Editorial

Dear Reader,

On 1 January 2015 I took over the baton from Thomas Kern as CEO of Flughafen Zürich AG. After studying economics and political science at the University of St. Gallen and working as a consultant at Arthur Andersen, I came to Zurich Airport in 1999 shortly before its privatisation. I have been able to get to know the airport business from various different perspectives, and I still find it as exciting now as I did on the first day. My experience has been shaped by both highlights such as the successful completion of the 5th construction stage and challenges such as those in the wake of the Swissair Group’s collapse. I have also become aware of how important it is in terms of the economy for Switzerland to have close connections with the world.

Zurich Airport is now one of the best in Europe; this is confirmed to us regularly via surveys. However, due to the high cost structures in Switzerland, our location as an aviation hub can only survive international competition if we continue to be a quality leader – particularly following the recent decision by the Swiss National Bank to remove the Swiss franc/euro exchange rate floor and the subsequent renewed appreciation of the Swiss franc.

Quality is also highly dependent on the conditions under which flights operate, with punctuality a key area of concern. Due to the restrictive political and legal restrictions, maintaining punctuality is already a problem at the peak times that are so important for the airport to operate as a hub. There must be close consultation with political actors and the public to find ways which allow Zurich Airport a moderate demand-oriented development. Only in this way will we be able to ensure that in ten years’ time we are still offering the level of quality we need to stay ahead in the competitive international arena.

In order to maintain our long-term profitability we are also continually developing our non-aviation business. At the end of last year we reached another milestone when the final decision to construct “The Circle” was taken. Since then work has already begun on the excavation of the perimeter and the dismantling of the old buildings. In the next four years, around one billion Swiss francs will be invested in this project alone.

The dialogue with our stakeholders, particularly our customers, partners and neighbours, is very important for me as CEO of Flughafen Zürich AG. Don’t hesitate to contact me or our Public Affairs Team in case of any questions or suggestions. In addition to the existing established communication channels such as this Political Newsletter – and hopefully a high amount of personal contact – since the beginning of this year people can follow me on Twitter (@StephanWidrig), where I write about my everyday life in the world of Zurich Airport.

I am looking forward to interesting encounters and wish you a stimulating read.

Stephan Widrig
Chief Executive Officer
In January 2015, Flughafen Zürich AG began preparatory work on “The Circle”, a major construction project. Over the next four years a new and unique service destination will be created at the best-connected location in Switzerland, adding value to the airport region as well. “The Circle” will also boost Flughafen Zürich AG’s profitability on a long-term base.

Operating Zurich Airport is the central focus of Flughafen Zürich AG. As a part of this, the existing transport hub is being constantly expanded on both the airside and the landside with commercial facilities such as additional retail and restaurant outlets. Over the next few years “The Circle” will provide another opportunity to boost profitability and increase the quality of the facilities on offer. With its optimal location right at the attractive hub of public transport, “The Circle” will also play an important role as a centre for the airport region. This new project also enables Flughafen Zürich AG to take advantage of future market opportunities, and thus slightly reduce its strong dependency on the aviation business, which is becoming ever more challenging due to increasing political restrictions.

Green light for construction of “The Circle”
After careful examination, on 4 December 2014 Flughafen Zürich AG and Swiss Life AG decided in favour of building “The Circle”, thus initiating the first construction phase. In January 2015, preparations began for dismantling the existing buildings and in a multi-stage selection procedure HRS Real Estate AG was selected as partner for the construction of “The Circle”. The excavation work will begin in autumn 2015, and as of spring 2016 the first sections of the new buildings will be visible. The first phase is expected to be completed in 2018. In order to achieve the major construction project “The Circle”, Flughafen Zürich AG and Swiss Life AG have formed a joint ownership company, with Flughafen Zürich AG holding a 51% stake and Swiss Life AG 49%, and are planning to invest in the amount of one billion Swiss francs. Flughafen Zürich AG already owns the land adjacent to an attractive recreational green space (artist’s impression).
which it will transfer to the joint ownership company. Thus it will continue to be the main owner of the strategically important area within walking distance of the existing airport buildings.

**Considerable added value for the region**

Even during its construction, “The Circle” will generate significant added value for the region. For example, local companies from the airport region will be involved in the demolition works and groundwork. There will also be opportunities for local companies when it comes to the constructing of the superstructure, too. This will help to safeguard local jobs and even create new ones. Moreover, the positive effects on the region will continue even once the construction period is over: work is scheduled to finish in 2018, after which some 6000 people will be employed in the offices, hotels, conference centre, restaurants, showrooms, galleries and training centre. This will further increase the importance of Zurich Airport as one of the biggest employers in Switzerland, providing a total of 31,500 jobs.

**International service destination**

“The Circle” and its facilities are aimed equally at international companies and their employees, airport employees and visitors from the region. The two Hyatt Group hotels, with 550 rooms and a large conference centre, provide all the infrastructure required for any type of event. In addition to offering selected centres of excellence and other outpatient treatments for residents of the region, commuters and airport employees, the medical centre operated by the University Hospital of Zurich will have an emergency wing open round the clock. There are also plans to gently redevelop the Butzenbüel green area into a park. This will create an attractive recreational green space for residents of the town of Kloten, which thanks to good bus connections will remain easily accessible by public transport.

**Sustainability:**

**An important construction criterion**

“The Circle” aims to achieve the sustainability rating “LEED Platinum”. The platinum rating from this US certification system, which stands for “Leadership in Energy and Environmental Design” and is used across the globe, will ensure that “The Circle” is sustainably constructed according to criteria that are internationally comparable. At its core are traditional environmental protection aspects such as sustainable energy sources, low energy usage, high water efficiency, use of recyclable building materials and accessibility by public and non-motorised transport, but the type and origin of the materials used and the air quality inside the buildings also contribute to the rating.

Flughafen Zürich AG is convinced that with the opening of “The Circle”, Zurich airport will become even more attractive and appealing as a location. It will also further boost the regional importance of the airport as an employer, transport hub and service centre in the years to come.
What the Confederation’s Aviation Policy Report must deliver

The Confederation is currently updating its 2004 Aviation Policy Report to align it with the changed conditions and challenges. For Flughafen Zürich AG, the focus must be on the demand-led future development of Zurich Airport and its infrastructure. In addition, the existing night-time curfews and noise protection regulations must not be made any more stringent.

With 186 direct connections to the most important European and intercontinental centres, Zurich Airport is not only one of the most important elements of Swiss transport infrastructure, but also plays a key economic role. According to the study on the “Economic importance of Zurich Airport” carried out by BAK Basel and Infras, the airport generates annual added value of around CHF 6 billion. This is equal to the economic performance of a medium-sized Swiss town. 25,500 people work at Zurich Airport for 280 companies. These jobs must be secured and increased in the long term. As passenger numbers rise, so too do the number of jobs. For every one million extra passengers, some 1000 extra jobs are created on the ground and in the air.

Developing infrastructure in line with demand
Flughafen Zürich AG provides high-quality infrastructure that links the Swiss economy to the most important international centres. Yet at the highly popular peak times that are particularly important to SWISS for operating as a hub, Zurich Airport is already at the limits of its capacity. For this reason, the Sectoral Aviation Infrastructure Plan (SAIP) used as the Federal government’s spatial planning instrument must specifically allow the development of the airport infrastructure. The relevant land-use agreements must be concluded now in order to counteract any potential future conflict over usage.

No further tightening of existing night-flight regulations
Account must be taken of global trends such as the significant rise in traffic to Asia, bringing with it an increase in the number of take-offs in the early morning and late evening. The existing night-flight restrictions and noise protection regulations, which are already extremely strict when compared on an international scale, must therefore not be made any more stringent.

Increase the Switzerland’s competitiveness as an aviation hub
To increase Switzerland’s competitiveness as an aviation hub, its aviation industry needs to be freed of the costs that should be paid for out of public funds. This includes, for example, the costs of territorial security measures, which at many foreign airports are borne by the public sector.

It is to be hoped that in its updated Aviation Policy Report, the Confederation will give clear strategic guidelines that enable airports to pursue demand-led development in the future, as this is the only way that they will be able to continue making their key contribution to the Swiss economy.

Airports must be able to develop in accordance with demand.
Ten arguments against “Airport Bashing”

In recent years, like almost no other institution, Zurich Airport has come under attack and been vilified from many quarters. Unfairly so. Here are ten arguments why for political, economic and social reasons, this airport bashing should stop:

1. Zurich Airport is the most important transport infrastructure in Switzerland and the Zurich region. It is essential for the people who live here, for the economy and jobs, and for tourism.

2. The airport links our country, which is completely land-locked, to overseas countries across the globe. It provides direct access to 186 destinations, of which 52 are outside Europe. For a country as small as Switzerland, this is unique.

3. The airport stands for quality, service and performance. The awards that the airport regularly receives prove that Zurich Airport is one of the best, most attractive and highest-quality airports in the world. Let us be proud of that.

4. The airport makes a significant contribution to tourism, not only in Zurich but also in the whole of Switzerland. Depending on the time of year and the region, around 50% of visitors enter Switzerland via Zurich airport.

5. For companies in much of Switzerland, the attractiveness of their location is basically determined by optimum links to air transport. This applies to both the export and the domestic economy. Many economic regions in Europe are envious of this advantage.

6. The airport is even more important for the travel-loving residents of Zurich and Switzerland, who enjoy travelling to and visiting other places more than almost any other nationality.

7. Ecologically, flying can never be completely without any costs. But air traffic generates “only” around 3% of all global CO₂ emissions. Road traffic is responsible for a large part of the emissions, and electricity production accounts for over 60% of total CO₂ emissions.

8. Flying is a noisy business. But in recent years the specific noise emissions have fallen significantly and right now a new generation of noise-reduced aircraft is being gradually introduced. Aircraft noise will decrease considerably over the next few years.

9. Frankfurt, Munich, Stuttgart, Vienna, Malpensa and other airports would love to take over the Zurich hub with its tens of thousands of jobs, billions of value added and priceless locational advantages for the economy and the people living here. Zurich has built up all these advantages over many years, and we are proud of them.

10. The majority of the public are positive about the airport. In recent years the population has largely embraced all legislative proposals pertaining to the airport. When the airport holds open days, 100,000 fans attend and enjoy being at their high-quality airport.

So: Stay attentive and critical, but stop airport bashing!

Elmar Ledergerber
Former Mayor of Zurich
President of Zurich Tourism
Success for the initiative “Give people the vote on runway modifications” in the airport region

The initiative “Give people the vote on runway modifications” launched in the autumn of 2014 by a broadly based committee under the auspices of the “Pro Flughafen” (Pro Airport) association has been a success, with the signatures soon to be submitted. The people living in the airport region were particularly passionate in their support of the initiative. It is to be hoped that the Cantonal Parliament will recognise that the public wants to have a say on such critical decisions as any modifications to the runways, and that people support the initiative.

Zurich’s Cantonal Parliament is making more and more decisions concerning Zurich Airport and the airport region that conflict with expressly stated public opinion. For example in 2011, as part of the Municipal Initiative II, it voted for a complete ban on runway expansion, only to subsequently be overruled by a significant majority in a referendum. Despite this clear verdict from the electorate, last year it removed forward-looking land-use management planning for runway extensions from its Cantonal Structure Plan, thus essentially introducing a ban on extensions via the back door.

There is no opportunity for the people to oppose such decisions via a referendum. The same problem would also arise if the Cantonal Parliament would reject a specific request by Flughafen Zürich AG to make changes to runways. The judgement would be conclusive, as opposed to accepting such an application, in which case the Cantonal Parliament would make its decision in the form of a resolution subject to referendum. This enables the public to launch a referendum, an option which has been used several times over the last few years. Now that the Cantonal Parliament has opposed the moderate, demand-oriented development of Zurich Airport on many occasions, there is a danger that critical decisions will be made with no public involvement at all.

Guaranteeing the right of public consultation

A broadly-based initiative committee comprising personalities of economic associations and parties from across the entire political spectrum recognised this problem and in October 2014 launched an initiative for the modification of Zurich airport legislation. The simple objective of the initiative proposers: To guarantee the public the right to launch a referendum and prevent the Cantonal Parliament making unilateral decisions. The initiative proposers have come a good step closer to achieving their objective. They have announced that they will submit the initiative with significantly more than the necessary 6000 signatures.

Considerable support from the airport region

The initiative has had a particularly high level of support from the people living in the airport region. This shows clearly that the people most affected by the outcomes, whether positive or negative, definitely want to be directly involved in decisions regarding the development of Zurich Airport. It is to be hoped that the Cantonal Parliament will now also acknowledge this desire for consultation. It is time for it to take account of these concerns and to approve and support the people’s initiative “Give people the vote on runway modifications”.

The people’s initiative is to be submitted shortly.
Flughafen Zürich AG continues to focus on solar energy

In November 2014, Flughafen Zürich AG put its second photovoltaic installation in operation. It is on the roof of car park P6 and triples the production of solar power.

Flughafen Zürich AG is actively seeking to operate Zurich Airport in an ecologically-friendly manner and reduce its effects on the environment. For example Flughafen Zürich AG has decided to voluntarily reduce its CO₂-emissions even further to 30,000 tonnes per year by 2020 and 20,000 tonnes by 2030, despite an expected increase in traffic flow and infrastructure.

Energy supply: Reliable as well as making economic and ecological sense
Flughafen Zürich AG’s key objectives also include using energy efficiently and keeping consumption as low as possible. In order to rise to the challenges the future will bring in terms of power and heating provision, in 2013 Flughafen Zürich AG passed the “2030 energy strategy”. Its aim is to ensure a reliable, cost-effective and environmentally sound energy supply for the whole airport by 2030.

Dock E heated and cooled by renewable energy
Renewable energies are an important pillar in achieving the objectives of the 2030 energy strategy. Since 2003, a photovoltaic installation located on the roof of Dock E has been producing electricity from solar energy. “Energy piles” located underground have been producing two thirds of the energy for heating and cooling the dock.

Production of solar energy tripled
In mid-November 2014, Flughafen Zürich AG put its second photovoltaic installation in operation. It measures 4880 m², has been built on the roof of car park P6, and faces south. Since the commissioning of the new installation, the amount of solar energy that flows into the airport’s own electricity network has tripled.

New photovoltaic installation produces 720 MWh per year
The new photovoltaic installation consists of 3050 polycrystalline photovoltaic modules and is expected to produce 720 MWh of electricity per year. The energy produced by the two solar installations now accounts for around 0.5% of the electricity needed for the whole of Zurich Airport, or 0.8% of the electricity requirements of Flughafen Zürich AG. Thus the proportion of solar energy as a percentage of all the energy used by Flughafen Zürich AG is the same as that for solar energy as a percentage of total energy produced in Switzerland (0.8% in 2013 according to the Swiss Energy Foundation).

Solar power production to be expanded in the future
As photovoltaic technology is becoming ever more efficient from year to year, thus making electricity production more cost-effective, Flughafen Zürich AG will continue to invest in solar energy in the future. The airport’s third photovoltaic installation will be built on the roof of “The Circle”, the new service centre currently under construction.
Traffic statistics

More than 25 million passengers for the first time

In 2014, Zurich Airport had another record year with 25,477,622 passengers, beating the previous year’s all-time record by 2.5%. In comparison with other major European airports, however, growth at Zurich Airport is lower than the European average of +4.9% (ACI, Airports Council International).

Last year the Zurich Airport catchment area was once again a stable and reliable market. The number of local passengers increased by 6.4%. By contrast, the number of transit passengers declined by 5.5%, so that the share of transfer passengers fell from 32.9% in 2013 to 30.3% in 2014.

Europe, the most important market for Zurich Airport, grew by 2.5%, and intercontinental traffic increased by 2.2%. The Middle East traffic segment in particular demonstrated high growth (9.9%) thanks to increased capacity, new flights and increased demand.

Hub carrier Swiss International Air Lines’ share of air traffic amounted to 55.4%, followed by Air Berlin (5.6%), Edelweiss Air (4.0%), Lufthansa (2.8%) and British Airways (2.2%).

Marginally more flight movements with improved capacity utilisation

In total there were 264,970 flight movements in 2014, an increase of 1.0% on the previous year. The seating capacity saw a 1.3% improvement. The positive development in passenger numbers once again led to an increase in capacity utilisation in 2014 of 1.1% to 75.9%. This corresponds to an increase in passengers per flight movement to 110.

Expansion of capacity to UAE and Hong Kong

Since 1 January 2014, Emirates is operating one of its two daily flights with the Airbus A380, the world’s biggest passenger aircraft. The A380 replaces a Boeing B777 and offers 163 additional seats per flight. The Middle East is now also served by a further airline: since 1 June 2014 Etihad has been operating a daily flight to Abu Dhabi. On 30 March 2015, Cathay Pacific will return to Zurich Airport after a 14-year absence, flying to Hong Kong with a Boeing B777.

Traffic volumes at Zurich Airport in 2014

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<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change in %</th>
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<tbody>
<tr>
<td>Local passengers</td>
<td>17,681,825</td>
<td>16,611,016</td>
<td>6.4</td>
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<tr>
<td>Transfer passengers</td>
<td>7,716,732</td>
<td>8,165,506</td>
<td>-5.5</td>
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<tr>
<td>Share of transfers</td>
<td>30.3%</td>
<td>32.9%</td>
<td></td>
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<tr>
<td>Total passengers 1</td>
<td>25,477,622</td>
<td>24,865,138</td>
<td>2.5</td>
</tr>
<tr>
<td>Flight movements</td>
<td>264,970</td>
<td>262,227</td>
<td>1.0</td>
</tr>
<tr>
<td>Freight (in tonnes)</td>
<td>429,830</td>
<td>415,362</td>
<td>3.5</td>
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<tr>
<td>Mail (in tonnes)</td>
<td>34,345</td>
<td>37,062</td>
<td>-7.3</td>
</tr>
</tbody>
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1 incl. transit, general aviation and other

Source: Flughafen Zürich AG

The most recent traffic statistics are updated every month and can be found in the Internet under www.zurich-airport.com/investorrelations.