The previous year once again brought a new passenger record. Key construction projects on the apron and the landside are progressing. Capacity constraints at peak times and punctuality remain two of our greatest challenges.
Dear Shareholders,
Dear Sir or Madam

2016 was a challenging but successful year for Flughafen Zürich AG. Important decisions were made, including on the Sectoral Aviation Infrastructure Plan (SAIP), on test cases concerning eastern and southern approach routes and on airport charges. Although Swiss retail remains under pressure, retail business at Zurich Airport is experiencing growth despite the downward trend in bricks-and-mortar stores.

The company can also present excellent results: Flughafen Zürich AG generated profit of CHF 248.0 million, 37.9% more than in 2015. The Board of Directors is proposing to the General Meeting of Shareholders the payment of an ordinary dividend of CHF 3.20 per share and payment of an additional dividend from reserves from capital contributions also of CHF 3.20 per share.

Another new record for passenger numbers
In the past year, Zurich Airport handled a total of 27,666,428 passengers, representing a year-on-year increase of 5.3%. The number of local passengers rose by 6.5% to 20.0 million. Although the transfer share of all passengers declined in comparison to 2015 (~0.9 percentage points), the number of transfer passengers at Zurich Airport increased by 2.3% to 7.6 million. In 2016 there were 269,160 flight movements, representing an increase of 1.5% compared with 2015. Freight volume rose by 5.3% in 2016 compared with 2015. A total of 433,577 tonnes of freight were transported during the reporting period.

Swiss aviation policy report and the Sectoral Aviation Infrastructure Plan
In the Swiss aviation policy report (LUPO), the Federal Council set out how it intends to strengthen aviation as a key pillar of its transport policy, taking economic, environmental and social factors into consideration. The national airports and the intercontinental hub of Zurich in particular are recognised as being important parts of Switzerland’s basic infrastructure and key elements of its overall transport system.

At the end of September 2016, the Federal Office of Civil Aviation (FOCA) published an amendment to the Sectoral Aviation Infrastructure Plan (SAIP2). The aim is to enable improvements to the flight operation safety margin as well as to the performance of Zurich Airport. Measures to ensure the robust operation of the East Concept are also to be taken into account.

Flughafen Zürich AG welcomes the proposed changes. However, SAIP2 does not satisfy the current or future demand for slots during peak daytime hours. This means that the capacity constraints will remain.

New airport charges
In response to an application by Flughafen Zürich AG, FOCA ordered a modification of the charges for Zurich Airport, which took effect on 1 September 2016. This was particularly relevant for passenger-related airport charges which were reduced from CHF 36.40 to CHF 35.00 for local passengers and from CHF 18.90 to CHF 16.00 for transfer passengers. At the same time, landing and aircraft parking charges were also included in the revised charge regulations. The new charges will apply for four years.

Home carrier SWISS invests in fleet and lounge
In 2016, our home carrier SWISS incorporated two new types of aircraft into its fleet. Since the beginning of the year it has also been operating Boeing 777-300ER aircraft on its long-haul routes. These offer significantly more seats than the Airbus A340s they replaced. In July, SWISS also set another milestone in the modernisation of its fleet by integrating the Bombardier C Series for short-haul destinations. SWISS is planning to increase its seating capacity by around 20% by 2018.

In addition, the airline has also launched its new lounge concept. Covering a total area of more than 3,300 m² and located right by the departure gates for long-haul flights in Dock E, the new SWISS First Class, Senator and Business Class lounge was opened at the beginning of 2016.

Arrestor system
Following a safety review and to improve the safety margin, FOCA requested that the airport operator install an arrestor system at the end of runway 28. The installation was completed during a construction period of around three months in summer 2016.

Curbside lanes and parking products
Following a construction period lasting some three years, the renovated and upgraded curbside lanes were re-opened phase by phase in mid-2016. The extended multi-storey car park P6 also opened at the end of the year. Over a three-year construction period involving investment of some CHF 80 million, around 3,500 parking spaces were added on its eastern side. Offering some 7,500 parking spaces, P6 is now one of the largest multi-storey car parks in Europe.

Zone A
According to the forecast trend in traffic volume, the baggage sorting system – one of the main infrastructures at Zurich Airport – will soon reach the limits of its capacity. In addition, new security screening equipment must be installed and important components of the facilities replaced throughout the airport in order to meet EU requirements. Zone A must therefore be extensively modernised. In the reporting period, plans were drawn up to move the tenants and define compensatory measures, and the first preliminary measures for the civil engineering works were launched. The overall construction project in Zone A is scheduled to run until 2023. Based on a rough cost estimate, the investment required amounts to approximately CHF 400 million.
Retail developments
The retail offering has been enhanced by various new openings, as well as expansions and optimisations from the previous years, which are having a positive impact on revenue. Purchasing behaviour is changing, making new sales-boosting measures and close cooperation with partners correspondingly important. The extension of the duty-free contract with Dufry AG ahead of schedule was a key milestone in 2016. All of the duty-free areas can thus be refurbished early and the related revenue strengthened for the longer term. The airport’s digital competence and presence are also being continually expanded. One example is the further development of the Zurich Airport app, which was launched in the spring of 2016.

“The Circle”
Together with co-owner Swiss Life AG, Flughafen Zürich AG decided to launch the second construction phase, meaning that both phases will now be implemented simultaneously. Most of the excavation work has been completed. Dufry AG and Jelmoli – the House of Brands were successfully acquired as additional major tenants. Promising talks are under way for the art and training modules. The office space sector still presents a great challenge in the current environment. However, discussions with prospective tenants are showing that the excellent location coupled with modern office concepts makes for a highly attractive product.

Investments in foreign operations
In April 2016, Flughafen Zürich AG signed an agreement to sell its 5 % stake in Bangalore International Airport Ltd. The agreed purchase price is USD 48.9 million before tax. The transaction is set to be completed in the first quarter of 2017. The sale of this shareholding completes an operationally highly successful project for Flughafen Zürich AG with a substantial one-off gain.

The airport in the Brazilian city of Belo Horizonte is making excellent progress. The new Terminal 2 is in operation, while Terminal 1 is being gradually renovated. Flughafen Zürich AG wants to continue to boost its presence in Brazil despite the current recession, owing to the great potential for growth in air transport.

Customer experience and awards
This year’s Airport Service Quality (ASQ) Award placed Zurich Airport second in Europe. This prestigious award presented by Airports Council International (ACI) is regarded as the benchmark for airport excellence.

As in previous years, Zurich Airport once again won the World Travel Award as “Europe’s Leading Airport” – one of the most coveted accolades in the travel industry.

Changes in Board of Directors and Management Board
Ulrik Svensson, member of the Board of Directors of Flughafen Zürich AG since 2008, is now Chief Financial Officer at Deutsche Lufthansa AG. He left the Board of Directors at the end of 2016 to take up his new role. We would like to offer our sincere thanks to Mr Svensson for his long-standing, dedicated commitment to Zurich Airport.

The Non-Aviation division was divided into the Commercial and Real Estate divisions at the beginning of 2016. Stefan Gross and Daniel Scheifele are two experienced and recognised leaders heading the new divisions.

Daniel Schmucki, the long-standing and distinguished Chief Financial Officer (CFO), was appointed CFO of the SIX Group and left the company at the end of January 2017. He played a key role in the development of Flughafen Zürich AG from the beginning. During his time as CFO, profitability steadily improved, debt was reduced and the financing of the company completely overhauled. We would like to extend our warmest thanks to Daniel Schmucki for his great commitment and services.

Lukas Brosi was appointed as his successor to head up the Finance division. He joined the company as Group Treasurer in 2009 and took over the reins three years ago as Head Financial Services and as the Chief Financial Officer’s deputy.

Outlook and thanks
Flughafen Zürich AG is operationally, financially and strategically strongly placed. We must retain our development prospects, particularly with regard to capacity at peak times. This is in the interest of the Canton of Zurich, the economic region and Switzerland as a whole. Our sincere thanks are due to all those who work on behalf of the company and Zurich Airport – whether publicly or behind the scenes – for their untiring commitment.

Zurich Airport, 2 March 2017

Andreas Schmid  
Chairman of the  
Board of Directors

Stephan Widrig  
Chief Executive Officer