner companies, who ensure each day that passengers and visitors enjoy the time they spend at Zurich Airport.

Organisation chart

In the past year, Flughafen Zürich AG undertook an extensive review of its business activities. This resulted in economy measures which included the dismantling of certain functions. It also led to a restructuring of the company, with the number of divisions being reduced from five to four. These measures are intended to equip Flughafen Zürich AG to meet future challenges. The airport operator's new structural organisation is as follows:

Board of Directors
Chairman: Andreas Schmid

Nomination & Compensation Committee
Chairman: Kaspar Schiller

Audit & Finance Committee
Chairman: Martin Candrian

Management Board
CEO: Thomas E. Kern

Operations
Stefan Conrad

Marketing & Real Estate
Stephan Widrig

Finance
Daniel Schmucki

Services
Michael Schallhart

Operations

All the tasks required for ensuring high-quality, efficient and safe flight operations are grouped together in the Operations division. This includes all the services provided for passengers in the departure, arrival and transfer areas, coordination of stand allocation, as well as safety and security. Everything runs smoothly because all major partners are managed by a central control body – Airport Steering. Operations is also responsible for all freight-related activities and, together with Aviation Marketing, constitutes the interface to customers and airlines. Furthermore, the development, construction and operation of the 880 hectares of airport premises, including utilities, waste management and maintenance of landside and airside engineering structures, also fall under the remit of Operations. The Operations division also ensures that aviation infrastructures and procedures are developed with a view to meeting demand in the short, medium and long term.

Marketing & Real Estate

The Marketing & Real Estate division is responsible for the development, construction and profitable operation of real estate at Zurich Airport. Its portfolio ranges from the terminal buildings, office centres, logistics and hangar buildings, car parks and the airport station to the new major project "The Circle". The division organises attractive shopping, catering and services in both the airside and landside areas, and operates the second largest shopping centre in Switzerland in terms of sales. Other tasks include managing the technical installations necessary for flight operations, as well as the car parks, the public transport connections and the overarching marketing and branding of the airport.

Finance

The Finance division is responsible for the financing and liquidity of Flughafen Zürich AG, ensures transparency with regard to the financial results and monitors resource deployment of the company and its units. The Investor Relations department is responsible for top-quality and timely financial reporting. The Finance division performs systematic evaluations and assessments of Flughafen Zürich AG's risk exposure within the framework of risk and compliance management. The division is also responsible for international business development and looking after the ten airports which are currently jointly owned and operated by Flughafen Zürich AG with partners in India and Latin America.

Services

The Services division encompasses all units that play important roles in the organisation and procedures of Flughafen Zürich AG. These include Human Resources, Information Technology, Supply Management and Legal Services. The Public Affairs and Corporate Communication departments are also part of Services. The Noise Management department uses a special monitoring system to ensure compliance with the prescribed approach and departure paths. Environmental Protection deals with all other aspects related to the issues of air quality, climate, energy and water resources and biosphere.

Changes on the Management Board
There was a change of leadership in two divisions. After eight successful years as Chief Operation Officer of Flughafen Zürich AG, **Rainer Hiltebrand** moved back to the airline sector last March. Rainer Hiltebrand joined Flughafen Zürich AG in March 2002. He built up the newly established Operations division with his high level of aviation expertise and great enthusiasm. Mr. Hiltebrand also took on the role of Airport Manager. He played a key role in establishing airport-wide coordination and operational control, known as Airport Steering.

His successor is **Stefan Conrad**, who took over as Head of Operations on 1 June 2010. Mr Conrad was previously employed by Swiss International Air Lines as a captain and instructor. Before the foundation of Swiss, he worked at Swissair as captain and instructor on the MD80 and later on the Airbus A320/A330/A340 fleet. Stefan Conrad was Head of Training at Swissair, the home carrier at the time. From 2001 to 2004, he was a member of the Executive Board at Swiss Aviation Training, as Vice President Operations. He qualified as a military pilot and obtained a Global Executive MBA from the University of St. Gallen as well as from the University of Toronto.

Peter Eriksson has likewise decided to move on, after over eight successful years as Chief Commercial Officer. Peter Eriksson joined the Management Board of Flughafen Zürich AG in April 2002. With his great expertise and dedication, he built up the newly created Marketing & Real Estate division and succeeded in positioning Zurich Airport as one of Europe's leading airports in the non-aviation segment.

He was succeeded as Chief Commercial Officer on 1 October 2010 by **Stephan Widrig**, who had previously been in charge of development projects since 2008 as a member of the Management Board. Stephan Widrig has worked at Zurich Airport since 1999, where his posts have included management of real estate. From 2005 to 2008 he was Chief Commercial Officer and Chief Financial Officer of Bangalore International Airport in India. Following the succession arrangements, the Corporate Development division was dissolved, and its responsibilities shared among the remaining four divisions. Process coordination and master planning have now been assigned to the Operations division. International airport activities are now the responsibility of Finance, and the major projects "Zürich 2010" and "The Circle" now come under Marketing & Real Estate.

Changes on the Board of Directors
The General Meeting of Shareholders voted to confirm all existing members of the Board of Directors, provided they are elected by the Meeting, for a further term of office of one year. These are Martin Candrian, Elmar Ledergerber, Kaspar Schiller, Ulrik Svensson and Andreas Schmid (Chairman). The Zurich Government Council resolved that Member of the Government Council Ernst Stocker will succeed the outgoing Member of Government Council Rita Fuhrer on the Board of Directors of Flughafen Zürich AG. This resolution was approved by the Cantonal Parliament. The other representatives of Canton Zurich on the Board of Directors are Lukas Briner and Martin Wetter.

Dear Shareholders,

What a year it's been! Memorable highlights include visits by an Airbus A380 and a solar aircraft, a natural phenomenon with unexpected repercussions and the further development of major building projects. From the company's perspective, 2010 was characterised by an uncertain economic climate that recovered increasingly towards the end of the year. All of the airport's partners were able to benefit from the growth in traffic volumes and the increased demand from local passengers. We are delighted to announce, in Flughafen Zürich AG's challenging eleventh year of business, that the company made a profit of CHF 138.5 million.

The Board of Directors is proposing to the General Meeting of Shareholders the payment of a dividend of CHF 7.00 per share.

Gratifying passenger volume at Zurich Airport
Despite the volcano eruption and a harsh start to the winter, Zurich Airport's passenger volume for 2010 reached a new peak of 22.9 million. Its previous record had been achieved ten years ago. With an increase of 4.3% compared to the previous year, the growth in passenger numbers was within the expected bandwidth. This is largely attributable to the sustained upward trend in local passenger numbers, which increased compared to the previous year by 7.7% to 14.9 million – also a new record. This strong growth in local passenger traffic emphasises the increased demand for flights to and from Zurich. However, there was a slight fall in the number of transit passengers passing through Zurich Airport. This figure fell by 1.4% to 7.9 million.

The proportion of transit passengers therefore also declined to 34.6% from 36.6% in 2009. The number of passengers per flight increased from 98.3 to 100.4, and the average seat load factor rose by 1.3% to 72.9% in 2010. Total seat capacity from and to Zurich was up by 2.5%.

The commercial business registered an improvement compared to the previous year. The average expenditure per departing passenger increased from CHF 41.8 to CHF 42.1. This development against the backdrop of a much stronger Swiss franc is satisfying. Total turnover at Zurich Airport's shops and restaurants came to CHF 481.9 million (+5.1%).

Visit by the biggest passenger plane
The first highlight, at the beginning of the year, was a visit by an Airbus A380. A factory aircraft stayed at Zurich Airport for around 24 hours for testing purposes. The object was to have our airport certified by the Federal Office of Civil Aviation (FOCA). Besides the complex tests, some of which were conducted late at night, the great flexibility and effort by everyone involved meant that sufficient time remained for the public event "Welcome A380". For over 22,000 visitors of all ages, it was an opportunity not to be missed. This successful event also met with a correspondingly wide and welcoming response from the media. The certification process was a success, and the certificate was awarded in time for the start of the summer flight timetable. Since 28 March 2010, Singapore Airlines has been operating the Zurich-Singapore route daily with an Airbus A380. Zurich Airport was only the third European airport to be served by regular scheduled flights with an Airbus A380. Boarding and deboarding were also made easier at the beginning of December 2010 with the commissioning of the third airbridge.

Internal and external challenges
The spring brought two particular challenges tor Flughafen Zürich AG. One had been the subject of careful planning, while the other descended upon airport operations quickly and without warning.

Flughafen Zürich AG's corporate activities underwent a review, in which the company's cost and performance structures were critically examined in view of its objective of becoming even more competitive in the long term. As a result, various potential options for achieving savings were identified and these have been gradually implemented over the course of the year. They unfortunately included the cutting of jobs. The management levels were likewise streamlined by reducing the number of divisions from five to four, resulting in the introduction of a leaner structure.

A particularly mighty challenge happened the day after the General Meeting: the Icelandic volcano Eyjafjallajökull brought air traffic to a standstill over large areas of Europe for several days in mid-April 2010. Zurich Airport's own flight operations were grounded for around three days. Thanks to the professional organisation by the crisis team and the airport partners involved, the airport was able to respond quickly to this natural phenomenon. The cost to Flughafen Zürich AG in terms of lost income was between CHF 7 to 8 million.

Major projects: "Zürich 2010" and "The Circle"
2010 was also the year of major projects. As part of the "Zürich 2010" project, work progressed on the new Dock B and the security check building. The commissioning of both infrastructure projects is scheduled for 2011. The two buildings will contribute substantially to improving the quality of airport operations. The new Dock B permits flexible handling of Schengen and non-Schengen flights, making flight operations highly adaptable. A new viewing terrace is being built on the roof of Dock B and will offer numerous attractions. The centralised security checks will perceptibly improve the travel experience in the future, when all passengers will go through the security check immediately after passing through the boarding card check and will then have more time for shopping and relaxing.

"The Circle, a major real-estate project, also continues to make good progress. The architecture competition was concluded in the year under review and was won by the Japanese architecture firm of Riken Yamamoto. Following a preliminary study and a detailed review of profitability, design and functionality, the Board of Directors of Flughafen Zürich AG launched the next project phase in autumn 2010.

Improving facilities and enhancing the attractiveness of the location
Zurich Airport is and will continue to be an attractive place to work, and a meeting place for travellers as well as visitors, employees, and meeters and greeters. A large number of well-known retailers opened their doors at Zurich Airport in 2010. The food outlets were also successfully brought up to date with new concepts, particularly in the passenger zone. Especially pleasing is the fact that, in addition to the expansion of the shopping and restaurant facilities, demand for office space is also high, and the vacancy rate has been further reduced. In the past year, for example, a number of major new tenants were acquired, including Swiss Federal Railways (SBB) and Zurich's cantonal buildings insurer, as well as the customs administration and border police. The Terminal 2 upgrade, the development of further catering concepts and the remodelling of areas in the Airside Center are currently proceeding at full speed and will help to improve the quality of the facilities.

Political climate: many new courses have been set

Taking all particular political interests into account is proving to be an increasingly difficult task. Comparatively few other airports are as tightly restricted by political conditions as Zurich Airport. Its mission has not changed: to provide a high-quality and commercially successful airport service in the medium and long term. Many issues were dealt with, in the past year, which will have a significant impact on the future of Zurich Airport. The good news is that, in the Sectoral Aviation Infrastructure Plan (SAIP) as well as in negotiations with Germany, a technical framework has been developed for conducting an objective dialogue on the conflict over noise generated by the airport.

In April 2010, the Swiss Federal Administrative Court declared the provisional operating regulations to be implementable, and therefore the night-time curfew at Zurich Airport was extended by one hour on 29 July 2010. The application for this extension had been made by the airport operator itself. With the Swiss Federal Supreme Court ruling of 22 December 2010, Zurich Airport's the operating regulations are enshrined in law. The current flight operations, with defined routes for departures and arrivals, are placed on a solid legal basis with this decision. Nevertheless, major challenges are still being encountered. During the winter months in particular, with snow, de-ice and a general slowdown of flight operations, Zurich Airport appeared to reach the limits of its operational capabilities.

One of the most hotly discussed issues, the second initiative put forward by the municipalities together with the counterproposal, is expected to be submitted to the Zurich electorate in November 2011. Among other things, this initiative requires the canton of Zurich to actively oppose the construction of new runways and the expansion of existing ones at the level of both the Board of Directors of Flughafen Zürich AG and the Swiss Confederation. The counter-proposal goes even further, and calls for opposition to the construction of new fast taxiways and new flight routes over densely populated areas. For the airport operator, one thing is clear: the sustained development of this economically important infrastructure must not be prevented in this way. Flughafen Zürich AG is therefore recommending that this initiative and the counterproposal be rejected.

The Revision of the Federal Aviation Act, which has already been passed by Parliament, establishes a new framework for the imposition of charges by Flughafen Zürich AG. The necessary ordinance is currently being prepared by the FOCA.

Outlook

Zurich Airport is well equipped for the future. The airport operator expects a moderate increase in traffic volume in 2011. The non-aviation business will be characterised mainly by the opening of the arrival duty-free stores, probably in summer, as well as by passenger volume trends and a number of refurbishments in the Airside Center. The further development of the Swiss franc in relation to other major currencies could also have an impact on the non-aviation business. With the commissioning of the new Dock B and the centralised security building, further optimisations in the range of shops, and the ongoing development of the major construction project "The Circle", Flughafen Zürich AG is demonstrating its systematic orientation to the highest service standards, thus consolidating its long-term successful position as a quality airport, transport hub and meeting place.

Changes in the Board of Directors

In connection with her health-related resignation from the Government Council of the Canton of Zurich, Rita Fuhrer left the Board of Directors of Flughafen Zürich AG in April 2010. Rita Fuhrer had been a member of the Board of Directors since 2004 and also sat on the Audit & Finance Committee in this capacity. As head of the Department of Economics and a Board member for our company, she took on a challenging role. She needed to hold her ground at all times while caught between the diverging interests of local residents, the airport operators and political groups. She managed this balance thanks to her great passion and commitment. She also put her airport expertise to good use during the SAIP process (Sectoral Aviation Infrastructure Plan), in which – as head of the Department of Economics – she played a significant part. Rita Fuhrer made a valuable contribution to Flughafen Zürich AG, for which the company is extremely grateful.

As the successor to Rita Fuhrer, Flughafen Zürich AG warmly welcomes Government Council member Ernst Stocker to the Board of Directors and wishes him every success in his new and challenging position.

Thanks

Flughafen Zürich AG would like to thank everyone who has worked for the good of our company in 2010. The commitment and professionalism shown daily by our employees, and the intermeshing of the entire system at Zurich Airport, never fail to impress. We are confident that we have the right people in the right place.

To you, our valued shareholders, we owe a great vote of thanks. Your confidence forms the basis of a secure and successful future for Flughafen Zürich AG.

Zurich Airport, 4 March 2011

Andreas Schmid
Chairman of the
Board of Directors

Thomas E. Kern
Chief Executive Officer

OVER 110 RETAIL STORES AND 40 CATERING ESTABLISHMENTS ARE LOCATED AT ZURICH AIRPORT // CHF 482 MILLION IS THE ANNUAL TURNOVER OF THE RETAIL AND CATERING SEGMENT // ABOUT 24,000 PEOPLE WORK AT ZURICH AIRPORT // CHOCOLATE FROM MORE THAN 25 DIFFERENT MANUFACTURERS IS AVAILABLE AT ZURICH AIRPORT // 1,103 LITRES OF CHAMPAGNE WERE CONSUMED AT THE CENTER BAR IN 2010 // 600 SHOPPING TROLLEYS ARE AVAILABLE AT THE AIRSIDE CENTER AND DOCK E // 60 INTERNATIONAL AND 25 SWISS NEWSPAPERS ARE AVAILABLE AT THE AIRPORT

Zurich Airport is a stable business location which is well equipped for the future. This is clear from the development in its aviation and non-aviation operations. The purchasing behaviour of foreign visitors has been heavily influenced by the strong Swiss franc.

Zurich Airport is expanding its services on offer. In 2010, a number of destinations were added to the network of routes departing from the largest transport hub in Switzerland. The most prominent of these is probably San Francisco. This popular destination in the USA's "Golden State" of California has been served by Swiss International Air Lines with six flights per week since 2 June 2010.

Other new destinations include Casablanca, Rostock nd Linz. Air Berlin, which – measured by the number of passengers – is the second largest airline at Zurich Airport after Swiss, has also been increasing its services in Europe. During the summer timetable, Air Berlin operated flights to Bari, Malaga, Naples, Palermo and Rimini.

A very special bird of passage is the Singapore Airlines Airbus A380, which has been linking Zurich with Singapore daily since the summer flight timetable.

A superb network
When it comes to service quality and transfer times, Zurich Airport is often ahead of the major hub airports in Europe. This is confirmed by accolades such as the Business Traveller Award, which named Zurich Airport as Best Airport in the "European Transfers" category. Yet the airport's impressive performance as a transport hub is evident not only in the global context, but also at regional level. Zurich Airport has excellent local transport links too. With around 700 bus departures, 200 tram services and 380 rail connections daily, it is now the best connected public transport hub in Switzerland. The opening of the Glattalbahn route 12 on 11 December 2010 filled another gap.

The 24,000 people who work at Zurich Airport often enjoy shopping here too. It is no surprise that Zurich Airport is one of the largest shopping centres in Switzerland in terms of sales volume. The shopping facilities on offer have continued to grow during 2010. In the area accessible to the public, the main innovations have been the opening of the Herren Globus, Navyboot and Swiss World shops. Numerous building alterations have also given existing businesses a whole new look, including the Sunrise Shop in the public zone, or the Heimatwerk and Sound & Vision shops in the passenger zone.

There have also been various catering innovations, including the opening of a new Fashion Bar in the public zone and the Sports Bar in the Airside Center.

Attractive business location
It is particularly pleasing to note that, in addition to the development of shopping and catering outlets, there is also great demand for office space. This shows that Zurich Airport continues to be regarded as an attractive business location. The vacancy rate for the overall useable space in all buildings is less than 3%. Particular successes in the office space sector include leases to Swiss Railways SBB, Zurich's cantonal buildings insurer and the border police. SBB, with its new operations centre for Eastern Switzerland staffed by over 400 employees, will manage the majority of Swiss rail transport in the north and east of Switzerland from Zurich Airport.

Workshop areas are also in demand. One success story in this area is the collaboration with SR Technics. The contracts were extended and supplemented by a joint investment programme for the infrastructure at Zurich Airport. Sustainable partnerships such as these will be pivotal in strengthening Zurich Airport for the future in an increasingly competitive environment for hub locations.

Of course, all of these developments need to be communicated to the outside world. This is where a uniform appearance is helpful in clearly presenting Flughafen Zürich AG and Zurich Airport as a business location, transport hub and meeting centre. For this reason, an extensive rebranding exercise was carried out in April. The "Unique" brand has served its purpose for ten years and has been replaced with the "Zurich Airport" brand. The new branding strategy enables Zurich Airport to present a uniform appearance on the market as an excursion and shopping destination, as well as for marketing purposes in Switzerland and abroad.

The company's international airport activities are part of its business model. Even though Flughafen Zürich AG focuses on its core competency as an operator, in order to fulfil certain framework conditions it is also involved in the operating company as a minority shareholder.

The focus is currently on Latin America, where Flughafen Zürich AG is positioning itself – together with the oint venture A-port – for a series of possible privatisations and modernisations of various airports. For example in Brazil, where the staging of the Football World Cup in 2014 and the Olympic Games in 2016 will involve infrastructural developments. As part of the A-port joint venture, Flughafen Zürich AG is involved in Bogotá – firstly in order to support the licensee with its current expansion project worth USD 650 million, and at the same time to cope with the growth in traffic which is increasing by a double-digit percentage. In Curaçao, the focus is on continuous improvement of process quality and the commercial facilities.

One of the best-known commitments is in India in the form of the Bangalore International Airport showcase project in Bengaluru. The airport is currently seeing 22% growth in passenger numbers with over 11 million passengers per year. The airport operator has been running Bangalore International Airport Ltd. (BIAL) profitably since the second year of operation. After selling some of its shares in this airport in 2009, Flughafen Zürich AG's activities are now focused on improving operational and commercial quality still further. The extension work for Terminal 1 is in progress. The project is expected to increase capacity by 75% and equip the airport to handle 17 million passengers annually. The construction volume is around USD 200 million and is being financed without additional equity. In addition to Bangalore, the collaboration with the strategic alliance partner GVK Power & Infrastructure Ltd. is also important for project acquisition on the Indian subcontinent. An additional focus in Asia is on testing market entry in Vietnam.

The company is also working hard to develop the markets in eastern and south-eastern Europe. For example, efforts are being stepped up in Greece in connection with a new-build project, namely Heraklion International Airport in Crete. In Poland, too, efforts are being made to provide the country's rapidly growing regional airports with management expertise from Zurich, to assist with building and expansion work.

Another important reason why these international airport activities constitute a welcome business area is because they offer suitable specialists within Flughafen Zürich AG exciting opportunities and a professional perspective abroad.

Divergent interests present challenges to Zurich Aiport's long-term development. Surrounded by conflicting political and social forces, the airport operator seeks a balance between the needs for mobility and quiet.

The aviation sector requires a favourable political environment to meet the medium and long-term needs of the economy and sustain its own development over time. The Sectoral Aviation Infrastructure Plan (SAIP) and negotiations with Germany in recent years present an opportunity to work out a technical framework with the potential to defuse the political conflict over noise around Zurich Airport for the long term.

The Sectoral Aviation Infrastructure Plan: squaring the circle

The Federal Office of Civil Aviation (FOCA) published its Final Report on the SAIP coordination process in February 2010, subsequently releasing the draft Sectoral Aviation Infrastructure Plan to the public in late August 2010. Some 15,000 comments were received during a three-month public review period. Of the three operating scenarios still under discussion, Flughafen Zürich AG favours the "J optimised" option. This scenario is based on extending runways 28 to the west and 32 to the north and is significantly better than the other options in terms of reducing the number of persons affected by noise while maintaining current capacities. The same period saw hearings on the airport chapter of the Zurich cantonal development plan. It is now up to the Federal Government to take a decision quickly through the formal SAIP process and so provide Zurich Airport and the surrounding region with legal and planning certainty. Timely spatial planning provisions are urgently needed in light of the rapid population growth in the Glattal and Zurich Unterland areas.

Government Council Initiative II and counterproposal: coordination with long-term consequences

In 2006, 42 municipalities in Canton Zurich presented a government initiative intended to block construction of new or expanded runways at Zurich Airport by amending airport legislation. VFSN, an association opposing the flightpath from the south, submitted a counterproposal which would give the state representative on the airport operator's Board of Directors a "veto right" over changes in the seven-hour night-time flight curfew or establishment of new flight paths over densely populated areas. It would also give the state representative veto power over any measures that would become necessary if the Zurich Aircraft Noise Index threshold is exceeded or the number of takeoffs and landings exceeds 320,000. Moreover, the counterproposal would require the Government Council's instructions to the state representative to be adopted by the Cantonal Council in the form of a resolution that could be put to a referendum. Finally, fast taxiways would be treated the same as new and expanded runway construction. Unlike the Cantonal Council, a majority of the Swiss Federal Supreme Court has ruled that the constructive referendum submitted by VFSN was valid. The proposed change in the veto right was declared partially invalid.

Voters will thus vote separately on the government initiative and on the VFSN's counterproposal; a run-off question will allow voters to indicate their preference for one or the other in the event that both initiatives pass.

The referendum is expected to be held in November 2011. For Flughafen Zürich AG and its airport partners, one thing is clear: the long-term development of the country's most important aviation facilities must not be allowed to be blocked for generations to come. Accordingly, Flughafen Zürich AG is recommending a No vote on both questions.

Negotiations with Germany: initial talks held

A workgroup convened by the transport ministers of Switzerland and Germany made up of experts from both countries has undertaken a joint noise analysis. The results show that inhabitants of southern Germany in the upper Rhine valley are not impacted by noise in excess of the standards set out in German regulations. The areas defined as protection zones by German law are entirely located in Switzerland. Based on these noise analyses, in mid-March Swiss Federal Councillor Moritz Leuenberger and German Transport Minister Peter Ramsauer instructed the workgroup to meet and seek approaches to lasting, mutually agreed rules for use of south German airspace for approaches to Zurich Airport.

The workgroup, which includes representatives of Flughafen Zürich AG, met in late April 2010. Switzerland was first to present its proposals for a potential solution. These were examined in further talks in the autumn, when Germany also presented its proposals. Further talks are scheduled.

In September 2010, the General Court of the European Union ruled on the legal validity of the German flight approach restrictions. The court upheld the Commission's finding approving the German measures concerning arrivals and departures at Zurich Airport. In mid-October the Swiss Federal Council resolved to appeal the decision to the European Court of Justice.

Swiss Federal Supreme Court decision on foreseeability of an eastern approach

A further Swiss Federal Supreme Court ruling on noise compensation affecting Flughafen Zürich AG was handed down on 29 June, stating that only those homeowners in the east who acquired their properties before 1 January 1961 are eligible for noise compensation. This provides a final resolution to a major open question over the objective assessment of compensation requirements. The decision will make it possible to proceed with the remaining cases to the east of the airport and, where possible, reach settlements with the various property owners. Flughafen Zürich AG has analysed the cost consequences of the Swiss Federal Supreme Court decision in respect of noise compensation and sound insulation measures and, in coordination with the Canton of Zurich, produced a new assessment of noise costs.

New night-time flight curfew at Zurich Airport

A new night-time curfew between 11 p.m. (plus one-half hour for delays) and 6 a.m. took effect at Zurich Airport on 29 July 2010. Flughafen Zürich AG requested this extension of the night-time flight curfew on its own initiative to accommodate the needs of local residents for quiet. As one of the strictest night-time curfews for comparable airports in Europe, the new rules are a major concession. The extended curfew brings Zurich Airport to the limits of its operational capabilities, especially during the winter months. Passengers and airlines, who will be most strongly affected by the rescheduling and cancellations the evening restrictions will entail, bear the brunt of the measure.

Legally valid operating regulations for Zurich Airport

The Swiss Federal Supreme Court decision of 22 December 2010 gives Zurich Airport a legally valid set of operating regulations. These "provisional" operating regulations were submitted to the FOCA by Flughafen Zürich AG on 31 December 2003. Objections against them were raised by several parties. The Swiss Federal Supreme Court's decision places current flight operations on a solid legal foundation with established routes for departure and arrival. A further positive aspect of the decision is that takeoffs are now permitted in foggy conditions on runways 28 and 16 between the hours of 9 and 10 p.m. This will enable more flexible management of flight traffic at these times and help reduce delays.

Noise charge framework: revision in two stages
After a decade with no adjustments, the Flughafen Zürich AG Board of Directors adopted the revised noise charge framework in April of this year, amending the noise charge framework in effect at Zurich Airport since April 2000. The objective is to continue to allow a noise-optimised fleet to take off and land in Zurich.

Under the current Zurich Airport noise charge framework, each aircraft is assigned to one of five noise classes based on noise measurements. Each noise class is subject to different charges. In addition to noise charges, night-time surcharges apply for takeoffs and landings between 10 p.m. and 6 a.m. and vary by noise class and time window.

As a first step to revising the noise charge framework, noise charges for loud aircraft types in noise classes I and II will be doubled under the summer 2011 flight plan. The charge for noise class I will increase from CHF 1,000 to CHF 2,000, for noise class II from CHF 600 to CHF 1,200. The corresponding night-time noise surcharges will also go up. Pursuant to the Swiss Federal Supreme Court's decision on the provisional operating regulations mentioned above, a further revision will be implemented in mid–2013.

The future belongs to innovative flight procedures
Zurich Airport is also pursuing technical modernisation in approach procedures. The airport's first satellite-supported landing took place in mid-November 2010. In carrying out this first satellite-based landing of a regularly scheduled plane in Switzerland, Flughafen Zürich AG is strengthening its commitment to developing innovative flight procedures. Along with various partners, the airport operator is involved in several projects to develop and implement such procedures at both the national and the European level. An application for the new approach procedure has been submitted to the FOCA. Implementation is planne in spring of 2011, when it will become the first regularly approved satellite approach for civil aircraft in Switzerland.

In addition, Flughafen Zürich AG is a major participant in over ten projects already launched under the Single European Sky ATM Research programme (SESAR). SESAR is intended to make European aviation more efficient, safer, more environmentally friendly and more cost-effective. Besides further development of satellite-based flight procedures, SESAR also includes a wide range of projects to optimise the flow of traffic at airports. Flughafen Zürich AG will contribute a total of approximately 170 person-months to SESAR over the next six years.

Preparations under way for duty-free arrival
A long-standing wish of airport operators has been to bring purchases currently being made in duty-free shops abroad home to Switzerland. This would be a gain for the Swiss economy and offer a clear benefit for travellers to destinations in Switzerland. In December 2010, the two chambers of Switzerland's Parliament adopted the Federal Act on the Purchase of Duty-Free Goods at Airports. As soon as the 100-day referendum deadline has lapsed and the ordinances have been amended by the Administration, the Federal Council will decide on the timing for implementing the law. The first shops will probably open in summer 2011. Once the new arrival duty-free law is implemented, it will be possible to create 60 to 80 new jobs at Swiss airports and generate substantial added value for the company. Preparatory construction work is under way in both arrivals areas to make retail space available in time for the arrival duty-free shops.

Committed to sustainability
The company is a leader in environmental matters. Although worldwide aviation accounts for a comparatively minor 2% of global human CO_2 emissions, Flughafen Zürich AG as airport operator is part of the aviation system and advocates measures to protect the climate, even if the company itself is responsible for only about 10% of the Zurich Airport system's CO_2 emissions.

Accordingly, Flughafen Zürich AG has adopted a climate protection programme with the objective of progressively curtailing CO_2 emissions by 20,000 to 30,000 tonnes by 2020, with a further 10,000-tonne cut to 20,000 tonnes by 2030.

The programme has received international recognition. Flughafen Zürich AG's success in reducing its own CO_2 emissions by 30% since 1991 is regarded as a major accomplishment. In November 2010, the airport operator was awarded the stringent Airport Carbon Accreditation, the only international climate protection certification system for airports. Launched in 2009, Airport Carbon Accreditation is the first and only international climate programme for airports, comprising four levels of requirements. Flughafen Zürich AG meets all requirements for the second-highest level, including proof of lower emissions. The multi level system provides airports with a framework for independent review and certification of their programmes. Zurich Airport is thus underscoring its commitment to tackling the essential environmental issues where it can have an impact.

Sound insulation hall: declaration of intent in place
Since the start of 2010, preliminary investigations have been under way in cooperation with SR Technics, Swiss International Airlines and neighbouring municipalities and governments for the construction of an enclosed sound insulation hall. A study has indicated that idling needs can be adequately provided for, especially at night, i.e. that the hall's soundproofing would be sufficient to provide adequate accommodation for night-time idling. A declaration of intent was signed in November setting forth the partners' commitment to expedite planning for construction of a closed hall starting in 2011 under the direction of Flughafen Zürich AG.

Sound insulation measures making progress
Under the "Programm 2010", sound insulation plans have been drafted for some 6,000 buildings, and sound-insulating windows have been installed at 2,600 properties in eleven municipalities so far. Installation work valued at approximately CHF 6 million was carried out in 2010, mainly in Stadel. In Opfikon and Höri, owners were reimbursed for sound-insulating windows that they had installed themselves; this initiative involved 280 properties at a cost of roughly CHF 4 million.

In addition to the sound insulation measures in the provisional operating regulations, Flughafen Zürich AG was required by the Swiss Federal Supreme Court's ruling of 22 December 2010 to submit a sound insulation concept to the FOCA to protect residents affected by early-morning inbound flights from the south from being woken by the aircraft noise.

Changes in the Federal Aviation Act
The amendment to the Federal Aviation Act adopted by Parliament on 1 October 2010 includes principles governing assessment of fees at airports; details remain to be established at the ordinance level. The amendment also contains provisions concerning oversight, slot allocation, accident investigations and air traffic control fees, among other matters.

The appearance of Zurich Airport is characterised by ongoing construction work. This work is being carried out for reasons of capacity expansion or quality improvement. Two major properties will be put into operation next year, and another is about to undergo an exciting development stage.

With the "Zürich 2010" project, Flughafen Zürich AG is implementing the Schengen Agreement's requirements on passenger infrastructure. The Dock B renovation and centralisation of security checks are also intended to improve the quality and user-friendliness of the airport for travellers. Building work on these two projects started in the first quarter of 2010. Both are running on schedule and according to budget. The cost of this project will come to around CHF 430 million.

Dock B: Gleaming new and highly flexible

It was dismantled right down to its steel "skeleton", the remainder of its structure having been dismantled and cleared away. The construction shell was finished by the end of 2010. Dock B will be put into operation in December 2011. The intervening period will see a lavish new construction 250 metres long, 45 metres wide and with an area of 35,000 square metres. The new Dock B permits flexible handling of Schengen and non-Schengen flights on two levels at up to nine docking bays and eight non-Schengen bus gates. This permits highly adaptable operation and optimum use of stands. Characteristic features of the new building include the glass facade, the light wells and the roof with the new observation deck, which will offer numerous attractions. It will be extremely important in addition to the shopping and restaurant facilities for passengers, but then Zurich Airport is already one of the most popular excursion destinations in Switzerland.

In parallel with the creation of Dock B, the apron adjoining Dock B is being renovated. A dual taxiway is being built at the top of Dock B to link the south hangar and the stands there with the head of runway 28.

Centralised security checks mean greater efficiency and more dwell time

The new centralised security building is due to commence operations simultaneously with Dock B. The building is taking shape in the heart of the terminal building between Check-in 1 and Check-in 2. This presented those responsible for the building project with major challenges in terms of excavation work and foundations. From December 2011, all passengers and employees will pass through the security check in this central building before entering the passenger zone. This will give passengers more time, for instance to enjoy the attractive range of shopping and catering facilities in the Airside Center.

The security check facilities are being spread centrally over an open area with a total of 26 security check lines on four floors. Retail spaces for tax and duty-free products are planned for the transition area to the Airside Center. This facility will play a significant part in the refinancing of the overall project. The centralisation of security checks will also enable operating costs to be reduced because fewer decentralised locations will need to be operated.

All change in the Airside Center

The centralisation of security checks and the associated construction of the centralised security building willalso have implications for the Airside Center with regard to operations and premises. This will involve the extensive rearrangement of the commercial areas. Around 30 shop and restaurant units with over 6,000 m^2 of renovation space are affected on the two floors. It is expected that provisional measures will go a long way towards compensating for losses in income during the construction period.

Terminal 2 upgrade

Terminal 2 with Check-in 2 and Arrival 2 is one of the cornerstones of the airport infrastructure. It has been in operation since 1975 and was in need of extensive renovation. The upgrade comprises a series of structural measures designed to improve passenger convenience and optimise operation. Building services, structural elements and fire prevention systems have been updated to modern standards, and the appearance of the building has been improved. At the same time, preparations have been made for a sales area for duty-free shops in the Arrivals Area. The investment costs for the overall project are in the range of CHF 200 to 250 million.

Skymetro: final phase successful

The final phase of Switzerland's longest air cushion cableway has already been completed. The three Skymetro trains have been extended from two to three carriages per train. With this composition, it is possible for significantly more passengers to be transported and also for passenger streams to be separated in the future. In addition, the completion of the final phase – which was managed on time and on budget – will result in a welcome reduction in waiting times, particularly at peak travel times.

"The Circle"

With "The Circle", Flughafen Zürich AG is developing a high-quality centre for innovative services within walking distance of the terminal. The year-long international architecture competition was concluded in February 2010. In a subsequent phase, the draft presented by the Japanese architect Riken Yamamoto was further developed as part of a preliminary study, in particular to ensure the fulfilment of all specifications in terms of cost effectiveness, design and functionality. The Board of Directors of Flughafen Zürich AG acknowledged the plan in October 2010 and approved the next phase, the preliminary project, on the basis of a positive overall assessment. Planning permission will be granted simultaneously with the further development of the preliminary project. The current schedule makes provision for the construction phase to commence in 2013, and for a first stage to be ready to open in 2017. The exact timescale will be dependent upon the approval process and the successful marketing of the service platforms.

Flight operations with Airbus A380

After several years of preparatory work by experts at Zurich Airport, on 19 March 2010 Zurich Airport was certified by the Federal Office of Civil Aviation (FOCA) to operate with the largest passenger aircraft in the world – the Airbus A380. In addition to extensive analyses, this approval also required a 24-hour series of tests with an Airbus factory aircraft. The FOCA certification fulfilled the requirements for Singapore Airlines to be able to operate regular scheduled flights on the Zurich-Singapore route using an Airbus A380, starting with the summer flight timetable launch on 28 March 2010. At that time Zurich was only the third airport in Europe, after London Heathrow and Paris Charles de Gaulle, to be served by regular scheduled flights with an Airbus A380. The latest milestone in relation to this giant of aviation was reached on 30 November 2010, when the third airbridge went into operation following an extremely swift construction process. Passengers at Zurich Airport can now board and deboard on both decks of the Airbus A380. As a result, Singapore Airlines is currently the only airline at Zurich Airport whose passengers are given different gate numbers on their boarding pass depending on booking class or seat number.

New freight dispatch hall

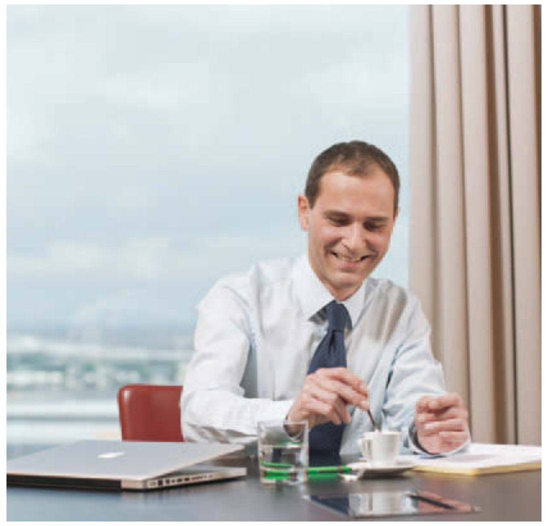
Construction milestones are also nearing completion in the landside area, in the form of a new freight dispatch hall to the south of "Fracht Ost". This is intended to address space shortages in freight operations and has been tailored entirely to the needs of future tenants. Following this market-oriented solution, full occupancy was achieved, and the profitability of the freight dispatch hall assured even before construction started. A further plus point is that the freight handling which was outsourced for reasons of space, known as off-airport freight, can be brought back to Zurich Airport. Commissioning is planned for July 2011. The hall is a further building block in Zurich Airport's modern infrastructure and will ensure the long-term development of the important freight business.

Automated processes for boarding and border control

While humans will never be replaced by machines, automated processes can help them to cope better with peak loads. Flughafen Zürich AG is therefore interested in testing new processes in its flight operations. The focus this year was firstly on self-boarding, and secondly on border control. The airport operator worked closely with other partners in both series of tests.

In the Future Gate Setup (FUGS) project, Flughafen Zürich AG tested self-boarding turnstiles at Gate A67. The aim was to collate findings with regard to functionality, user-friendliness, capacity and efficiency in the use of so-called e-gates with passengers. The results so far have been positive, according to feedback from the partners involved. The handling agents Swissport, Dnata and AAS, who were involved in the tests, were also able to familiarise themselves quickly with the new system.

A further exciting series of tests has been in progress in the arrivals and departures hall below the Airside Center since the beginning of December 2010: automated border controls. The tests were launched by Flughafen Zürich AG in collaboration with the cantonal police of Zurich. The pilot project is intended primarily to demonstrate the practicability and efficiency of automated border controls. The costs for the pilot project are reasonable, since the three passenger control turnstiles are only leased and will be fully dismantled again after the tests are completed. Individual monitoring is also carried out at the automated border control.



Airport Steering is where all the threads of the various flight operations come together. With his team, Martin Horn (Head Airport Steering) is a troubleshooter with his finger on the pulse of Zurich Airport. For him, there's no such thing as a 'normal' day.

Zurich Airport: *Mr Horn, tell us about Airport Steering.*

Martin Horn: Airport Steering is the control hub of Zurich Airport. We liaise with various airport partners in relation to all relevant flight operation processes on the ground. The aim is to ensure that the airport runs as smoothly and efficiently as possible. Flughafen Zürich AG manages a number of airport resources such as passenger buses, aircraft stands, gates and baggage sorting systems, and monitors operations overall. Airport partners in Airport Steering are responsible for specific processes and services such as passenger and baggage handling, aircraft cleaning, security checks or crew transports.

"Information must flow"

ZA: *What are the advantages of Airport Steering as practised at Zurich Airport? At benchmark airports such as Frankfurt, for example, the hub carrier dictates the operational processes.*

MH: That's true, the form of our Airport Steering is rather unique. Back in 2002 when it started, it was a pioneering step. It is still being emulated today. As the infrastructure provider, it makes sense for the airport operator to be responsible for the overall coordination and to handle the day-to-day running in the interests of all. The benefits of Airport Steering are directly measurable, in that punctuality has significantly improved. Today we can guarantee – apart from in exceptional circumstances – a minimum transfer time of 40 minutes. It's a bit of a sprint compared to other airports, but it works. The awards that Zurich Airport is continually receiving for user-friendliness and high-quality service also bear testament to that.

FZ: *Why does Airport Steering work so well?*

MH: These are processes which have been developed over the years and which are still being continually improved. I well remember my first stint as duty manager. I had joined Flughafen Zürich AG just one month before Airport Steering started. By chance, I was allocated the early shift on Airport Steering's very first day of operation. Back then we had nothing more than a couple of checklists. Over the years we have pooled our experiences, intensified the information exchange with our airport partners and professionalised the processes. The most important thing is to ensure the flow of information, that just has to work at all times. It's only when information about irregularities is discussed transparently that problems can be jointly resolved in a coordinated way. This operational transparency is the core competency of Airport Steering.

ZA: *Why?*

MH: We have our finger on the pulse of Zurich Airport – and not just because our offices are right under the control tower. We monitor flight operations very closely, and we also have instruments that provide us with constantly updated information. For instance, we can find out exactly when a flight will commence boarding, when it has ended, or where pockets of passengers are forming. Our task is then to pass this information on to the relevant partners as quickly as possible and to find solutions where required. Ideally customers, i.e. passengers, should not even notice any disruptions at all.

ZA: *The recently extended night-time curfew is perhaps not a disruption, but it will affect operations. What impact is it having on Airport Steering processes?*

MH: Above all, the late shift is much more intensive now. From 2 p.m. until the last flight, we're constantly having to think about special authorisations. We have to consider whether flights might be affected by the night-time curfew. Particularly in winter we can quickly reach the limits of our operational capabilities because de-icing and snow clearing can place an even greater burden on an already tight schedule during the shoulder periods.

ZA: *How is Airport Steering meeting this challenge?*

MH: By always giving priority to the above-mentioned flow of information. It is a great advantage that many of our airport partners sit in the same room, so we can put our heads together at any time and find solutions. We hold phone conferences several times a day with internal and external airport partners such as the big airlines, other handling agents and Skyguide. The many years of cooperation are now bearing fruit. If the airport partners in Airport Steering were not such a well-oiled team, the new night-time curfew would be even more difficult to cope with.

ZA: *Is Airport Steering also approached directly for information?*

MH: Of course, that happens all the time. Requests for special authorisations are submitted to the Airport Authority, which is the supervisory body for flights at Zurich Airport. This office or the duty manager then often contacts us directly to request more details about flight operations or why a particular flight is likely to be delayed. Conversely, we can give the Airport Authority advance warning when we can see that major delays are to be expected. We ensure that problems are identified as early as possible. The sooner a problem is detected, the more options we have available to us.

"We have our finger on the pulse of Zurich Airport"

ZA: *Your work sounds very exciting, but also very stressful. How do you cope with the hectic pace and stress?*

MH: Quite easily, I enjoy my job and I've got the airport virus in my blood. When I start work in the morning, I never know what the day will bring. I've also got a highly motivated and committed team at my side. Many of my 15 Airport Steering colleagues used to work for airlines or handling agents. These people know the aviation business like the back of their hand and are completely familiar with the infrastructure and systems at Zurich Airport. Generally there's an excellent atmosphere at Airport Steering between the airport partners. No-one bears any grudges, because we're all dependent on one another and we need to be able to trust each other.

ZA: *What developments at Zurich Airport are you most looking forward to?*

MH: I'm looking forward to the new Dock B coming on stream. That will take some of the pressure off flight operations and give us more flexibility in allocating stands. Incidentally, Airport Steering was also involved in the planning of Dock B. We were able to contribute our experiences with regard to passenger flows and other operational processes. The new centralised security building will also represent a noticeable quality improvement for local people flying from here. Hardly any other airport has anything like it.

The technical infrastructure behind the scenes ensures that service quality remains at a high level at the front.

The punctuality of departing flights is one of the most important quality features of an airport. In 2010 this figure stood at 76.3% in Zurich, i.e. below the annual target of 80%. The reasons for this were the harsh winter in Switzerland and Europe and the effects of the volcano eruption. Slot delays had a particularly negative effect on punctuality in the first half of the year. The causes included increased flight traffic, strikes outside Switzerland and adverse weather conditions. As expected, the new night-time curfew has impacted on cancellations, particularly in winter operations when de-icing and snow clearance resulted in additional delays to flight operations.

Availability of ICT systems

The continued high availability of the entire IT infrastructure at Zurich Airport is a positive point. The rebranding project in April was an initial test. The website has been completely relaunched and redesigned as part of the new brand. As luck would have it, the Icelandic volcano eruption occurred exactly one day after the rebranding. The airport website was then accessed countless times and had to withstand the additional pressure, forcing the IT team to put in a superhuman effort.

In the summer, Flughafen Zürich AG upgraded all workstations to the new Windows 7 operating system. This makes it the first company in Switzerland to have implemented a complete workstation virtualisation under Windows 7.

Availability of technical systems

The availability of the technical systems is also at a consistently high level. This figure is 99.7% for Skymetro and 99.8% for baggage sorting. For power supply, availability was actually 100%.

Strategic partnerships are an important component of ongoing dialogue with the public. Flughafen Zürich AG scores high here in terms of openness, transparency and a unique offering for visitors.

To ensure that Zurich Airport also maintains a presence in the essential tourism sector, a comprehensive agreement with Switzerland Tourism has been profitably extended. The tourism organisation conveys the interests and messages of Zurich Airport to tour operators, travel agencies and media abroad. In return, the airport operator makes various marketing platforms available to Switzerland Tourism. Agreements of a similar nature also exist with Zurich Tourism and with the Swiss Transport Museum in Lucerne.

Political communication is also being strengthened, particularly with regard to important forthcoming votes such as the second initiative put forward by the municipalities, which is expected to take place in November 2011. The Public Affairs department, under new management, continues to position itself in various aviation-related associations and organisations and to encourage exchanges with political opinion leaders.

Corporate communication: present in all channels

The public relations work is actively driven by the Corporate Communication department, which has also been able to add several instruments to its strategic communication. A professional issue-tracking system enables relevant issues to be followed and helps the company to be proactive instead of merely reacting to issues.

Flughafen Zürich AG has also recognised the importance of increasing its presence on the World Wide Web, in particular with regard to the use of social media and its channels. Social media are web applications with which users exchange ideas and information with one another on a common platform, and design multimedia content either individually or in a group. Zurich Airport has been represented on one of the most prominent and fastest growing of these channels, Facebook, with an official fan page since November 2010. This page enables fans of the airport to form a network of like-minded people. It is also intended to promote dialogue between Flughafen Zürich AG and local residents, passengers, airport employees and partners and to gain ambassadors for Zurich Airport. This new communication channel has made a successful start and is being actively used as a platform for dialogue.

Unique offering for visitors of all ages

A further key element of corporate communication is the wide range of activities available for the public. Guided tours and visits at various airport partners are always popular. The viewing terrace on Dock E attracted around 200,000 people in the year under review. Children's birthday parties - a new option for young airport fans - have already delighted lots of children and are regularly booked out. The Airbus A380 of Singapore Airlines has proved to be a genuine attraction for the public. Every day, curious spectators stand shoulder to shoulder along the railing of the viewing terrace at Dock E in order to get a glimpse of this impressive giant plane. Visitors are hungry for information, but the well-trained tour guides usually have an answer to their questions.

11.45 KM IS THE LENGTH OF GLATTALBAHN ROUTE 10 BETWEEN THE MAIN STATION AND ZURICH AIRPORT // 37 MINUTES IS THE JOURNEY TIME // 90 SEATED AND 148 STANDING PASSENGERS CAN BE CARRIED BY GLATTALBAHN TRAMS // 130 LICENSED AIRPORT TAXIS SERVE ZURICH AIRPORT // 1,200 LOCAL CONNECTIONS BY BUS OR TRAIN ARE GUARANTEED EVERY DAY // 46% OF ALL PASSENGERS, VISITORS AND EMPLOYEES TAKE PUBLIC TRANSPORT TO THE AIRPORT // THE A1 AND THE A51 ARE THE MOTORWAYS THAT LINK ZURICH AIRPORT TO THE REST OF THE SWISS ROAD NETWORK // 1 TIME A DAY, THE BUS TERMINAL IS CLEANED BY THE CLEANING TRUCK

Key data

Amounts in accordance with International Financial Reporting Standards (IFRS)

(CHF 1,000)	2010	2009	Change in %
Total revenue	862,991	820,207	5.2
of which revenue from aviation operations	538,102	505,092	6.5
of which revenue from non-aviation operations	324,889	315,115	3.1
Operating expenses	–426,543	–417,973	2.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	436,448	402,234	8.5
EBITDA margin (in %)	50.6	49.0	
Earnings before interest and tax (EBIT)	245,730	213,156	15.3
EBIT margin (in %)	28.5	26.0	
Profit	138,519	190,610	–27.3
Profit (excl. gain on disposal of BIAL in 2009) [1]	138,519	114,853	20.6
Cash flow from operating activities	431,032	350,933	22.8
Cash flow from investing activities	–269,540	–134,437	100.5
Invested capital as of 31 December	2,722,484	2,846,535	–4.4
Average capital employed	2,784,510	2,753,652	1.1
Return on average capital employed (ROCE, in %)	7.0	6.2	
Equity as of 31 December	1,684,402	1,598,411	5.4
Return on equity (in %)	8.4	12.6	
Return on equity (in %, excl. net gain on disposal of BIAL in 2009) [1]	8.4	7.6	
Equity ratio (in %)	47.9	44.9	
Interest-bearing liabilities (net)	755,908	838,175	–9.8
Interest-bearing liabilities/EBITDA	1.73x	2.08x	
Key operational data			
Number of passengers	22,878,251	21,926,872	4.3
Number of flight movements	268,765	262,121	2.5
Freight in tonnes	411,037	344,415	19.3
Number of full-time positions as of 31 December	1,292	1,302	–0.8
Number of employees as of 31 December	1,543	1,549	–0.4
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	
Proposed/paid dividend per share (CHF) [2]	7.00	7.50	–6.7
Dividend total (CHF 1,000)	42,983	46,053	–6.7
Payout ratio (in %)	31.0	24.2	
Equity per share (CHF)	274.32	260.31	5.4
Basic earnings per share (CHF)	22.57	31.20	–27.7
Diluted earnings per share (CHF)	22.56	31.18	–27.6
Share price (CHF)			
High	391.00	339.00	15.3
Low	284.00	198.00	43.4

	Security number	SIX Symbol	Reuters
Flughafen Zürich AG (registered share)	1056796	FHZN	FHZN.S

[1] Amount/ratio excluding the net gain (after tax and transaction costs) in the amount of CHF 75.8 million resulting from the disposal of 12 percent of the shares of Bangalore International Airport Ltd. (BIAL) in 2009.
[2] 2009: Ordinary dividend of CHF 5.00 and special dividend (from proceeds of partial disposal of BIAL) of CHF 2.50.

Key data excluding the influence of aircraft noise [1]

Flughafen Zürich AG can refinance all costs related to aircraft noise according to the originator pays principle via noise charges. 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 either the income statement or the cash flow statement of Flughafen Zürich AG.

(CHF 1,000)	2010	2009	Change in %
Total revenue [2]	831,234	787,939	5.5
of which revenue from aviation operations	506,345	472,824	7.1
of which revenue from non-aviation operations [2]	324,889	315,115	3.1
Operating expenses [2]	–422,194	–413,306	2.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	409,040	374,633	9.2
EBITDA margin (in %) [2]	49.2	47.5	
Earnings before interest and tax (EBIT)	223,956	191,189	17.1
EBIT margin (in %) [2]	26.9	24.3	
Profit	124,662	176,653	–29.4
Profit (excl. gain on disposal of BIAL in 2009) [3]	124,662	100,896	23.6
Cash flow from operating activities	405,253	324,870	24.7
Cash flow from investing activities	–235,988	–94,418	n/a
Invested capital as of 31 December	2,567,190	2,705,096	–5.1
Average capital employed	2,636,143	2,619,192	0.6
Return on average capital employed (ROCE in %)	6.8	5.8	
Equity as of 31 December	1,529,108	1,456,974	5.0
Return on equity (in %)	8.3	12.8	
Return on equity (in % excluding net gain on disposal of BIAL in 2009) [3]	8.3	7.3	
Equity ratio (in %)	50.6	46.5	
Interest-bearing liabilities (net)	968,329	1,023,444	–5.4
Interest-bearing liabilities /EBITDA	2.37x	2.73x	
Key operational data			
Number of passengers	22,878,251	21,926,872	4.3
Number of flight movements	268,765	262,121	2.5
Freight in tonnes	411,037	344,415	19.3
Number of full-time positions as of 31 December	1,281	1,290	–0.7
Number of employees as of 31 December	1,532	1,537	–0.3
Key data for shareholders			
Number of issued shares	6,140,375	6,140,375	
Proposed/paid dividend per share (CHF) [4]	7.00	7.50	–6.7
Dividend total (CHF 1,000)	42,983	46,053	–6.7
Payout ratio (in %)	34.5	26.1	
Equity per share (CHF)	249.03	237.28	5.0
Basic earnings per share (CHF)	20.31	28.92	–29.8
Diluted earnings per share (CHF)	20.30	28.90	–29.8

[1] The reported key data excluding the influence of aircraft noise were adjusted for all significant items relating to aircraft noise in the income statement and balance sheet.
[2] Eliminations of noise-related costs are now presented as reductions in operating expenses (previously non-aviation revenue). The prior-year amounts were adjusted accordingly.
[3] Amount/ratio excluding the net gain (after tax and transaction costs) in the amount of CHF 75.8 million resulting from the disposal of 12% of the shares of Bangalore International Airport Ltd. (BIAL) in 2009.
[4] 2009: Ordinary dividend of CHF 5.00 and special dividend (from proceeds of partial disposal of BIAL) of CHF 2.50.

Gratifying passenger numbers at Zurich Airport

Despite volcanic eruptions on Iceland and spells of severe winter weather, the growth in air traffic at Zurich Airport has been highly satisfactory in 2010. Passenger volumes grew by 4.3% to a new peak of 22.9 million. The previous record of around 22.7 million passengers was set in 2000 – but on the basis of around 20% more flight movements. This growth in passenger numbers puts Zurich Airport slightly above the European average of +4.2%[1].

Edelweiss Air, Air Berlin and Easy Jet contributed particularly strongly to the rise in passenger numbers. Owing to the stronger growth of its competitors, the hub carrier Swiss lost some market share in 2010. In terms of passenger numbers, its market share fell slightly from 59% to 56.3%. At +10.4%, the growth in the number of low-cost air travellers was positive for the full year. This segment's traffic share grew from 10.3% to 10.9%.

Strong local market

The number of local passengers rose by 7.7% in 2010 to 14.9 million, which is also a new record. The strong growth in local passengers underscores the increased demand for air travel from and to Zurich. The number of transfer passengers at Zurich Airport dipped slightly however, falling by 1.4% to 7.9 million. The proportion of transfer passengers therefore also dropped from 36.6% in 2009 to 34.6%. While the average number of scheduled and charter passengers per flight rose from 98.3 to 100.4, the average number of seats per flight went up from 137.5 to 138.0. The average seat load factor rose by 1.3 percentage points, from 71.6% to 72.9%. Overall, seating capacity from and to Zurich increased by 2.5%.

More flight movements plus significantly more freight

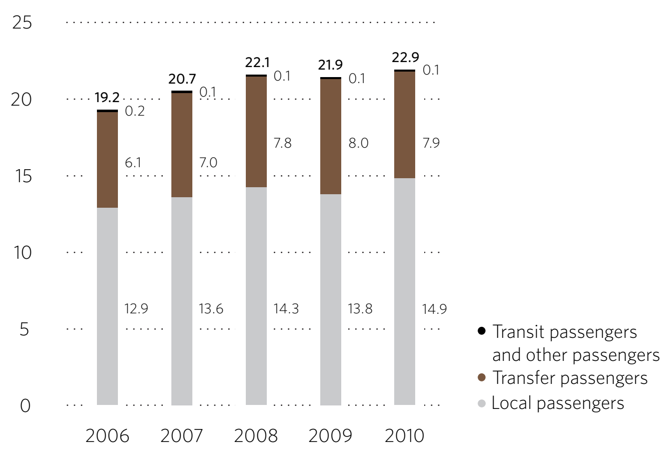
There were 268,765 flight movements in 2010, with the number of take-offs and landings up by 2.5% over the previous year. The increase was 2.0% for scheduled and charter flights, and 5.7% for general aviation. Swiss accounted for the biggest share of traffic with 55%, followed by Air Berlin (5.8%), Lufthansa (5%) and British Airways (2.5%).

Air freight saw a year-on-year increase of 19.3% in 2010. A total of 411,037 tonnes of freight were transported during the year under review. The volume of freight transported by road increased more sharply (28.1%) than that of air freight (+15.9%).

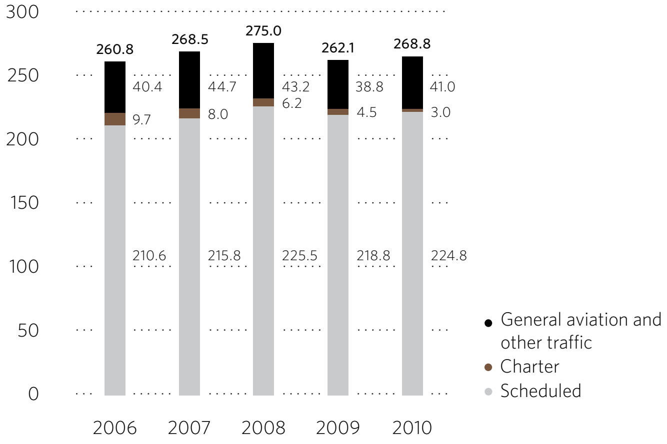
Strong network

In total, 68 airlines offered scheduled services from Zurich Airport to 125 European and 59 intercontinental destinations. The number of intercontinental destinations for scheduled services rose by two, while the number of European destinations went up by four. During 2010 we welcomed three new carriers to Zurich Airport: Danish airline Cimber Sterling, Spanish airline Vueling and Macedonian carrier Airlift.

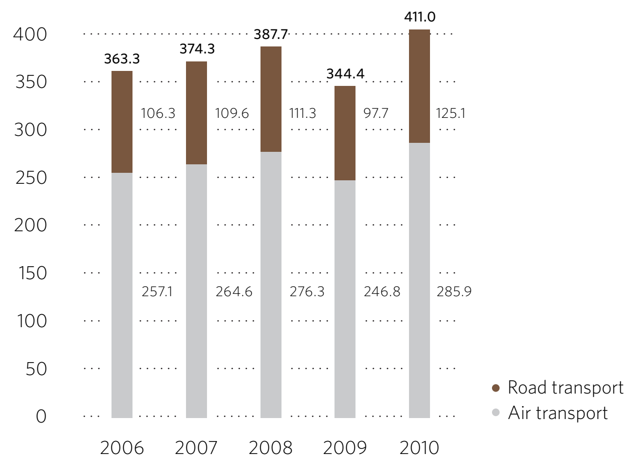
Trend in passenger volume (in million)



Flight movements (in 1,000)



Freight (in 1,000 tonnes)



Airlines & destinations

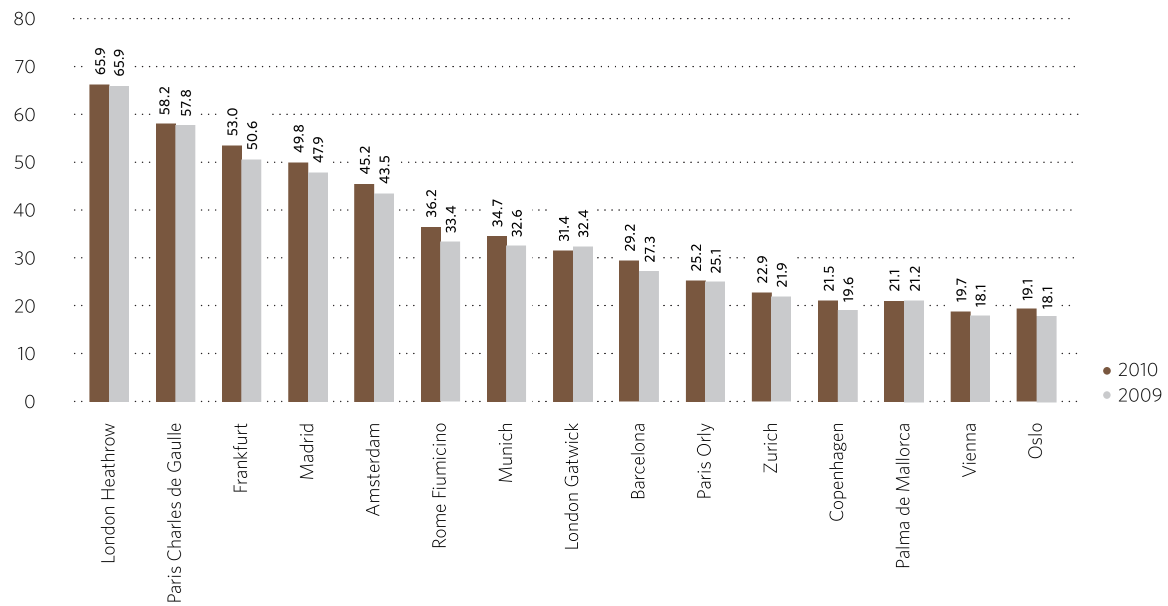
Number of airlines	2010	2009
Scheduled flights	68	65
Charter flights	18	13
Destinations, scheduled flights (airports)		
Europe	125	121
Africa	22	20
Asia	18	18
North America	14	13
Latin America	5	6
Total	184	178
Destinations, scheduled flights (countries)		
Europe	40	36
Africa	10	9
Asia	14	15
North America	2	2
Latin America	4	5
Total	70	67

[1] Source: ACI, Airports Council International)

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

Passengers at European airports (in million)

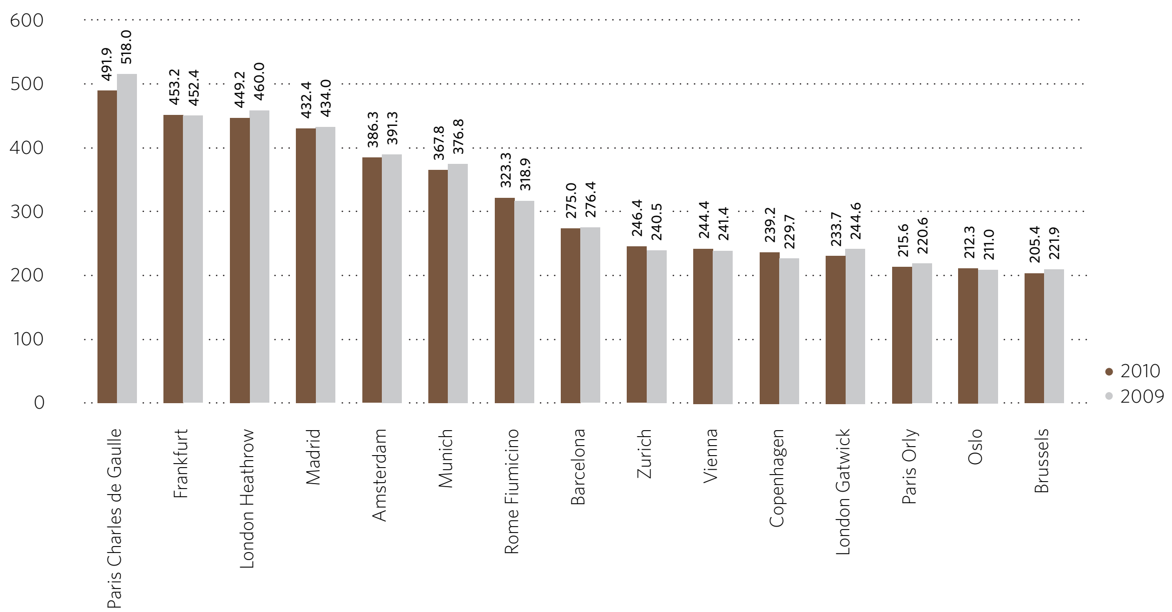
Passenger volumes at the 15 largest European airports.



Source: ACI Airport Council International (as at January 2011)

Commercial movements at European airports (in 1,000)

Commercial movements include scheduled, charter and commercial general aviation traffic.



Source: ACI Airport Council International (as at January 2011)

Results trend

Revenue rose year on year from CHF 820.2 million to CHF 863.0 million (+5.2%).

Approximately 62% of the total revenue came from **aviation operations**, namely CHF 538.1 million (+6.5%) in the year under review.

(CHF 1,000)	2010	2009	Change in %
Passenger fees	183,659	173,044	6.1
Security fees	147,439	140,298	5.1
Landing fees	79,462	77,453	2.6
Noise charges	31,757	32,268	–1.6
Baggage sorting and handling system	27,283	26,150	4.3
Other earnings	15,012	12,748	17.8
PRM fees	11,458	1,707	n/a
Aircraft energy supply system	10,198	10,483	–2.7
Freight revenue	7,731	6,999	10.5
Fuel charges	6,595	6,352	3.8
Parking fees	5,574	5,790	–3.7
CUTE charges (check-in system for handling agents)	4,220	4,113	2.6
Capitalised expenditure	3,560	3,476	2.4
Emission fees	2,926	2,916	0.3
Refund of security costs	1,408	1,395	0.9
Bad debt write-offs	–180	–100	80.0
Total revenue from aviation operations	538,102	505,092	6.5

Revenue from **passenger fees** rose by 6.1% to CHF 183.7 million – a slightly greater increase than that in passenger volume (+4.3%). The reason for this is a disproportionate increase in local passengers, who pay higher fees than transfer passengers.

Revenue from **security fees** rose by 5.1% in the year under review. This increase, which is likewise disproportionate to passenger volume, is also attributable to the sharp swell in local passengers.

Revenue from **landing fees** rose to CHF 79.5 million (+2.6%), mainly owing to the 2.5% upswing in flight movements. The increase in the average maximum take-off weight (MTOW) at Zurich Airport amounted to 0.2%.

Revenue from **noise charges** totalled CHF 31.8 million (–1.6%) in the year under review. These charges comprise passenger noise charges, noise-related landing charges and off-peak night-time surcharges. The reason for the decline in spite of higher traffic volume is a switch in invoicing cycles: owing to more rapid cycles, the agreed share of revenue transferred to the Canton of Zurich has risen disproportionately, leading to a decrease in the revenue retained by Flughafen Zürich AG. In accordance with an agreement between the Canton of Zurich and Flughafen Zürich AG, since 1 July 2008 revenue from noise charges has been split for the purpose of financing compensation for formal expropriations: 53% of the revenue goes to Flughafen Zürich AG and the remaining 47% to the Canton of Zurich.

In 2010, fees for passengers with reduced mobility **(PRM fees)** were levied for the first time for the entire financial year; this is the main factor in the growth of these revenues to CHF 11.5 million (from CHF 1.7 million in 2009).

Revenue from **non-aviation operations** rose by 3.1% to CHF 324.9 million and thus accounted for around 38% of total revenue in the year under review.

(CHF thousand)	2010	2009	Change in %
Retail outlets and tax & duty-free shops	74,500	71,562	4.1
Revenue from multi-storey car parks	64,576	61,959	4.2
Advertising media and promotion	13,530	13,112	3.2
Other commercial revenue (car rentals, taxis, banks, etc.)	12,241	12,222	0.2
Food & beverage operations	12,198	11,215	8.8
Commercial revenue	177,045	170,070	4.1
Revenue from rental and leasing agreements	86,013	85,589	0.5
Energy and utility cost allocation	26,323	26,066	1.0
Cleaning	3,459	3,591	–3.7
Other service revenue	2,356	2,118	11.3
Revenue from facility management	118,151	117,364	0.7
Communication services	12,565	13,250	–5.2
Other services and miscellaneous	9,065	7,490	21.0
Capitalised expenditure	8,048	7,085	13.6
Bad debt write-offs	15	–144	n/a
Revenue from services	29,693	27,681	7.3
Total revenue from non-aviation operations	324,889	315,115	3.1

Turnover-based revenue in the **retail, tax & duty free and food & beverage operations** increased by 4.1% and 8.8% respectively during the 2010 financial year: the revenue of shop and restaurant operators at Zurich Airport grew by 5.1% from CHF 458.7 million to CHF 481.9 million.

Positive developments in passenger volume, especially local passengers, and good business performance both contributed to this increase. The average expenditure per departing passenger was CHF 42.1 (+0.7%) in the year under review.

(CHF million)	2010	2009	Change in %
Trend in revenue of commercial partners	481.9	458.7	5.1
Commercial revenue of Flughafen Zürich AG			
Retail outlets and tax & duty-free shops	74.5	71.6	4.1
Food & beverage operations	12.2	11.2	8.8
Average revenue per departing passenger (in CHF)	42.1	41.8	0.7

Parking revenue totalled CHF 64.6 million (+4.2%) in the year under review, a development traceable to higher numbers of local passengers and visitors. Prices for parking remained unchanged during the 2010 financial year.

Revenue from **facility management** amounted to CHF 118.2 million (+0.7%). Revenue from **rental and leasing agreements** developed positively in comparison with the previous year, increasing by CHF 0.4 million (+0.5%). Revenue from the billing of **energy and utility costs** likewise developed positively, increasing by CHF 0.3 million or 1.0%. This trend was aided by vacant premises in the entire real estate portfolio (vacancy rate as of 31 December 2010: 2.3%).

Revenue from services rose by approximately CHF 2.0 million to CHF 29.7 million (+7.3%). One reason is the increased capitalised expenditure, which was CHF 1.0 million higher than last year owing to intensive construction work. "Other services and miscellaneous" also performed positively, increasing by CHF 1.6 million in the year under review. This increase included a number of non-aviation revenue items.

Total **operating expenses** rose in financial year 2010 by 2.1% from CHF 418.0 million to CHF 426.5 million. This is mostly attributable to cost increases arising from the full-year effect of the expenses for passengers with reduced mobility (PRM), which came into effect on 1 November 2009. Without this effect, the total operating costs would have remained unchanged compared with the previous year, despite the additional traffic volume.

(CHF 1,000)	2010	2009	Change in %
Personnel expenses	157,567	158,416	–0.5
Police and security	114,549	113,458	1.0
Energy and waste	24,359	24,553	–0.8
Maintenance and material	43,350	40,697	6.5
Other operating expenses	49,497	40,181	23.2
Sales, marketing, administration	37,277	38,175	–2.4
Other expenses/income, net	–56	2,493	n/a
Total operating expenses	426,543	417,973	2.1

Personnel expenses account for approximately 37% of the total operating expenses; they fell by 0.5% in the last financial year to CHF 157.6 million.

The most significant influencing variables in the decrease in personnel expenses are shown in the following table.

(CHF million)		
Personnel expenses in 2009		158.4
Decrease in provisions for holidays and overtime	approx.	–1.2
Adjustment of basic salaries	approx.	1.1
Lower variable salary components based on the annual result (management)	approx.	–1.2
Lower reimbursements from social security contributions	approx.	0.2
Miscellaneous	approx.	0.3
Personnel expenses in 2010		157.6

As of 31 December 2010, Flughafen Zürich AG employed 1,543 staff (31 December 2009: 1,549), corresponding to 1,292 full-time equivalent positions (31 December 2009: 1,302 full-time equivalent positions).

Flughafen Zürich AG's expenses for **police and security** rose in 2010 by 1% to CHF 114.5 million, but thanks to optimised resource planning these costs were low in proportion to developments in passenger volume.

(CHF 1,000)	2010	2009	Change in %
Zurich cantonal police force	94,347	92,814	1.7
Security expenses relating to third parties	20,202	20,644	–2.1
Total police and security expenses	114,549	113,458	1.0

Expenses for **energy and waste** declined by 0.8% from CHF 24.6 million to CHF 24.4 million.

At CHF 43.4 million, expenses for **maintenance and material** in the year under review were significantly higher than the prior year's levels and represent an increase of CHF 2.7 million or 6.5%. The main reasons for the escalation were increased maintenance work and greater consumption of de-icing substances as a result of the severe start to the winter.

The increase in **other operating expenses** from CHF 9.3 million to CHF 49.5 million can be explained by the fact that for the first time in 2010, expenses arising from the care of passengers with reduced mobility (PRM) applied to the full financial year.

Expenses relating to **sales, marketing and administration** amounted to CHF 37.3 million, and were thus lower (CHF 0.9 million or -2.4%) than the previous year's figure of CHF 38.2 million. This was in part the result of a review of cost structures in 2010.

In financial year 2010 there were no significant **other expenses/income**.

(CHF 1,000)	2010	2009	Change in %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	436,448	402,234	8.5
Depreciation and amortisation	–190,718	–189,078	0.9
Earnings before interest and tax (EBIT)	245,730	213,156	15.3
Finance result, net	–72,036	–77,812	–7.4
Share of profit or loss of associates	456	8,376	n/a
Gain on disposal of shares in associate	0	95,278	n/a
Income tax expense	–35,631	–48,388	–26.4
Profit	138,519	190,610	–27.3

Earnings before interest, tax, depreciation and amortisation (EBITDA) reached CHF 436.4 million, topping last year's amount (CHF 402.2 million) by CHF 34.2 million. The EBITDA margin of 50.6% was substantially higher than last year's (49.0%).

Depreciation and amortisation amounted to CHF 190.7 million, around CHF 1.6 million higher than in the previous year.

In spite of increases in depreciation and amortisation, the higher EBITDA led to an increase in **earnings before interest and tax (EBIT)** of CHF 32.6 million to CHF 245.7 million (+15.3%).

At CHF 72.0 million, the **net finance result** was CHF 5.8 million (or 7.4%) lower than in the previous year, a drop which can be attributed mainly to lower interest expenses for debentures and non-current loans. This lower interest expense is primarily due to the June 2010 repayment of a debenture with a value of CHF 150 million and the contractually agreed annual repayment of the US car park lease. The net finance result also includes a bankruptcy dividend of CHF 0.6 million from Sigma Finance Corp.

The **share of profit or loss of associates** reflects the results of investments in the Indian airport operator in Bengaluru (Bangalore International Airport Ltd., BIAL) and holdings in Latin America (A-port).

The **profit** of CHF 138.5 million is 27.3% below the 2009 figure, which is due solely to the profit received in 2009 on the partial disposal of shares in Indian airport operator Bangalore International Airport Ltd. (BIAL). Factoring out this effect, the profit would have been 20.6% higher. The result is in line with the expectations of Flughafen Zürich AG. The result, excluding aircraft noise, amounted to CHF 124.7 million (+23.6% over the previous year, with the partial disposal of BIAL excluded). Basic earnings per share amounted to CHF 22.57 including aircraft noise and CHF 20.31 excluding aircraft noise.

The Board of Directors is proposing to the General Meeting of Shareholders the payment of a dividend of CHF 7.00 per share (2009: CHF 7.50, of which CHF 2.50 as a special dividend from the partial disposal of the investment in BIAL).

The figures shown below reflect **the results including and excluding revenue from noise-related charges and noise-related costs/expenses**. All noise-related charges are used exclusively to cover costs relating to aircraft noise and do not benefit the shareholders of Flughafen Zürich AG. In individual years, revenue surpluses may arise which, however, are offset in terms of revenue and cash flow by the time the noise-related costs are settled in full. Pages 28 to 29 show the key figures including and excluding noise related items.

(CHF 1,000)	2010 including aircraft noise	Elimination of aircraft noise	2010 excluding aircraft noise	2009 including aircraft noise	Elimination of aircraft noise	2009 excluding aircraft noise
Revenue from aviation operations	538,102	-31,757	506,345	505,092	-32,268	472,824
Revenue from non-aviation operations [1]	324,889	0	324,889	315,115	0	315,115
Total revenue [1]	862,991	–31,757	831,234	820,207	–32,268	787,939
Operating expenses [1]	-426,543	4,349	-422,194	-417,973	4,667	-413,306
Earnings before interest, tax, depreciation and amortisation (EBITDA)	436,448	–27,408	409,040	402,234	–27,601	374,633
EBITDA margin (in %) [1]	50.6		49.2	49.0		47.5
Depreciation and amortisation	-190,718	5,634	-185,084	-189,078	5,634	-183,444
Earnings before interest and tax (EBIT)	245,730	–21,774	223,956	213,156	–21,967	191,189
EBIT margin (in %) [1]	28.5		26.9	26.0		24.3
Profit	138,519	–13,856	124,663	190,610	–13,957	176,653
Profit in % of total revenue [1]	16.1		15.0	23.2		22.4

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

Segment reporting
Notes on segment reporting by Flughafen Zürich AG can be found under "Financial report", "Consolidated financial statements according to IFRS", "Accounting policies" and "Segment reporting".

Aviation flight operations

(CHF million)	2010	2009	Change in %
Revenue from third parties	357.5	331.1	8.0
Inter-segment revenue	13.6	13.3	2.3
Total revenue	371.1	344.4	7.8
Segment result (EBIT)	41.7	20.1	n/a
Total segment assets	976.1	936.2	4.3
Depreciation and amortisation	55.3	54.4	1.7
Investments	67.9	57.0	19.1
Number of employees (full-time positions) as of 31 December	578	571	1.2

At CHF 41.7 million, the result in the "Aviation flight operations" segment was positive. This is primarily due to the higher traffic volumes with a corresponding increase of CHF 21.6 million over the previous year. The full-year effect of the PRM charge for passengers with restricted mobility, introduced in 1 November 2009, also contributed to the increase in revenue.

The segment investments of CHF 67.9 million include investments in the baggage sorting equipment and refurbishments and renovation of areas used for flight operations.

Aviation security

(CHF million)	2010	2009	Change in %
Revenue from third parties	148.8	141.7	5.0
Inter-segment revenue	0.0	0.0	n/a
Total revenue	148.8	141.7	5.0
Segment result (EBIT)	–0.2	–6.1	–96.7
Total segment assets	49.8	53.4	–6.7
Depreciation and amortisation	7.1	5.8	22.4
Investments	3.2	12.6	–74.6
Number of employees (full-time positions) as of 31 December	17	17	0

Revenue from third parties in the "Aviation security" segment increased by CHF 7.1 million. This is attributable entirely to the positive trend in traffic volume. Overall, the segment result improved by CHF 5.9 million but is still slightly negative at CHF –0.2 million.

The higher amount of depreciation and amortisation is due to new infrastructures relating to the implementation of Staff Screening III.

Aviation aircraft noise

(CHF million)	2010	2009	Change in %
Revenue from third parties	31.8	32.3	–1.5
Inter-segment revenue	0.0	0.0	n/a
Total revenue	31.8	32.3	–1.5
Segment result (EBIT)	21.6	22.0	–1.8
Total segment assets	499.4	420.4	18.8
Depreciation and amortisation	6.1	5.6	8.9
Investments	160.5	74.7	n/a
Non-current provisions for sound insulation and formal expropriations	302.9	246.4	22.9
Number of employees (full-time positions) as of 31 December	11	12	–8.3

The result for the "Aviation aircraft noise" segment comes to CHF 21.6 million (2009: CHF 22.0 million). The slight drop in revenue from noise-related charges – despite higher traffic numbers – is due to the switch in invoicing cycles.

The increase in segment assets is the result of the recognition of additional intangible assets.

Non-aviation

(CHF million)	2010	2009	Change in %
Revenue from third parties	324.9	315.1	3.1
Inter-segment revenue	121.7	122.7	–0.8
Total revenue	446.6	437.8	2.0
Segment result (EBIT)	182.6	177.2	3.0
Total segment assets	1,803.9	1,777.6	1.5
Depreciation and amortisation	122.2	123.2	–0.8
Investments	178.4	124.0	43.9
Number of employees (full-time positions) as of 31 December	686	702	–2.3

Revenue in the "Non-aviation" segment was lifted by CHF 8.8 million to CHF 446.6 million. The increase was a result of both higher revenue from retail and tax & duty free sales as well as higher parking revenue.

This positive trend was countered in part by higher segment expenses, resulting in a segment result that was up CHF 5.4 million (CHF 182.6 million versus CHF 177.2 million in 2009). The higher segment expenses are primarily attributable to increased spending on materials and building maintenance costs.

Holdings & subsidiaries

Bengaluru (India)
As of the balance sheet date, Flughafen Zürich AG held a 5% stake in the share capital of Bangalore International Airport Ltd. (BIAL), the owner and operator of the greenfield airport that opened in Bengaluru, India, in May 2008.

Flughafen Zürich AG is also involved in the operation of Bangalore International Airport Ltd. under an Operations, Management & Service Agreement (OMSA), through which revenue flows to Flughafen Zürich AG. Flughafen Zürich AG is also represented on the Board of Directors of BIAL.

Latin America
All the activities of Flughafen Zürich AG in Latin America (except those in Venezuela) are carried out via a joint venture established with the Brazilian Camargo Corrêa Group and Gestion e Ingenieria S.A. (IDC) of Chile. Two separate entities – A-port S.A. and A-port Operaciones S.A. – were formed in order to separate financial involvements and management from airport operations.

A-port S.A., which is based in São Paulo (Brazil), invests in the construction and operation of airport projects and airport-related infrastructure in Latin America and the Caribbean. Flughafen Zürich AG holds a 15% share in A-port S.A, which in turn holds shares in the Chilean airports at Puerto Montt, La Serena and Calama, the Concessionária do estacionamento de Congonhas S.A. (a car park at Congonhas Airport in São Paulo) and Hato International Airport in Curaçao.

A-port Operaciones S.A., which is based in Santiago, Chile, has responsibility for the management and operations of the airports in Latin America and the Caribbean. This includes the airports in Chile and Curaçao in which A-port S.A. holds shares as well as current agreements in Colombia and Honduras that are managed via the local companies A-port Operaciones Colombia S.A.S. and Unique IDC de C.V. Flughafen Zürich AG holds a 32.6% interest in A-port Operaciones S.A.

Venezuela
In the course of 2010, the case involving the expropriated Venezuelan airport on Margarita Island (Isla de Margarita) reached the International Center for Settlement of Investment Disputes (ICSID) in Washington D.C. This step is compliant with the bilateral investment protection treaty between Venezuela and Switzerland. The value of this holding was fully impaired in 2006.

APT Airport Technologies AG
APT Technologies AG is a wholly-owned subsidiary of Flughafen Zürich AG. In the 2010 financial year it generated revenue of approximately CHF 21.0 million and further expanded its range of services. A variety of measures to modernise the existing check-in infrastructure was also carried out in order to meet new demands for web-based check-in using mobile devices.

The number of available CUSS (Common Use Self Service) machines was further increased in the year under review; the 62 machines now in use at Zurich Airport are all equipped with the latest barcode scanner technology.

Investments
The problem of aircraft noise resulted in an increase in investments in 2010 of CHF 410.0 million compared with CHF 268.3 million the previous year. Investments in property, plant and equipment amounted to CHF 249.6 million (2009: CHF 181.4 million). Overview of investments by category:

(CHF million)	2010	2009
Property, plant and equipment	249.6	181.4
Intangible asset from right of formal expropriation	57.8	0.0
Investments in associates	0.0	12.3
Non-current financial assets of Airport of Zurich Noise Fund	102.6	74.6
Other financial assets	0.0	0.0
Total	410.0	268.3

The category “Property, plant and equipment” includes CHF 99.2 million for projects connected with the “Zürich 2010” investment programme. Of this, CHF 57.2 million was spent on construction work on the new Dock B, CHF 29.1 million on the centralisation of security check facilities, CHF 9.1 million on modifications to the aprons and CHF 3.8 million on other sub-projects within this major project. 2010 also saw investments in further significant projects that are not part of “Zürich 2010”:

- Various maintenance operations to preserve the value of engineering structures and plant (CHF 15.9 million)
- A freight dispatch hall including the associated civil engineering (CHF 14.7 million)
- Upgrade of Terminal 2 (CHF 13.7 million)
- Replacement of vehicles (CHF 8.6 million)
- Apron expansions (CHF 7.6 million)

On the basis of the Swiss Federal Supreme Court’s ruling of 8 June 2010 on the foreseeability of an eastern approach and other fundamental issues that have already been decided, the company undertook a reassessment of the noise-related operating costs in cooperation with the Canton of Zurich. According to the updated assessment, an additional amount of CHF 57.8 million was recognised as an intangible asset from the right of formal expropriation, and an equal amount (present value of the estimated costs) was recognised as a provision.

Investments in non-current financial assets of the Airport of Zurich Noise Fund include both new investments and re-investments of resources of the Airport of Zurich Noise Fund.

Consolidated cash flow statement

Compared with the previous year, cash flows from operating activities increased by CHF 80.1 million to reach a total of CHF 431.0 million, a development that can be traced in particular to the higher EBITDA figure as well as to positive changes in current assets. Cash flow from operating activities relating to aircraft noise amounted to CHF 25.8 million (2009: CHF 26.1 million).

Cash flow from investing activities increased by CHF 135.1 million to CHF –269.5 million, mainly due to greater construction activity. The previous year's figure included cash inflows of CHF 87.3 million from the partial disposal of the Indian investment. The portion relating to aircraft noise (net investments in financial assets of the Airport of Zurich Noise Fund) amounted to CHF –33.6 million (2009: CHF –40.0 million).

Cash flows from financing activities amounted to CHF –319.5 million in 2010 (2009: CHF –58.8 million). A debenture totalling CHF 150.0 million was repaid in the year under review (2009: repayment of CHF 128.0 million as well as new borrowing of CHF 225.0 million). Further cash flows resulted from the annual repayment of the US car park lease (CHF –52.4 million), interest payments (CHF –68.6 million) and from the dividend payment amounting to CHF –46.0 million.

As of the end of 2010, Flughafen Zürich AG possessed cash and cash equivalents in the amount of CHF 73.6 million (2009: CHF 231.7 million), of which the sum of CHF 3.9 million is held by the Airport of Zurich Noise Fund.

(CHF 1,000)	2010	2009	Change in %
Cash flow from operating activities	431,032	350,933	22.8
of which related to aircraft noise	25,779	26,063	–1.1
Cash flow from noise charges	35,549	32,096	10.8
Cash flow for sound insulation and formal expropriations	–9,770	–6,033	61.9
Cash flow from investing activities	–269,540	–134,437	n/a
of which related to aircraft noise	–33,552	–40,019	–16.2
Investments in financial assets of Airport of Zurich Noise Fund	–118,072	–113,649	3.9
Repayment of current financial assets of Airport of Zurich Noise Fund	84,520	73,630	14.8
Cash flow from financing activities	–319,549	–58,769	n/a
Effect of foreign exchange differences on cash and cash equivalents held	6	–72	n/a
Decrease/increase in cash and cash equivalents	–158,051	157,655	n/a
Balance at beginning of financial year	231,693	74,038	n/a
Decrease/increase in cash and cash equivalents	–158,051	157,655	n/a
Balance at end of financial year	73,642	231,693	–68.2
of which included in Airport of Zurich Noise Fund	3,889	7,013	–44.5

Balance sheet structure

The balance sheet total declined by CHF 41.3 million in the year under review to CHF 3,518.5 million. Current assets dropped by a total of CHF 208.7 million, a trend above all attributable to the significantly lower level of cash and cash equivalents. Non-current assets, in contrast, increased by CHF 167.4 million, especially on the basis of increased construction activity. Investment activity increased from 87.1% in 2009 to 92.9% in 2010.

Equity increased by CHF 86.0 million and now amounts to CHF 1,684.4 million, which corresponds to a ratio of 47.9% (2009: 44.9%).

Non-current liabilities declined slightly, totalling CHF 1,349.8 million as of 31 December 2010. Current liabilities also declined, amounting to CHF 484.3 million as of the balance sheet date.

The return on average capital employed (ROCE) rose from 6.2% to 7%.

(CHF 1,000)	in %	2010	in %	2009
Non-current assets	92.9	3,267,669	87.1	3,100,278
Current assets	7.1	250,812	12.9	459,477
Balance sheet total	100.0	3,518,481	100.0	3,559,755
Equity	47.9	1,684,402	44.9	1,598,411
Non-current liabilities	38.4	1,349,787	39.5	1,406,676
Current liabilities	13.7	484,292	15.6	554,668
Balance sheet total	100.0	3,518,481	100.0	3,559,755
Average capital employed		2,784,510		2,753,652
Return on average capital employed (ROCE)	7.0		6.2	

Outlook

Traffic and revenue trend

Flughafen Zürich AG expects that the economic recovery will continue to have a positive impact on passenger demand. Overall, the company anticipates a slight increase in passenger volume of 3% to 4%.

Owing to the positive traffic trend and an adjustment to the split of noise-related charges between Flughafen Zürich AG and the Canton of Zurich (from the current 53% to 72% in favour of the airport), revenue in the aviation segment will rise by a disproportionately high amount. Revenue in non-aviation business is likely to rise by a below-average amount as a result of the afore-mentioned construction-related changes in the commercial sector relating to the opening of the central security check building in the year under review.

Operating expenses

One-off costs will be incurred as a result of the commissioning of the new Dock B and the central security check building. Overall costs are expected to increase less sharply than revenue during the 2011 financial year, assuming that no unexpected security requirements will need to be implemented.

Investments

The investment budget of Flughafen Zürich AG for 2011 will amount to approximately CHF 260 million. The largest individual projects are the completion of the new Dock B and the centralised security building as part of the "Zürich 2010" project. Other major projects in 2011 include the construction of the new freight dispatch hall and the first phase of the refurbishment of terminal 2.

Result

Excluding any unexpected influences, both the EBITDA and the EBITDA margin are likely to be slightly higher than in the previous year. From today's standpoint, the company expects to see a slightly positive trend for profit as well in the 2011 financial year.

Airport of Zurich Noise Fund
Flughafen Zürich AG refinances all costs that arise in connection with aircraft noise through special noise charges – based on the "originator pays" principle. In the interest of transparency, costs and income generated in connection with aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund. The Airport of Zurich Noise Fund is a liquidity-based fund. The fund statement presents the accumulated surplus or shortfall as of the balance sheet date arising from noise charges, less expenses for formal expropriations, sound insulation measures and noise-related operating costs.

In the event that the fund statement should show an accumulated income surplus, this surplus will be moved to a special investment account and invested by professional investment institutions using a conservative, money market-oriented investment strategy. The income from these investments is credited to the fund statement.

In view of the fact that a portion of the Airport of Zurich Noise Fund was transferred to the Canton of Zurich on 1 July 2008 within the scope of the prefinancing solution agreed with the Canton (see pages 92 and 93 in the financial section of this annual report), and that, as of this date, the Canton of Zurich also receives a portion of the collected noise charges, only the portion of the Airport of Zurich Noise Fund that is attributable to Flughafen Zürich AG is reported in the consolidated financial statements (see pages 110 and 111 in the financial section of this annual report).

A combined overview of the Airport of Zurich Noise Fund (which shows separately the portions attributable to Flughafen Zürich AG and to the Canton of Zurich) is presented below.

The detailed fund statement is disclosed to a committee comprising representatives of Zurich Airport and the relevant authorities. Regulations and other information about the Airport of Zurich Noise Fund (including an overview of its financial development) can be found at www.zurich-airport.com/aznf.

The figures shown below include the consolidated position of the Airport Zurich Noise Fund, which is presented taking a liquidity-based view as required by the AZNF Regulations.

(CHF 1,000)			2010			2009
	FZAG	Canton of Zurich	Total	FZAG	Canton of Zurich	Total
Airport of Zurich Noise Fund as of 1 January	185,449	153,373	338,822	161,595	125,838	287,433
Restatement of Canton of Zurich [1]	0	0	0	0	80	80
Revenue from noise charges	35,549	31,525	67,074	32,096	28,463	60,559
Costs for sound insulation and other measures	-9,771	0	-9,771	-6,033	0	-6,033
Costs for formal expropriations [2]	-1,036	-3,248	-4,284	-767	-3,835	-4,602
Net result before operating costs and financial result	210,191	181,650	391,841	186,891	150,546	337,437
Noise-related operating costs	-4,349	-22	-4,371	-4,667	-56	-4,723
Interest income from assets of Airport of Zurich Noise Fund	4,489	2,376	6,865	3,377	2,397	5,774
Adjustments to fair value and gains/losses on financial assets (available-for-sale securities)	-1,281	-66	-1,347	-152	486	334
Airport of Zurich Noise Fund as of 31 December	209,050	183,938	392,988	185,449	153,373	338,822

[1] As a result of a restatement (the accounting policies of the Canton of Zurich were amended as of 1 January 2009) the opening balance is changed (reason: accrued interest is taken into account).
[2] In addition to compensation payments for formal expropriations, this amount includes other associated external costs, in accordance with the regulations of the Airport of Zurich Noise Fund (see note 16, "Non-current provisions for sound insulation and formal expropriations" on page 109 in the financial section of this annual report).

The table below presents an overview of the maturities and credit ratings of the invested resources of the Airport of Zurich Noise Fund:

(CHF1,000)	2011	2012	2013	2014	2015 ff	Total	in %
Cash and cash equivalents	122,626	0	0	0	0	122,626	31.20
AAA	33,341	38,595	18,995	7,608	5,705	104,244	26.53
AA+/AA/AA-	18,184	24,291	26,475	11,879	2,013	82,842	21.08
A+/A/A-	18,229	18,213	22,778	3,023	0	62,243	15.84
Not rated	7,606	0	0	0	12,798	20,404	5.19
Other [1]	629	0	0	0	0	629	0.16
Total	200,615	81,099	68,248	22,510	20,516	392,988	100.00
in %	51.05	20.64	17.36	5.73	5.22	100.00	

[1] This item includes withholding tax and accruals/deferrals. For accounting reasons, an accrual/deferral 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.

880 HECTARES IS THE TOTAL AREA OF ZURICH AIRPORT WITHIN THE PERIMETER FENCE // 500 HECTARES OF THIS TOTAL IS GREEN SPACE // AND OF THIS AREA, 44 HECTARES ARE LOWLAND MOORS OF NATIONAL IMPORTANCE // 22 EMPLOYEES WORK IN THE GREENERY & NATURE CONSERVATION SECTION // 12 DIFFERENT LAWN-MOWERS ARE USED TO MAINTAIN THE GREEN SPACES ON A SEASONAL BASIS // 15-20 CM IS THE DEFINED MOWING HEIGHT TO ENSURE THAT BIRDS AND AIRCRAFT DO NOT GET IN EACH OTHER'S WAY

Environmental responsibility

Flughafen Zürich AG constantly endeavours to reconcile the need for mobility with responsibility towards the environment. Our new environmental guidelines, introduced in 2010 and incorporating the latest findings in environmental protection, map out a clear direction. Greater emphasis is being placed above all on climate protection, and closely related to that, energy consumption. The first-ever certification of Flughafen Zürich AG's climate protection programme by Airport Carbon Accreditation confirms that our efforts are bearing fruit. We also continue to focus on issues surrounding aircraft noise, air quality and habitats.

Environmental management

Flughafen Zürich AG has been accredited for systematic environmental protection in accordance with international standard ISO 14001:2004 since 2001. Successful recertification took place in 2010. The environmental management system primarily provides a tool to help management design and implement work processes in an environmentally friendly way and to comply with environmental legislation. Eco-efficiency is to be improved wherever possible. This also applies to processes that indirectly impact the environment. For instance, ecological criteria were also taken into consideration when purchasing new office paper. The paper now being used is made entirely from recycled fibres. Moreover, as a result of carbon offsetting, its production is CO_2-neutral.

Environmental project management

Systematic environmental project management ensures that the environmental impact of any construction projects at Zurich Airport is investigated at an early stage. If needed, external experts are consulted during the construction phase. It is then possible to take account of environmental aspects from initial planning through to the construction phase and on to the subsequent operational phase. This environmentally aware implementation of building projects contributes to the sustainable development of Zurich Airport.

The environmental protection stipulations for construction projects at Flughafen Zürich AG form part of any tender terms and construction contracts, and are generally regarded as the environmental standard for implementation at Zurich Airport. If required, these stipulations can be fleshed out in more detail for particular projects.

Communication of environmental issues

Given the balancing act required between meeting mobility needs on the one hand and protecting the environment on the other hand, good communication is all-important. Flughafen Zürich AG seeks to conduct an open dialogue with its various stakeholders. An eye-catching exhibition in nine showcases at Zurich Airport illustrates how seriously it takes its environmental responsibilities. Various publications, available in digital form on the Internet as well as on paper, illustrate these often rather complex interrelationships and provide detailed information about the environmental impact of Zurich Airport.

Noise levels

As it is not technically possible to implement a measuring system that covers the whole area, exposure to aircraft noise is primarily determined on the basis of calculations. Noise levels for Zurich Airport are calculated annually by the Swiss Federal Laboratories for Materials Testing and Research (Empa) based on actual flight paths and flight movements, as well as radiation characteristics of aircraft. The noise levels are then plotted on noise maps (see illustration). The threshold curves of the day and night noise values are stated per sensitivity level in respect of the exposure limits stipulated by the Federal Noise Abatement Ordinance. The green area indicates where planning values have been exceeded. Certain zoning restrictions therefore apply to the respective municipalities. In the yellow areas where the impact value is exceeded, the construction of new buildings is permitted in special cases only. The red area indicates where alarm values have been exceeded and therefore no new construction is permitted. In addition, Flughafen Zürich AG is carrying out sound insulation measures in existing buildings throughout the red/yellow areas.

Despite a steady increase in the number of flight movements over the past 20 years, noise levels have continuously fallen, primarily due to advances in engine technology.

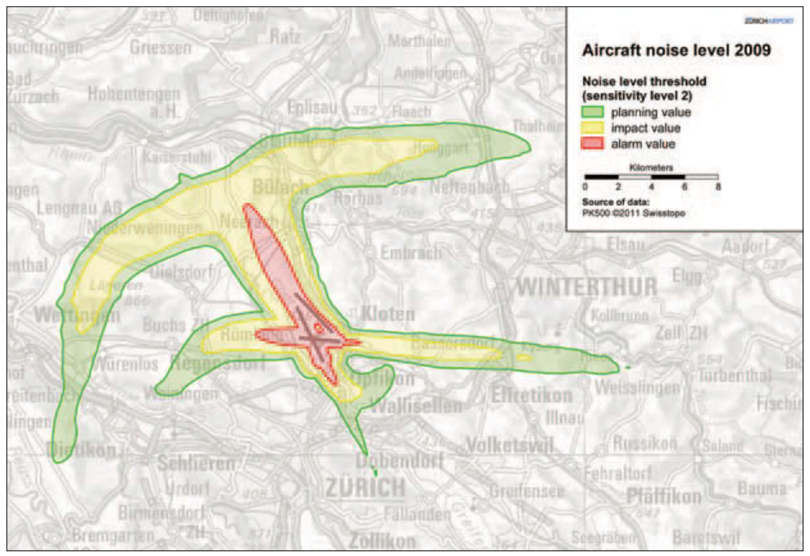
New noise monitoring terminals

Flughafen Zürich AG takes measurements at fourteen fixed noise monitoring terminals located around the airport. Four of these monitoring stations are new and came on stream on 1 November 2010. One monitoring terminal was installed in Kloten under the approach corridor to runway 28, while the other three will track the noise situation mainly along southern approach routes (Gockhausen, Zürich-Schwamendingen) and take-off routes (Dübendorf). These last three stations were taken over from the former military aircraft noise measuring network. The measurements are recorded in the monthly noise bulletin published on the Internet. Noise levels at the monitoring terminals changed only minimally over the previous year, but exposure during the night rose by around 1 decibel in Glattbrugg and Nürensdorf.

Promoting noise abatement through noise charges

By imposing noise charges on airlines, Zurich Airport aims to encourage them to operate only the quietest possible aircraft on the Zurich route. To this end, all aircraft types are allocated one of five noise categories with differing charge rates. If a flight takes place during the night (i.e. between 10 p.m. and 6 a.m.), additional night noise charges are levied. These are graduated in line with the lateness of the flight. As in the previous year, 89% of aircraft arriving and departing from Zurich Airport in 2010 belonged to the least noisy category 5, while in total only 0.6% belonged to categories 1 and 2.

Aircraft noise level 2009



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Flight path monitoring

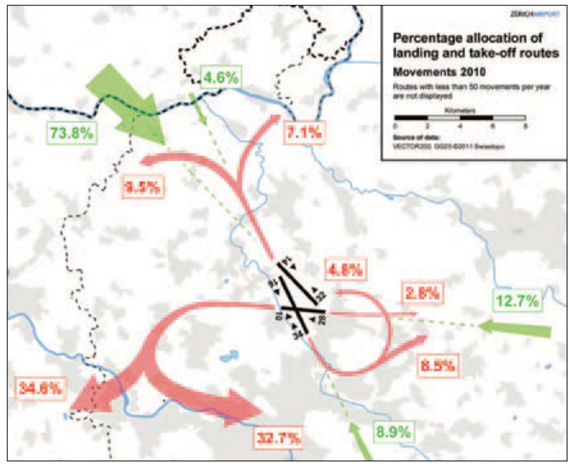
Take-off and approach routes to and from Zurich Airport are configured in such a way as to avoid aircraft noise over densely populated areas where possible. Adherence to these flight paths is monitored, and every significant deviation is investigated. If there is no plausible reason for deviating from these routes, for example to avoid storm clouds or due to a specific instruction received from air traffic control, the pilot concerned is contacted and asked to provide a detailed explanation. This constant monitoring encourages the airlines to optimise their departing performance at all times.

Flight path deviations	2010	2009	2008
Total number of registered deviations	1,636	1,037	881
– Proportion of which were investigated	286	304	300
Investigations suspended, caution issued [1]	280	311	315
Discussion with pilot/chief pilot	9	14	14
Cases reported to FOCA	1	1	6

Night flights and special authorisations

The number of flight movements and the way in which they are distributed across individual runways is of central importance for noise levels. Flights during the night (10 p.m.–6 a.m.) particularly affect local residents. These accounted for approximately 3.9% (2009: 3.5%) of total flight movements. Justified special authorisations were issued for 250 flights (2009: 77 flights) during the night-time curfew period, see page 57. The adverse weather conditions in December meant that all air traffic throughout Europe had to cope with delays. As a result of the extension by one hour of the ban on night flights at Zurich Airport which came into force on 29 July 2010, many flights were pushed back into the curfew period. Without the numerous special authorisations, 18,000 passengers would have been stranded in Zurich.

Arrival and departure statistics



Communication with residents affected by noise

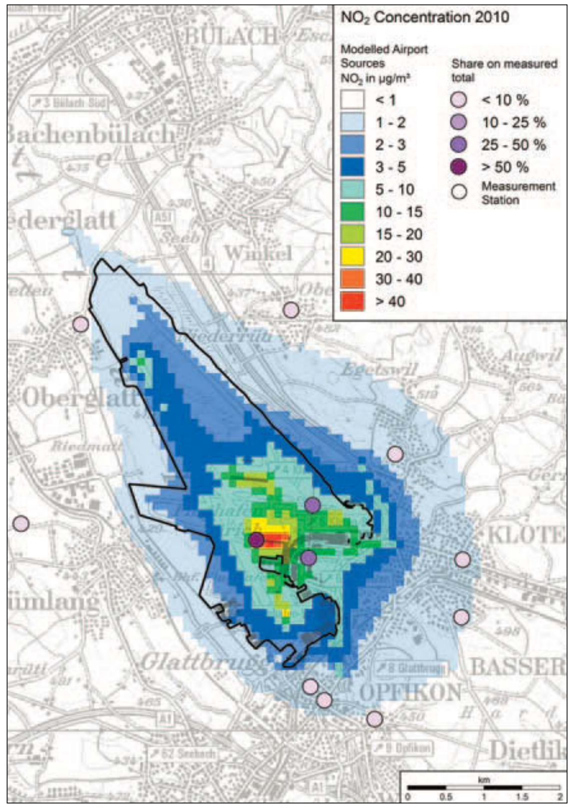
Flughafen Zürich AG seeks to engage in dialogue with its neighbours and with the wider population through various communication channels. A key resource in these communication efforts is the "aircraft noise hotline". This allows anyone affected by noise to submit enquiries or make a complaint directly and unbureaucratically to the airport. They can also contact the airport via e-mail or regular mail. Staff in the Noise Management department respond to every message and answer specific questions immediately. Statistics compiled on the number of messages received and the reasons for complaint are presented to the Management Board.

[1] The cases being handled by the Swiss Federal Office of Civil Aviation (FOCA) that are still pending from the previous year are included.

Pollutant emissions

The main pollutants that affect local air quality are nitrogen oxides (NO_x), particulate matter (PM10) and ozone (O_3). Each year, Flughafen Zürich AG calculates the emissions from the various pollutant sources at the airport. Flight operations account for the majority of emissions. Moreover, Flughafen Zürich AG measures and models the regional air quality for the main pollutant nitrogen dioxide (NO_2). In some cases the threshold values, which are strict by international standards, are still being exceeded, especially along arterial roads. At the same time, however, it is evident that overall the contribution of the airport (including flight operations) to these levels is minimal, being at most 10% outside the airport perimeter.

Impact of the airport on local air quality in the region



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Effective measures

In the spring of 2010, Zurich Airport and the other Swiss airports switched over from the emissions charging model established in 1997 to the European model. This model moves away from fixed emissions categories for aircraft, and instead multiplies the actual engine emissions by a charge rate. This direct polluter-pays principle incentivises the airlines to investigate and implement even minor improvements and upgrades.

A number of other existing measures and programmes to improve air quality are being continued, for example the procurement of gas-powered vehicles and the use of fixed ground power for aircraft. Public transport links have also been enhanced with the introduction of a second tram line directly to the airport. Detailed models show the success of these measures: in 2010, nitrogen oxide emissions were around 4% lower than in 2009, despite increased air traffic.

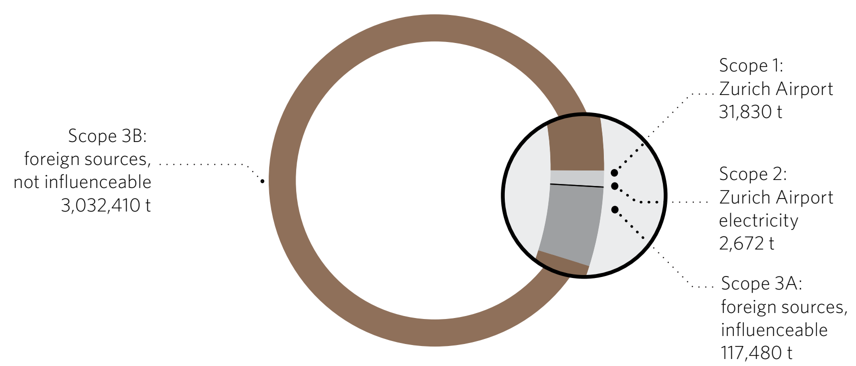
Impact of aviation on climate

Aviation mainly impacts climate through its emissions of carbon dioxide (CO_2). Other significant emitted substances which can cause changes in the atmosphere are nitrogen oxides, water vapour and particulates. According to a report by the Intergovernmental Panel on Climate Change (IPCC), aviation accounts for around 2% (between 1.6 and 2.8%) of global man-made CO_2 emissions. Airport emissions are not included in these aviation figures, as they are calculated as part of their respective national inventories and programmes.

Carbon dioxide emissions from Zurich Airport operations

The detailed emissions inventory is based on the Greenhouse Gas Protocol (GHG Protocol), along with other guidelines published by the Airports Council International (ACI). Accordingly, for many years Zurich Airport has broken down the calculation of its CO_2 emissions into three areas or "scopes": scope 1 covers airport-owned or controlled sources (e.g. vehicles and heating systems); scope 2 covers off-site electricity generation; and scope 3 covers other airport-related sources (e.g. aircraft and aircraft handling). The results confirm that the emissions sources that Flughafen Zürich AG is able to influence directly (scopes 1 and 2) account for only a minimal proportion – around 1% – of all emissions produced as a result of the airport's operations and activities. Over 80% of its CO_2 emissions are produced by the airport's own central heating plant. The actual aircraft on flights to their various destinations account for the vast majority of emissions overall.

CO_2 emissions at Zurich Airport by scope



Environmental protection | Global climate

Climate protection accreditation

Despite the comparatively low level of emissions produced by the airport, Flughafen Zürich AG is mindful of its responsibility with respect to the consequences of climate change and has therefore adopted a climate protection strategy with concrete reduction targets. It aims to cut emissions caused by the airport itself from around 35,000 t at present to 30,000 t by 2020 and to 20,000 t by 2030. Despite a 40% increase in infrastructure and 60% more traffic, Zurich Airport already produces around 30% fewer CO_2 emissions than it did in 1991. This climate protection programme embedded in a dedicated management system was accredited by Airport Carbon Accreditation at the second-highest level. Airport Carbon Accreditation is an independent European certification system for airports inaugurated in 2009. It has four levels of award, with the highest level signifying that airport operations are carbon-neutral. As at the end of 2010, fewer than thirty airports in Europe were accredited. The system is recognised by the European Civil Aviation Conference (ECAC) and other international organisations.

Along with energy-efficient construction, refurbishment projects for reducing the heating and cooling requirements of buildings play a key role in lowering emissions over the long term. In addition, Zurich Airport aims to achieve more efficient utilisation of electrical energy and to investigate the use of renewable energies. Various studies have already been commissioned.

International commitment

In tandem with local efforts and successes at Zurich Airport, the challenges presented by climate change call for international cooperation. Through the airport associations (e.g. Airports Council International), Flughafen Zürich AG is heavily involved in various working groups and is contributing its expertise to international programmes and developments.

airport carbon accredited
OPTIMISATION

Energy consumption

Consumption of heat amounted to 131,343 MWh (up 5% over the previous year), while electricity consumption totalled 185,399 MWh (+2.8%). Despite a significant increase in passenger numbers and the colder winter (+12% more heating degree days), energy consumption at Zurich Airport has therefore increased by just 3.7%. Various measures to reduce energy consumption were taken in 2010. At terminal 1, for instance, a new heat transfer station commenced operation, and pipework insulation was improved. Various operational optimisation measures were also implemented in Cargo West, Dock E and other buildings.

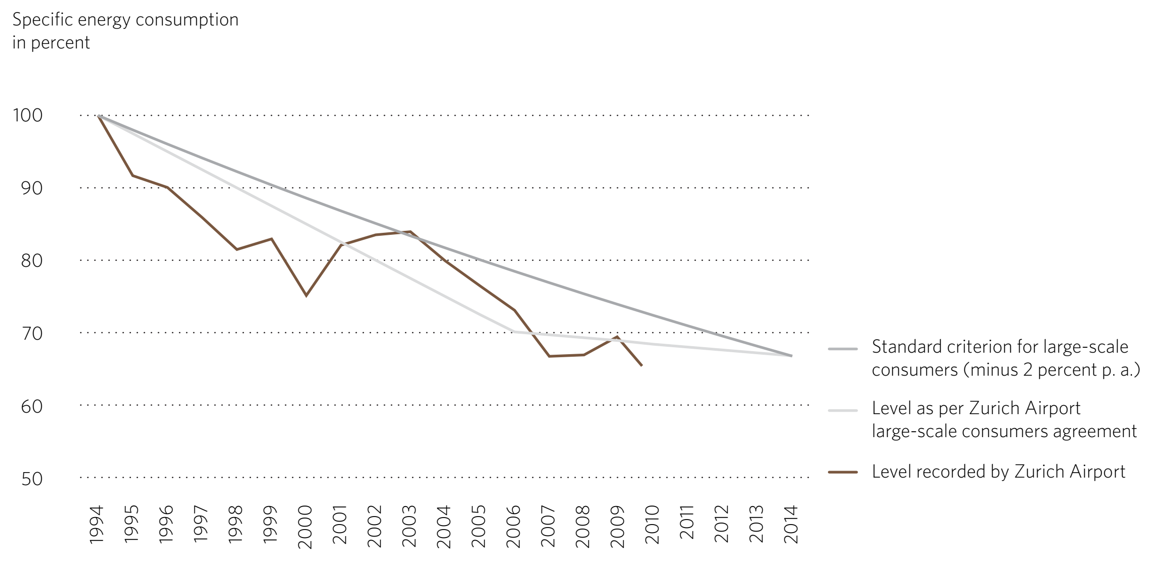
Geothermal prize

The Swiss Geothermal Society recently conferred the 2010 Swiss Geothermal Award on the energy piles that have been used to store seasonal heat and cold in the ground at Dock E since its opening in 2003. The system is one of the first of its kind in Switzerland and meets around two-thirds of the cooling and heating demand in Dock E.

Large-scale consumers agreement

The maximum energy consumption for buildings and plant at Zurich Airport is laid down by a large-scale consumers agreement with the Canton of Zurich. This agreement applies to all the companies responsible for the airport's existing buildings. The large-scale consumers agreement stipulates a reduction in total energy consumption by 2% a year until 2014 based on energy reference area (heated zones in square metres) and passenger volumes. The advantage of this is that companies are largely able to decide for themselves how best to meet this target. In 2010, better capacity utilisation and various optimisation measures led to further energy efficiency improvements.

Specific total energy consumption trend at Zurich Airport (as at 1.1.2011)



Trend in Zurich Airport's energy use	2010	2009	2008
Heat consumption by the airport (MWh)	131,343	125,056	124,371
Electricity consumption by the airport (MWh)	185,399	180,415	184,861
Overall energy consumption (MWh)	316,742	305,471	309,232

Water consumption

In 2010, 530,372 m³ of drinking water was consumed at Zurich Airport (up 0.5% over the previous year). In addition, 103,502 m³ of groundwater and 10,807 m³ of rainwater were used to supply technical installations and for toilet flushing. A total of around 644,681 m³ of fresh water was therefore consumed (–0.1%), which equates to consumption of 28.2 litres per passenger (down 4.2% from the previous year).

Waste volumes

Zurich Airport generated a total of 15,581 t of waste in 2010 (+6.4% compared with 2009). The quantities indicated are based on the definition of the German airports association (ADV) to enable comparisons between airports to be made. Refuse accounted for an unchanged 57% and was transformed into energy via the incineration plant. Around 36% was sent for materials recycling. Flughafen Zürich AG endeavours to increase the proportion recycled by means of a number of measures, where this makes ecological and commercial sense. The main separately collected recyclables were paper/cardboard (2,512 t). Waste per passenger from aircraft handling/in-flight services declined to 325 g (previous year 340 g). The volume of collected PET bottles increased slightly to 174 t (2009: 168 t). Despite an increase in passengers, the number of liquids confiscated as part of security checks showed a gratifying decrease from 272 t in 2009 to 262 t in 2010.

Domestic & industrial waste water

Waste water from the airport is fed to the Kloten-Opfikon sewage treatment plant, with which Flughafen Zürich AG has an affiliation agreement. Along with domestic waste water from toilets and restaurants for example, most of the industrial waste water such as pre-treated waste water from aircraft maintenance and aircraft sewage is also treated there. Following the referendums held in the Opfikon und Kloten municipalities, in July 2010 the organisational form of the Kloten-Opfikon treatment plant changed, and became an intermunicipal utility. This enables Flughafen Zürich AG to be equally represented with one seat on the board, in the same way as the municipalities.

Waste water from de-icing operations

A total of 2,514 m³ of aircraft de-icing agents (up 4.6% on the previous year) and 1,991 m³ of runway de-icing agents (+10.6%) were used over the winter of 2009-2010. Consumption of conventional de-icing salts as used in the maintenance workshop, on roads and in car parks rose by 41% over the previous year to 849 t. The increase is attributable to the prolonged low temperatures and frequent snowfalls experienced.

The aircraft de-icing agents comprise propylene glycol, while all the agents used for de-icing runway and apron surfaces are formates. In some cases the carbon (C) contained in the de-icers is washed away untreated. In the winter of 2009-2010 this amounted to 250 t, or around 24% of the total volume (previous year 162 t, 17%).

Spray irrigation system

At Zurich Airport, lightly polluted de-icer runoff is sprayed over the ground using a special sprinkler system. As it subsequently filters down through the soil, the de-icer residues biodegrade almost completely in anatural way. Over the past winter, a total of 144,045 m³ of waste water from de-icing operations was processed by the sprinkler system. Runoff from de-icing operations with a high proportion of carbon was either treated in the airport's own distillation plant and the derived glycol was then recycled, or it was transported to the City of Zurich's sewage plant, where it is used to produce biogas.

General drainage plan

The general drainage plan (GEP) sets out how rainwater and de-icer runoff is to be treated. Following its revision in 2009, the plan was approved by the relevant authorities in September 2010. At the end of 2010 it was therefore possible to commence project planning for the inclusion of further airport areas in the de-icer treatment systems.

Use of de-icing agents at Zurich Airport	2009/2010	2008/2009	2007/2008
Aircraft de-icing solutions (m³)	2,514	2,404	1,133
Runway and road de-icing agents, formiate solution (m³)	1,991	1,800	758
Surface de-icing agents, solid (m³)	0	2	0
De-icing salts for other surfaces (t)	849	602	133
Untreated water from de-icing operations that is washed away (aprons, runways and taxiways) (%)	24.2	16.7	14

The airport as a haven for nature

Zurich Airport covers an area of around 880 hectares, of which just under 760 hectares are not open to the public within the airport perimeter fence. Around half of this is not built on and chiefly comprises meadows and nature conservation areas.

Meadows

The areas not directly utilised for aviation operations are mainly given over to meadows. In some cases, these are also designed as technical systems for the eco-friendly treatment of rainwater sewage. Their management is set out in an annual maintenance plan which above all takes account of the safety aspects of flight operations. The meadows are not fertilised and are mown as little as possible. This produces a mosaic of different grasslands that provide a habitat for a wide variety of plants and animals.

Nature conservation areas

Within the airport perimeter is a nature conservation area, which encompasses 44 hectares of low moorlands designated of national importance. These nature conservation areas are also maintained in accordance with an annual plan.

The increasing pressure on nature as a result of operations cannot always be prevented, only minimised or possibly compensated by other targeted environmental improvements. If adverse effects on protected habitats and the way in which they are used are unavoidable, the law stipulates that an appropriate alternative must be provided. In this context, Flughafen Zürich AG has been involved in recent years in the creation and ecological rehabilitation of conservation projects in the vicinity of the airport. Examples are the Halbmatt conservation area to the north of the airport and the newly created river courses in the "Altläufe der Glatt" area to the west of the airport.

Key environmental data

Key environmental data	2010	2009	2008
NO_x emissions in tonnes	1,014	1,053	1,092
Proportion from aircraft (t) [1]	875	907	933
VOC emissions in tonnes	397	451	380
Proportion from aircraft (t)	285	263	264
CO emissions in tonnes	1,664	1,518	1,578
Proportion from aircraft (t)	1,502	1,353	1,381
PM emissions in tonnes	23	22	23
Proportion from aircraft (t)	17	16	16
CO_2 emissions in tonnes at Zurich Airport, scope 1 [2]	31,830	31,696	30,788
CO_2 emissions in tonnes at Zurich Airport, scope 2 [3]	2,672	2,630	2,638
CO_2 emissions in tonnes at Zurich Airport, scope 3 [4]	3,149,889	3,091,006	3,010,480
Overall energy consumption (MWh)	316,742	305,471	309,232
Annual water consumption in m^3	644,681	645,049	649,707
Overall waste amount (t)	15,581	14,649	14,730
of which recyclable material (e.g. paper, cardboard, glass, wood) (%)	35.8	38.4	39.8
Confiscated liquids from security checks (t)	262	272	283
Volume of waste per passenger (g) [5]	325	340	360
Number of residents [6] above alarm value for SLII [7]	not available	2,9982	3,711
Number of residents above the impact value for SLII	not available	34,644	40,474
Number of residents above the planning value for SLII	not available	92,968	103,745
Zurich aircraft noise index monitoring value (ZFI)	not available	46,750	49,035
Number of noise monitoring terminals (in operation)	[8] 14 (14)	10 (9)	10 (9)
Daytime aircraft noise levels [9] at NMT 1/3/6/10 (dB(A)) [10]	66/58/66/57	66/58/65/57	67/58/66/57
Number of registered flight path deviations/investigated	1,636 / 286	1,037/304	881/300
Number of night flight movements (10 p.m. - 6 a.m.)	10,010	8,681	9,249
Proportion in the first hour (10 p.m. - 11 p.m.)	7,500	6,686	6,748
Number of special authorisations for night flights issued [11]	250	77	158
of which emergency, relief and rescue flights	66	46	38
of which police, military and government flights	34	14	24
of which various other types of flight	[12] 150	17	[13] 96
2010 Sound Insulation Programme: Number of renovated properties [14]	2,650	2,420	2,310
Number of complaints and queries relating to noise [15]	2,740	2,977	3,719

1) Flight operations in LTO cycle (up to 915 metres), taking into account effective engine power, APU, engine start-up and airframe
2) In accordance with the GHG Protocol: Flughafen Zürich AG's own sources (vehicles, machinery, heating)
3) In accordance with the GHG Protocol: Electricity sourced by Flughafen Zürich AG externally
4) In accordance with the GHG Protocol: Aircraft in LTO cycle and complete route (outbound flight only), calculated by Eurocontrol, other emissions sources at the airport (handling, other heating) and all landside traffic in the vicinity of the airport (approx. 3 kilometres) for all modes of transport
5) Based on: Waste from aircraft handling/in-flight service
6) Encompassing noise contours of the day and night noise limits
7) Sensitivity level 2 in accordance with Art. 43 of the Federal Noise Abatement Ordinance
8) Four new monitoring terminals as of 1 November 2010 in Kloten, Gockhausen, Zürich-Schwamendingen and Dübendorf
9) Energy equivalent continuous sound level of daytime aircraft noise (6 a.m. – 10 p.m.)
10) NMT=Noise Monitoring Terminal, 1=Rümlang, 3=Oberglatt, 6=Glattbrugg, 10=Nürensdorf
11) Special authorisations can be granted for urgent flights operating during the night-time curfew
12) In December, 111 authorisations were issued owing to precarious weather conditions throughout Europe
13) 54 authorisations were issued for the EURO 2008 football championships
14) Number of buildings and properties which have been renovated to date
15) Includes complaints and enquiries relating to noise levels, flight paths, development of the air traffic etc.

1,138 METRES IS THE DISTANCE COVERED BY THE SKYMETRO BETWEEN THE AIRSIDE CENTER AND DOCK E // 146 SECONDS IS ALL IT TAKES TO TRAVEL THIS DISTANCE // 6,725,710 PASSENGERS USED DOCK E IN 2010 // 310 FOUNDATION PILLARS WITH INTEGRATED HEAT EXCHANGER PILES WERE USED IN THE CONSTRUCTION // 75% OF THE ENERGY FOR HEATING AND COOLING THE DOCK COMES FROM THE ENERGY PILLARS // 17,339 SQUARE METRES OF GLASS ARE THE DOCK'S HALLMARK // 320 FLASH PHOTOS ARE SEEN BY PASSENGERS ARRIVING IN AND DEPARTING FROM THE SKYMETRO TUNNEL

Information in accordance with the Corporate Governance Guidelines of SIX Swiss Exchange dated 17 April 2002/29 March 2006/29 October 2008.

Group and capital structures

Group structure

For details concerning the group operational structure, please refer to the section on segment reporting (see "Financial report", "Consolidated financial statements according to IFRS", "Accounting policies", "Segment reporting").

Apart from Flughafen Zürich AG, Kloten (securities no. 1056796), which was listed on the SIX Swiss Exchange with a market capitalisation of CHF 2.3 billion as of the balance sheet date, the consolidated group does not comprise any other listed companies. However, it does include the following unlisted companies:

Name	Domicile	Share capital	Holding
APT Airport Technologies AG	Kloten	CHF 1,800,000	100% Flughafen Zürich AG
Unique Betriebssysteme AG	Kloten	CHF 100,000	100% Flughafen Zürich AG
Zurich Airport International AG	Kloten	CHF 100,000	100% Flughafen Zürich AG
Unique Chile S.A.	Santiago de Chile	CHF 4.325 m	100% Zurich Airport International AG

Capital structure

The group's ordinary share capital amounts to CHF 307,018,750, which is divided into 6,140,375 fully paid-up registered shares with a nominal value of CHF 50 each. All shares have the same dividend entitlements and voting rights (as long as they have been entered in the share register accordingly). No approved or conditional capital, no participation or dividend right certificates and no outstanding convertible bonds or options existed as of the balance sheet date.

The changes in share capital, reserves and available earnings (financial statements according to the provisions of the Swiss Code of Obligations) during the past three years are shown below:

(CHF 1,000)	31.12.2010	31.12.2009	31.12.2008
Share capital	307,019	307,019	307,019
Legal reserves			
Premium	533,290	533,290	533,290
General reserves	19,060	19,060	19,060
Reserves for own shares	751	1,612	11,841
Other reserves	80,107	79,246	69,017
Available earnings			
Profit brought forward	254,875	129,397	89,565
Dividend payment for 2009/2008/2007	–46,013	–30,640	–27,627
Profit for the year	145,328	156,118	67,459
Total equity	1,294,417	1,195,102	1,069,624

For information concerning distribution of shares (no debentures are distributed), please refer to "Financial report", "Consolidated financial statements according to IFRS", "Notes to the consolidated financial statements", note 2, "Personnel expenses".

Shareholder structure and voting rights

Major shareholders

As of 31 December 2010, the Canton of Zurich held 33.33% plus one share and the City of Zurich held 5% of the company's shares/voting rights. There were no other shareholders whose holdings exceeded 5% of the total number of shares with voting rights. In the year under review, there were no disclosures of shareholdings in excess of the lower threshold specified in Art. 20 of the Swiss Federal Stock Exchange Act (SESTA). There are no cross-holdings and no shareholder agreements of which the company is aware.

Change in control

The company's Articles of Incorporation contain an opting-out clause which stipulates that, in the event that the threshold at which an offer is required in accordance with the provisions of the Swiss Stock Exchange Act is exceeded, it shall be raised to 49%. No clauses exist regulating a change of control in favour of members of the Board of Directors or Management Board.

Limitation of transferability of shares/voting rights and nominee registrations

Registration with voting rights is limited to 5% of the share capital. This limit applies both to individual investors and groups of shareholders, with the exception of the Canton of Zurich (limit = 49%) and the City of Zurich (limit = 10%). Other exceptions may be granted by the Board of Directors, specifically in association with contributions in kind, participations, mergers and easing of tradability of shares on the stock market. No exceptions were granted during the year under review.

The above limitations with respect to transferability are stipulated in the company's Articles of Incorporation, which may be amended by resolution of the General Meeting of Shareholders by a two-thirds majority of represented votes. Nominees are exclusively registered as shareholders without voting rights.

Voting rights at the General Meeting of Shareholders

Entries in the share register are normally made up to one week before the General Meeting of Shareholders. With respect to the convening of the General Meeting of Shareholders and inclusion of items on the agenda, no statutory regulations exist that deviate from the relevant legal provisions. Deadlines and cut-off dates for including items on the agenda are also not specified in the Articles of Incorporation.

In accordance with the Articles of Incorporation, all shareholders are entitled to appoint another registered shareholder to act on their behalf at the General Meeting of Shareholders upon presentation of a written power of attorney.

A qualified majority in accordance with Article 704 of the Swiss Code of Obligations is also required for the following cases in addition to those defined in the above legal provisions:

- Amendments to the Articles of Incorporation
- Easing or elimination of limitations with respect to transferability of registered shares
- Conversion of registered shares into bearer shares

Board of Directors

Election and term of office

Members of the Board of Directors are elected by the General Meeting of Shareholders for a term of office of one year. They may stand for re-election, although members of the Board of Directors are required to step down for age reasons at the General Meeting of Shareholders that is held in the year in which they turn seventy.

In accordance with Article 762 of the Swiss Code of Obligations, the Canton of Zurich has a statutory entitlement to appoint three of seven or eight, or four of nine persons to the Board of Directors. In the year under review, the five members to be elected by the General Meeting of Shareholders were elected by individual vote.

Members

Andreas Schmid
Swiss citizen; born in 1957; MA (Law); member of the Mövenpick Executive Board of Management from 1993 to 1997 and then CEO of Jacobs AG (until 2000) and Barry Callebaut AG (until mid–2002); Chairman of the Board of Directors of Barry Callebaut AG from 1999 to 2005; Vice-Chairman of the Board of Directors of Barry Callebaut AG since December 2005; Chairman of the Board of Oettinger Davidoff Group since December 2007. Chairman of the Board of Directors since the 2000 General Meeting of Shareholders.

Other activities and commitments: Chairman of the Board of Directors of Symrise AG; Chairman of the Board of Directors of gategroup Holding AG; member of the Board of Directors of Karl Steiner AG and Wirz Partner Holding AG.

Lukas Briner
Swiss citizen; born in 1947; PhD (Law); clerk of the court in Uster (until 1979) and then legal consultant, Deputy Director and (since 2001) Director of the Zurich Chamber of Commerce. Appointed to the Board of Directors in May 2005.

Other activities and commitments: Chairman of the Board of Directors of Zürcher Oberland Medien AG; Vice-President of the "Greater Zurich Area" Foundation Board.

Martin Candrian
Swiss citizen; born in 1945, hotelier; since 1979, lessee of the "Bahnhofbuffet" Zurich, Chairman of the Board of Directors and Chief Executive Officer of Candrian Catering AG. Elected to the Board of Directors in 2004.

Other activities and commitments: Chairman of the Board of Directors of AG Suvretta House.

Elmar Ledergerber
Swiss citizen; born in 1944; PhD (Economics); member of the Zurich City Council 1998–2009, Mayor of Zurich from 2002; President of Zurich Tourism since 2009. Member of the Board of Directors since 1998 (originally appointed to the Board of Directors of Flughafen-Immobilien-Gesellschaft as part of the statutory entitlement of the City of Zurich; elected by the General Meeting of Shareholders in 2000).

Other activities and commitments: Vice-Chairman of the Board of Directors of EMIG (Engros-Markthalle); President of the Intercooperation Foundation Committee; Member of the Board of Directors of Wirz Partner Holding AG.

Kaspar Schiller
Swiss citizen; born in 1947; PhD (Law); attorney-at-law; since 1978, partner in the legal practice of Schiller Rechtsanwälte AG, Winterthur. Elected to the Board of Directors in 2004.

Other activities and commitments: None.

Ernst Stocker
Swiss citizen; born in 1955; member of the Government Council of the Canton of Zurich since 2010. Appointed to the Board of Directors in 2010.

Other activities and commitments: President of the "Greater Zurich Area" Foundation Board; Member of the Board of Directors of Axpo and EKZ; Member of the Advisory Council of the Swiss National Bank.

Ulrik Svensson
Swedish citizen; born in 1961; Stockholm School of Economics; CFO at companies in London and Luxembourg and then at Swiss International Air Lines AG (2003 to 2006); since 2006, CEO of Melker Schörling AB, Stockholm. Elected to the Board of Directors in 2008.

Other activities and commitments: Member of the Board of Directors of Assa Abloy AB, Loomis AB, AAK AB, Niscayah Group AB, Hexpol AB and Hexagon AB.

Martin Wetter
Swiss citizen; born in 1946; PhD (Law); with Credit Suisse Group from 1973 to 2005 (focus on commercial and financial participations divisions). Member of the Board of Directors from 1993 (former Flughafen-Immobilien-Gesellschaft) to 2004; then in July 2005, appointed to the Board of Directors by the Canton of Zurich.

Other activities and commitments: Chairman of the Board of Directors of Zürcher Freilager AG; Member of the Board of Directors of Imbrex Holding AG.

General Secretary
Thomas Egli

None of the members of the Board of Directors holds an executive position at Flughafen Zürich AG, and none was a member of the Management Board of Flughafen Zürich AG or any of its group companies during th three financial years prior to the year under review. The following business relationship between members of the Board of Directors or the entities they represent and Flughafen Zürich AG is deemed significant and thus worthy of mention:

The Canton of Zurich - in the government of which Director Ernst Stocker holds a seat - has contractually agreed with Flughafen Zürich AG to assume the pre-financing for "old" aircraft noise compensation payments (see "Risk management", "Noise compensation and sound insulation measures", "Reduction and limitation of risks associated with aircraft noise"). Furthermore, the Canton of Zurich has granted Flughafen Zürich AG a credit facility with a duration of 10 years (2002 to 2012) within the scope of a framework credit agreement. The maximum available amount of this credit facility corresponds to the total investments in engineering structures relating to expansion stage 5, after adjustment for the depreciation to be carried out on these investments. The credit facility limit was CHF 640.2 million as of 31 December 2010. It is presently not being used.

Internal organisation

Chairman of the Board of Directors: Andreas Schmid
Vice-Chairman of the Board of Directors: Lukas Briner

The Board of Directors has formed the following committees:

Audit & Finance Committee
Members: Martin Candrian (Chairman), Ernst Stocker, Elmar Ledergerber, Ulrik Svensson, Andreas Schmid

Duties: This committee is responsible for the close supervision of the annual accounts and monitoring of compliance with the accounting policies, evaluation of financial reporting and auditing activities, assessment of findings obtained from audits and recommendations by the auditors, definition of the group's financing policy and examining business transactions of special importance.

Nomination & Compensation Committee
Members: Kaspar Schiller (Chairman), Lukas Briner, Martin Wetter, Andreas Schmid

Duties: This committee deals with all issues relating to nomination and/or removal of members of the executive management of the group, including their compensation and questions relating to succession planning. It defines the principles of the group's personnel and compensation policies and ensures that these are duly complied with. It is also responsible for assessing any potential conflicts of interest on the part of members of the Board of Directors or Management Board.

The executive bodies of Flughafen Zürich AG convene meetings as required. For the Board of Directors this means approximately ten meetings a year with an average duration of approximately six hours, while the committees hold meetings approximately three times a year with an average duration of between two and three hours.

The committees pass on recommendations and submit proposals to the Board of Directors and order clarifications to be carried out by internal or external offices. However, the committees do not pass any final, substantive resolutions.

The Chairman and members of the Management Board and General Secretary are regularly invited to attend meetings of the Board of Directors, while the CEO, CFO, head of Finance & Accounting, the internal auditor and the General Secretary are invited to attend meetings of the Audit & Finance Committee, and the CEO, the head of Services, head of Human Resources and the General Secretary are invited to attend meetings of the Nomination & Compensation Committee.

Competence regulations

Based on the Articles of Incorporation, the Board of Directors has issued a set of organisational regulations in accordance with the provisions of Article 716b of the Swiss Code of Obligations. Alongside the duties that are non-delegable by law, the Board of Directors has retained numerous fundamental strategic competencies, in particular those associated with the rights and obligations arising from federal civil aviation concessions, specifically deciding on significant licence applications, major budget approval requests, petitions for amendments to operating regulations and modifications of fees and charges, while entrusting the Management Board with the general management of the company.

Information and controlling tools
The Management Board reports to the Board of Directors by means of monthly updates via the Management Information System. This tool encompasses traffic developments, marketing activities, non-aviation business, personnel controlling, balance sheet management and project information. Comprehensive financial and business reports are also prepared on a quarterly basis, and the Board of Directors is kept informed about anticipated developments by means of rolling long-term planning.

In close collaboration with the Audit & Finance Committee, group auditors KPMG worked with Internal Audit in examining the internal control system. In the year under review, within the internal auditing process, which is designed to be an independent instrument of the Board of Directors and Audit & Finance Committee, the services outsourced to Zurich Protection & Rescue (fire brigade, rescue service) and international activities were reviewed. Follow-up activities to previous audits also took place. Internal Audit reports directly to the Chairman of the Audit & Finance Committee.

Management Board

Members

Thomas E. Kern
Swiss citizen; born in 1953; Chief Executive Officer (CEO); MA (Law); expansions manager (from 1984 to 1985) and executive manager (from 1986 to 2000) at Interio AG; executive manager at Globus Warenhäuser until 2001 and CEO of the Globus Group from 2002 to 2006. Member of the Board of Directors from 2002–2006; Member of the Board of Directors since the 2006 General Meeting of Shareholders until 22 November 2007.

CEO since 15 January 2008.

Other activities and commitments: Member of the Board of Directors of Schauspielhaus Zürich AG and Lorze AG.

Stefan Conrad
Swiss citizen; born in 1954, Head of Operations; qualified airline and military pilot; captain and instructor with Swissair/Swiss (1990 – 2010); joined Flughafen Zürich AG in May 2010.

Other activities and commitments: None.

Michael Schallhart
Swiss citizen; born in 1962; Head of Services; MA (Economics); various positions in the insurance and tourism sectors, and for a non-profit organisation; member of the Management Board and head of Services division at FIFA (Fédération Internationale de Football Association) from 2000 to 2007. Joined Flughafen Zürich AG in November 2008.

Other activities and commitments: None.

Daniel Schmucki
Swiss citizen; born in 1968; Head of Finance (CFO); qualified accountant/controller; various finance and controlling positions in the Bosch Group (1994 to 1999) and at Weidmann International (1990 to 1994). Joined Flughafen Zürich AG (former Flughafen-Immobilien-Gesellschaft, FIG) in 1999 as Head of Controlling; also responsible for Investor Relations & Treasury since 2003; assumed his position on the Management Board in April 2008.

Other activities and commitments: None.

Stephan Widrig
Swiss citizen; born in 1972; Head of Marketing & Real Estate; MA (Business Economics), University of St. Gallen; business consultant at Arthur Andersen (1997 to 1999); joined Flughafen Zürich AG (former Flughafendirektion, FDZ) in 1999 with special responsibility for real estate operations; 2005 to 2008, Chief Financial and Commercial Officer of Bengaluru Airport, India. Returned to Flughafen Zürich AG and assumed his position on the Management Board in July 2008.

Other activities and commitments: None.

In the year under review there were no management agreements associated with the assignment of management duties to third parties.

Remuneration, participation and loans

Specification of remuneration
Remuneration of active members of the Board of Directors is based on an annual lump sum plus payments for attending meetings. The applicable amounts are specified by the Board of Directors as proposed by the Nomination & Compensation Committee. They remain valid for an indefinite period, i.e. until they are amended by a new resolution, if necessary. There are no participation programmes for members of the Board of Directors.

Remuneration of members of the Management Board is based on individual employment contracts and comprises a fixed salary and a variable performance component that mostly takes the form of shares in the company that are blocked for a period of four years. Measurement of the variable element is based primarily (85–100%) on the criterion of achieving the efficiency targets specified by the Board of Directors for the company as a whole and to a lesser extent (0–15%) on that of achieving individually defined targets for each member of the Management Board. All targets are set for each financial year. In the year under review, the variable element totalled between 65–125% of the fixed salary. The amounts concerned are specified by the Board of Directors as proposed by the Nomination & Compensation Committee.

For details concerning the total remuneration paid during the year under review, please refer to “Financial report”, “Consolidated financial statements according to IFRS”, “Notes to the consolidated financial statements”, note 2, “Personnel expenses” and note 22.5, “Related parties”, and “Financial report”, “Financial statements according to the Swiss Code of Obligations”, “Notes to the financial statements”, note 14, “Related parties”.

Auditors
The audit mandate is awarded each year by the General Meeting of Shareholders. The current auditors first assumed their mandate in 1992 (for the former Flughafen Immobilien Gesellschaft, “FIG”) at which time the old company law was still in effect. The current chief auditor has been responsible for this mandate since 2007.

The fee charged by the auditors for the year under review amounted to CHF 369,000 (2009: CHF 401,000). For additional services outside the audit mandate, the auditors also charged a total of CHF 80,000 (2009: CHF 31,000)

The Audit & Finance Committee is responsible for supervising and controlling external audits. It formulates the priorities for the main and interim audits, and assesses and analyses auditors’ reports. The auditors are also invited to attend meetings of the Audit & Finance Committee as necessary.

Information policy
Shareholders regularly receive information about the company and its activities in the Interim Report and Annual Report, and ongoing developments are reported on in the form of news flashes.

Further information is available on the Investor Relations page of our website:
www.zurich-airport.com/investorrelations.

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68 AIRLINES FLY REGULARLY TO ZURICH AIRPORT // 269,000 FLIGHTS ARRIVED AT OR DEPARTED FROM ZURICH AIRPORT IN 2010 // 35% OF INTERNATIONAL GUESTS REACH SWITZERLAND BY PLANE // 40 DIFFERENT TYPES OF AIRCRAFT FLY TO ZURICH AIRPORT EACH YEAR // 218 PLANE SPOTTERS ARE OFFICIALLY REGISTERED IN AFZ (AIRSIDE FOTO ZURICH) // 19 KM IS THE LENGTH OF THE SECURITY FENCE AROUND ZURICH AIRPORT // 45 GAPS ENABLE PROTECTED WILDLIFE TO PASS THROUGH

Comprehensive risk management is a strategic corporate goal for Flughafen Zürich AG, which is committed to an integrated and systematic policy for managing risk. The company's risk management system ensures that risks will be handled within a disciplined and deliberate framework. It guarantees transparency regarding all risks associated with business activities as well as continuous improvement and monitoring of the risk situation.

Management and operating tool
The Flughafen Zürich AG risk management system is the management and operating tool for managing corporate risk and comprises the following components:

- Risk policy objectives and principles
- Risk management organisation
- Risk management process (method for managing risk)
- Risk reporting and risk dialogue
- Auditing and review of the risk management system
- Risk culture

The risk management organisation forms the backbone of this system and includes the following units and functions:

- **Board of Directors, Management Board and Chief Risk Officer**
  The Board of Directors and the Management Board have the overall responsibility under Swiss company law for ensuring the group's existence and profitability. The Board of Directors is responsible for overall supervision of risk management and performs this function using the internal audit tool. The Chief Financial Officer also serves as the Management Board's Chief Risk Officer.

- **Risk Management Centre**
  The Risk Management Centre is run by the Head of Risk Management and Insurance, who reports to the Chief Risk Officer. This centre supports line managers in all matters relating to risk management and is responsible for the operation and continued development of the risk management system.

- **Line management (divisions and departments)**
  The line units and individual line managers bear the responsibility for risks and manage them within the framework of the risk management system (risk owner concept).

- **Specialised units**
  The specialised units perform specific risk-related cross-divisional functions within the group (liquidity management, operational safety, occupational safety and health, information security, fire prevention, contingency planning, etc.) in coordination with the Risk Management Centre.

The risk management organisation periodically reviews the risk management system in order to ensure that it adequately reflects changes in the commercial and regulatory environment or in the corporate structure.

In reporting on risks, Flughafen Zürich AG describes each identified risk in detail and assesses risks for probability of occurrence as well as for potential operational and financial impact. A plan of action with specific target dates is also defined and outlines how the respective risk can be reduced. The risk management organisation monitors implementation of the plan on an ongoing basis.

Compliance management
Flughafen Zürich AG operates a compliance management system as another important component of its comprehensive risk management strategy. The aim of compliance management is to systematically identify, understand and comply with applicable legal regulations as well as internal corporate guidelines and ethical principles.

Review of compliance with relevant laws, guidelines and principles is conducted in 34 different subject areas, each of which is supervised by a specialist who is the process owner. Within their areas, process owners are responsible for (1) precautionary measures such as providing information, guidelines and checklists to line managers and individual employees; (2) performing the checks required for compliance audits; and (3) systematic reporting. The ultimate responsibility for compliance with laws, guidelines and principles lies with line management. A broadly based Compliance Steering Committee headed by the Chief Risk Officer monitors consistent and uniform implementation of compliance management procedures.

Since 2009 the risk management organisation has produced a biennial compliance report at the request of the Chief Financial Officer based on information provided by the process owners. This report covers all areas and is submitted to the Management Board and the Board of Directors.

Current risk situation
The current risk situation is characterised primarily by the following risks:

1. Legal uncertainties
Various domestic and foreign restrictions could mean that Flughafen Zürich AG will not be able to fully utilise its infrastructure and would need to finance additional investments. These restrictions include the following:

1.1 Official initiative for modification of cantonal airport legislation
At the end of 2010, only the official initiative entitled "No New or Expanded Runways" was still pending. It was submitted in November 2006 by 42 Zurich municipalities and calls on the Canton of Zurich to make a submission to the Federal Government and the Board of Directors of Flughafen Zürich AG to prevent the construction of new runways or the expansion of existing ones. The Zurich Government Council recommended that the initiative be rejected, but on 23 February 2009 the Zurich Cantonal Council (the canton's legislative body), resolved to support the initiative. A referendum against the Cantonal Council's resolution was demanded by the conservative parliamentary factions. At the same time, a group opposing the flight path from the south (VFSN) called for a referendum on a counterproposal that would require the Canton of Zurich to go beyond the initiative and exercise its authority to prevent both new flight paths over densely populated areas (as compared with the 2000 status) and construction of high-speed taxiways. In addition, the counter-proposal demands that the directive issued by the Government Council to the government representative on the Board of Directors of Flughafen Zürich AG be approved by the Cantonal Council in the form of a decision eligible for a referendum.

Both the Zurich Government Council and the Cantonal Council decided to declare parts of the counterproposal invalid due to infringement of unity of substance and to submit only the remaining parts to popular vote. However, an objection raised by VFSN was upheld by the majority of the Swiss Federal Supreme Court. Thus the entire counterproposal will also be put to a vote. The referendum will probably take place in November 2011. The voters will be able to vote separately on both the official initiative and the VFSN counterproposal and will also be able to specify their preference by voting on a separate tie-breaking question, in the event that both proposals should pass. The tie-breaking question can also be answered by anyone who voted against one or both of the proposals. As a result, the process permits voters to express different opinions but also involves a high degree of complexity.

The extensive investigations conducted in the SAIP process (see below) have shown that flight operations involving a greater number of landings from the east and take-offs towards the north could reduce the number of people exposed to aircraft noise in excess of the emission limit. In order to increase the number of approaches from the east, it would be necessary to extend runway 28 from its present 2,500-metre length to around 2,950 metres. If the initiative is approved by the voters, the extension of runway 28 would be blocked under current law. If the counterproposal is approved, no new flight paths over densely populated areas could be introduced.

1.2 Zurich Aircraft Noise Index (ZFI)
The Government Council approved the report of the canton's Economic Directorate regarding the Zurich Aircraft Noise Index (Zürcher Fluglärm-Index or ZFI). The number of persons exposed to excessive aircraft noise dropped to 46,800 (from 49,000 the previous year), which is below the ZFI limit of 47,000 set by the Government Council. The crucial factor in this welcome development was the disproportionate reduction in noise emissions associated with flight operations (decrease in flight movements compared with 2008). Demographics alone would have led to a further increase in exposure to noise emissions, since the population density in the vicinity of Zurich Airport also increased in the past year.

The ZFI action plan consists of a set of measures for fight operations and another set for spatial development and quality of life. The "Flight Operations Action Plan" is based on technical progress in aircraft engine construction and navigation standards. It lists short-, medium- and long-term measures such as adjusting noise charges and fleet replacement conditions and issuing restrictions for Chapter 3 aircraft that no longer meet the latest noise emission standards. In addition, it includes a number of concrete operational measures that focus on reducing noise dispersion on individual fight routes or on utilisation of new navigation technologies.

The "Action Plan for Spatial Development and Quality of Life" is based on a forward-looking land-use! management plan for the airport region. Cantonal planning guidelines recommend the establishment of a demarcation line, which in conjunction with the provisions of the Noise Abatement Ordinance will prevent construction of new residential areas or rezoning for residential purposes in areas where the official noise emission limit is reached or exceeded. In the long term, all residential properties within this demarcation zone are to be provided with high-quality sound insulation structures or materials. The "Action Plan for Spatial Development and Qualify of Life" therefore provides incentives to encourage improvements to existing residential buildings such as advisory services and financial support by the Canton of Zurich for pilot projects.

Flughafen Zürich AG supports the Canton of Zurich in analysing the causes of aircraft noise and developing potential corrective measures. The steps included in the action plan do not involve any negative consequences for flight operations. If the monitored noise levels were to rise, however, it is conceivable that the Canton of Zurich, through either its representatives on the Board of Directors or the Swiss Federal Government, might demand that certain measures to be implemented over the medium term that could negatively impact on the airport's development.

1.3 The Sectoral Aviation Infrastructure Plan (SAIP) as the basis for legal and planning security
The Federal Government and the cantons co-ordinate their airport and urban development strategies based on the SAIP and the related spatial planning guidelines. The Federal Office of Civil Aviation (FOCA) carried out a comprehensive study of alternatives in conjunction with the research studies (conducted primarily by Zurich Airport specialists) on which the Sectoral Aviation Infrastructure Plan was based. The Department of the Environment, Transport, Energy and Communications (DETEC) decided to continue to pursue three alternatives (two based on the existing runway system and one requiring extension of runways 28 and 34). By deciding not to pursue the option of securing land for a parallel runway, DETEC abandoned the very alternative that would have been able to meet demand over the long term, even though it was recommended by the spatial planning experts charged with evaluating the options.

The Federal Office of Civil Aviation (FOCA) published the final report on the SAIP coordination process in February 2010. As a result of this report, the SAIP draft was published by FOCA at the end of August 2010. During the three-month period for public comment, around 15,000 opinions were received. At the same time, the Canton of Zurich held hearings on the airport section of the cantonal coordinating plan. It is now up to the Federal Government to make a decision as quickly as possible as part of the formal SAIP process, giving the airport and the surrounding region legal and planning security. Advance land-use planning is urgently necessary in view of fast-paced urban development in the Glatttal and Zurich Unterland areas. The plan should be approved by the Federal Council in 2012 based on the current schedule. Together with the operating regulations based on the plan, it will define the scope of development for Zurich Airport.

1.4 Regulations by supervisory authorities relating to landing and take-off procedures
Future orders and directives based on safety considerations, for example, could lead to further capacity restrictions and thus have an impact on business development.

1.5 Regulation of the use of South German airspace for landings or take-offs from Zurich Airport
Germany has issued a unilateral ordinance on the use of South German airspace, against which Switzerland has lodged an appeal with the General Court, the court of first instance attached to the European Court of Justice. The decision of the General Court was negative, so that Switzerland was forced to appeal to the Court of Justice. German Federal Chancellor Merkel and Swiss Federal President Couchepin signed an agreement on 29 April 2008 under which Switzerland and Germany would conduct a joint analysis of noise levels at Zurich Airport. The study, which was carried out by the German Aerospace Center (DLR), was published in October 2009. The report notes that under German law the protective zones must be located solely on Swiss territory. The two countries are now conducting talks regarding a future regulation based on the noise analysis and the SAIP alternatives. Further tightening of the regulation – although not an issue at the present time – could lead to further capacity restrictions and have a significant impact on business development.

1.6 Swiss Federal Supreme Court decision on provisional operating regulations
In a decision on 22 December 2010, the Swiss Federal Supreme Court ruled on the provisional operating regulations and confirmed the decision of the Swiss Federal Administrative Court by a large majority. However, this did not provide a conclusive answer to all unresolved issues. On the contrary, the court in effect passed the ball back to the authorities with respect to certain items. In particular, criticism was raised concerning the current emission limits under the Noise Abatement Ordinance (Annex 5). In this case, it is up to the Federal Council to determine the necessity and scope of any amendment. In addition, the Federal Office of Civilian Aviation must again review certain issues such as the extent to which it is possible to restrict evening landings of heavy wide-bodied jets. Finally, Flughafen Zürich AG must submit a plan for additional sound insulation measures in the south within one year. In addition, Flughafen Zürich AG has agreed to revise its noise charge regulations earlier than planned, which will primarily involve creating incentives in order to limit noise during especially sensitive times of day. The scope of these regulations cannot be definitely predicted at this time and will have to be clarified in the coming months. It is also possible that the implementation of these changes may trigger new appeal procedures.

1.7 Revision of the Federal Aviation Act (LFG)
In autumn 2010, the Swiss Parliament passed the first partial revision of the Federal Aviation Act (Luftfahrtgesetz or LFG), which affects such things as the legal bases for structuring airport charges. The related ordinance, which will regulate further details, is currently being drafted. Airport charges are a significant source of income for Flughafen Zürich AG.

The new law will involve a change in the basis of calculation currently used to set airport charges. The new ordinance will take effect in the second half of 2011 at the earliest , and an appropriate transition period is expected for implementation.

1.8 Restructuring plans of the BVK Employee Pension Fund of the Canton of Zurich
In autumn 2010, the BVK Employee Pension Fund of the Canton of Zurich (BVK) announced, among other things, that owing to the inadequate cover ratio which has persisted for some time, comprehensive restructuring measures (contribution increases, reduction in the conversion rate, adjustment of the interest rate, employer's contributions to the restructuring, etc.) would be introduced to bring the benefits payable by the pension fund into line with current economic circumstances and to secure the fund's long-term financing. A three-month consultation phase was commenced for the package of measures approved by the Government Council, and this period ended in January 2011. The definitive restructuring measures are due to take effect on 1 January 2012 according to the schedule published by the BVK, assuming that the Cantonal Council approves the package in June 2011.

The Board of Directors of Flughafen Zürich AG states in this connection that, on the basis of a supplementary agreement to the contract with BVK signed in the 2003 financial year, the company is not obliged to make any additional contributions. It also confirms that Flughafen Zürich AG will do everything necessary to uphold the contract with BVK (see also "Financial Report/Accounting Policies/Employee Benefit Obligations" on page 88).

Discussions with the BVK have revealed that the pension fund takes the view – contrary to Flughafen Zürich AG – that the above-mentioned supplementary agreement does not in principle exempt Flughafen Zürich AG from any necessary restructuring measures. It is not possible at this time to say whether Flughafen Zürich AG would have to contribute to the restructuring as part of the implementation of the planned package of measures in order to uphold the contract with the BVK. The payment of restructuring contributions would probably mean that the employee benefit plan would be classified as a defined benefit plan according to the relevant accounting standard, which could have a significant financial impact on the financial statements.

2. Decline in demand
Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as acts of terrorism or epidemics (SARS, bird flu, etc.). Such events could temporarily cause a drop in demand at Zurich Airport.

3. Increasing security requirements
Additional security regulations may result in rising security costs and reduced revenue from commercial activities in the future. Given the delay between the date costs are incurred and the earliest possible date of refinancing via higher security charges, we cannot rule out negative impacts on performance.

4. Hub carrier
Like any other hub airport, Zurich Airport depends to a considerable extent on the operational and financial development of its hub carrier. The airline Swiss is Zurich Airport's most important customer. Swiss accounts for around 55% of flight movement volume (2009: 56%) and around 56% of passenger volume at Zurich Airport. It plays a major role within the Lufthansa Group as far as profits are concerned, so that the risk of the hub carrier failing for economic reasons can be considered as minor. Capacity reductions can never be ruled out, however.

5. Noise compensation and sound insulation measures
Under Article 36a LFG (Aviation Act) and the Federal Expropriation Act in connection with Articles 679 and 684 ZGB (Swiss Civil Code), Flughafen Zürich AG must bear the cost of formal expropriations and, under Art. 20 f. USG (Environmental Protection Act), the costs relating to sound insulation measures. According to current legal practice, one of the several preconditions for any noise-related claim is that noise emissions must have exceeded the emission limits for commercial airports in effect since 1 June 2001. Both the operating licence and aviation and environmental laws form the basis for refinancing the costs related to such claims through air traffic charges (noise charges and special surcharges on passenger fees).

5.1 Sound insulation measures
There is neither a valid noise exposure survey nor an approved sound insulation plan for Zurich Airport that could be used as the legal basis for the scope and process of noise remediation (sound insulation measures) in the area surrounding the airport. However, the Swiss Federal Supreme Court has ruled repeatedly that this should not prevent the holder of the operating licence from implementing sound insulation measures in those areas where they are uncontested. Of the amount previously estimated – CHF 240 million – Flughafen Zürich AG had spent around CHF 117.5 million by the end of 2010 for sound insulation measures as well as an additional CHF 4.1 million for reimbursements of soundproof windows financed by homeowners. The remaining costs associated with sound insulation measures (remediation of other areas and reimbursements to homeowners) will presumably total around CHF 122.5 million, based on the provisional operating regulations submitted on 31 December 2003. Now that the Swiss Federal Supreme Court decision of 22 December 2010 has concluded the appeal process concerning the provisional operating regulations, Flughafen Zürich AG is required under this ruling to submit a plan for additional sound insulation measures south of the airport to the Federal Office of Civil Aviation (FOCA). The effects of this ruling on the current sound insulation programme are being reviewed at this time.

5.2 Formal expropriations
In the area of formal expropriations, the Swiss Federal Supreme Court rulings on fundamental issues in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total cost for formal expropriation compensation for the first time – despite remaining uncertainties regarding the accuracy of this estimate.

On the basis of the fundamental issues decided by the Swiss Federal Supreme Court to date, the noise-related costs that were reliably estimable ("base case") as of 30 June 2008 totalled CHF 759.8 million (including formal expropriations, costs for sound insulation measures and all related operating costs). This means that the total estimated cost was below the figure previously disclosed (in the form of a risk assessment), which ranged between CHF 800 million and CHF 1.2 billion.

Despite the estimate of CHF 759.8 million stated above, the total estimated noise-related cost as of mid-2008 in the worst case ("negative case") exceeded the threshold of CHF 1.1 billion (based on the condition that the fundamental issues still pending would be decided against Flughafen Zürich AG).
As a result, pre-financing by the Canton of Zurich for "old" noise-related liabilities in accordance with the supplementary agreement (see section 5.7 below) entered into force on 30 June 2008. In return for bearing the risk and financing these "old" noise-related liabilities, the Canton of Zurich received a portion of the Zurich Airport Noise Fund (CHF 115.4 million) on 30 June 2008. This amount was recognised in the consolidated financial statements as an intangible asset from the right of formal expropriation and represents a portion of the costs for "old" noise-related liabilities that have been covered since 1 July 2008 by the Canton of Zurich but which, until 30 June 2008, had been financed by Flughafen Zürich AG through collected noise charges. As a result of the Canton's assumption of "old" noise-related liabilities, Flughafen Zürich AG is no longer required to recognise a provision for these "old" noise-related liabilities.

As of the same date, the Canton of Zurich received a 47% share of the collected noise charges, as defined in the supplementary agreement. Consequently, this portion of noise charges is no longer recognised in the income statement of Flughafen Zürich AG.

Based on the estimate of noise-related costs and the initiation of pre-financing by the Canton of Zurich, a provision for compensation of formal expropriation in the amount of CHF 125.5 million (present value) was recognised in the consolidated financial statements as of 30 June 2008 (nominal amount CHF 150.1 million). This amount relates to "new" noise-related liabilities of Flughafen Zürich AG. At the same time, the present value of the expected costs was recognised as an intangible asset from the right of formal expropriation.

On 26 May 2009, the Swiss Federal Administrative Court subsequently corrected a decision by the Swiss Federal Assessments Commission of 17 December 2007 that had defined 1 January 1961 as the applicable date for the foreseeability of flight approaches from the east. The Swiss Federal Administrative Court changed this date to 23 May 2000, whereupon Flughafen Zürich AG appealed this decision to the Swiss Federal Supreme Court. In its ruling of 8 June 2010, the Swiss Federal Supreme Court reversed the decision and reset the date for foreseeability of approaches from the east to 1 January 1961.

On the basis of this Supreme Court decision and other previously decided fundamental issues, the company and the Canton of Zurich produced a new estimate of noise-related costs ("updated base case"). Based on the updated calculation, the total noise-related costs are now estimated at CHF 739.5 million (previous estimate: CHF 759.8 million). This amount includes CHF 25 million for the construction of a new sound insulation hall (not recognised as a provision, as this is a future investment). This new cost estimate is based on a number of assumptions such as pending legal issues that have not yet been decided in the last instance.

Since in the worst case ("updated negative case") the total estimated noise-related costs still exceed the threshold cited in the supplementary agreement, pre-financing by the Canton of Zurich will remain in place. However, the share of "new" noise-related liabilities are higher and must be financed by Flughafen Zürich AG, based on the new calculations. The provision for formal expropriations therefore had to be increased by the present value of CHF 57.8 million (nominal amount CHF 82 million). At the same time, the intangible asset from the right of formal expropriation was increased by the same amount in accordance with the group's accounting policy (see 5.4.2). As the share of "old" noise-related liabilities that have to be pre-financed by the Canton of Zurich has been reduced, and on the basis of the updated calculations, Flughafen Zürich AG is entitled to a share of 72% (previously 53%) of the collected noise charges as of 1 January 2011.

As of the balance sheet date, Flughafen Zürich AG had recognised costs for formal expropriations as an intangible asset from the right of formal expropriation amounting to CHF 285.5 million and provisions for formal expropriations of CHF 192.3 million plus provisions for outstanding sound insulation costs of CHF 110.6 million.

More detailed information on the treatment and reporting of noise-related matters is set out in the financial section of this annual report.

5.3 Refinancing and competitiveness
The costs of aircraft noise are refinanced through noise-related charges. The most important charge from a refinancing standpoint is the CHF 5.00 noise charge for passengers. Should the costs significantly exceed the above-mentioned estimate, this charge would have to be raised in the medium term in order to cover the anticipated costs.

5.4 Treatment of noise-related matters in the consolidated financial statements according to the International Financial Reporting Standards (IFRS)
The noise charges imposed on the basis of the "originator pays principle" as well as the costs for sound insulation measures and operating costs relating to aircraft noise are recognised in the income statement.

5.4.1 Sound insulation measures
The costs for sound insulation measures that Flughafen Zürich AG has in fact agreed to pay are recognised as a provision as soon as they can be reliably estimated.

5.4.2 Formal expropriations
When it was issued its operating licence, Flughafen Zürich AG was also granted a right of formal expropriation of property exposed to aircraft noise. This right of formal expropriation was granted on the condition that the operator assume the associated costs relating to compensation payments. This right is capitalised as an intangible asset. Capitalisation of this right occurs at the time at which the probable total costs can be estimated on the basis of court rulings in the final instance and therefore a reliable cost estimate as defined in IAS 38.21 becomes possible. The timing of capitalisation may differ for different airport regions. At the same time that the right is recognised as an intangible asset at the present value of the expected future payments, an equal amount is recognised as a provision. Any future adjustments of the probable total costs already recognised as assets and liabilities will be reflected on both sides of the balance sheet. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

5.5 Treatment of noise-related matters in individual financial statements under the Swiss Code of Obligations (CO)
Costs for formal expropriations also qualify as an intangible asset in individual financial statements under the Swiss Code of Obligations. They are recognised as assets at the latest on the date on which the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same date. Amortisation of capitalised costs for formal expropriations is based at a minimum on the consolidated financial statements. Adequate provisions are recognised for liabilities arising from sound insulation measures. Any balance of revenue after deduction of noise-related costs (compensation for formal expropriations, sound insulation measures, operating costs, financing costs and amortisation) is transferred to the provision for aircraft noise.

5.6 Risks for Flughafen Zürich AG associated with aircraft noise
Flughafen Zürich AG has the right, as explained above, to refinance any costs incurred in connection with aircraft noise through charges. This guarantees the ability to refinance costs over the long term. There are basically two risks for the company in this connection:

5.6.1 The risk of a financing gap
If the noise-related expenses are incurred sooner than anticipated by Flughafen Zürich AG or prove to be higher than expected, a financing gap may result that Flughafen Zürich AG might not be able to cover given available credit limits.

5.6.2 The risk of the impact of noise-related issues on consolidated financial statements (under IFRS) and individual financial statements (under CO)
The consolidated financial statements (under IFRS) and individual financial statements (under CO) could be negatively impacted, depending on the amount of effective costs and possible future changes in accounting standards. With respect to the consolidated financial statements, any such negative impact could affect compliance with standard guarantees and covenants on outstanding third-party financial liabilities.

Flughafen Zürich AG is addressing these risks as follows:

5.7 Reduction and limitation of risks associated with aircraft noise
On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999 designed to reduce and limit the company's aircraft noise-related risks as described above over the long term. The essential elements of this supplementary agreement are as follows:

5.7.1 Flughafen Zürich AG agreed to implement measures creating the ability to assume balance sheet and financing risks associated with aircraft noise up to approximately CHF 1.1 billion. On 11 April 2006, the General Meeting of Shareholders approved a motion by the Board of Directors proposing a capital increase of approximately CHF 300 million (market value) in order to strengthen the company's equity. The capital increase on 10 May 2006 resulted in a net inflow of funds to the company amounting to CHF 310.3 million. Since the company did not need to use these funds at that time, the outstanding loan from the Canton of Zurich amounting to CHF 300 million was paid back in advance on the same date without any additional costs. Flughafen Zürich AG was also able to obtain a credit limit of CHF 200 million to cover any financing gap that might arise.

5.7.2 Under the supplementary agreement, the Canton of Zurich assumes pre-financing of all "old" noise-related liabilities if, upon payment of the first formal expropriations, there is the risk that the total expected costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) will exceed the amount of CHF 1.1 billion (the "threshold") in the worst case scenario ("negative case"). "Old" noise-related liabilities are liabilities that originated before June 2001. The Canton of Zurich assumes the pre-financing for these noise-related liabilities since it was the holder of the operating licence untilthat date and is therefore liable for prior noise-related liabilities in relation to third parties. Because of the Canton's assumption of "old" noise-related liabilities, Flughafen Zürich AG is not required to recognise a provision for these "old" noise-related liabilities.

5.7.3 The threshold is subject to an annual adjustment mechanism based on the development of the equity of Flughafen Zürich AG. As of 31 December 2010, the threshold was CHF 1.46 billion and thus above the original level of CHF 1.1 billion but has no effect on pre-financing provided by the Canton of Zurich.

5.7.4 If the risk cited in section 5.7.2 falls definitively below the threshold in the course of legal proceedings, Flughafen Zürich AG will again assume the remaining "old" noise-related liabilities and the associated noise charges.

The objective of this agreement is therefore to limit the overall noise-related risk of Flughafen Zürich AG to "new" noise-related liabilities. The capital increase and the new special credit limit has also created the accounting and financial conditions for assuming any noise-related liabilities up to CHF 1.1 billion (or up to the adjusted threshold).

Consolidated financial statements according to IFRS

Notes

Consolidated income statement

(CHF 1,000)	Notes	2010	2009
Revenue from goods and services			
Revenue from aviation operations	(1)	538,102	505,092
Revenue from non-aviation operations	(1)	324,889	315,115
Total revenue		862,991	820,207
Personnel expenses	(2)	–157,567	–158,416
Police and security		–114,549	–113,458
Energy and waste		–24,359	–24,553
Maintenance and material		–43,350	–40,697
Other operating expenses	(3)	–49,497	–40,181
Sales, marketing, administration		–37,277	–38,175
Other expenses/income, net	(4)	56	–2,493
Earnings before interest, tax, depreciation and amortisation (EBITDA)		436,448	402,234
Depreciation and amortisation	(7)	–190,718	–189,078
Earnings before interest and tax (EBIT)		245,730	213,156
Finance costs	(5)	–76,661	–82,823
Finance income	(5)	4,625	5,011
Share of profit or loss of associates	(9)	456	8,376
Gain on disposal of shares in associate	(9)	0	95,278
Profit before tax		174,150	238,998
Income tax expense	(6)	–35,631	–48,388
Profit		138,519	190,610
Basic earnings per share (CHF)	(14)	22.57	31.20
Diluted earnings per share (CHF)	(14)	22.56	31.18

Consolidated statement of comprehensive income

(CHF 1,000)	Notes	2010	2009
Profit		138,519	190,610
Other comprehensive income			
Cross-currency interest rate swaps, net of income tax			
Adjustments to fair value	(15)	–13,254	–11,860
Transfer to income statement	(15)	8,683	7,926
Available-for-sale securities			
Adjustments to fair value		–2,782	–423
Transfer to income statement		1,424	399
Reclassification to income statement of cumulative foreign exchange differences relating to disposal of shares in associate		0	2,982
Foreign exchange differences		–1,267	2,871
Other comprehensive income net of income tax		–7,196	1,895
Total comprehensive income		131,323	192,505

Consolidated balance sheet

(CHF 1,000)	Notes	31.12.2010	31.12.2009
Assets			
Land	(7)	109,509	109,547
Buildings, engineering structures	(7)	2,267,592	2,295,490
Leased assets	(7)	57,505	56,457
Projects in progress	(7)	283,800	195,511
Movables	(7)	88,680	90,074
Total property, plant and equipment	(7)	2,807,086	2,747,079
Intangible asset from right of formal expropriation	(7)	285,469	233,336
Other intangible assets	(7)	9,432	6,359
Investments in associates	(9)	14,767	15,571
Non-current financial assets of Airport of Zurich Noise Fund	(8)	150,904	97,922
Other financial assets	(10)	11	11
Non-current assets		3,267,669	3,100,278
Inventories		8,643	8,867
Current financial assets of Airport of Zurich Noise Fund	(8)	57,628	80,334
Trade receivables	(11)	82,860	114,687
Other receivables and prepaid expenses	(12)	28,039	23,896
Cash and cash equivalents	(13)	73,642	231,693
Current assets		250,812	459,477
Total assets		3,518,481	3,559,755
Equity and liabilities			
Share capital	(14)	307,019	307,019
Own shares	(14)	–751	–1,612
Capital reserves	(14)	587,786	587,966
Hedging reserve	(14)	–87,095	–82,524
Fair value reserve	(14)	95	1,453
Translation reserve	(14)	–256	1,011
Other retained earnings	(14)	877,604	785,098
Equity		1,684,402	1,598,411
Debentures and non-current loans	(15)	884,709	995,058
Non-current lease liabilities	(15)	59,734	58,601
Non-current provisions for sound insulation and formal expropriations	(16)	302,927	246,354
Deferred tax liabilities	(18)	98,484	102,955
Employee benefit obligations	(20)	3,933	3,708
Non-current liabilities		1,349,787	1,406,676
Trade payables		40,313	33,407
Current financial liabilities	(15)	93,639	194,465
Other current liabilities, accruals and deferrals	(21)	326,245	311,155
Current tax liabilities		24,095	14,512
Deferred revenue	(19)	0	1,129
Current liabilities		484,292	554,668
Total liabilities		1,834,079	1,961,344
Total equity and liabilities		3,518,481	3,559,755

Consolidated statement of changes in equity

(CHF 1,000)	Share capital	Own shares	Capital reserves	Hedging reserve	Fair value reserve	Translation reserve	Other retained earnings	Total equity
Balance at 1.1.2009	307,019	–11,841	590,584	–78,590	1,477	–4,842	625,128	1,428,935
Profit							190,610	190,610
Cross-currency interest rate swaps, net of income tax								
Adjustments to fair value[1]				–11,860				–11,860
Transfer to income statement[1]				7,926				7,926
Available-for-sale-securities								
Adjustments to fair value					–423			–423
Transfer to income statement					399			399
Reclassification to income statement of cumulative foreign exchange differences relating to disposal of shares in associate						2,982		2,982
Foreign exchange differences						2,871		2,871
Other comprehensive income, net of income tax	0	0	0	–3,934	–24	5,853	0	1,895
Total comprehensive income	0	0	0	–3,934	–24	5,853	190,610	192,505
Dividends for the 2008 financial year							–30,640	–30,640
Purchase of own shares		–59						–59
Sale of own shares		9,116	–2,487					6,629
Share-based payments		1,172	–131					1,041
Balance at 31.12.2009	307,019	–1,612	587,966	–82,524	1,453	1,011	785,098	1,598,411
Balance at 1.1.2010	307,019	–1,612	587,966	–82,524	1,453	1,011	785,098	1,598,411
Profit							138,519	138,519
Cross-currency interest rate swaps, net of income tax								
Adjustments to fair value[1]				–13,254				–13,254
Transfer to income statement[1]				8,683				8,683
Available-for-sale-securities								
Adjustments to fair value					–2,782			–2,782
Transfer to income statement					1,424			1,424
Foreign exchange differences						–1,267		–1,267
Other comprehensive income, net of income tax	0	0	0	–4,571	–1,358	–1,267	0	–7,196
Total comprehensive income	0	0	0	–4,571	–1,358	–1,267	138,519	131,323
Dividends for the 2009 financial year							–46,013	–46,013
Purchase of own shares		–108						–108
Sale of own shares								0
Share-based payments		969	–180					789
Balance at 31.12.2010	307,019	–751	587,786	–87,095	95	–256	877,604	1,684,402

[1] See "Notes to consolidated financial statements", note 5, "Financial result" and note 15 "Financial liabilities".

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

Consolidated cash flow statement

(CHF 1,000)	Notes	2010	2009
Profit		138,519	190,610
Net finance result	(5)	72,036	77,812
Share of profit or loss of associates	(9)	–456	–8,376
Gain on disposal of shares in associate	(9)	0	–95,278
Income tax expense	(6)	35,631	48,388
Depreciation of property, plant and equipment	(7)	181,097	179,202
Amortisation of intangible assets	(7)	10,299	10,586
Recognition of government subsidies and grants on buildings and engineering structures in the income statement	(7)	–678	–710
Losses on disposal of property, plant and equipment (net)	(4)	1,103	2,039
Share-based payments		789	1,041
Increase (-)/decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		28,336	–3,068
Increase (+)/decrease (-) in current liabilities, excluding current financial liabilities		5,324	–25,154
Deferred revenue from utilisation fees		–1,129	0
Increase (+)/decrease (-) in provisions for employee benefit obligations	(20)	225	265
Expenses for sound insulation and formal expropriations	(16)	–9,770	–6,033
Income tax paid		–30,294	–20,391
Cash flow from operating activities		431,032	350,933
of which related to aircraft noise		25,779	26,063
Cash flow from noise charges	(17)	35,549	32,096
Cash flow for sound insulation and formal expropriations	(16)	–9,770	–6,033
Investments in projects in progress		–241,895	–180,949
Proceeds from disposal of property, plant and equipment	(7)	372	208
Proceeds from disposal of shares in associate		0	87,329
Capital contributions paid to associates		0	–5,273
Investments in financial assets of Airport of Zurich Noise Fund		–118,072	–113,649
Change in other financial assets		0	156
Repayment of current financial assets of Airport of Zurich Noise Fund		84,520	73,630
Interest received		5,535	4,111
Cash flow from investing activities		–269,540	–134,437
of which related to aircraft noise		–33,552	–40,019
Investments in financial assets of Airport of Zurich Noise Fund		–118,072	–113,649
Repayment of current financial assets of Airport of Zurich Noise Fund		84,520	73,630
Redemption of outstanding debenture	(15)	–150,000	–128,000
Issue of new debenture		0	222,576
Repayment of liabilities to banks arising from US car park lease	(15)	–52,418	–50,697
Repayment of lease liabilities	(15)	–4,954	–4,652
Repayment to Zurich Airport Staff Pension Fund		5	–52
Payment of dividend for the 2009/2008 financial years	(14)	–46,013	–30,640
Purchase of own shares		–108	–59
Sale of own shares		0	6,629
Interest paid		–68,630	–75,400
Capitalised borrowing costs	(5)	2,569	1,526
Cash flow from financing activities		–319,549	–58,769
Effect of foreign exchange differences on cash and cash equivalents held		6	–72
Increase/decrease in cash and cash equivalents	(13)	–158,051	157,655
Balance at beginning of finanial year	(13)	231,693	74,038
Balance at end of financial year	(13)	73,642	231,693
of which included in Airport of Zurich Noise Fund	(13)	3,889	7,013
cash at banks and in postal accounts	(13)	3,889	7,013

Segment reporting

(CHF million)	Aviation flight operations 2010	Aviation flight operations 2009	Aviation security 2010	Aviation security 2009	Aviation aircraft noise 2010	Aviation aircraft noise 2009	Non-aviation 2010	Non-aviation 2009	Eliminations 2010	Eliminations 2009	Consolidated 2010	Consolidated 2009
Revenue from third parties	357.5	331.1	148.8	141.7	31.8	32.3	324.9	315.1			863.0	820.2
Inter-segment revenue	13.6	13.3					121.7	122.7	-135.3	-136.0	0.0	0.0
Total revenue	371.1	344.4	148.8	141.7	31.8	32.3	446.6	437.8	–135.3	–136.0	863.0	820.2
Segment result (EBIT)	41.7	20.1	–0.2	–6.1	21.6	22.0	182.6	177.2			245.7	213.2
Earnings before interest and tax (EBIT)											245.7	213.2
Finance costs	-2.5	-2.7			-10.1	-8.0	-7.3	-9.4			-19.9	-20.1
Unallocated finance costs											-56.8	-62.8
Finance income					4.0	3.4					4.0	3.4
Unallocated finance income											0.6	1.6
Share of profit or loss of associates							0.5	8.4			0.5	8.4
Gain on disposal of shares in associate							0.0	95.3			0.0	95.3
Unallocated income tax expense											-35.6	-48.4
Profit											138.5	190.6
Property, plant and equipment and intangible assets	976.1	936.2	49.8	53.4	287.0	235.1	1,789.1	1,762.0			3,102.0	2,986.8
Financial assets					150.9	97.9					150.9	97.9
Investments in associates							14.8	15.6			14.8	15.6
Current financial assets and cash and cash equivalents					61.5	87.3					61.5	87.3
Total segment assets	976.1	936.2	49.8	53.4	499.4	420.4	1,803.9	1,777.6			3,329.2	3,187.6
Unallocated current financial assets and cash and cash equivalents											69.8	224.7
Unallocated other assets											119.5	147.5
Total assets											3,518.5	3,559.8
Total segment liabilities	65.4	63.5			302.9	246.4	75.8	123.5			444.1	433.4
Unallocated liabilities											1,390.0	1,527.9
Total liabilities											1,834.1	1,961.3
Total investments	67.9	57.0	3.2	12.6	160.5	74.7	178.4	124.0			410.0	268.3
Depreciation and amortisation	55.3	54.4	7.1	5.8	6.1	5.6	122.2	123.2			190.7	189.1
Number of employees (full-time positions)	578	571	17	17	11	12	686	702			1,292	1,302

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

Accounting policies

General remarks

The operating licence awarded by the Federal Government authorises and obliges the airport operator, Flughafen Zürich AG, to operate Zurich Airport until 2051. In addition to combining transport services by road, rail and air, Flughafen Zürich AG also operates Zurich Airport as a shopping, entertainment and services centre. Please refer to "Segment reporting" for more detailed information.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law. They have been prepared under the historical cost convention, with the exception of derivative financial instruments, financial investments of the Airport of Zurich Noise Fund that are classified as available for sale, and associates.

The individual audited financial statements of the group's subsidiaries, which have been prepared in accordance with uniform accounting policies, have been used as the basis for consolidation. The reporting date for all subsidiaries is 31 December.

The preparation of financial statements in accordance with IFRS means that the Management Board has to make estimates and assumptions, as well as exercise its discretion, when applying the accounting policies. This may affect reported income, expenses, assets, liabilities and contingent liabilities at the time of preparation of the financial statements. In the event that such estimates and assumptions made in good faith by the Management Board at the time of preparation of the financial statements should subsequently prove to deviate from the actual circumstances, the estimates and assumptions originally made are revised in the financial year inwhich the circumstances changed.

Judgments made by the Management Board in its application of IFRS that have a significant effect on the consolidated financial statements, and estimates with a significant risk of adjustment in the following financial year, are discussed in "Notes to the consolidated financial statements", "Significant estimates and assumptions in the application of accounting policies" (see also note 7, "Changes in non-current assets").

Change in accounting policies

With the exception of the changes noted below, the accounting policies were the same as those applied in the prior year.

The following additional interpretations and amended and revised standards published by the International Accounting Standards Board (IASB) became applicable for financial years beginning on 1 January 2010: IFRIC 17 Distribution of Non-cash Assets to Owners, IFRS 3 (revised) Business Combinations, IAS 27 (revised) Consolidated and Separate Financial Statements, Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions, Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and a number of standards amended in the April 2009 Improvements to IFRS process.

The above-stated revisions, amendments and interpretations have been applied for the first time in the 2010 financial year. These amendments and interpretations did not have a significant impact on the financial position, results of operations or cash flows of Flughafen Zürich AG.

Introduction of new standards in 2011 and later

The following new and revised standards and interpretations have been issued until the date of approval of the 2010 consolidated financial statements, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Flughafen Zürich AG has not yet been systematically analysed. The expected effects as disclosed below the table reflect only a tentative first assessment by the Management Board.

New Standards or Interpretations		Effective date	Planned application by Flughafen Zürich AG
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	*	1 July 2010	Reporting year 2011
IFRS 9 Financial Instruments	***	1 January 2013	Reporting year 2013
Revisions and amendments of Standards and Interpretation			
Amendments to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues	*	1 February 2010	Reporting year 2011
IAS 24 Related Party Disclosures (revised 2009)	**	1 January 2011	Reporting year 2011
Amendments to IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement	*	1 Janauary 2011	Reporting year 2011
Improvements to IFRSs (May 2010)	**	1 July 2010 1 January 2011	Reporting year 2011
Amendments to IFRS 7 - Disclosures - Transfers of Financial Assets	*	1 July 2011	Reporting year 2012
Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets	*	1 January 2012	Reporting year 2012

* No, or no significant, impact is expected on the consolidated financial statements of Flughafen Zürich AG.
** Mainly additional disclosures or changes in presentation are expected in the consolidated financial statements of Flughafen Zürich AG.
*** The impacts on the consolidated financial statements of Flughafen Zürich AG can not yet be determined with sufficient reliability.

Scope and methods of consolidation
The consolidated financial statements comprise Flughafen Zürich AG and all companies in Switzerland and abroad that are directly or indirectly under its control. Here, the term "control" means the power to govern financial and operating policies of an entity in order to obtain corresponding benefits. This is the case if the group holds more than 50% of the voting rights of a company or if it controls that company on a contractual or de facto basis.

These companies have been fully consolidated. All assets and liabilities have been included in the consolidated financial statements together with all income and expenses in accordance with the principles of full consolidation. All unrealised gains and losses on intra-group transactions and all intra-group balances have been eliminated on consolidation.

Business combinations are accounted for using the acquisition method at the date of acquisition. Consideration transferred in a business combination includes the fair value of the assets transferred, liabilities assumed or incurred and equity interests issued by the group. Transaction costs incurred in connection with a business combination are recognised in the income statement. Goodwill arising from a business combination is recognised as an asset. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed. Two choices exist regarding the measurement of non-controlling interests. Non-controlling interests are measured at their fair value or at their proportionate share of the recognised amount of the identifiable net assets. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement, after first reassessing the fair values of the net assets acquired.

Foreign currency
For consolidation purposes, all assets and liabilities reported in the balance sheets of companies within the group are translated into Swiss francs at the year-end exchange rate. Income statements and cash flow statements are translated at the average exchange rate for the period. Exchange differences that arise on translation are recognised directly in equity.

Transactions in foreign currency are translated into Swiss francs at the exchange rate in effect on the day of the transaction. Foreign currency monetary items are translated at the exchange rate at the balance sheet date. Foreign exchange gains/losses that arise from the settlement or translation of foreign currency monetary items are recognised in the income statement.

Reporting of revenue
Revenue from services is reported in accordance with IAS 18 when the service has been rendered or delivery has taken place, it is probable that the economic benefits will flow to the company and it can be measured reliably. In addition, the significant risks and rewards of ownership have to be transferred to the recipient of the service or the buyer of the product. For tenancy agreements classified as operating leases, the rents are recognised on a straight-line basis over the term of the tenancy agreement. Conditional rental payments (e.g. turnover-based rentals) are recognised as revenue in the period in which they are generated. Flughafen Zürich AG does not currently have any tenancy agreements classified as finance leases.

Revenue in the aviation fight operations segment mainly concerns passenger and landing fees and income from the baggage sorting and the aircraft energy supply system. Revenue in the aviation security segment mainly concerns security charges, and in the aviation aircraft noise segment it primarily concerns noise-related charges. The main revenue components in the non-aviation segment are revenue from marketing and rental of commercial infrastructure at the airport, car park revenue, revenue from rental and commercial licences, revenue from energy and incidental cost allocation and from communication services.

Leases
Finance leases
Lease agreements that substantially transfer all the risks and rewards of ownership to the company concerned are classified as finance leases. They are stated at the lower of fair value and present value of the minimum lease payments less accumulated depreciation and any impairment losses. Lease payments are allocated between an interest expense and a reduction of the outstanding liability. Leased assets are depreciated over the estimated useful life or over the term of the lease, whichever is shorter. Interest on finance leases and depreciation of the leased assets are charged to the income statement.

Operating lease
Income and expenses associated with operating leases are recognised in the income statement over the period of the lease.

Financial result
The financial result comprises interest payments on borrowings calculated using the effective interest rate method (excluding borrowing costs relating to buildings under construction), the unwinding of the effect of discounting on provisions, interest income, dividend income, foreign currency gains and losses, gains on/losses from the disposal of financial assets classified as available for sale, impairment losses on financial assets and gains on/losses from hedging instruments recognised in the income statement.

Interest income is recognised in the income statement using the effective interest method. Dividend income is recognised in the financial statements at the due date.

Borrowing costs arising during the construction stage for movables, buildings and engineering structures are capitalised up until the date the asset is taken into use or at the date of completion, if earlier.

Land
Land is stated at cost and is not depreciated.

The entire airport site of 8,150,000 m^2 is divided into individual plots of land on the basis of an internal grid. Each plot is valued separately. In addition to various criteria specific to the airport, e.g. potential utilisation density, the development of land prices in the region was also taken into account for valuation purposes in connection with the formation of Flughafen Zürich AG as of 1 January 2000. Land that has already been developed or is classified as developable and is comparable to industrial real estate constitutes the highest category, followed by areas required for actual fight operations (runways, taxiways, aprons, etc.). A third category includes undeveloped agricultural land and the extended nature conservation area. On the basis of the internal grid, land values range from CHF 675.00 per m^2 for intensive use, down to CHF 2.00 per m^2 for plots reserved for nature conservation.

The value of these plots of land is recorded in the balance sheet at around CHF 100 million. This valuation was applied once at the time of privatisation as the basis for the estimated acquisition costs.

Buildings & engineering structures and movables
Buildings & engineering structures and movables are stated at acquisition or construction cost, less accumulated depreciation and accumulated impairment losses. The production costs of buildings include direct costs for labour (third-party services and internal personnel), materials and overheads, plus the borrowing costs arising during the construction stage, which are capitalised up until the date the asset is taken into use or at the date of completion, if earlier. The property, plant and equipment contributed by the Canton of Zurich on 31 December 1999 contain no overheads and borrowing costs. Since 1 January 2000, borrowing costs and overheads relating to all assets under construction have been capitalised.

Components of buildings & engineering structures and movables with a different useful life are reported individually and depreciated separately. Expansion and replacement expenditure is capitalised if it is probable that Flughafen Zürich AG will gain benefits. Maintenance and renovation expenditure are charged to the income statement when incurred.

The leased assets are depreciated using the straight line method over the estimated useful life or over the term of the lease, whichever is shorter.

The useful life for each category of property, plant and equipment is as follows:

Buildings	maximum 40 years
Engineering structures	maximum 30 years
Tunnels and bridges	maximum 50 years
Equipment and vehicles	3 to 20 years

Government subsidies and grants
The reported government subsidies and grants concern those that were paid out prior to 1989. Grants and subsidies related to investments are recognised as income over the useful life of each asset, and they are reported in the income statement as an adjustment to the depreciation of the related asset. All government subsidies take the form of "à fonds perdu" grants and do not have to be repaid.

Projects in progress
Projects in progress are stated at acquisition or production cost and include investments in projects that have not yet been completed. These mainly comprise assets under construction. Once a project has been completed, the related asset is transferred to the relevant categories of property, plant and equipment and segments. Assets that are already in use and are classified as "Projects in progress" are depreciated from the time they are brought into use. From the date the asset is taken into use or at the date of completion, if earlier, no further expenditure on the asset or related borrowing costs is capitalised.

Intangible assets and goodwill
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The intangible assets are amortised using the straight-line method.

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments. This right is capitalised as an intangible asset. Capitalisation takes place at the time at which the probable total costs can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21. The timing of capitalisation may vary from region to region around the airport. At the same time as an intangible asset is recognised at the present value of the expected future payments, an equal amount is recognised as a provision. Any future re-estimates of the probable total costs will adjust both the intangible asset and the related provision. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

Goodwill arising from acquisitions is not amortised but is tested for impairment annually.

Costs directly associated with the development of computer software are capitalised, provided it is probable that the software will be successfully completed and is expected to result in future economic benefits. The useful life of software is three to five years.

Flughafen Zürich AG does not have any intangible assets with an indefinite useful life.

Financial assets
Financial assets include securities of the Airport of Zurich Noise Fund classified as available-for-sale financial assets. Upon initial recognition, they are measured at fair value plus directly attributable transaction costs. The securities are subsequently also measured at fair value with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these securities are derecognised, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

Financial assets also include loans that are stated at cost, less impairment losses.

Investments in associates and joint ventures
Associates are companies where the group is able to exercise significant influence, but not control, over the financial and operating policies (normally where the group holds between 20 and 50% of the voting rights). Associates are included in the consolidated financial statements by applying the equity method. Any difference between the cost of the investment and the fair value of the share of net assets acquired is determined at the time of acquisition and recognised as goodwill, and included in the carrying amount of the investment. In subsequent reporting periods, the carrying amount is adjusted to recognise the share of Flughafen Zürich AG of any profit or loss and changes recognised in other comprehensive income of the investee and any dividends received.

Investments in associates where the group is entitled to less than 20% of the voting rights, but where it nonetheless is able to exercise significant influence, are also included in the consolidated financial statements by applying the equity method.

Interests in joint ventures are also included in the consolidated financial statements by applying the equity method. A joint venture is based on a contractual agreement according to which two or more parties exercise a business activity under joint management, whereby none of the involved parties is able to exercise control on their own.

Derivative financial instruments
Derivative financial instruments are used exclusively for the purpose of hedging interest rate and currency risks, and are reported under other receivables or other current debt. They are carried at fair value in accordance with IAS 39. Changes in the fair value of derivative instruments which fulfil the requirements for cash flow hedges are booked directly to the hedging reserve. As soon as the hedged transaction has occurred, the accumulated, non-realised gains and losses are charged to the income statement. For all other derivative instruments not qualifying for hedge accounting, changes in fair value are recognised in the income statement.

Inventories
Inventories mainly comprise fuel inventories and parts used for the maintenance and repair of property, plant and equipment and are stated at cost or, if lower, at net realisable value. The first-in, first-out method is applied when calculating the cost.

Receivables
Receivables are stated at cost, which usually corresponds to their nominal value, less an impairment allowance. The impairment allowance comprises individual adjustments of specifically identified positions for which there is objective evidence that the outstanding amount will not be recovered in full, and collective adjustments of groups of receivables with a similar risk profile. Collective impairment losses relate to losses that have been incurred but for which the precise amounts are not yet known. They are based on historical data for payment statistics for receivables. As soon as there is sufficient evidence that a receivable will not be recoverable, it is directly written off or offset against the corresponding allowance.

The recoverable amount of receivables is equivalent to the present value of the estimated future cash flows. Impairment losses on receivables are reversed if the amount of the impairment loss decreases and the decrease is related to an event that occurred in a period after the impairment loss was recognised.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, in postal accounts and at banks (including collateral) with a maturity of 90 days or less from the date of acquisition.

Impairment
The carrying amounts of non-current non-financial assets (excluding deferred taxes) are assessed at least once a year for indications of impairment. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test). For goodwill, other intangible assets with an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is calculated annually, even if there are no indications that they may be impaired.

If the carrying amount of an asset or related cash generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

The recoverable amount of other assets (excluding financial instruments) is the higher of the fair value less costs to sell and value in use. To determine the value in use, the estimated future cash flows are discounted. The discount rate is a pre-tax rate that reflects the risks associated with the corresponding asset. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses on goodwill are not reversed.

Impairment losses on other assets are reversed if indications exist that the impairment loss has decreased or no longer exists, and if estimates that were used for calculating the recoverable amount have changed.

The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Equity
Share capital
Shares are classified as equity since they are non-redeemable and dividend payments are at the discretion of the company.

Own shares
Acquisition costs (purchase price and directly attributable transaction costs) of own shares are deducted from equity.

Dividends
Dividends are recognised as a liability as soon as they have been approved at the General Meeting of Shareholders.

Financial liabilities
Financial liabilities are initially recognised at cost less transaction costs. The difference between the amount initially recognised and the redemption amount is amortised over the duration of the liability using the effective interest method.

Provisions
Provisions are recognised when the entity has a present obligation as a result of a past event that occurred prior to the balance sheet date, if an outflow of resources is probable and the amount of the outflow can be estimated reliably. If the effect is significant, provisions are reported in the balance sheet at their present value.

Provisions for the constructive obligation for **sound insulation** measures are recognised on the basis of the Environmental Protection Act as soon as they can be estimated reliably.

Provisions for **formal expropriations** are recognised for compensation payments as soon as these have been reliably estimated on the basis of final-instance court rulings (see "Intangible assets and goodwill").

Employee benefit obligations

a) Main benefit plan: "BVK Employee Pension Fund of the Canton of Zurich" (formerly: Beamtenversicherungskasse of the Canton of Zurich)

Since 1 January 2000, the entire workforce of Flughafen Zürich AG has been affiliated to the "BVK Employee Pension Fund of the Canton of Zurich" (BVK). Staff actively employed and pensioners of the former Flughafen Direktion Zürich were already members of this pension fund, while those employees taken over by Flughafen Zürich AG from Flughafen-Immobilien-Gesellschaft transferred to the BVK on 1 January 2000. The BVK is a pension fund comprising approximately 73,000 employees of the local and Government Councils of Zurich, other public and semi-public corporations and institutions and non-profit organisations domiciled in the canton of Zurich, and companies in which the government holds a major interest. The liabilities of the BVK were funded at a level of 86.1% as of 30 November 2010 (31 December 2009: 86.2%) as calculated according to the applicable Swiss accounting regulations (Article 44 BVV2).

Up to the end of 2002, the BVK employee benefit plan was regarded as a defined benefit plan. Owing to a lack of data from the BVK, Flughafen Zürich AG treated it as a defined contribution plan in accordance with IAS 19.30 and it was not reported by the projected unit credit method in the balance sheet. In 2003, the contract between Flughafen Zürich AG and the BVK was modified by an agreement that Flughafen Zürich AG will not be required to pay any additional contributions to cover any shortfall in funding. A breach of this provision would give Flughafen Zürich AG the right to terminate the contract without having to provide financial compensation for any actuarial funding deficit. The Board of Directors of Flughafen Zürich AG has declared that under no circumstances will it pay extra contributions to cover funding deficits in the benefit plan, although it is prepared to do whatever possible to uphold the contract with BVK. The contractual modifications noted above and the declarations by the Board of Directors mean that no actuarial or investment risk associated with the benefit plan at present can be transferred to Flughafen Zürich AG as employer. Given this situation and the fact that the BVK is a dependent entity under public cantonal law whose continuation is secured, the employee benefit plan is treated as a defined contribution plan in accordance with IAS 19.25. This means that the pension obligation is limited to the contributions paid by Flughafen Zürich AG to the BVK, which are recognised as an expense in the income statement as incurred.

Should the Canton of Zurich cease to be the main shareholder in Flughafen Zürich AG and the Zurich Cantonal Airport Act accordingly be changed, Flughafen Zürich AG would be forced under the BVK statutes to seek an alternative pension fund solution. If an actuarial funding deficit should occur under these circumstances, Flughafen Zürich AG could be required to provide additional funds, which would be charged to the income statement at the time any such change in pension fund provider were to become effective.

b) Other benefit plans
The following benefit schemes are also maintained by Flughafen Zürich AG:

- Agreement with Zurich Insurance Company offering benefits to the pensioners from the former Flughafen Immobilien Gesellschaft (FIG; this group of beneficiaries did not transfer to the BVK). This is a defined contribution plan which is fully funded. Zurich Insurance Company is responsible for providing future benefits.

- Special plan agreed with the BVK for providing compensation for early retirement. This is a defined benefit plan. In this plan, the present value of the expected claims (defined benefit obligation) is calculated by the projected unit credit method and set aside as a reserve. Pension costs related to work performed during the reporting period (current service cost) are charged to the income statement. Pension costs associated with work performed in the past, which are due to new or improved benefits (past service cost) are reported on a straight-line basis as part of pension costs until the benefits become vested. Actuarial gains and losses resulting from periodic recalculations are shown in the financial statements on a straight-line basis over the average remaining service period, insofar as they do not exceed 10% of the defined benefit obligation.

Share-based payments

Flughafen Zürich AG issues shares to its employees as part of its bonus and staff participation programme. The fair value of the shares is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period.

Income taxes

Income taxes comprise current and deferred taxes. They are recognised in the income statement unless relating to transactions recognised in other comprehensive income or directly in equity. In these cases, taxes are also recognised in other comprehensive income or directly in equity.

Current taxes comprise the expected taxes to be paid on the taxable result, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised on temporary differences between tax values and book values using the balance sheet liability method. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Measurement of deferred taxes takes into account the expected time and manner of realisation or settlement of the assets and liabilities concerned using tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred tax assets are only recognised if it is probable that the deductible temporary differences can be offset against future taxable profits.

Non-current assets held for sale

Non-current assets and groups of assets, including liabilities directly associated with those assets (disposal groups), are classified as "held for sale" and recognised separately in the balance sheet under current assets or liabilities if their carrying amount will not be recovered from continuing use, but rather through a sale transaction. The assets must be available for immediate sale in their present condition and the sale must be highly probable. For a sale to be highly probable, various criteria have to be met, including that the sale must be expected to take place within a year.

Immediately before non-current assets are classified as held for sale, the carrying amounts have to be determined in accordance with the applicable IFRS standards. After reclassification, the assets are recognised at the lower of carrying amount and fair value less costs to sell. Assets that were previously depreciated are no longer depreciated.

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 performance of the operating segments.

Flughafen Zürich AG has the following four operating segments:

Aviation flight operations

This segment encompasses the construction, operation and maintenance of the airport operating infrastructure. It incorporates all the core services provided to airlines and passengers by Flughafen Zürich AG in its capacity as operator of Zurich Airport. These services include the runway system, all apron zones (including control activities), passenger zones in the terminals, freight operations, baggage sorting and handling system and aircraft energy supply system, passenger handling and services, and safety. The main sources of revenue from flight operations are passenger and landing fees. Revenue from third parties is determined by passenger volumes, fight volumes and the trend with respect to aircraft take-of weights.

Aviation security

This segment covers the installation, operation and maintenance of security infrastructure and all processes of direct relevance to security. This includes all systems and their operation and maintenance designed to prevent actions of any kind that affect the security of commercial civil aviation, in particular facilities for the control of passengers, personnel, hand luggage, checked baggage and freight. Furthermore, it reports on the costs associated with all other duties performed by the airport police, including surveillance operations, protection of airlines and persons at special risk, operation of a control centre, training of personnel and other tasks relating to security. The security charges collected from passengers are the source of revenue for covering the costs incurred in this segment.

Aviation aircraft noise

All revenue and expenses associated with aircraft noise are reported separately in this segment. Furthermore, a liquidity-based statement of noise-related data is presented in the notes to the consolidated financial statements, since the Airport of Zurich Noise Fund was derecognised retrospectively as of 1 January 2004. This statement presents the accumulated surplus or shortfall as of the balance sheet date arising from noise charges collected on a "originator pays" basis, less expenses for formal expropriations, sound insulation measures and related operating costs (see "Notes to consolidated financial statements", note 17, "Airport of Zurich Noise Fund").

Non-aviation

Non-aviation encompasses all activities relating to the development, marketing and operation of the commercial infrastructure at Zurich Airport. This segment includes all retail operations at the airport, revenue from rented premises and supplementary costs (energy supply, etc.), parking fees plus a broad range of commercial services provided by Flughafen Zürich AG. For reporting purposes, each profit centre has been allocated to a segment. Any internal supplies and services that have been provided to other segments have been booked as inter-segment revenue or offset against costs. For example, the Information and Communication Technology (ICT) profit centre is allocated to the Non-aviation segment, and proportionate costs are charged to Aviation on an "originator pays" basis. Support functions are also allocated to the Non-aviation segment and then offset accordingly.

Principles of segment reporting

Assets and liabilities are allocated to the respective operating segments on the basis of internal reporting. Wherever possible, financial instruments (including cash and cash equivalents and interest-bearing debt) are allocated directly to the segments. Most of the clients and suppliers of Flughafen Zürich AG maintain business relationships with all the segments. Until projects in progress have been completed, they are allocated to the segment with responsibility for the project. The definitive allocation to segments takes place after the projects have been classified into the relevant asset categories. Debt allocated to the individual segments is limited to liabilities associated with noise-related costs belonging to the aircraft noise segment, and to financial liabilities that can be directly allocated to individual segments. Most of the inter-segment revenue comprises offset rental costs from Non-aviation for premises required for activities in Aviation. Non-current assets (including terminals) have primarily been allocated to the Non-aviation segment. The offsetting of costs for the use of premises is based on actual cost (including interest paid on invested capital). Inter-segment revenue simultaneously represents inter-segment expenses in the segment results of the units using the facilities. Full-time employees are allocated to the segments on the basis of their main activity.

The identified operating segments have not been aggregated.

Flughafen Zürich AG provides practically all its services within Switzerland. In the 2010 financial year, external consulting services worth CHF 2.5 million (2009: CHF 2.5 million) were provided.

Flughafen Zürich AG's revenue with Lufthansa Group in 2010 amounts to approximately CHF 317.4 million (2009: CHF 295.9 million) and is reported in the segments Aviation fight operations, Aviation security, Aviation aircraft noise and Non-aviation.

Notes to consolidated financial statements

Valuation uncertainties and significant estimates and assumptions in the application of accounting policies

1. Current risk situation

1.1 Legal uncertainties

Various domestic and foreign restrictions could mean that Flughafen Zürich AG will not be able to fully utilise its infrastructure and would need to finance additional investments. These include:

- Official initiatives for modification of cantonal airport legislation
- Zurich Aircraft Noise Index
- SAIP process (Sectoral Aviation Infrastructure Plan)
- Regulations by the supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany
- Legal proceedings (vBr and ILS 34)
- Revision of the Federal Aviation Act

In autumn 2010, the "BVK Employee Pension Fund of the Canton of Zurich" (BVK) announced, among other things, that owing to the inadequate cover ratio which has persisted for some time, comprehensive restructuring measures (contribution increases, reduction in the conversion rate, adjustment of the interest rate, employer's contributions to the restructuring, etc.) would be introduced to bring the benefits payable by the pension fund into line with current economic circumstances and to secure the fund's long-term financing. A three-month consultation phase was commenced for the package of measures approved by the Government Council, and this period ended in January 2011. The definitive restructuring measures are due to take effect on 1 January 2012 according to the schedule published by the BVK, assuming that the Cantonal Council approves the restructuring package in June 2011.

The Board of Directors of Flughafen Zürich AG states in this connection that, on the basis of a supplementary agreement to the contract with BVK signed in the 2003 financial year, the company is not obliged to make any additional contributions. It also confirms that Flughafen Zürich AG will do everything necessary to uphold the contract with BVK (see also "Financial Report/Accounting Policies/ Employee Benefit Obligations" on page 88).

Discussions with the BVK have revealed that the pension fund takes the view – contrary to Flughafen Zürich AG – that the above-mentioned supplementary agreement does not in principle exempt Flughafen Zürich AG from any necessary restructuring measures. It is not possible at this time to say whether Flughafen Zürich AG would have to contribute to the restructuring as part of implementation of the planned package of measures in order to uphold the contract with the BVK. The payment of restructuring contributions would probably mean that the employee benefit plan would be classified as a defined benefit plan according to IAS 19.27, which could have a significant financial impact on the consolidated financial statements.

1.2 Decline in demand

Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as acts of terrorism or epidemics (SARS, bird flu, etc.). Such events could temporarily cause a drop in demand at Zurich Airport.

1.3 Increasing security requirements

Additional security regulations may result in rising security costs and reduced revenue from commercial activities in the future. Given the delay between the date costs are incurred and the earliest possible refinancing via higher security charges, we cannot rule out negative impacts on performance.

1.4 Hub carrier

The airline Swiss is the main customer of Flughafen Zürich AG. Like any other hub airport, Zurich Airport depends to a considerable extent on the operational and financial development of its hub carrier.

1.5 Reporting of noise-related costs in the financial statements

The reporting of noise-related costs in the financial statements is a complex matter that involves significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise provisions. This complexity is attributable to a large variety of relevant legal bases, unclear or pending legal practice, and political debate.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation of which around 17,000 were still pending at the end of 2010. Approximately 1,700 cases are currently being examined by the Swiss Federal Assessments Commission.

With respect to formal expropriations, the rulings on fundamental issues by the Swiss Federal Supreme Court in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total costs for the first time, in spite of remaining uncertainties regarding the accuracy of this estimate.

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date, the reliably estimated noise-related costs ("base case") as of 30 June 2008 amounted to a total of CHF 759.8 million (including formal expropriations, costs for sound insulation measures and all related operating costs). This means that the total estimated costs associated with formal expropriations were below the previously disclosed potential costs (in the form of a risk assessment) of between CHF 800 million and CHF 1.2 billion.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999. The purpose of the supplementary agreement was to limit the risks for the company associated with formal expropriations. Under this supplementary agreement, the Canton of Zurich would assume the pre-financing of all "old" noise-related liabilities in the event that, upon payment of the first formal expropriations, the risk should arise that the total estimated costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) would exceed CHF 1.1 billion ("threshold") in the assumed worst-case scenario ("negative case").

"Old" noise-related liabilities are liabilities that arose prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence, therefore making it liable for such claims in an external capacity. The threshold is subject to an annual adjustment based on the development of the equity of Flughafen Zürich AG. The threshold as of 31 December 2010, at CHF 1.46 billion, was higher than the original level of CHF 1.1 billion, but has at the moment no effect on the pre-financing provided by the Canton of Zurich.

Despite the estimate as of the middle of 2008 of CHF 759.8 million stated above, the total estimated noise-related costs exceeded the threshold of CHF 1.1 billion in the worst case ("negative case"). As a result, the pre-financing by the Canton of Zurich for "old" noise-related liabilities entered into effect on 30 June 2008 in accordance with the supplementary agreement. This was subject to the condition that the still pending fundamental issues were decided against Flughafen Zürich AG. In return for bearing the risk and for financing the "old" noise-related liabilities, the Canton of Zurich received a portion of the Airport of Zurich Noise Fund as of 30 June 2008 (CHF 115.4 million). This amount was recognised in the consolidated financial statements as an intangible asset from the right of formal expropriation and represents a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 have been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges. As a result of the assumption of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG is no longer required to recognise a provision for these "old" noise-related liabilities.

Likewise, as of this date, the Canton of Zurich received the specified share of 47% of the collected noise charges in accordance with the supplementary agreement. This portion of the noise charges is therefore no longer recognised in the income statement of Flughafen Zürich AG.

Based on the above estimates of noise-related costs and the initiation of pre-financing by the Canton of Zurich, in the consolidated financial statements as of 30 June 2008, the amount of CHF 125.5 million (present value) was recognised as a provision for compensation of formal expropriation (nominal amount, CHF 150.1 million). This amount relates to the "new" noise-related liabilities of Flughafen Zürich AG. The present value of the expected costs was at the same time recognised as an intangible asset from the right of formal expropriation.

On 26 May 2009, the Swiss Federal Supreme Court subsequently corrected a decision by the Swiss Federal Assessment Commission of 17 December 2007, which had defined 1 January 1961 as the cut-off date for the foreseeability of an eastern approach. The Swiss Federal Administrative Court changed this date to 23 May 2000, and Flughafen Zürich AG decided to appeal this decision to the Swiss Federal Supreme Court. In its ruling on 8 June 2010, the Swiss Federal Supreme Court then defined 1 January 1961 as the cut-off date for the foreseeability of an eastern approach.

Based on the Swiss Federal Supreme Court's ruling and other fundamental issues that have already been decided, the company undertook a re-assessment of the noise-related operating costs ("updated base case") in cooperation with the Canton of Zurich. According to the updated assessment, the noise-related operating costs now total CHF 739.5 million (previously CHF 759.8 million). This amount includes CHF 25 million for the construction of a new sound insulation hall (not recognised as a provision, as this is a future investment). This cost estimate is based on a number of assumptions, such as pending legal issues where there is no judgment by a court of last instance.

As in the worst case ("updated negative case") the total estimated noise-related costs still exceed the threshold as set out in the supplementary agreement, the Canton of Zurich would continue to provide pre-financing. On the basis of the new calculations, the share of the "new" noise-related liabilities would be higher, however, and would have to be financed by Flughafen Zürich AG. The provision for formal expropriations was therefore increased by the present value of CHF 57.8 million (nominal amount CHF 82 million). At the same time, the intangible asset from the right of formal expropriation was increased by the same amount in line with the group's accounting policy (see page 86 "Intangible assets and goodwill"). As – on the basis of updated calculations – the share of "old" noise-related liabilities that are pre-financed by the Canton of Zurich has been reduced, Flughafen Zürich AG is entitled to a share of 72% (previously 53%) of the collected noise charges as of 1 January 2011.

As of the balance sheet date, Flughafen Zürich AG has recognised costs for formal expropriations of CHF 285.5 million as an intangible asset from the right of formal expropriation and has recognised provisions for formal expropriations of CHF 192.3 million and provisions for outstanding sound insulation costs of CHF 110.6 million.

If, on the basis of future legal practice, total noise-related costs in the worst case ("negative case") should ultimately be below the applicable threshold, the Canton of Zurich would no longer be required under the supplementary agreement of 8 March 2006 to 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 asset and liability sides of the balance sheet.

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 corrections in 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 split of noise charges would presumably continue to apply. 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 amortisation period or the corresponding provision.

In conclusion, the developments cited above have the following significant effects on the consolidated financial statements:

- Revenue from noise charges, reduced by a portion allocated to the Canton of Zurich (47%), will be recognised in the income statement.
- Compensation payments for formal expropriations concerning "new" noise-related liabilities will be charged against the recognised provision.
- The intangible asset from the right of formal expropriations will
- be amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).
- The unwinding of the discount on provisions for formal expropriations will be recognised in the same way as the unwinding of the discount on provisions for sound insulation measures.
- As before, noise-related operating costs will be borne in full by Flughafen Zürich AG and charged to the Airport of Zurich Noise Fund.
- As before, payments for sound insulation measures will be charged against the already recognised provision.

2. Impact of the current risk situation on the financial position, the results of operations and the cash flows

2.1 Value of property, plant and equipment and intangible assets; reliability of estimate of capitalised noise-related costs

Flughafen Zürich AG owns property, plant and equipment and intangible assets with a total carrying amount of CHF 3.1 billion. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test). Impairment tests are carried out as a matter of course at least once per year. The basis is the estimated future cash flows of Flughafen Zürich AG, and a variety of assumptions have to be made in order to estimate them. Cash flows can be negatively influenced by the risk factors described in the previous sections (in particular 1.1 Legal uncertainties and 1.5 Reporting of noise-related costs in the financial statements) (see also note 7, "Changes in non-current assets")

2.2 Recognition of the main employee benefit plan of "BVK Employee Pension Fund of the Canton of Zurich"

According to the accounting policies, the main employee benefit plan is treated as a defined contribution plan. As described in section 1.1 Legal uncertainties, the accounting for the main employee benefit plan could change significantly by the reorganisation of the "BVK Employee Pension Fund of the Canton of Zurich" that is currently under discussion. At present, it is not possible to conclusively determine the impact of these changes.

Consolidated income statement

1) Revenue from goods and services

(CHF 1,000)		2010		2009
Passenger fees	183,659		173,044	
Landing fees	79,462		77,453	
Baggage sorting and handling system	27,283		26,150	
Other revenue	15,012		12,748	
PRM fees	11,458		1,707	
Aircraft energy supply system	10,198		10,483	
Freight revenue	7,731		6,999	
Fuel charges	6,595		6,352	
Parking fees	5,574		5,790	
CUTE charges (check-in system for handling agents)	4,220		4,113	
Capitalised expenditure [1]	3,560		3,476	
Emission fees	2,926		2,916	
Bad debt write-offs	-180		-100	
Total revenue from aviation flight operations		357,498		331,131
Security fees	147,439		140,298	
Refund of security costs	1,408		1,395	
Total revenue from aviation security		148,847		141,693
Noise charges	31,757		32,268	
Total revenue from aviation aircraft noise		31,757		32,268
Total revenue from aviation		538,102		505,092
Retail outlets and tax & duty-free shops	74,500		71,562	
Revenue from multi-storey car parks	64,576		61,959	
Advertising media and promotion	13,530		13,112	
Food & beverage operations	12,198		11,215	
Other commercial revenue (car rentals, taxis, banks, etc.)	12,241		12,222	
Total commercial revenue		177,045		170,070
Revenue from rental and leasing agreements	86,013		85,589	
Energy and utility cost allocation	26,323		26,066	
Cleaning	3,459		3,591	
Revenue from services	2,356		2,118	
Total revenue from facility management		118,151		117,364
Communication services	12,565		13,250	
Other services and miscellaneous	9,065		7,490	
Capitalised expenditure [1]	8,048		7,085	
Bad debt write-offs	15		-144	
Total revenue from services		29,693		27,681
Total revenue from non-aviation		324,889		315,115
Total revenue		862,991		820,207

[1] Capitalised expenditure primarily relates to the fees of in-house architects and engineers, as well as project managers wno act as builder/owner representatives. Their services are allocated to each project/property.

Fee to finance assistance for passengers with reduced mobility
To refinance support for passengers with reduced mobility (PRM) for whom Flughafen Zürich AG is responsible on the basis of the European Regulation 1107/2006, the company levies an operating charge for providing assistance to PRMs in accordance with the requirements of Art. 32ff of the Federal Ordinance on Civil Aviation Infrastructure amounting to CHF 1.00 per departing passenger. It is collected by invoicing the airlines concerned.

The fee is intended to cover all investments and operating costs associated with this service. It is carefully calculated and is not linked to any other services at Zurich Airport. When the service was introduced (1 November 2009) it was calculated for a five-year period. In the previous year there was therefore a shortfall which was offset in the year under review. Owing to the required PRM charge and the forecast surplus in the coming years on the basis of current traffic volumes, the charge will be reduced to CHF 0.90 per departing passenger on 1 April 2011.

The table below shows the income and expenses relating to the assistance of passengers with reduced mobility in 2009 (only 2 months) and 2010:

(CHF 1,000)	2010	2009
PRM fees	11,458	1,707
Total revenue	11,458	1707
Fixed service costs (service provider)	-3,288	-548
Variable service costs (service provider)	-6,862	-998
Other operating expenses	-220	-207
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,088	-46
Depreciation and amortisation [1]	-8	0
Earnings before interest and tax (EBIT)	1,080	-46
Imputed interest and income tax [1]	-222	0
Cost surplus/shortfall	858	-37

[1] In the previous year, the PRM result did not include depreciation, amortisation and imputed interest. Investments for implementation were still in progess and were capitalised during the 2010 financial year. Depreciation, amortisation and imputed interest are therefore reported in the PRM result for the first time in the current financial year.

2) Personnel expenses

(CHF 1,000)	2010	2009
Wages and salaries	124,094	125,001
Pension costs		
for defined benefit plans [1]	112	109
for defined contribution plans	11,376	11,066
Social security contributions	12,806	13,315
Other personnel expenses	9,179	8,925
Total personnel expenses	157,567	158,416
Average number of employees (full-time positions)	1,297	1,292
Number of employees as of 31 December (full-time positions)	1,292	1,302
Personnel expense per position as of 31 December	122	122

[1] See note 20, "Employee benefit obligations".

Staff participation programme
Flughafen Zürich AG gives those employees who have completed their first year of service one share free of charge.

Bonus programme for members of the Management Board and middle management personnel
The total of all annual remuneration to members of the Management Board and middle management personnel comprises a fixed salary and a variable performance component (bonus), which is based on the consolidated result and the degree of achievement of personal objectives. The criterion for defining the consolidated result is the degree of achievement of targeted airport value added, or the difference between the budgeted and achieved airport value added (AVA). The assessment of the degree of achievement of personal objectives is based on the annual Management by Objectives process. In both cases, the decision for a given year is taken or confirmed in the following financial year by the Nomination & Compensation Committee. Two-thirds of the performance component is paid out in cash and one-third in shares (see also note 22.5, "Related parties").

Recipient	2010 CHF 1,000	2009 CHF 1,000	Number of shares	2009 Average value per share
Personnel	47	55	207	266.75
Members of the Management Board	320	428	1,029	345.00
Members of middle management	521	660	1,835	345.00
Adjustment of share price to market price in subsequent year [1]	–100	–108		
Total	788	1,035	3,071	

[1] The value of the shares comprising the bonus for the 2009 financial year was CHF 0.1 million lower in April 2010 (grant date) than the amount accrued for the bonus for the 2009 financial year as of year-end.

The bonus for the 2010 financial year was estimated on the basis of the available data as of the balance sheet date relating to the degree of achievement of the consolidated result and personal objectives. The number of shares to be granted cannot be precisely calculated yet since the number depends on the share price at the grant date. If the shares had been granted as of year-end, a total of 2,200 shares would have been distributed.

Bonus programme for the Board of Directors
No bonus programme exists for members of the Board of Directors. Their remuneration comprises an annual lump sum plus payments for attending meetings (see note 22.5, "Related parties").

Option programme
No option programme exists at Flughafen Zürich AG.

3) Other operating expenses

(CHF 1,000)	2010	2009
Protection and rescue services (SRZ)	21,000	21,000
PRM costs (service costs of service provider)	10,150	1,546
Other operating costs	6,215	6,640
Insurance	4,361	4,266
Cleaning by external contractors, incl. snow clearing	2,850	2,282
Costs for own car park	2,081	1,772
Communication costs	1,628	1,670
Passenger services	1,212	1,005
Total other operating expenses	49,497	40,181

4) Other expenses/income, net

(CHF 1,000)	2010	2009
Other income	1,482	325
Other expenses	–1,426	–2,818
Total other expenses/income, net	56	–2,493

Other income includes:
2010: CHF 0.8 million for reimbursement of energy costs
2009: CHF 0.1 million bankruptcy dividend Swissair (second instalment)

Other expenses include:
2010: CHF 1.3 million from losses on disposals of non-current assets
2009: CHF 2.0 million from losses on disposals of non-current assets

5) Financial result

(CHF 1,000)	2010	2009
Interest expenses on debentures and non-current loans	59,669	63,943
Less capitalised interest on borrowings for buildings under construction	-2,569	-1,526
Net interest expenses on debentures and non-current loans	57,100	62,417
Interest expenses on finance lease liabilities	2,525	2,700
Accretion of interest on financial liabilities at amortised cost	2,867	3,325
Other interest expenses	92	33
Interest difference related to interest rate swap	0	1,088
Total interest expenses	62,584	69,564
Loss on financial assets of Airport of Zurich Noise Fund	495	128
Other finance costs	4,713	4,763
Foreign exchange losses	292	542
Unwinding of discount on non-current provisions for sound insulation and formal expropriations	8,577	7,826
Total finance costs	76,661	82,823
Interest income on financial assets of Airport of Zurich Noise Fund	-3,477	-3,383
Interest income on postal accounts and bank deposits/loans	-347	-301
Interest on arrears	-3	-5
Total interest income	-3,827	-3,689
Gain on derivatives held for trading (adjustments to fair value of interest rate swap)	0	-1,084
Gain on financial assets of Airport of Zurich Noise Fund	-572	0
Foreign exchange gains	-213	-201
Other finance income	-13	-37
Total finance income	-4,625	-5,011
Net finance result	72,036	77,812

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.04% in 2010 (2009: 5.36%).

The interest rate swap held by the group to the value of CHF 300.0 million expired on 16 March 2009.

In 2010, a bankruptcy dividend from Sigma Finance Corp. totalling CHF 0.6 million was booked as a gain on financial assets of the Airport Zurich Noise Fund. The investment in this company was fully impaired in 2008.

6) Income tax

(CHF 1,000)	2010	2009
Current year	39,058	40,878
Adjustments for prior years	-136	0
Total current income tax	38,922	40,878
Change in tax rate, booked to income statement	0	0
Deferred income tax on changes in temporary differences	-3,291	7,510
Total deferred income tax	-3,291	7,510
Total income tax	35,631	48,388

Income tax can be analysed as follows:

(CHF 1,000)	2010	2009
Profit before tax	174,150	238,998
Tax expense at anticipated tax rate of 20.5%	35,701	48,995
Non-taxable income	0	-435
Adjustments for prior years	-136	0
Miscellaneous transitory items	66	-172
Total income tax	35,631	48,388

Consolidated balance sheet

7) Changes in non-current assets

(CHF million)	Land	Engineering structures	Buildings	Leased assets	Projects in progress	Movables	Total property, plant and equipment	Intangible asset from right of formal expropriation	Other intangible assets	Investments in associates	Non-current financial assets of Airport of Zurich Noise Fund	Other financial assets	Total
Cost													
Balance as of 1.1.2009	109.5	1,348.8	3,665.2	91.6	93.5	227.9	5,536.5	241.8	71.0	15.6	73.0	1.1	5,938.9
Change in scope of consolidation							0.0			-2.1		-1.1	-3.2
Additions					181.4		181.4			12.3	74.6		268.3
Disposals		-0.2	-120.7		-0.1	-6.5	-127.4		-1.4	-13.2			-142.0
Reclassification							0.0				-49.1		-49.1
Transfers		23.3	36.0		-79.2	18.1	-1.8		1.8				0.0
Adjustments to fair value							0.0				-0.6		-0.6
Foreign exchange differences							0.0			3.4			3.4
Balance as of 31.12.2009	109.5	1,371.9	3,580.5	91.6	195.6	239.5	5,588.6	241.8	71.4	16.0	97.9	0.0	6,015.7
Balance as of 1.1.2010	109.5	1,371.9	3,580.5	91.6	195.6	239.5	5,588.6	241.8	71.4	16.0	97.9	0.0	6,015.7
Change in scope of consolidation							0.0						0.0
Additions				6.9	242.7		249.6	57.8			102.6		410.0
Disposals		-33.2	-46.0			-13.0	-92.2		-7.7				-99.9
Reclassification							0.0				-46.9		-46.9
Transfers		45.9	83.0		-154.4	17.8	-7.7		7.7				0.0
Adjustments to fair value							0.0				-2.8		-2.8
Foreign exchange differences							0.0			-1.3			-1.3
Balance as of 31.12.2010	109.5	1,384.6	3,617.5	98.5	283.8	244.3	5,738.2	299.6	71.4	14.7	150.9	0.0	6,274.8
Depreciation, amortisation and impairment losses													
Balance sheet as of 1.1.2009	0.0	589.4	2,028.6	29.2	0.1	136.1	2,783.5	2.8	61.5	7.6	0.0	0.0	2,855.4
Additions		39.9	114.2	5.9		19.2	179.2	5.6	5.0	-4.8			185.0
Transfers							0.0						0.0
Disposals		-0.2	-119.2			-5.9	-125.3		-1.4	-2.4			-129.1
Balance as of 31.12.2009	0.0	629.1	2,023.6	35.1	0.1	149.4	2,837.4	8.4	65.1	0.4	0.0	0.0	2,911.3
Balance sheet as of 1.1.2010	0.0	629.1	2,023.6	35.1	0.1	149.4	2,837.4	8.4	65.1	0.4	0.0	0.0	2,911.3
Additions		41.4	114.9	5.9		19.0	181.2	5.7	4.6	-0.5			191.0
Transfers							0.0						0.0
Disposals		-33.2	-44.9		-0.1	-12.8	-91.0		-7.7				-98.7
Balance as of 31.12.2010	0.0	637.3	2,093.7	41.0	0.0	155.6	2,927.6	14.1	62.0	-0.1	0.0	0.0	3,003.6
Government subsidies and grants													
Balance as of 31.12.2008	0.0	0.1	4.8	0.0	0.0	0.0	4.9	0.0	0.0	0.0	0.0	0.0	4.9
Recognition in the income statement			-0.7				-0.7						-0.7
Balance as of 31.12.2009	0.0	0.1	4.1	0.0	0.0	0.0	4.2	0.0	0.0	0.0	0.0	0.0	4.2
Recognition in the income statement			-0.7				-0.7						-0.7
Balance as of 31.12.2010	0.0	0.1	3.4	0.0	0.0	0.0	3.5	0.0	0.0	0.0	0.0	0.0	3.5
Net carrying amount as of 31.12.2008	109.5	759.2	1,631.8	62.3	93.4	91.8	2,748.1	239.0	9.5	8.0	73.0	1.1	3,078.7
Net carrying amount as of 31.12.2009	109.5	742.7	1,552.8	56.5	195.5	90.1	2,747.1	233.4	6.3	15.6	97.9	0.0	3,100.3
Net carrying amount as of 31.12.2010	109.5	747.2	1,520.4	57.5	283.8	88.7	2,807.1	285.5	9.4	14.8	150.9	0.0	3,267.7

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

Lease transaction with a US trust concerning multi-storey car parks 1, 2, 3 and 6
In 2003, Flughafen Zürich AG concluded a lease transaction with a US trust. In the first stage of this deal, the utilisation rights to multi-storey car parks 1, 2, 3 and 6 were sold to a US trust and simultaneously leased back. Flughafen Zürich AG is to retain ownership of the multi-storey car parks with a net carrying amount as of 31 December 2010 of CHF 156.6 million (31 December 2009: CHF 156.5 million) during the entire period of the lease agreement. Repayment of the additional capital is to be effected in almost identical annual tranches in the period from 2005 to 2012. After the full amount has been repaid, the utilisation rights will be returned to Flughafen Zürich AG. The option of increasing the sale price by extending the period of utilisation rights was not used. The US trust has been consolidated in accordance with SIC–12.

Lease of baggage sorting and handling system and aircraft energy supply system
In December 2001, Flughafen Zürich AG concluded a framework lease agreement for financing the new baggage sorting and handling system and the aircraft energy supply system over a term of 17 years. On 1 August 2003, since the systems were near completion, a first tranche of the definitive lease agreements totalling CHF 84.5 million was put into effect. These lease agreements have a maturity of 17 years. The second to ninth tranches took effect on 31 January 2004 (CHF 1.8 million), 31 July 2004 (CHF 0.5 million), 31 January 2005 (CHF 0.4 million), 31 July 2005 (CHF 0.4 million), 31 January 2006 (CHF 1.2 million), 31 July 2006 (CHF 0.6 million), 31 January 2007 (CHF 2.3 million) and 31 October 2010 (CHF 6.9 million). Additional tranches will be taken on if necessary. In terms of form and content, both the framework and the definitive lease agreements are regarded as financial leases and have therefore been capitalised. The leased facilities available for use have been depreciated with effect from their date of completion.

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, an equal amount was recognised as a provision. The portion of the Airport of Zurich Noise Fund amounting to CHF 115.4 million, which in accordance with the supplementary agreement dated 8 March 2006 was transferred to the Canton of Zurich (see note 17, "Airport of Zurich Noise Fund"), was also recognised as an intangible asset from the right of formal expropriation. This amount represents a portion of the costs for "old" noise-related liabilities, which have been covered by the Canton of Zurich since 1 July 2008, but which until 30 June 2008 were already financed by Flughafen Zürich AG through collected noise charges.

On the basis of the Swiss Federal Supreme Court's ruling of 8 June 2010 on the foreseeability of an eastern approach and other fundamental issues that have already been decided, the company undertook a re-assessment of the noise-related operating costs in cooperation with the Canton of Zurich. According to the updated assessment, an additional amount of CHF 57.8 million was recognised as an intangible asset from formal expropriation, and an equal amount (present value of the expected costs) was recognised as a provision (see note 16, "Non-current provisions for sound insulation and formal expropriations").

The intangible asset from right of expropriation is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

Impairment
Flughafen Zürich AG carries out a calculation at company level on a yearly basis to determine whether any indication is present that assets may be impaired. The calculation is based on the estimated future cash flows of Flughafen Zürich AG. The calculation did not identify any impairment indications as of 31 December 2010.

The calculation is based on the following assumptions:
- Discount rate of 7.5%
- Zurich will maintain its hub status
- The volume of local passengers will increase twice as fast as
- the estimated GDP growth in Switzerland over the medium and long term
- Growth of flight movements will be disproportionately slower than passenger growth
- Investments in infrastructure will secure the present-day quality standard and ensure compliance with the existing EU compatibility requirements.

Depreciation and amortisation
Depreciation and amortisation of property, plant and equipment and intangible assets totalling CHF 191.5 million were offset against government grants and subsidies recognised in the income statement amounting to minus CHF 0.7 million.

8) Financial assets of Airport of Zurich Noise Fund

(CHF 1,000)	31.12.2010	31.12.2009
Current available-for-sale securities (see note 17, "Financial assets of Airport of Zurich Noise Fund")	57,628	80,334
Non-current available-for-sale securities (see note 17, "Financial assets of Airport of Zurich Noise Fund")	150,904	97,922
Total financial assets of Airport of Zurich Noise Fund	208,532	178,256

The available-for-sale securities are debentures. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund, and averages two to four years. Interest on debentures in 2010 was between 0.375% and 4.5% (2009: between 0.375% and 4.375%). See note 12, "Other receivables and prepaid expenses", and note 17, "Airport of Zurich Noise Fund".

These funds are managed by professional investment institutions on the basis of a conservative, money-market-oriented investment strategy (see note 5, "Financial result" and note 22.1, "a) Financial risk management", i) Credit risk").

9) Investments in associates

(CHF 1,000)	31.12.2010	31.12.2009
Bangalore International Airport Ltd., Bengaluru (India)		
Share capital: INR 3,846 million (previous year INR 3,846 million) / Equity share 5.0% (previous year 5.0%)	4,115	3,273
A-port S.A., São Paulo (Brasilia)		
Share capital: BRL 117 million (previous year BRL 117 million) / Equity share 15.0% (previous year 15.0%)	9,549	11,219
A-port Operaciones S.A., Santiago de Chile (Chile)		
Share capital: CLP 1,328 million (previous year 1,328 CLP million) / Equity share 32.6% (previous year 32.6%)	1,103	1,079
Administradora Unique IDC C.A., Porlamar (Venezuela)		
Share capital: VEB 25 million (previous year VEB 25 million) / Equity share 49.5% (previous year 49.5%)	0	0
Aeropuertos Asociados de Venezuela C.A., Porlamar (Venezuela)		
Share capital: VEB 10 million (previous year VEB 10 million) / Equity share 49.5% (previous year 49.5%)	0	0
Total investments in associates	14,767	15,571

India
Following the sale of 12% of its holding in the owner and operator of the greenfield airport in Bengaluru, Bangalore International Airport Ltd. (BIAL) Flughafen Zürich AG held a 5% share in the Indian airport operator as of the balance sheet date. It is involved in the operation of the airport on the basis of an operating, management and service level agreement. Revenue is flowing to the company from this agreement. Since Flughafen Zürich AG is able to exercise significant influence over BIAL due to its involvement in executive and supervisory bodies, participation in decision-making processes, exchange of management personnel and provision of important know-how, the investment is accounted for using the equity method.

Under the agreement with the buyer of the 12% interest in BIAL, Flughafen Zürich AG has an option to sell the remaining 5% stake in BIAL in the period from 24 May 2011 to 30 September 2014. As of the balance sheet date, the fair value of this put option is close to zero. In return, the buyer was granted the right to buy the remaining 5% at the market price.

Latin America
As a result of the cooperation with the Brazilian Group Camargo Corrêa and the Chile-based e Ingenieria S.A. (IDC), the holdings in Latin America (excluding those in Venezuela) were restructured in 2008 and 2009 under the "A-port" joint venture. Unique Chile S.A. is fully consolidated following the completion of the restructuring in the 2009 financial year. All activities of Flughafen Zürich AG in Latin America (with the exception of Venezuela) are held by Unique Chile S.A.

The following two entities were formed in order to separate financial involvement and management from airport operations:

Based in São Paulo (Brazil), A-port S.A. invests in the construction and operation of airport projects and airport-related infrastructure in Latin America and the Caribbean. Flughafen Zürich AG holds a 15% share in A-port S.A. which in turn holds shares in the Chilean airports of Puerto Montt, La Serena and Calama, Concessionária do estacionamento de Congonhas S.A., a car park at Congonhas Airport in São Paulo and Hato International Airport in Curaçao.

A-port Operaciones S.A., which is based in Santiago (Chile), has responsibility for the management and operation of the airports in Latin America and the Caribbean. This includes the airports in Chile and Curaçao, in which A-port S.A. holds shares as well as current agreements managed via the local companies A-port Operaciones Colombia S.A.S. and Unique Chile IDC de C.V. in Colombia and Honduras. Flughafen Zürich AG holds a 32.6% share in A-port Operaciones S.A.

Venezuela
In 2010, Flughafen Zürich AG turned to the International Center for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the bilateral investment protection treaty between Venezuela and Switzerland. The value of this holding was fully impaired in 2006.

For further information, see note 22.6, "Composition of the group".

Key financial data relating to associates (100 %):

(CHF 1,000)	31.12.2010	31.12.2009
Assets	620,693	627,784
Liabilities	–474,668	–487,500
Total revenue	170,633	146,817
Result	22,667	18,966

10) Other financial assets

(CHF 1,000)	31.12.2010	31.12.2009
Loan to FZ Colombia S.A.	11	11
Total other financial assets	11	11

11) Trade receivables

(CHF 1,000)	31.12.2010	31.12.2009
Trade receivables [1]	83,724	115,947
Impairment allowance	–864	–1,260
Total trade receivables, net	82,860	114,687

[1] Trade receivables include an amount of CHF 31.4 million due from Swiss International Air Lines Ltd. (2009: CHF 46.0 million) (see "Significant estimates and assumptions in the application of accounting policies", point 1.4 "Hub carrier" and note 22.1, a) Financial risk management, i) Credit risk"). In the period between the balance sheet date and the preparation of the 2010 annual report, Swiss had paid the outstanding amount in full as of 31 December 2010.

Geographical distribution of trade receivables:

(CHF 1,000)	31.12.2010	31.12.2009
Switzerland	76,674	109,848
Europe	6,823	5,696
India	94	292
Latin America	133	111
Total trade receivables	83,724	115,947

Classification of receivables (not individually impaired) by due date as of the balance sheet date:

(CHF 1,000)	Gross 31.12.2010	Collective allowance 31.12.2010	Gross 31.12.2009	Collective allowance 31.12.2009
Not past due	81,896	–402	108,438	–513
Past due, 0 to 30 days	1,072	–5	4,571	–22
Past due, 31 to 60 days	372	–2	488	–2
Past due, more than 61 days	384	–2	2,450	–12
Total	83,724	–411	115,947	–549

During the year under review, the change in the impairment allowance was as follows:

	Individual allowance		Collective allowance		Total allowance	
(CHF 1,000)	2010	2009	2010	2009	2010	2009
As of 1 January	–711	–246	–549	–865	–1,260	–1,111
Change	258	–465	138	316	396	–149
As of 31 December	–453	–711	–411	–549	–864	–1,260

In almost all cases, receivables not past due concern long-standing client relationships. Based on previous experience, Flughafen Zürich AG does not anticipate the need for any additional impairment allowance.

12) Other receivables and prepaid expenses

(CHF 1,000)	31.12.2010	31.12.2009
Services not yet invoiced	13,890	14,895
Accrued interest on interest-bearing debt instruments, Airport of Zurich Noise Fund	2,677	2,267
Prepaid services	1,049	559
Prepaid expenses and accruals	17,616	17,721
Tax receivables (VAT/withholding tax)	10,013	4,948
Other receivables	410	1,081
Advance payments to suppliers	0	146
Total other receivables and prepaid expenses	28,039	23,896

Other receivables and prepaid expenses include the following financial instruments:

(CHF 1,000)	31.12.2010	31.12.2009
Services not yet invoiced	13,890	14,895
Accrued interest on interest-bearing debt instruments, Airport of Zurich Noise Fund	2,677	2,267
Total financial instruments	16,567	17,162
Tax receivables (VAT/withholding tax)	10,013	4,948
Prepaid services	1,049	559
Other receivables	410	1,081
Advance payments to suppliers	0	146
Total other receivables and prepaid expenses	28,039	23,896

The interest from the liquid funds of Airport of Zurich Noise Fund that were invested separately in financial assets and cash equivalents (see also Note 8, "Financial assets of Airport of Zurich Noise Fund" and Note 17, "Airport of Zurich Noise Fund") was accrued for the year under review. These funds are managed by professional investment institutions on the basis of a conservative, money-market-oriented investment strategy (see note 5, "Financial result" and note 22.1, "a) Financial risk management", i) Credit risk"). All services provided during the year under review were invoiced between the balance sheet date and the completion of the annual report. There are no past due receivables reported in the above positions that would require the recognition of an individual or collective allowance.

13) Cash and cash equivalents

(CHF 1,000)	31.12.2010	of which AZNF	31.12.2009	of which AZNF
Cash on hand	212		211	
Cash at banks and in postal accounts	51,362	3,889	81,523	7,013
Call deposits due within 30 days	18,000		115,000	
Fixed deposits due within 30 days	0		25,012	
Collateral, due within 90 days [1]	4,068		9,947	
Total cash and cash equivalents	73,642	3,889	231,693	7,013

[1] For information on collateral, see note 15, "Financial liabilities".

The table below shows the applicable original currency, interest rates and average maturities in days:

	Original currency	2010 Interest rates (%)	2009 Interest rates (%)	2010 Average maturity (days)	2009 Average maturity (days)
Cash at banks and in postal accounts	CHF	0.125 to 0.2	0.125	n/a	n/a
Call deposits	CHF	0.1 to 0.625	0.15 to 0.2	42	11
Fixed deposits	CHF	0.25 to 0.46	0.16 to 0.46	127	65
Collateral	CHF	0.02 to 0.12	0.06 to 0.61	91	91

14) Equity

Number of shares	Issued registered shares (nominal value, CHF 50)	Own shares	Total shares in circulation
Balance as of 1.1.2010	6,140,375	4,975	6,135,400
Purchase of own shares		353	–353
Sale of own shares		0	0
Distribution of own shares to employees and third parties		–3,003	3,003
Balance as of 31.12.2010	6,140,375	2,325	6,138,050

Share rights
The holders of registered shares are entitled to participate at the General Meeting of Shareholders and cast one vote per share.

Own shares
Own shares are distributed to employees and third parties within the scope of the bonus programme (see note 2, "Personnel expenses" and note 22.5, "Related parties"). Own shares are used for the bonus programme and are held as treasury stock.

Reserves
In accordance with the provisions of commercial law, the reserves are subject to a distribution limit of CHF 154.3 million (2009: CHF 155.1 million) as at the balance sheet date.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative fair value change of cash flow hedging instruments in connection with transactions that have been secured but have not yet occurred.

Fair value reserve
The fair value reserve comprises the cumulative fair value change of available-for-sale financial assets up to the time of the derecognition.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Dividend distribution limit
The amount available for payment as dividend is based on the available earnings of Flughafen Zürich AG and is specified in accordance with the provisions of the Swiss Code of Obligations (CO).

Dividends
The Board of Directors will propose to the General Meeting of Shareholders that an ordinary dividend of CHF 7.00 per share be paid out for the 2010 financial year. This results in a total dividend payment of CHF 43.0 million.

In accordance with the resolution of the General Meeting of Shareholders on 15 April 2010, Flughafen Zürich AG paid a dividend of CHF 46.0 million or CHF 7.50 per share (ordinary dividend of CHF 5.00 and a special dividend from proceeds of the partial disposal of the investment in Bangalore International Airport Ltd. of CHF 2.50) for the 2009 financial year.

Earnings per share

Basic and diluted earnings per share are calculated from the results and share data as of 31 December, which are composed as follows:

	2010	2009
Profit attributable to shareholders of Flughafen Zürich AG in CHF	138,519,099	190,610,193
Weighted average number of outstanding shares	6,136,942	6,108,714
Effect of dilutive shares	3,123	4,968
Adjusted weighted average number of outstanding shares	6,140,065	6,113,682
Basic earnings per share (CHF)	22.57	31.20
Diluted earnings per share (CHF)	22.56	31.18

Major shareholders and shareholder structure

The shareholder structure as of 31 December was as follows:

	2010	2009
Public sector	38.60%	38.60%
Private individuals	2.57%	2.15%
Companies	2.15%	1.88%
Pension funds	2.13%	2.64%
Financial institutions (including nominees)	32.07%	33.14%
Balance available and non-registered shareholders	22.48%	21.59%
Total	100.00%	100.00%

	2010	2009
Number of shareholders	4,216	3,911

As of the balance sheet date, the following shareholders or groups of shareholders held more than 5% of the voting rights:

	2010	2009
Canton of Zurich (including BVK pension fund)	33.36%	33.36%
City of Zurich (including pension fund of the City of Zurich)	5.04%	5.04%

15) Financial liabilities

(CHF 1,000)	31.12.2010	31.12.2009
Japanese private placement	419,549	409,131
US private placement	203,217	279,282
Debenture	223,417	222,958
Non-current liabilities to banks arising from US car park lease	38,526	83,687
Non-current lease liabilities	59,734	58,601
Non-current financial liabilities	944,443	1,053,659
Debenture (redemption 14.6.2010)	0	149,825
US Private Placement	50,743	0
Current liabilities to banks arising from US car park lease	37,229	39,785
Current lease liabilities	5,667	4,855
Current financial liabilities	93,639	194,465
Total financial liabilities	1,038,082	1,248,124

On 20 December 2010, payment of the sixth out of a total of eight instalments of liabilities towards banks arising from the US car park lease (CHF 52.4 million) was effected using available funds and in accordance with the agreement.

In 2010, a total of CHF 5.0 million (2009: CHF 4.7 million) of the outstanding lease liabilities was repaid in accordance with the existing lease agreements. The lease of the baggage sorting equipment was increased by CHF 6.9 million on 31 October 2010.

On 14 June 2010, a debenture with a nominal value of CHF 150.0 million was repaid according to schedule.

As of 2011, the US Private Placement will be repaid in five annual tranches. The tranche falling due in the 2011 financial year was reclassified as current financial liabilities.

Composition of non-current financial liabilities as of the balance sheet date:

Financial liabilities	Nominal value as of 31.12.2010 in 1,000	Carrying amount as of 31.12.2010 in 1,000	Duration	Interest rate	Early repayment	Interest payment date
Debenture	CHF 225,000	223,417	2009–2014	4.500%	no	18.2.
Japanese private placement	JPY 37,000,000	419,549	2003–2024	5.730%	no	23.5./23.11.
US private placement	USD 220,000	203,217	2003–2015	4.753%	from 2011	11.4./11.10.
US car park lease	USD 42,711	38,526	2003–2012	3.606%	since 2005	20.12.
Lease liabilities (baggage sorting and handling system)	CHF 47,968	47,968	2003–2020	4.018%	no	1st of each month
Lease liabilities (aircraft energy supply systems)	CHF 11,766	11,766	2003–2020	4.100%	no	1st of each month
Total non-current financial liabilities		944,443				

External loans are subject to standard guarantees and covenants, and these were complied with as of the balance sheet date.

Furthermore, as of the balance sheet date an unused credit facility exists in the amount of CHF 960.0 million (see note 22.1, a) "Financial risk management, ii) "Liquidity risks" and note 22.5, "Related parties").

The maturities of financial liabilities are shown in the table below:

(CHF 1,000)	31.12.2010	31.12.2009
Due within 1 year	93,639	194,465
Due within 2 to 5 years	490,252	551,605
Due in more than 5 years	454,191	502,054
Total financial liabilities	1,038,082	1,248,124

Hedge transactions (with hedge accounting)

The following derivative instruments (cross-currency interest rate swaps) are held by Flughafen Zürich AG to hedge the currency risks associated with interest payments and repayments relating to non-current financial liabilities held in foreign currencies:

Description Duration Contract amount (CHF 1,000)	Japanese private placement 2003–2024 JPY 37,000 million	US private placement 2003–2015 USD 275 million	US car park lease 2003–2012 USD 271 million	Total fair value (gross)	Deferred tax	Total fair value (net)
Fair values						
as of 31 December 2008	89,152	70,864	40,297	200,313	–41,064	159,249
Adjustement to fair value	10,181	21,246	–3,771	27,656	–5,670	21,986
as of 31 December 2009	99,333	92,110	36,526	227,969	–46,734	181,235
Adjustement to fair value	–2,456	24,561	–3,920	18,185	–3,728	14,457
as of 31 December 2010	96,877	116,671	32,606	246,154	–50,462	195,692

In the year under review, the accumulated losses on hedging instruments increased from CHF 181.2 million (after deduction of deferred taxes) to CHF 195.7 million. The fair value of the derivative instruments is recognised under "Other current debt, accruals and deferrals" (see also note 21, "Other current debt, accruals and deferrals").

For hedge accounting purposes, the cross-currency interest rate swaps are divided into two components: one component for hedging currency risks, and the other for hedging interest risks. The hedging of the nominal amounts of foreign currencies is treated as a fair value hedge. Both the foreign exchange difference in the financial liabilities and change in fair value of the foreign currency component of the swaps are recognised in the income statement. The interest component of the swaps is classified as a cash flow hedge. Changes in the fair value of hedging instruments are accordingly recognised in equity (see also "Consolidated statement of changes in equity"). As soon as hedged interest payments are effected, the changes in fair value are transferred to the income statement. The amounts of future cash flows for swaps are presented in the maturities table in note 22.1, a) "Financial risk management, ii) Liquidity risk". The hedges were fully effective during the year under review.

The accumulated foreign exchange differences in the hedged financial liabilities changed as follows in 2010. They correspond to the proportion of the fair value adjustment of the swaps that was recognised in the income statement:

(CHF 1,000)	Japanese private placement	US private placement	US car park lease	Total foreign exchange differences (gross)	Deferred tax	Total foreign exchange differences (net)
as of 31 December 2008	13,625	–74,168	–40,916	–101,459	20,799	–80,660
Foreign exchange differences	–19,999	–8,567	5,860	–22,706	4,655	–18,051
as of 31 December 2009	–6,374	–82,735	–35,056	–124,165	25,454	–98,711
Foreign exchange differences	10,157	–25,959	3,366	–12,436	2,549	–9,887
as of 31 December 2010	3,783	–108,694	–31,690	–136,601	28,003	–108,598

The non-realised gains/losses that are recognised in the hedging reserve as an item in equity, changed as follows in the year under review:

(CHF 1,000)	Gross	Deferred tax	Net
as of 31 December 2008	–98,854	20,264	–78,590
Adjustments to fair value	–14,918	3,058	–11,860
Transfer to income statement	9,970	–2,044	7,926
as of 31 December 2009	–103,802	21,278	–82,524
Adjustments to fair value	–16,673	3,419	–13,254
Transfer to income statement	10,922	–2,239	8,683
as of 31 December 2010	–109,553	22,458	–87,095

Collateral for the above hedge transactions

In the event that the cross-currency interest rate swaps relating to the US private placement and the Japanese private placement should reach a negative fair value that exceeds a given minimum level, Flughafen Zürich AG is required to provide collateral in the form of cash and cash equivalents, securities or letters of credit. As of the balance sheet date the following collateral existed:

(CHF 1,000)	Original currency	2010 Interest rate in %	2009 Interest rate in %	31.12.2010	31.12.2009
Cash and cash equivalents, due within 90 days	CHF	0.02 to 0.12	0.06 bis 0.61	4,068	9,947
Letter of credit, due within 90 days [1]	CHF	0.95 to 1.25	0.75 bis 1.25	180,000	168,000

[1] Here the payable commission is shown instead of the interest rate.

Hedge transactions (without hedge accounting)

The company does not have any such hedge transactions as of the balance sheet date.

Overview of lease liabilities

Lease liabilities include the lease concerning the baggage sorting and handling system and also the aircraft energy supply systems (see note 7, "Changes in non-current assets").

Lease liabilities:

(CHF 1,000)	31.12.2010	31.12.2009
Future minimum lease payments		
Due within 1 year	8,173	7,341
Due within 2 to 5 years	32,692	29,363
Due in more than 5 years	37,918	41,444
Total future minimum lease payments	78,783	78,148
Future interest payments	13,382	14,692
Present value of lease liabilities	65,401	63,456
of which due within 1 year	5,667	4,855
of which due within 2 to 5 years	25,091	21,534
of which due within more than 5 years	34,643	37,067

The interest rates for lease liabilities were fixed in January 2009 and amount to 4.100% (aircraft energy supply systems) and 4.018% (baggage sorting and handling system) as of the balance sheet date.

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

(CHF 1,000)	Sound insulation	Formal expropriations	Total
Provisions as of 31 December 2008	118,794	125,767	244,561
Provision used [1]	–6,033	0	–6,033
Provision reversed	0	0	0
Provision made	0	0	0
Unwinding of discount	2,795	5,031	7,826
Provisions as of 31 December 2009	115,556	130,798	246,354
Provision used [1]	–9,771	0	–9,771
Provision reversed	0	0	0
Provision made	0	57,767	57,767
Unwinding of discount	4,826	3,751	8,577
Provisions as of 31 December 2010	110,611	192,316	302,927

[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 (see note 17, "Airport of Zurich Noise Fund").

Provisions for outstanding sound insulation costs

Flughafen Zürich AG has effectively committed itself to bearing approximately CHF 240.0 million in costs for sound insulation measures, some of which have already been carried out and others which have been announced. As of the balance sheet date, a total of CHF 117.5 million had been paid. The estimated outstanding costs are stated at the present value in the breakdown of provisions shown above. The discount rate is 3.5% (2009: 4.0%).

Provisions for formal expropriations

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date, and taking account of the pre-financing provided by the Canton of Zurich (see "Significant estimates and assumptions in the application of accounting policies", point 1.5, pages 91 to 93), as of the balance sheet date, an amount of CHF 192.3 million was recognised as a provision for "new" noise-related liabilities (nominal amount CHF 231.9 million). This amount takes account of the last-instance court rulings made to date in the various regions around the airport. The discount rate is 3.5% (2009: 4.0%). This provision is based on the recognition of an intangible asset from right of formal expropriation.

With the assumption of the "old" noise-related liabilities by the Canton of Zurich in accordance with the pre-financing solution, the company is no longer required to recognise a provision for these "old" noise related liabilities.

17) Airport of Zurich Noise Fund

Flughafen Zürich AG refinances all costs relating to aircraft noise through special noise charges based on the "originator pays" principle. In the interest of transparency, costs and income generated in connection with aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund. This is a liquidity-based fund. The statement for the fund presents the accumulated surplus or shortfall as of the balance sheet date arising from noise charges, less expenses for formal expropriations, sound insulation measures and noise-related operating costs. Its presentation is independent of the accounting policies. The key figures from the fund statement are shown in the table below.

In the event that the fund statement should show an accumulated income surplus, this surplus will be moved to a special investment account and invested by professional investment institutions on the basis of a conservative, money-market-oriented investment strategy. The income resulting from the investments is credited to the fund statement.

In the event that the accumulated costs should be higher than the accumulated income (i.e. a financing gap should arise), Flughafen Zürich AG has access to a committed credit line in the amount of CHF 200.0 million. This credit facility is reserved exclusively for covering any such financing gap relating to aircraft noise. It is available until 2015. The costs for this credit facility are charged to the fund statement and included under "Operating costs". Any future costs arising in association with the bridging of a financing gap will be charged to the fund statement.

Due to the fact that the amount of CHF 115.4 million was transferred to the Canton of Zurich on 1 July 2008 within the scope of the agreed pre-financing solution (see "Significant estimates and assumptions in the application of accounting policies", point 1.5, pages 91 to 93) and that the Canton also receives a portion of the collected noise charges as of this date, the balance of the Airport of Zurich Noise Fund as of 31 December 2010 concerns 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 plus other information (including an overview of its financial development) may be downloaded from the following website: www.zurich-airport.com/aznf).

The situation of the fund for Flughafen Zürich AG is as follows:

(CHF 1,000)	2010	2009
Airport of Zurich Noise Fund as of 1 January	185,449	161,595
Revenue from noise charges [2]	35,549	32,096
Costs for sound insulation and other measures	-9,771	-6,033
Costs for formal expropriations [3]	-1,036	-767
Net result before operating costs and financial result	210,191	186,891
Noise-related operating costs	-4,349	-4,667
Interest income from financial assets of Airport of Zurich Noise Fund	4,489	3,377
Adjustments to fair value of financial assets (available-for-sale-securities)	-1,358	-24
Gains/losses on financial assets	77	-128
Airport of Zurich Noise Fund as of 31 December	209,050	185,449

[1] Excluding the proportion of collected noise charges for the Canton of Zurich as of 1 July 2008.
[2] In addition to compensation payments for formal expropriations, this amount includes other associated external costs (in accordance with regulations of the Airport of Zurich Noise Fund; see note 16. "Non-current provisions for sound insulation and formal expropriations").

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

(CHF 1,000)	31.12.2010	31.12.2009
Cash equivalents (see note 13, "Cash and cash equivalents")	3,889	7,013
Current available-for-sale securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")	57,628	80,334
Non-current available-for-sale securities (see note 8, "Financial assets of Airport of Zurich Noise Fund")	150,904	97,922
Accrued asset/(liability) towards Flughafen Zürich AG [1]	-3,371	180
Total assets invested for Airport of Zurich Noise Fund	209,050	185,449

[1] For accounting reasons, an accrual (deferral) 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.

The table below presents an overview of the maturities and credit ratings of the invested funds of the Airport of Zurich Noise Fund:

(CHF 1,000)	2011	2012	2013	2014	Total	in %
Cash and cash equivalents	3,889	0	0	0	3,889	1.86
AAA	27,262	33,450	21,925	7,608	90,245	43.17
AA+/AA/AA-	16,455	21,178	24,941	9,340	71,914	34.40
A+/A/A-	13,911	18,213	14,249	0	46,373	22.18
Other [1]	-3,371	0	0	0	-3,371	-1.61
Total assets invested for Airport of Zurich Noise Fund	58,146	72,841	61,115	16,948	209,050	100.00
in %	27.82	34.84	29.23	8.11	100.00	

[1] For accounting reasons, an accrual (deferral) 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.

18) 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 anticipates an applicable tax rate of 20.5% (2009: 20.5%). The expected tax rate is calculated on the basis of the applicable rate (rounded up or down) at the domicile of Flughafen Zürich AG (Kloten, Canton of Zurich).

The balance of deferred tax liabilites changed as follows:

(CHF 1,000)	2010	2009
Opening balance (deferred tax liability, net) as of 1 January	102,955	96,459
Deferred taxes on adjustments to fair value of cross-currency interest rate swaps recognised in hedging reserve	-3,419	-3,058
Cross-currency interest rate swaps - transfer to income statement	2,239	2,044
Change according to income statement	-3,291	7,510
Deferred tax liability, net as of 31 December	98,484	102,955

Deferred tax is allocated to the following balance sheet items:

		31.12.2010		31.12.2009
(CHF 1,000)	Assets	Liabilities	Assets	Liabilities
Buildings and movables		48,002		54,727
Renovation fund		26,568		25,441
Aircraft noise		40,177		37,283
Financial liabilities transaction costs		2,314		2,772
Financial liabilities issuing costs		3,424		3,554
Cross-currency interest rate swaps	50,462		46,734	
Private placements and liabilities from US car park lease		28,003		25,454
Miscellaneous items		458		458
Deferred tax (gross)	50,462	148,946	46,734	149,689
Offsetting of assets and liabilities	-50,462	-50,462	-46,734	-46,734
Deferred tax liability (net)	0	98,484	0	102,955

As of 31 December 2010, the subsidiaries of Flughafen Zürich AG had total losses brought forward of CHF 4.1 million to be offset against taxes. Deferred tax assets on these losses have not been recognised since it is not probable that future taxable profit will be available against which the group can utilise the benefits. Of the total amount cited above, CHF 0.4 million expires in 2011, CHF 2.4 million in 2012, CHF 0.5 million in 2014, CHF 0.3 million in 2015, CHF 0.3 million in 2016 and CHF 0.2 million in 2017.

19) Deferred revenue

Deferred revenue from utilisation fees
Utilisation fees were billed for one year in 2006 and suspended as of 1 January 2007. In 2007 a legally binding court ruling went largely in favour of Flughafen Zürich AG, confirming that the collection of utilisation fees from companies providing ground handling services was lawful. As a consequence, from the total of CHF 10.0 million invoiced in the 2006 financial year, CHF 6.4 million were recognised in the 2007 income statement as other expenses/income, net.

As before, an amount of CHF 1.1 million from invoiced utilisation fees (as at 31 December 2009) has not been included. These invoiced amounts have been deferred, since one partner disputed the legality of the collection of utilisation fees. In the course of the 2010 financial year, an out-of-court settlement was reached with the counterparty, and the deferred amount was recognised in the income statement.

20) Employee benefit obligations

The employee benefit obligation reported for the year under review refers to the special plan with the BVK for compensation for early retirements.

Balance sheet

(CHF 1,000)	31.12.2010	31.12.2009
Provision for employee benefit oblitations, present value	3,379	3,444
Unrecognised actuarial gains/(losses)	1,430	1,377
Unrecognised past service cost	-876	-1,113
Liability on balance sheet	3,933	3,708

Income statement

(CHF 1,000)	2010	2009
Interest expenses	112	109
Expense recognised in income statement	112	109

All pension fund costs are reported as personnel expenses (see note 2, "Personnel expenses").

Change in provisions for employee benefit obligations in the balance sheet

(CHF 1,000)	2010	2009
Opening balance as of 1 January	3,708	3,443
Expense recognised in income statement	112	109
Benefits paid in directly by employer	-453	-656
Recognition of unrecognised past service cost	1,113	1,065
Unrecognised actuarial (gains)/losses	-547	-253
Closing balance as of 31 December	3,933	3,708

(CHF 1,000)	2010	2009
Experience adjustments	-677	-531

The calculation of provisions for employee benefits was based on the following assumptions:

	2010	2009
Discount rate in %	2.70	3.50
Expected future pension increase in %	1.00	1.00

21) Other current debt, accruals and deferrals

(CHF 1,000)	31.12.2010	31.12.2009
Expenses not invoiced	34,527	34,410
Accrued interest on financial liabilities	15,567	18,094
Investments not invoiced	14,551	10,689
Deferred income	4,336	4,993
Deferred income and accruals	68,981	68,186
Fair value of cross-currency interest rate swaps [1]	246,154	227,969
Amounts due to personnel (holidays and overtime)	4,090	5,273
Deposits and advance payments by customers	1,214	4,574
Current provisions	2,400	2,400
Social security contributions	2,145	1,128
Other liabilities	1,261	1,625
Total other current liabilities, accruals and deferrals	326,245	311,155

[1] See also note 15, "Financial liabilities".

The following financial instruments are included in other current debt, accruals and deferrals:

(CHF 1,000)		31.12.2010		31.12.2009
Expenses not invoiced	34,527		34,410	
Accrued interest on financial liabilities	15,567		18,094	
Investments not invoiced	14,551		10,689	
Total liabilities carried at amortised cost		64,645		63,193
Fair value of cross-currency interest rate swaps [1]	246,154		227,969	
Total financial instruments held for hedging purposes		246,154		227,969
Amounts due to personnel (holidays and overtime)	4,090		5,273	
Deposits and advance payments by customers	1,214		4,574	
Deferred income	4,336		4,993	
Current provisions	2,400		2,400	
Social security contributions	2,145		1,128	
Other liabilities	1,261		1,625	
Total other current liabilities, accruals and deferrals excluding financial instruments		15,446		19,993
Total other current liabilities, accruals and deferrals		326,245		311,155

[1] See also note 15, "Financial liabilities".

The expenses not yet invoiced as of the balance sheet date mainly concern purchases effected in the fourth quarter of 2010 or in December 2010 that will be invoiced by the suppliers concerned in early 2011.

22) Further details

22.1) Information concerning the performance of a risk assessment

Flughafen Zürich AG has set itself the strategic goal of formulating a comprehensive risk management system and is committed to carrying out uniform and systematic risk management.

For Flughafen Zürich AG, risk management means approaching and managing risk in a clearly defined and conscious manner, thereby securing transparency in regard to all risks associated with its business activities, and constantly improving and monitoring the group's risk situation.

At Flughafen Zurich AG the risk management system is a valuable practical tool for managing corporate risk. It comprises the following components:

- Risk policy objectives and principles
- Risk management organisation
- Risk management process (method for managing risk)
- Risk reporting and risk dialogue
- Auditing and review of the risk management system
- Risk culture

The risk management organisation forms the backbone of this system and includes the following units and functions:

Board of Directors, Management Board and Chief Risk Officer
The Board of Directors and Management Board have the overall responsibility under Swiss company law for securing the group's existence and profitability. The Board of Directors is responsible for the overall supervision of risk management and performs this duty with the aid of internal audits. The Chief Financial Officer is simultaneously the Management Board's risk management officer (Chief Risk Officer)

Risk Management Centre
The Risk Management Centre is run by the Head of Risk Management and Insurance, who reports to the Chief Risk Officer. The Risk Management Centre supports line management in all matters relating to risk management and is responsible for the operation and continued development of the risk management system.

Line management (divisions and corporate centres)
Line units and individual line managers bear the responsibility for risks and manage these risks within the framework of the risk management system (risk owner concept).

Specialised units
Specialised units perform specific risk-related cross-divisional functions within the group (e.g. liquidity management, operational safety, occupational safety and health, information security, fire prevention, contingency planning) co-ordinated through the Risk Management Centre.

The risk management organisation periodically reviews the risk management system in order to ensure that any changes in the commercial and regulatory environment, and in the corporate structure, are adequately reflected.

Risk reporting encompasses detailed descriptions of each identified risk, together with an assessment of the probability of occurrence as well as of potential operational and financial impacts. A plan of measures is also defined, which outlines how each identified risk can be minimised. The risk management organisation constantly monitors the implementation of the defined measures.

a) Financial risk management
Due to the nature of its activities, Flughafen Zürich AG is exposed to various financial risks, including:

i) Credit risk
ii) Liquidity risk
iii) Market risk (foreign currency and interest rate risks)

The following sections provide an overview of the extent of the various financial risks and the objectives, principles and processes relating to the assessment, monitoring and hedging of risks, as well as of the capital management of the group. Further information may also be found in the corresponding notes.

i) Credit risk
Credit risk refers to the risk that Flughafen Zürich AG could incur losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash and cash equivalents, accruals, trade receivables and other financial assets are exposed to credit risk.

Flughafen Zürich AG invests its cash and cash equivalents as deposits with major Swiss banks with at least an "A" rating (Standard & Poor's). In addition, the company minimises other risks relating to cash and cash equivalents in that it does not invest with a single bank, but with a variety of financial service providers.

As a rule, accruals as of the balance sheet date are invoiced within one month and subsequently monitored within the scope of trade receivables management.

With the exception of Swiss as the main client, credit risk is distributed over a broad clientele. Trade receivables include the amount of CHF 31.4 million due from Swiss (2009: CHF 46.0 million) (see section 11, Trade receivables). In the period between the balance sheet date and the preparation of the 2010 annual report, Swiss had paid the outstanding amount in full as of 31 December 2010.

The exposure to credit risk primarily depends on the individual characteristics of each client. Risk assessments include a creditworthiness check, taking account of the client's financial circumstances, business background and other factors. The maturity structure of trade receivables is normally examined on a weekly basis. Where necessary, terms of payment aimed at minimising risk (normally proforma invoicing) are applied, or securities are requested (mainly in the form of bank guarantees).

The financial investments of the Airport of Zurich Noise Fund are managed by professional financial institutions on the basis of a conservative, money-market-oriented investment strategy. Here, preservation of value and flexibility with respect to early redemption of investments are of the highest priority. The use of derivative financial instruments is forbidden. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund, and averages two to four years. The minimum acceptable rating is BBB (Standard & Poor's) or Baa2 (Moody's), or an equivalent rating from a recognised agency (see note 17, "Airport of Zurich Noise Fund").

The maximum exposure to credit risk corresponds to the carrying amounts of the individual financial assets. No guarantees or similar commitments exist that could give rise to an increase of the credit exposure above the respective carrying amounts. The maximum exposure to credit risk as of the balance sheet date was as follows:

(CHF 1,000)	31.12.2010	31.12.2009
Cash equivalents (excluding cash on hand)	73,430	231,482
Non-current financial assets of Airport of Zurich Noise Fund	150,904	97,922
Trade receivables, net	82,860	114,687
Current financial assets of Airport of Zurich Noise Fund	57,628	80,334
Other receivables (accruals)	17,616	17,721
Other financial assets	11	11
Total maximum exposure to credit risk	382,449	542,157

ii) Liquidity risk
Liquidity risk refers to the risk that Flughafen Zürich AG may not be able to meet its financial obligations on due date.

Flughafen Zürich AG monitors liquidity risk via a carefully conceived liquidity management process. Here it observes the principle that it must have sufficient flexibility and room for manoeuvre with respect to the availability of liquid funds at short notice. This means maintaining an adequate reserve of liquid funds, ensuring the availability of sufficient funds for financing purposes by securing adequate credit limits, and being able to issue shares on the market. For this purpose, the company uses rolling liquidity planning that is based on expected cash flows and is periodically updated. Group Treasury is responsible for monitoring liquidity risk. As of the balance sheet date, Flughafen Zürich AG had the following unused credit limits at its disposal:

(CHF 1,000)	Duration	31.12.2010	31.12.2009
Canton of Zurich	19.7.2012	640,200	659,600
Operating credit lines (committed credit lines) 1)	31.12.2010	300,000	300,000
Airport of Zurich Noise Fund (committed credit lines)	31.12.2015	200,000	200,000
Total credit lines		1,140,200	1,159,600
Utilisation 2)		–180,192	–169,322
Total unused credit lines		960,008	990,278

1) As of 8 September 2010, the duration of the operating credit lines was extended until 31 December 2012.
2) Letter of credit and bank guarantees.

The table below shows the contractual maturities of financial liabilities (including interest payments) held by Flughafen Zürich AG:

31.12.2010 (CHF 1,000)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
Japanese private placement	419,549	577,462	11,297	45,187	520,978
US private placement	253,960	297,736	66,056	231,680	0
Debentures	223,417	265,500	10,125	255,375	0
US car park lease	75,755	84,009	42,242	41,767	0
Lease liabilities	65,401	78,783	8,173	32,692	37,918
Trade payables	40,313	40,313	40,313	0	0
Other current liabilities and accruals	64,645	64,645	64,645	0	0
Total non-derivative financial liabilities	1,143,040	1,408,448	242,851	606,701	558,896
Cross-currency interest rate swaps	246,154	312,858	51,512	156,417	104,929
Total derivative financial liabilities	246,154	312,858	51,512	156,417	104,929
Total	1,389,194	1,721,306	294,363	763,118	663,825

31.12.2009 (CHF 1,000)	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years
Japanese private placement	409,131	595,144	12,438	49,751	532,955
US private placement	279,282	345,717	17,915	269,408	58,394
Debentures	372,784	430,313	164,813	265,500	0
US car park lease	123,472	139,503	47,010	92,493	0
Lease liabilities	63,456	78,148	7,341	29,363	41,444
Trade payables	33,407	33,407	33,407	0	0
Other current liabilities and accruals	63,192	63,192	63,192	0	0
Total non-derivative financial liabilities	1,344,724	1,685,424	346,116	706,515	632,793
Cross-currency interest rate swaps	227,969	291,516	22,453	135,562	133,501
Total derivative financial liabilities	227,969	291,516	22,453	135,562	133,501
Total	1,572,693	1,976,940	368,569	842,077	766,294

iii) Market risk (foreign currency and interest rate risks)

Market risk refers to the risk that changes in market prices such as exchange rates and interest rates could have an impact on the financial result or the value of the financial instruments.

The objective of market risk management is to monitor and control such risks in order to ensure they do not exceed a specified limit.

iiia) Currency risk

Currency risks arise in association with transactions that are carried out in currencies that differ from the respective functional currencies of the group's entities.

Flughafen Zürich AG is exposed to currency risk in connection with the following financial transactions: private placements in US dollars and Japanese yen, and liabilities in US dollars towards banks arising from the US car park lease. The currency risk on the Japanese private placement has been largely hedged, and the currency risk on the US private placement and the US car park lease has been fully hedged. In the area of operations, virtually all of the group's transactions are in Swiss francs, which means that no further currency risks need to be hedged.

The table below shows the currency risks arising from financial instruments in currencies other than Swiss francs:

		31.12.2010		31.12.2009
(CHF 1,000)	Yen	US dollars	Yen	US dollars
Current financial liabilities	0	87,972	0	39,785
Debentures and non-current loans	419,549	241,743	409,131	362,969
Cross-currency interest rate swaps	8,821	296,244	7,228	248,671
Total	428,370	625,959	416,359	651,425

An appreciation or depreciation in the exchange rate of the Swiss franc by 10% against the currencies below as of 31 December 2010 would have increased or decreased equity and profit by the amounts in the table below.

This analysis assumes that all other variables – in particular interest rates – are unchanged. The analysis for 2009 was based on the same assumptions.

	Appreciation of CHF (plus 10%)		Depreciation of CHF (minus 10%)	
(CHF 1,000)	Equity	Profit	Equity	Profit
Yen	28,191		-23,338	
US dollars	-5,601		13,484	
31 December 2010	22,590	0	-9,854	0

	Appreciation of CHF (plus 10%)		Depreciation of CHF (minus 10%)	
(CHF 1,000)	Equity	Profit	Equity	Profit
Yen	28,139		–24,181	
US dollars	–6,805		17,021	
31 December 2009	21,334	0	–7,160	0

iiib) Interest rate risk

Interest rate risk can be divided into an interest-related cash flow risk, i.e. the risk that future interest payments could change due to fluctuations of the market interest rate, and an interest-related risk of a change in fair value, i.e. the risk that the fair value of an instrument could change due to fluctuations in the market interest rate.

Preference is normally given to external financing denominated in Swiss francs and subject to fixed interest rate payments. However, if external financing in foreign currencies is obtainable at more attractive conditions, both the currency and the interest rate risk are hedged. With foreign currency transactions the aim is to hedge the cash flows in Swiss francs.

All non-current financing transactions have been concluded at a fixed interest rate. The risk on short-term variable advances is hedged on a case-to-case basis using interest rate swaps.

The financial assets of Airport of Zurich Noise Fund are primarily invested in fixed-rate debt instruments. The use of derivative financial instruments is not permitted.

As of the balance sheet date, Flughafen Zürich AG's interest rate profile was as follows (interest-bearing financial instruments):

(CHF 1,000)		31.12.2010		31.12.2009
Fixed-interest financial assets of Airport of Zurich Noise Fund	208,532		178,256	
Fixed-interest financial instruments (assets)		208,532		178,256
Cash and cash equivalents	69,753		224,680	
Liquid funds of Airport of Zurich Noise Fund	3,889		7,013	
Variable-interest financial instruments (assets)		73,642		231,693
Total interest-bearing assets		282,174		409,949
Japanese private placement	–419,549		–409,131	
US private placement	–253,960		–279,282	
Debentures	–223,417		–372,784	
US car park lease	–75,755		–123,472	
Cross-currency interest rate swaps	–246,154		–227,969	
Lease liabilities	–65,401		–63,456	
Fixed interest financial instruments (liabilities)		–1,284,236		–1,476,094
Total interest-bearing liabilities		–1,284,236		–1,476,094

The table below shows the sensitivity analysis for variable and fixed-rate financial instruments with a deviation of 50 basis points:

	Increase by 50 bp		Decrease by 50 bp	
(CHF 1,000)	Equity	Profit	Equity	Profit
Variable-interest rate financial instruments	0	293	0	–76
Fixed-interest financial instruments	2,048	0	1,268	0
31 December 2010	2,048	293	1,268	–76
Variable-interest rate financial instruments	0	921	0	–315
Fixed-interest financial instruments	8,711	0	–3,695	0
31 December 2009	8,711	921	–3,695	–315

b) Fair values
The figures shown in the balance sheet concerning cash and cash equivalents, trade receivables, other current receivables and current debt approximately correspond to fair values.

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

Derivatives: The fair value of the cross currency interest rate swap is determined using a fair value model.

Financial liabilities: The fair value of the 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 balance sheet date.

(CHF 1,000)	Carrying amount 31.12.2010	Fair value 31.12.2010	Carrying amount 31.12.2009	Fair value 31.12.2009
Debentures	223,417	243,675	372,784	393,450
Japanese private placement	419,549	359,285	409,131	368,696
US private placement	253,960	266,229	279,282	299,066
US car park lease	75,755	79,234	123,472	129,082
Total	972,681	948,423	1,184,669	1,190,294

c) Categories of financial instruments
The following table shows the carrying amounts of all financial instruments per category:

(CHF 1,000)		31.12.2010		31.12.2009
Cash (excl. cash on hand), call and fixed deposits and collateral	73,430		231,482	
Trade receivables, net	82,860		114,687	
Other receivables and prepaid expenses	16,567		17,162	
Other financial assets	11		11	
Total loans and receivables		172,868		363,342
Current and non-current financial assets of Airport of Zurich Noise Fund	208,532		178,256	
Total available-for-sale financial assets		208,532		178,256
Financial liabilities	–1,038,082		–1,248,124	
Trade payables, net	–40,313		–33,407	
Other current liabilities and prepaid expenses, excluding derivatives and non-financial instruments	–64,645		–63,192	
Total liabilities carried at amortised cost		–1,143,040		–1,344,723
Other current liabilities (cross-currency interest rate swap)	–246,154		–227,969	
Total financial instruments held for hedging purposes		–246,154		–227,969

d) Fair value hierarchy of financial instruments
Since 1 January 2009, financial assets and liabilities recognised at fair value have been categorised according to the following hierarchy, reflecting the significance of the input factors used for measuring fair value:

Level 1, quoted market prices – The input factors for valuing the assets or liabilities are quoted, unadjusted market prices determined on active markets for identical assets or liabilities on the day of valuation.

Level 2, valuation based on observable input factors – The assets or liabilities are valued on the basis of input factors (with the exception of the quoted market prices, level 1), which are directly or indirectly observable from market data for the asset or liability in question.

Level 3, valuation based on unobservable input factors – The input factors for these assets or liabilities are not observable. Flughafen Zürich AG does not have any assets or liabilities on this level.

Assets/liabilities (CHF 1,000)	Level 1 (quoted market prices)	Level 2 (Valuation based on observable input)	Level 3 (Valuation based on unobservable input)	Total at fair value 31.12.2010
Available-for-sale securities				
Debt instruments Airport of Zurich Noise Fund	208,532	0	0	208,532
Other financial liabilities				
Derivative financial instruments	0	–246,154	0	–246,154

e) Capital management
With respect to capital management, Flughafen Zürich AG pays special attention to securing the continuation of the group's activities, attaining an acceptable dividend for shareholders and optimising the balance sheet structure, particularly in periods of major investment activity, taking account of capital costs. In order to achieve these objectives, Flughafen Zürich AG can adjust the amount of the dividend payment or repay capital to shareholders.

Flughafen Zürich AG constantly monitors the following key financial data: equity ratio, debt ratio and interest coverage. Here it is especially important to ensure that the ratio between debt and equity is in line with the budgetable cash flows and investments, and tends towards the conservative side. In this way a high degree of entrepreneurial flexibility can be assured at all times, including when unforeseeable events occur.

The necessary quantity of own shares may be held for the purpose of employee and bonus programmes, but accumulating several years worth of own shares for the purposes of participation programmes is not allowed. Holding own shares to use as payment for acquisitions (exchange of shares in the event of possible take-overs) is forbidden, and own shares may also not be held for the purpose of speculation with respect to higher sale prices. The cumulative proportion of own shares may in no case exceed 10%.

22.2) Tenancy agreements

The tenancy agreements entered into by the group in its capacity as landlord may be either fixed tenancy or turnover-based agreements.

Fixed tenancy agreements
These are divided into limited-term and indefinite agreements. The latter may be terminated within the normal legal period of notice of six months.

Turnover-based agreements
New tenancy agreements were concluded with all business partners occupying commercial areas which have been rented since 2003 on a turnover basis (this did not include transfer to new premises). These new agreements generally comprise a fixed basic rent plus a turnover-based portion, with a fixed duration of five years and the option of extension for another two years. The already existing turnover-based tenancy agreements may be terminated within the period of one year.

22.3) Capital commitments

As of the balance sheet date, capital commitments exist for various engineering structures amounting to approximately CHF 252 million. The most significant capital commitments concern the construction of the new Dock B (CHF 88 million) and the new central security check building (CHF 77 million).

Within the framework of the airport participation in Venezuela, the syndicate, in which Flughafen Zürich AG holds a 49.5% share, has entered into an agreement with the local government to implement an investment programme worth a total of USD 34 million over the next 20 years. The investments in question will only be made if certain basic conditions are fulfilled and will be largely financed from the expected operating cash flows. As long as no agreement can be reached in the legal dispute (expropriation) with the local government, all capital commitments are suspended (see note 9, "Investments in associates").

22.4) Contingent liabilities

A number of legal proceedings and claims against Flughafen Zürich AG within the context of normal business activities are still pending. The company does not expect the amount required for settling these lawsuits and claims to have a significant negative impact on the consolidated financial statements and cash flow of Flughafen Zürich AG.

If, on the basis of future legal practice, total noise-related costs in the worst case ("negative case") should ultimately be below the applicable threshold (see "Significant estimates and assumptions in the application of accounting policies", point 1.5, pages 91 to 93), 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 make adjustments to the noise-related costs on both the asset and liability sides of the balance sheet.

Depending on future and final-instance legal judgments, especially with respect to southern approaches, the "new" noise-related liabilities in future may also be subject to substantial adjustments, which would also require corrections in 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 split of noise charges would presumably continue to apply. 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 amortisation period or the corresponding provision.

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

22.5) Related parties

Related parties are:

- Canton of Zurich
- Members of the Board of Directors
- Members of the Management Board
- Associates

The Canton of Zurich has contractually agreed with Flughafen Zürich AG to assume the pre-financing for "old" aircraft noise compensation payments. Furthermore, the Canton of Zurich has granted Flughafen Zürich AG a credit facility with a duration of 10 years (2002–2012) within the scope of a framework credit agreement. The maximum available amount of this credit facility corresponds to the total investments in engineering structures relating to expansion stage 5, after adjustment for the depreciation to be carried out on these investments. The credit facility limit was CHF 640.2 million as of 31 December 2010. It is presently not being used.

a) Remuneration of related parties

In the year under review, the following amounts were paid to related parties in the form of remuneration:

Board of Directors in 2010:

(CHF) Recipient	Function	Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions	Total
Andreas Schmid	Chairman	150,000	22,500	10,000	15,000	12,439	209,939
Lukas Briner	Vice Chairman	60,000	22,500	5,000	10,000	6,494	103,994
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	22,500	10,000	12,500	5,994	95,994
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	22,500	10,000	5,000	4,755	87,255
Martin Wetter	Member	45,000	22,500	5,000	12,500	5,661	90,661
Ulrik Svensson	Member	45,000	22,500	5,000	2,500	4,995	79,995
Elmar Ledergerber [1)]	Member	25,500	22,500	0	0	1,766	49,766
Rita Fuhrer (until 30.4.2010) [2)]	Member	0	3,000	0	0	200	3,200
Ernst Stocker (from 1.5.2010) [2)]	Member	0	6,500	0	0	433	6,933
Total		415,500	167,000	45,000	57,500	42,737	727,737

[1)] In addition, a lump sum of CHF 24,500 was paid to the City of Zurich.
[2)] In addition, a lump sum of totally CHF 65,500 was paid to the Department of Economics of the Canton of Zurich.

Board of Directors in 2009:

(CHF) Recipient	Function	Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions	Total
Andreas Schmid	Chairman	150,000	20,000	10,000	10,000	11,512	201,512
Lukas Briner	Vice Chairman	60,000	20,000	5,000	7,500	5,935	98,435
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	20,000	10,000	7,500	5,293	87,793
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	17,500	10,000	5,000	4,972	82,472
Martin Wetter	Member	45,000	20,000	5,000	7,500	4,972	82,472
Ulrik Svensson	Member	45,000	17,500	5,000	5,000	0	72,500
Elmar Ledergerber [1)]	Member	18,000	17,500	0	5,000	2,598	43,098
Rita Fuhrer [2)]	Member	0	4,000	0	0	257	4,257
Total		408,000	136,500	45,000	47,500	35,539	672,539

[1)] In addition, a lump sum of CHF 32,000 was paid to the City of Zurich.
[2)] In addition, a lump sum of CHF 58,500 was paid to the Department of Economics of the Canton of Zurich.

There is no share or option programme for the Board of Directors (see note 2, "Personnel expenses"). No severance payments or other non-current payments were made in 2009 or 2010.

Management Board in 2010:

Remuneration of members of the Management Board was effected as shown in the table below. The bonus (cash and share components) is accrued for the year under review, and payment is made in spring in the following year. Any salary adjustments take effect on 1 May.

(CHF) Recipient	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses [1]	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Thomas E. Kern	380,000	253,333	126,667	145,921	26,479	932,400	332	382.00
Other members of the Management Board	1,218,581	432,849	192,850	389,374	103,121	2,336,775	505	382.00
Total	1,598,581	686,182	319,517	535,295	129,600	3,269,175	837	

[1] Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social security and staff benefit schemes.

The number of shares indicated above for the bonus portion is based on the share price as of the end of the year. The definitive number of shares is calculated on the basis of the share price at the grant date. These shares are blocked for a period of four years (see also "Notes to the consolidated financial statements", note 2, "Personnel expenses"). No severance payments or other non-current payments were made in 2010.

Management Board in 2009:

(CHF) Recipient	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses [1]	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Thomas E. Kern	370,000	308,333	154,167	139,490	26,478	998,468	495	311.25
Other members of the Management Board	1,283,333	548,829	274,414	397,974	111,641	2,616,191	882	311.25
Total	1,653,333	857,162	428,581	537,464	138,119	3,614,659	1,377	

[1] Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social security and staff benefit schemes.

The final amount paid to the Management Board for 2009 was CHF 3.8 million.

Amount paid to the Canton of Zurich police force:

In the year under review, the Canton of Zurich police force was reimbursed at market conditions for services rendered for a total amount of CHF 94.3 million (2009: CHF 92.8 million) in accordance with the service level agreement.

b) Shares held by related parties

As of the balance sheet date, members of the Board of Directors and related parties held the following number of shares:

Name	Function	Number of shares as of 31.12.2010	Number of shares as of 31.12.2009
Andreas Schmid	Chairman	4	4
Lukas Briner	Vice Chairman	21	21
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	13	13
Martin Candrian	Member; Chairman of the Audit & Finance Committee	375	375
Martin Wetter	Member	0	0
Ulrik Svensson	Member	0	0
Elmar Ledergerber	Member	110	110
Rita Fuhrer (until 30.4.2010)	Member	n/a	0
Ernst Stocker (from 1.5.2010)	Member	0	n/a
Total		523	523

As of the balance sheet date, members of the Management Board and related parties held the following number of shares:

Name	Number of shares as of 31.12.2010	Number of shares as of 31.12.2009
Thomas E. Kern	1,101	690
Peter Eriksson (until 31.12.2010)	n/a	1,534
Rainer Hiltebrand (until 31.3.2010)	n/a	1,259
Daniel Schmucki	560	415
Michael Schallhart	181	32
Stephan Widrig	364	214
Stefan Conrad (from 1.6.2010)	0	n/a
Total	2,206	4,144

Neither members of the Board of Directors nor the Management Board held options on the company's shares as of the balance sheet date.

22.6) Composition of the group

In the year under review, the group comprises the following companies:

Company	Domicile	Share capital		Stake held in %
Flughafen Zürich AG	Kloten	CHF ,000	307,019	Parent company
Unique Betriebssysteme AG	Kloten	CHF ,000	100	100.0
APT Airport Technologies AG	Kloten	CHF ,000	1,800	100.0
Zurich Airport International AG (formerly Unique Airports Worldwide AG)	Kloten	CHF ,000	100	100.0
Unique Chile S.A.	Santiago de Chile	CLP million	4,325	100.0

In addition, the following associates and joint ventures are included by applying the equity method:

Company	Domicile	Share capital		Stake held in %
Bangalore International Airport Ltd.	Bengaluru	INR million	3,846	5.0
Unique IDC Operaciones Ltda.	Santiago de Chile	CLP million	2,360	49.5
A-port S.A	São Paulo	BRL million	117	15.0
Concessionária do Estacionamento de Congonhas S.A.	São Paulo	BRL million	17	12.0
Curaçao Airport Investments N.V.	Curaçao	USD million	17	7.7
A-port Chile S.A.	Santiago de Chile	CLP million	9,770	15.0
Concesión Aeropuerto El Tepual S.A.	Santiago de Chile	CLP million	706	15.0
Concesión Aeropuerto La Florida S.A.	Santiago de Chile	CLP million	970	15.0
Concesión Aeropuerto El Loa S.A.	Santiago de Chile	CLP million	641	15.0
Sociedad Concesionaria Aeropuerto Puerto Montt S.A.	Santiago de Chile	CLP million	1,010	5.0
A-port Operaciones S.A.	Santiago de Chile	CLP million	1,724	32.6
A-port Operaciones Colombia S.A.S.	Bogotá	COP million	100	32.6
Unique IDC S.A. de C.V.	Tegucigalpa	HNL ,000	40	32.6
Administradora Unique IDC C.A.	Porlamar	VEB million	25	49.5
Aeropuertos Asociados de Venezuela C.A.	Porlamar	VEB million	10	49.5

22.7) Notes to service concession agreements

The Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) awarded Flughafen Zürich AG the operating licence for Zurich Airport for 50 years from 1 June 2001 to 31 May 2051.

Main conditions
The licence encompasses the operation of an airport in accordance with the provisions of the ICAO (International Civil Aviation Organisation) governing domestic, international and intercontinental civil aviation services.

Flughafen Zürich AG is authorised and obliged to operate Zurich Airport for the entire period cited in the operating licence, and to provide and maintain the necessary infrastructure for this purpose. To accomplish this, it is entitled to collect fees from all users of the airport.

Furthermore, Flughafen Zürich AG is authorised to assign specific rights and obligations arising from the operating licence to third parties. Insofar as they concern activities relating to airport operations such as refuelling, aircraft handling, passenger handling, baggage sorting and handling, mail and freight handling, and catering, these rights and obligations shall be subject to the provisions of public law. Flughafen Zürich AG regulates rights and obligations it has assigned to third parties in the form of binding entitlements (concessions).

Obligations
The licence holder is obliged to grant access to the airport to all aircraft that are licensed to provide domestic and international fights. The volume of fight traffic and handling of licensed aircraft are governed by the regulations laid down in the Sectoral Aviation Infrastructure Plan (SAIP) and the provisions of the operating regulations.

The licence holder is obliged to implement all measures relating to regulations governing the use of German air space for landings at, and take-offs from, Zurich Airport without delay, and to submit the necessary applications for approval by the authorities in good time. The licence holder is empowered and obliged to enforce sound insulation measures and to implement them where they are not the subject of dispute.

The provision whereby the licence holder shall meet all obligations to which it is bound through clauses of the civil aviation treaty between Germany and Switzerland without entitlement to compensation was declared null and void in response to an objection lodged by Flughafen Zürich AG.

Assignment of parts of operating licence to third parties
As part of the bilateral agreements that came into effect on 1 June 2002, the EU ground handling guidelines (Directive 96/67/EU dated 15 October 1996 concerning free access for ground handling service providers to airports within the EU) also became applicable to Switzerland. The principles governing the granting of rights for carrying out ground handling activities are defined in the operating regulations of Flughafen Zürich AG. As a consequence, licences for ground handling operations in areas in which the number of admissible service providers has to be limited have been awarded on the basis of tender procedures and will run until the end of 2011.

22.8) Events occurring after the balance sheet date

The Board of Directors authorised the 2010 consolidated financial statements for issue on 4 March 2011. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2010 and the date on which the consolidated financial statements were authorised for issue by the Board of Directors which would require the modification of any of the carrying amounts of the assets and liabilities of the group or which would have to be disclosed here.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of Flughafen Zürich AG.

As statutory auditor, we have audited the consolidated financial statements of Flughafen Zürich AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes (pages 78 to 124) for the year ended 31 December 2010.

Board of Directors’ Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Emphasis of Matter
We draw attention to the disclosure regarding “2. Impact of the current risk situation on the financial position, the results of operations and the cash flows” as part of “Valuation uncertainties and significant estimates and assumptions in the application of accounting policies” on page 93 in the notes to the consolidated financial statements. The uncertainties and risks referred to therein that are largely beyond the company’s influence, could have significant effects on the nature and scope of the business activities and thus on the financial position, the results of operations and the cash flows. At present such impact cannot be conclusively determined. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Marc Ziegler Licensed Audit Expert Auditor in Charge	Philipp Hallauer Licensed Audit Expert

Zurich, 4 March 2011

Income statement
(Financial statements according to the provisions of the Swiss Code of Obligations)

(CHF 1,000)	Notes	2010	2009
Revenue from goods and services		855,710	812,535
Total revenue		855,710	812,535
Personnel expenses		-157,513	-152,929
Police and security		-114,549	-113,458
Expenses for sound insulation and formal expropriations	(8)	-26,123	-26,634
Maintenance		-29,549	-28,937
Sales, marketing, administration		-30,272	-37,647
Energy and waste		-24,359	-24,553
Other operating expenses		-52,937	-43,688
Cost of materials used		-13,250	-11,490
Deposits into renovation fund		-5,500	-5,500
Ordinary profit before depreciation and amortisation, interest and tax		401,658	367,699
Depreciation and amortisation		-154,486	-199,751
Ordinary profit before interest and tax		247,172	167,948
Finance result, net	(1)	-62,133	-67,185
Gain on disposal of shares in associate	(2)	0	98,644
Extraordinary result, net	(3)	-34	-2,297
Profit before tax		185,005	197,110
Tax	(6)	-39,677	-40,992
Profit for the year		145,328	156,118

Balance sheet
(Financial statements according to the provisions of the Swiss Code of Obligations)

(CHF 1,000)	Notes	31.12.2010	31.12.2009
Assets			
Land		109,509	109,547
Buildings, engineering structures	(15)	2,026,722	2,023,231
Projects in progress	(15)	281,963	194,322
Movables	(15)	84,511	84,278
Total property, plant and equipment		2,502,705	2,411,378
Intangible asset from right of formal expropriation		102,202	107,836
Other intangible assets		7,802	3,794
Non-current financial assets of Airport of Zurich Noise Fund	(4)	150,904	97,922
Financial assets and investments	(5)	19,886	21,998
Non-current assets		2,783,499	2,642,928
Inventories		8,643	8,867
Current financial assets of Airport of Zurich Noise Fund	(4)	57,628	80,334
Trade receivables		87,468	113,340
Other receivables and prepaid expenses		33,816	27,675
Cash and cash equivalents, securities	(6)	46,165	216,148
Current assets		233,720	446,364
Total assets		3,017,219	3,089,292
Equity and liabilities			
Share capital		307,019	307,019
Legal reserves			
Premium		533,290	533,290
General reserves		19,060	19,060
Reserves for own shares		751	1,612
Other reserves		80,107	79,246
Available earnings			
Profit brought forward		254,875	129,397
Dividend payment for 2009/2008		-46,013	-30,640
Profit for the year		145,328	156,118
Equity		1,294,417	1,195,102
Debentures and non-current loans	(7)	994,805	1,122,153
Provisions for aircraft noise	(8)	315,709	302,546
Renovation fund		129,602	124,102
Non-current provisions	(9)	5,433	5,208
Non-current liabilities		1,445,549	1,554,009
Trade payables		42,308	35,905
Current financial liabilities	(10)	127,348	202,418
Other current liabilities, accruals and deferrals		79,878	81,701
Current provisions	(11)	27,719	20,157
Current liabilities		277,253	340,181
Total liabilities		1,722,802	1,894,190
Total equity and liabilities		3,017,219	3,089,292

Notes to the financial statements

Accounting policies

1. General remarks
The presentations and explanations below refer to the individual financial statements pursuant to the provisions of Swiss commercial law (Swiss Code of Obligations). These financial statements also serve for tax purposes and form the basis for the statutory business of the General Meeting of Shareholders.

2. Valuation principles
Unless stated otherwise, the same principles apply as those used in the consolidated financial statements prepared in accordance with IFRS.

2.1 Property, plant and equipment
In contrast to the consolidated financial statements according to IFRS, the influence of the reverse take-over is irrelevant (revaluation of the FIG property, plant and equipment as of 1 January 2000, including deferred taxes).

2.2 Renovation fund
As in previous years, the renovation fund, which is used for future renovation in order to preserve the value of existing buildings, was increased by CHF 5.5 million (only in financial statements according to commercial law).

2.3 Own shares
In contrast to the consolidated financial statements prepared in accordance with IFRS, holdings of own shares as of 31 December 2010 are reported under securities. Under the heading "Equity", these are reported as prescribed by the provisions of the Swiss Code of Obligations. Furthermore, the distribution of free shares to employees and the unrealised gain on holdings as of 31 December 2010 were charged to the income statement.

2.4 Costs associated with the issue of new shares (share capital increase)
In the financial statements according to commercial law, the transaction costs are capitalised and amortised using the straight-line method over three years instead of being deducted from the premium as is the case in the consolidated financial statements prepared in accordance with IFRS.

2.5 Costs associated with the issue of debentures and the conclusion of long-term loans
In the financial statements according to commercial law, the transaction costs are charged directly to the income statement, instead of being amortised over the duration of the debenture or respective long-term loan using the effective interest method, as is the case in the consolidated financial statements prepared in accordance with IFRS.

2.6 Finance lease
In the IFRS consolidated financial statements, finance leases are recognised in the balance sheet, while in the financial statements according to commercial law they are treated as off-balance-sheet transactions and disclosed in the notes ("Miscellaneous").

2.7 Derivative financial instruments
These are not reported in the financial statements according to commercial law.

2.8 Noise-related data
Costs associated with formal expropriations qualify as an intangible asset in accordance with the Swiss Code of Obligations. They are capitalised as assets at the latest when the counterparty has attained an assertable claim. An equal amount is also recognised as a provision at the same time. Adequate provisions are recognised for liabilities arising from sound insulation measures. Amortisation of capitalised costs for formal expropriations is based on the consolidated financial statements at least. Any balance of revenue after deduction of noise-related costs (compensation for formal expropriations, sound insulation measures, operating costs, financing costs and amortisation) is transferred to provisions for aircraft noise.

Current risk situation
The following factors are regarded as the primary sources of risk for the company:

1. Legal uncertainties
Various domestic and foreign restrictions could mean that Flughafen Zürich AG will not be able to fully utilise its infrastructure and would need to finance additional investments. These restrictions include the following:

- Official initiative for modification of cantonal airport legislation
- Zurich Aircraft Noise Index
- SAIP process (Sectoral Aviation Infrastructure Plan)
- Regulations by supervisory authorities relating to landing and take-off procedures
- Unilateral ordinance issued by Germany
- Legal proceedings (vBr and ILS 34)
- Revision of the Federal Aviation Act

2. Decline in demand
Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as acts of terrorism, epidemics (SARS, bird flu, etc.). Such events could temporarily cause a drop in demand at Zurich Airport.

3. Increasing security requirements
Additional security regulations may result in rising security costs and reduced revenue from commercial activities in the future. Given the delay between the date costs are incurred and the earliest possible date of refinancing via higher security charges, we cannot rule out negative impact on performance.

4. Hub carrier
The airline Swiss is the main customer of Flughafen Zürich AG. Like any other hub airport, Zurich Airport depends to a considerable extent on the operational and financial development of its hub carrier.

5. Reporting of noise-related costs in the financial statements
The reporting of noise-related costs in the financial statements is a complex matter that involves significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise provisions. This complexity is attributable to a large variety of relevant legal bases, unclear or pending legal practice and political debate.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 17,000 were still pending at the end of 2010. Approximately 1,700 cases are currently being examined by the Swiss Federal Assessments Commission.

With respect to formal expropriations, the rulings on fundamental issues by the Swiss Federal Supreme Court in the first half of 2008 enabled Flughafen Zürich AG to reliably estimate the total costs for the first time, in spite of remaining uncertainties regarding the accuracy of this estimate.

Based on the fundamental issues on which the Swiss Federal Supreme Court has ruled to date, the reliably estimated noise-related costs ("base case") as of 30 June 2008 amounted to a total of CHF 759.8 million (including formal expropriations, costs for sound insulation measures and all related operating costs). This means that the total estimated costs associated with formal expropriations were below the previously disclosed potential costs (in the form of a risk assessment) of between CHF 800.0 million and CHF 1.2 billion.

On 8 March 2006, Flughafen Zürich AG and the Canton of Zurich signed a supplementary agreement to the merger agreement dated 14 December 1999. The purpose of the supplementary agreement was to limit the risks for the company associated with formal expropriations. Under this supplementary agreement, the Canton of Zurich would assume the pre-financing of all "old" noise-related liabilities in the event that, upon payment of the first formal expropriations, the risk should arise that the total estimated costs associated with aircraft noise (formal expropriations, costs for sound insulation and all related operating costs) would exceed CHF 1.1 billion ("threshold") given a worst case scenario ("negative case").

"Old" noise-related liabilities are liabilities that arose prior to June 2001, up to which date the Canton of Zurich was holder of the operating licence, therefore making it liable for such claims in an external capacity. The threshold is subject to an annual adjustment based on the development of the equity of Flughafen Zürich AG. The threshold as of 31 December 2010, at CHF 1.46 billion, was higher than the original amount of CHF 1.1 billion, but has no effect on the pre-financing provided by the Canton of Zurich.

Despite the estimate as of the middle of 2008 of CHF 759.8 million stated above, the total estimated noise-related costs exceeded the threshold of CHF 1.1 billion in the worst case ("negative case"). As a result, the pre-financing by the Canton of Zurich for "old" noise-related liabilities entered into effect on 30 June 2008 in accordance with the supplementary agreement. This was subject to the condition that the still pending fundamental issues were decided against Flughafen Zürich AG. In return for bearing the risk and for financing the "old" noise-related liabilities, the Canton of Zurich received a portion of the Airport of Zurich Noise Fund as of 30 June 2008 (CHF 115.4 million). This amount was recognised in these financial statements as an intangible asset from the right of formal expropriation, and represents a portion of the costs for "old" noise-related liabilities, which since 1 July 2008 have been covered by the Canton of Zurich, but until 30 June 2008 were financed by Flughafen Zürich AG through collected noise charges. As a result of the assumption of "old" noise-related liabilities by the Canton of Zurich, Flughafen Zürich AG is no longer required to recognise a provision for these "old" noise-related liabilities.

On 26 May 2009, the Swiss Federal Supreme Court subsequently corrected a decision by the Swiss Federal Assessment Commission of 17 December 2007, which had defined 1 January 1961 as the cut-off date for the foreseeability of an eastern approach. The Swiss Federal Administrative Court changed this date to 23 May 2000. Flughafen Zürich AG decided to appeal this decision to the Swiss Federal Supreme Court. In its ruling on 8 June 2010, the Swiss Federal Supreme Court then defined 1 January 1961 as the cut-off date for the foreseeability of an eastern approach.

Based on the Swiss Federal Supreme Court's ruling and other fundmental issues that have already been decided, the company undertook a re-assessment of the noise-related operating costs ("updated base case") in cooperation with the Canton of Zurich. According to the updated assessment, the noise-related operating costs now total CHF 739.5 million (previously CHF 759.8 million). This amount includes CHF 25.0 million for the construction of a new sound insulation hall (not recognised as a provision, as this is a future investment). This cost estimate is based on a number of assumptions, such as pending legal issues where there is no judgment by a court of last instance.

As in the worst-case ("updated negative case") the total estimated noise-related costs exceed the threshold as set out in the supplementary agreement, the Canton of Zurich would continue to provide pre-financing.

As of the balance sheet date, Flughafen Zürich AG had capitalised costs for formal expropriations in the financial statements according to the provisions of the Swiss Code of Obligations amounting to CHF 102.2 million (capitalisation of the above-mentioned portion of CHF 115.4 million plus payments for pilot cases less amortisation of the intangible asset) and had recognised provisions for airport noise amounting to CHF 315.7 million (see note 8, "Provisions for airport noise"). As mentioned, the recognised provision relates only to "new" noise-related liabilities (in accordance with the "base case") for which the company is required to pay compensation.

If, on the basis of future legal practice, total noise-related costs in the worst case ("negative case") should ultimately be below the applicable threshold, the Canton of Zurich would no longer be required under the supplementary agreement of 8 March 2006 to 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 asset and liability sides of the balance sheet.

Depending on future and final-instance legal judgements, especially with respect to southern approaches, the "new" noise-related liabilities in future may also be subject to substantial adjustments, which would also require corrections in 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 split of noise charges would presumably continue to apply. 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 amortisation period or the corresponding provision.

1) Financial result, net

(CHF 1,000)	2010	2009
Interest expenses on debentures and non-current loans	59,669	63,943
Less capitalised interest on borrowings for buildings under construction	–2,569	–1,526
Net interest expenses on debentures and non-current loans	57,100	62,417
Interest difference related to interest rate swap	0	1,088
Other interest expenses	4,992	3,815
Other finance costs	4,922	7,274
Interest expenses on finance lease liabilities	2,525	2,700
Valuation adjustments of financial assets and investments	0	0
Total finance expenses	69,539	77,294
Interest income and foreign exchange gains realised on financial assets of Airport of Zurich Noise Fund	–4,977	–3,383
Interest income on postal accounts and bank deposits/loans	–311	–670
Valuation adjustments of financial assets and associates	–1,742	–5,850
Net foreign exchange gains, interest on arrears	–376	–206
Total finance income	–7,406	–10,109
Finance result, net	62,133	67,185

Capitalised interest on borrowings for buildings under construction was calculated using an average interest rate of 5.04% in 2010 (2009: 5.36%).

2) Gain on disposal of shares in associate

(CHF 1,000)	2010	2009
Gain on disposal of shares in BIAL [1]	0	98,644
Tax expense (withholding tax)	0	–19,521
Gain on disposal of shares in BIAL, net	0	79,123

[1] Disposal of 12% of shares of Bangalore International Airport Ltd. (BIAL) in 2009.

3) Extraordinary result, net

(CHF 1,000)	2010	2009
Extraordinary income	1,392	309
Extraordinary expenses	–1,426	–2,606
Extraordinary result, net	–34	–2,297

Other income includes the following:

2010: CHF 0.8 million reimbursement of energy costs

2009: CHF 0.1 million bankruptcy dividend Swissair (second instalment)

Other expenses include the following:

2010: CHF 1.3 million losses on disposals of non-current assets

2009: CHF 2.0 million from losses on disposals of non-current assets

4) Financial assets of Airport of Zurich Noise Fund

(CHF 1,000)	31.12.2010	31.12.2009
Non-current financial assets	150,904	97,922
Current financial assets	57,628	80,334
Total financial assets of Airport of Zurich Noise Fund	208,532	178,256

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

5) Total financial assets and associates

(CHF 1,000)		31.12.2010	31.12.2009
APT Airport Technologies AG, Kloten	Equity share 100% / share capital CHF 1.8 million	1,800	1,800
Unique Betriebssysteme AG, Kloten	Equity share 100% / share capital CHF 0.1 million	100	100
Unique Betriebssysteme AG, Kloten	Loan [1]	0	2,607
Zurich Airport International AG [2]	Equity share 100% / share capital CHF 0.1 million	100	100
Zurich Airport International AG [2]	Loan [1]	13,759	12,914
Bangalore International Airport Ltd., India	Equity share 5% / share capital INR 3,846 million	4,116	3,236
Unique Chile S.A., Chile	Loan	0	1,230
FZ Colombia S.A., Chile	Loan	11	11
Administradora Unique IDC C.A., Venezuela	Equity share 49.5% / share capital VEB 25 million	0	0
Aeropuertos Asociados de Venezuela C.A., Venezuela	Equity share 49.5% / share capital VEB 10 million	0	0
Total financial assets and associates		19,886	21,998

[1] Entirely subject to subordination.
[2] Formerly Unique Airports Worldwide AG.

The purpose of APT Airport Technologies AG is to provide technical, operational and commercial design, planning, project implementation and operation of communication and strategic management systems for airports.

The purpose of Unique Betriebssysteme AG is to operate the infrastructure of relevance to Zurich Airport.

Zurich Airport International AG (formerly Unique Airports Worldwide AG) is responsible for advising, operating and/or owning airports and airport-related companies throughout the world.

As at the balance sheet date, Flughafen Zürich AG held a 5% stake in the share capital of Bangalore International Airport Ltd. (BIAL), the owner and operator of the greenfield airport that was opened in Bengaluru, India, in May 2008.

It is also involved in the operation of the airport under an operations, management & service agreement (OMSA). Revenue is flowing to the company from this agreement. Flughafen Zürich AG is also represented on the Board of Directors of BIAL.

Flughafen Zürich AG turned to the International Center for Settlement of Investment Disputes (ICSID) in Washington D.C. in 2010. This step is in compliance with the bilateral investment protection treaty between Venezuela and Switzerland. The value of the two associates was fully impaired in 2006. Due to the continued intervention by the local government figures for the 2010 financial year are still not available.

Loans to subsidiaries bear interest at normal market rates.

6) Cash and cash equivalents, securities

(CHF 1,000)	31.12.2010	of which AZNF	31.12.2009	of which AZNF
Cash and cash equivalents	45,277	3,889	214,600	7,013
Own shares	888		1,548	
Total cash and cash equivalents, securities	46,165	3,889	216,148	7,013

Reserves for own shares are reported separately under equity.

Number of shares	2010	2009
Holdings at beginning of financial year	4,975	36,459
Acquisitions (at applicable market price)	353	235
Sales (at applicable market price)	0	–28,106
Free distribution of shares	–3,003	–3,613
Holdings at end of financial year	2,325	4,975

7) Debentures and non-current loans

(CHF 1,000)	31.12.2010	31.12.2009
Japanese private placement	421,173	421,173
US private placement	292,600	365,750
Liabilities to banks arising from US car park lease	56,032	110,230
Debentures	225,000	225,000
Total debentures and non-current loans	994,805	1,122,153

The following non-current financial liabilities are fixed interest-bearing borrowings:

(CHF 1,000)	Nominal amount 31.12.2010	Duration	Interest rate	Early repayment	Interest payment dates
Japanese private placement	421,173	2003–2024	5.730%	no	23 May/ 23 November
US private placement	292,600	2003–2015	4.753%	from 2011	11 April/ 11 October
Liabilities to banks arising from US car park lease	56,032	2003–2012	3.606%	since 2005	20 December
Debenture	225,000	2009–2014	4.5%	no	18 February

8) Provisions for aircraft noise

(CHF 1,000)	2010	2009
Provisions for aircraft noise as of 1 January	302,546	284,148
Increase in provisions for aircraft noise	15,316	19,834
Increase in provisions for formal expropriations	0	0
Provisions for aircraft noise before operating costs and financial result	317,862	303,982
Noise-related operating costs	–4,349	–4,667
Interest income from financial assets of Airport of Zurich Noise Fund	4,900	3,383
Adjustments to fair value of financial assets (available-for-sale-securities) of Airport of Zurich Noise Fund	–2,781	–24
Gains/losses on financial assets of Airport of Zurich Noise Fund	77	–128
Provision for aircraft noise as of 31 December	315,709	302,546

The increase of provisions for aircraft noise comprises the balance of revenue from noise charges and noise-related costs and expenses:

(CHF 1,000)	31.12.2010	31.12.2009
Revenue from noise charges	31,757	32,268
Costs for sound insulation and other measures	–9,771	–6,033
Costs for formal expropriations	–1,036	–767
Amortisation of intangible asset from right of formal expropriation	–5,634	–5,634
Total increase of provisions for aircraft noise	15,316	19,834

Total expenditure for sound-insulation measures and formal expropriations includes the following:

(CHF 1,000)	31.12.2010	31.12.2009
Increase in provisions for aircraft noise	15,316	19,834
Costs for sound insulation and other measures	9,771	6,033
Costs for formal expropriations	1,036	767
Total costs for sound insulation and formal expropriations	26,123	26,634

For reporting of noise data in the financial statements according to the Swiss Code of Obligations see also “Notes to the financial statements”, “Accounting policies”, point 2.8, “Noise-related data”, page 130, and “Current risk situation”, point 5, “Reporting of noise-related costs in the financial statements” on pages 131 and 132.

9) Non-current provisions

(CHF 1,000)	31.12.2010	31.12.2009
Pension fund liabilities	3,933	3,708
Provisional tenancy agreements	1,500	1,500
Total non-current provisions	5,433	5,208

10) Current financial liabilities

(CHF 1,000)	31.12.2010	31.12.2009
Current liabilities arising from US private placement	73,150	0
Current liabilities to banks arising from US car park lease	54,198	52,418
Debenture (redemption 14.6.2010)	0	150,000
Total current financial liabilities	127,348	202,418

11) Current provisions

(CHF 1,000)	31.12.2010	31.12.2009
Amounts due to personnel (holidays and overtime)	4,054	5,273
Tax liabilities	23,629	13,183
Utilisation fees [1]	0	1,129
Other liabilities	36	572
Total current provisions	27,719	20,157

[1] In the course of 2010 an agreement was reached with the concerned partner and the corresponding provision reversed at the end of the year.

12) Major shareholders

As of the balance sheet date, the following shareholders or groups of shareholders held more than five percent of the voting rights:

	2010	2009
Canton of Zurich (including BVK pension fund)	33.36%	33.36%
City of Zurich (including pension fund of the City of Zurich)	5.04%	5.04%

13) Related parties

Related parties are:

- Canton of Zurich
- Members of the Board of Directors
- Members of the Management Board
- Associates

The Canton of Zurich has contractually agreed with Flughafen Zürich AG to assume the pre-financing for “old” aircraft noise compensation payments. Furthermore, the Canton of Zurich has granted Flughafen Zürich AG a credit facility with a duration of 10 years (2002–2012) within the scope of a framework credit agreement. The maximum available amount of this credit facility corresponds to the total investments in engineering structures relating to expansion stage 5, after adjustment for the depreciation to be carried out on these investments. The credit facility limit was CHF 640.2 million as of 31 December 2010. It is presently not being used.

a) Remuneration of related parties

The following amounts were paid to related parties in the form of remuneration:

Board of Directors in 2010:

(CHF) Recipient	Function	Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions	Total
Andreas Schmid	Chairman	150,000	22,500	10,000	15,000	12,439	209,939
Lukas Briner	Vice Chairman	60,000	22,500	5,000	10,000	6,494	103,994
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	22,500	10,000	12,500	5,994	95,994
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	22,500	10,000	5,000	4,755	87,255
Martin Wetter	Member	45,000	22,500	5,000	12,500	5,661	90,661
Ulrik Svensson	Member	45,000	22,500	5,000	2,500	4,995	79,995
Elmar Ledergerber [1]	Member	25,500	22,500	0	0	1,766	49,766
Rita Fuhrer (until 30.4.2010) [2]	Member	0	3,000	0	0	200	3,200
Ernst Stocker (from 1.5.2010) [2]	Member	0	6,500	0	0	433	6,933
Total		415,500	167,000	45,000	57,500	42,737	727,737

1) In addition, a lump sum of CHF 24,500 was paid to the City of Zurich.

2) In addition, a lump sum of totally CHF 65,500 was paid to the Department of Economics of the Canton of Zurich.

Board of Directors in 2009:

(CHF) Recipient	Function	Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Social security contributions	Total
Andreas Schmid	Chairman	150,000	20,000	10,000	10,000	11,512	201,512
Lukas Briner	Vice Chairman	60,000	20,000	5,000	7,500	5,935	98,435
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	45,000	20,000	10,000	7,500	5,293	87,793
Martin Candrian	Member; Chairman of the Audit & Finance Committee	45,000	17,500	10,000	5,000	4,972	82,472
Martin Wetter	Member	45,000	20,000	5,000	7,500	4,972	82,472
Ulrik Svensson	Member	45,000	17,500	5,000	5,000	0	72,500
Elmar Ledergerber [1]	Member	18,000	17,500	0	5,000	2,598	43,098
Rita Fuhrer [2]	Member	0	4,000	0	0	257	4,257
Total		408,000	136,500	45,000	47,500	35,539	672,539

1) In addition, a lump sum of CHF 32,000 was paid to the City of Zurich.

2) In addition, a lump sum of CHF 58,500 was paid to the Department of Economics of the Canton of Zurich.

There is no share or option programme for the Board of Directors.

Management Board in 2010:

Remuneration of members of the Management Board was effected as shown in the table below. The bonus (cash and share components) is accrued for the year under review, and payment is made in spring in the following year. Any salary adjustments take effect on 1 May.

(CHF) Recipient	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses [1]	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Thomas E. Kern	380,000	253,333	126,667	145,921	26,479	932,400	332	382.00
Other members of the Management Board	1,218,581	432,849	192,850	389,374	103,121	2,336,775	505	382.00
Total	1,598,581	686,182	319,517	535,295	129,600	3,269,175	837	

1) Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social security and staff benefit schemes.

The number of shares indicated above for the bonus portion is based on the share price as of the end of the year. The definitive number of shares is calculated on the basis of the share price at grant date. These shares are blocked for a period of four years. No severance payments or other non-current payments were made in 2010.

Management Board in 2009:

(CHF) Recipient	Salary	Bonus (cash)	Bonus (shares)	Pension and social insurance expenses [1]	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Thomas E. Kern	370,000	308,333	154,167	139,490	26,478	998,468	495	311.25
Other members of the Management Board	1,283,333	548,829	274,414	397,974	111,641	2,616,191	882	311.25
Total	1,653,333	857,162	428,581	537,464	138,119	3,614,659	1,377	

1) Pension and social insurance expenses include contributions to supplementary retirement insurance, as well as employer's contributions to social security and staff benefit schemes.

The final amount paid to the Management Board for 2009 was CHF 3.8 million.

Canton of Zurich police force:

In the year under review, the Canton of Zurich police force was reimbursed at market conditions for services rendered for a total amount of CHF 94.3 million (2009: CHF 92.8 million) in accordance with the service level agreement.

b) Shares held by related parties

As of the balance sheet date, members of the Board of Directors and related parties held the following number of shares:

Name	Function	Number of shares as of 31.12.2010	Number of shares as of 31.12.2009
Andreas Schmid	Chairman	4	4
Lukas Briner	Vice Chairman	21	21
Kaspar Schiller	Member; Chairman of the Nomination & Compensation Committee	13	13
Martin Candrian	Member; Chairman of the Audit & Finance Committee	375	375
Martin Wetter	Member	0	0
Ulrik Svensson	Member	0	0
Elmar Ledergerber	Member	110	110
Rita Fuhrer (until 30.4.2010)	Member	n/a	0
Ernst Stocker (from 1.5.2010)	Member	0	n/a
Total		523	523

As of the balance sheet date, members of the Management Board and related parties held the following number of shares:

Name	Number of shares as of 31.12.2010	Number of shares as of 31.12.2009
Thomas E. Kern	1,101	690
Peter Eriksson (until 31.12.2010)	n/a	1,534
Rainer Hiltebrand (until 31.3.2010)	n/a	1,259
Daniel Schmucki	560	415
Michael Schallhart	181	32
Stephan Widrig	364	214
Stefan Conrad (from 1.6.2010)	0	n/a
Total	2,206	4,144

Neither members of the Board of Directors nor the Management Board held options on the company's shares as of the balance sheet date.

14) Miscellaneous

Fire insurance values

(CHF 1,000)	31.12.2010	31.12.2009
Buildings including loading bridges	3,423,607	3,412,027
Movables	660,126	660,126

The figures shown above do not include engineering structures since these cannot be insured via the Building Insurance of the Canton of Zurich (GVZ). Buildings under construction (which are included in projects in progress) are covered by a construction period insurance with GVZ and are therefore not included in the above amount. Upon completion, the buildings concerned will be insured on the basis of estimates by GVZ.

Finance leases not capitalised

(CHF 1,000)	31.12.2010	31.12.2009
Finance lease liabilities not reported in the balance sheet [1]	78,783	78,148

[1] See "Accounting policies", "Valuation principles", "Finance lease".

In connection with the US car park lease, the utilisation rights to multi-storey car parks 1, 2, 3 and 6 serve as collateral.

For the cross-currency interest rate swaps relating to the US private placement and the Japanese private placement, as of the balance sheet date CHF 4.1 million had been provided as collateral in the form of cash and cash equivalents (31 December 2009: CHF 9.9 million) and CHF 180.0 million as collateral in the form of letters of credit (31 December 2009: CHF 168.0 million).

Contingent liabilities

In autumn 2010, the "BVK Employee Pension Fund of the Canton of Zurich" (BVK) announced, among other things, that owing to the inadequate cover ratio which has persisted for some time, comprehensive restructuring measures (contribution increases, reduction in the conversion rate, adjustment of the interest rate, employer's contributions to the restructuring, etc.) would be introduced to bring the benefits payable by the pension fund into line with current economic circumstances and to secure the fund's long-term financing. A three-month consultation phase was commenced for the package of measures approved by the Government Council, and this period ended in January 2011. The definitive restructuring measures are due to take effect on 1 January 2012 according to the schedule published by the BVK, assuming that the Cantonal Council approves the package in June 2011.

The Board of Directors of Flughafen Zürich AG states in this connection that, on the basis of a supplementary agreement to the contract with BVK signed in the 2003 financial year, the company is not obliged to make any additional contributions. It also confirms that Flughafen Zürich AG will do everything necessary to uphold the contract with BVK (see also "Financial Report/Accounting Policies/ Employee Benefit Obligations" on page 88).

Discussions with the BVK have revealed that the pension fund takes the view – contrary to Flughafen Zürich AG – that the above-mentioned additional agreement does not in principle exempt Flughafen Zürich AG from any necessary restructuring measures. It is not possible at this time to say whether Flughafen Zürich AG would have to contribute to the restructuring as part of the implementation of the planned package of measures in order to uphold the contract with the BVK. The payment of restructuring contributions would probably mean that the employee benefit plan would be classified as a defined benefit plan according to the relevant accounting standard, which could have a significant financial impact on the financial statements.

15) Information concerning the performance of a risk assessment

For information concerning the performance of a risk assessment, see “Notes to the consolidated financial statements”, note 22.1 (pages 114 to 119).

16) Events occurring after the balance sheet date

The Board of Directors authorised the 2010 financial statements according to the provisions of the Swiss Code of Obligations for issue on 4 March 2011. These also have to be approved by the General Meeting of Shareholders.

No events occurred between 31 December 2010 and the date on which the financial statements according to the provisions of the Swiss Code of Obligations were authorised for issue by the Board of Directors which would require the modification of any of the carrying amounts of the assets and liabilities in the financial statements according to the provisions of the Swiss Code of Obligations or which would have to be disclosed here.

Distribution of available earnings

The Board of Directors proposes to the General Meeting of Shareholders that the available earnings of CHF 354,189,502 should be used as follows:

CHF	
Allocation to legal reserves [1]	0
Payment of an ordinary dividend of CHF 7.00 (gross) [2]	42,982,625
To be carried forward	311,206,877
Total available earnings	354,189,502

[1] No allocation is being made to the legal reserves, because these exceed 50% of the nominal share capital.
[2] The dividend sum covers all outstanding registered shares. However, those shares held by the company at the time of declaration of the dividend are not eligible to a dividend. For this reason, the reported dividend sum may be correspondingly lower.

If the proposals for the 2010 financial year are approved, the ordinary dividend will be CHF 7.00 per share. After deduction of withholding tax of 35%, the shareholders will receive a net dividend of CHF 4.55.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of Flughafen Zürich AG.

As statutory auditor, we have audited the financial statements of Flughafen Zürich AG, which comprise the income statement, balance sheet and notes (pages 128 to 142) for the year ended 31 December 2010.

Board of Directors’ Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company’s articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company’s articles of incorporation.

Emphasis of Matter
We draw attention to the disclosure regarding “1. Legal uncertainties” and “5. Reporting of noise-related costs in the financial statements” as part of “Current risk situation” on pages 131 to 132 in the notes to the financial statements. The uncertainties and risks referred to therein that are largely beyond the company’s influence, could have significant effects on the nature and scope of the business activities and thus on the financial position, the results of operations and the cash flows. At present such impact cannot be conclusively determined. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Philipp Hallauer
Licensed Audit Expert

Zurich, 4 March 2011

2011 financial calendar

Financial reporting dates

23 March 2011	Publication of 2010 annual results
14 April 2011	2011 General Meeting of Shareholders
23 August 2011	Publication of 2011 interim results
26 April 2012	2012 General Meeting of Shareholders

Publication dates of traffic statistics

12 April 2011	Traffic statistics for March 2011
11 May 2011	Traffic statistics for April 2011
14 June 2011	Traffic statistics for May 2011
12 July 2011	Traffic statistics for June 2011
11 August 2011	Traffic statistics for July 2011
13 September 2011	Traffic statistics for August 2011
12 October 2011	Traffic statistics for September 2011
11 November 2011	Traffic statistics for October 2011
13 December 2011	Traffic statistics for November 2011

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www.zurich-airport.com/investorrelations

The Annual Report is available in German and English.
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