Editorial

Dear Reader,

In 2013 some 24.9 million passengers passed through Zurich Airport. Although this represents only a modest rise of 0.3% from 2012, it exceeds the previous year’s record-breaking figures by almost 63,000 passengers. This confirms that travellers value Zurich Airport as a gateway to the world and to Switzerland. Due to generally larger aircraft and better capacity utilisation, the number of flight movements fell by 2.9% during the same period. The 262,227 take-offs and landings during 2013 were on a par with 2009, when 21.9 million passengers used Zurich Airport across 262,121 flight movements. Particularly with respect to reducing CO2 emissions, this increased efficiency is a positive development.

As a result of the many take-offs and landings, the airport’s runways are subject to a lot of wear and tear. Runway 14/32, which has been in use since 1976, is consequently due for renewal from March 2014. Since the necessary work will be done during the night, Flughafen Zürich AG is putting comprehensive noise protection measures in place, which we will set out in this edition of the Political Newsletter.

If it is to maintain its safe, high-quality and efficient operations in future and be able to finance its infrastructure over the long term, Zurich Airport is dependent on revenues from flight operations as well as from its non-aviation business. We regret that the negotiations on airport charges between Flughafen Zürich AG and the users of the airport’s infrastructure failed to reach an agreement. In such an eventuality the Ordinance on Airport Charges stipulates that the Federal Office of Civil Aviation (FOCA) should set the charges. In this issue of the Political Newsletter we set out in detail which charges will rise and which ones will be reduced. The overall charges for passengers at Zurich Airport will be lower than in the past.

In his guest contribution, President of the Zurich Cantonal Parliament Bruno Walliser highlights the constant dialogue between politicians, society and the airport’s management as a key success factor for the acceptance of the airport by the general population.

Finally, an article about the participation of our environmental experts in research and in international associations rounds off this issue of the Political Newsletter.

I wish you an enjoyable read!

Thomas E. Kern
Chief Executive Officer
Charges for Zurich Airport users set

Airports provide important infrastructure and consequently make a very significant contribution to the mobility of people and goods. Considerable investment is necessary to build and maintain this infrastructure. Airports must cover their operating and capital costs through airport charges.

Regulated procedures in Europe

In the EU, airport charges are set on the basis of a harmonised legal framework, with input from the airports and airlines, and are defined in specific national procedures. These take optimum account of the needs and interests of the airlines as users of the airports. At the same time, financing of the aviation infrastructure must be secured by means of airport charges. The key points of these procedures are described in an EU directive. The procedure for setting airport charges was also revised in Switzerland on the basis of the Bilateral Agreement on Air Transport between Switzerland and the EU which came into force in June 2002.

Federal Aviation Act regulates airport charges in Switzerland

The regulations were implemented in Switzerland through the partial revision of the Federal Aviation Act (FAA). The National Council and the Council of States approved the new legal basis for airport charges. The details are set out in the Ordinance on Airport Charges which came into force on 1 June 2012. The relevant parties were consulted before the ordinance was enacted. The Ordinance on Airport Charges therefore represents the outcome of a democratic process in which the airports, airlines and political representatives were all equally involved. The quality demanded of a hub airport and the long-term horizons of an airport’s infrastructure were taken into account.

No negotiated solution achieved

The Ordinance on Airport Charges stipulates that the operators and users of airports should negotiate airport charges between them. The negotiations between Flughafen Zürich AG and the users of the airport’s infrastructure, such as commercial airlines, private/business aviation and freight carriers, lasted six months. Unfortunately, however, these negotiations failed to reach any agreement. Flughafen Zürich AG regrets this.

FOCA sets charges for users of Zurich Airport

As stipulated in the ordinance, following the failure of the negotiations Flughafen Zürich AG submitted its proposed charges to the Federal Office of Civil Aviation (FOCA). On 15 November 2013, FOCA published its decision setting the charges for users of Zurich Airport for the years 2014 to 2017. However, due to a complaint lodged by individual airport users, this decision is still to be reviewed by the Swiss Federal Administrative Court.

Passengers to pay lower airport charges

Under FOCA’s ruling, the overall charges for passengers will be lower over the next four years. In particular, it is planned to lighten the financial burden on travellers by withdrawing the 5 franc noise supplement previously levied for every outbound passenger to finance the noise-related costs associated with flight operations. The security charges will also be reduced. The table shows an overview of the passenger-related charges set by FOCA.
Security charge for local passengers reduced
Thanks to the new security check building financed by Flughafen Zürich AG, security checks for local passengers have been centralised since December 2011. This has resulted in more efficient – and consequently more cost-effective – operations. The savings from this increased productivity will be passed on in the form of the proposed reduction in security charges for local passengers.

Noise supplement discontinued
In previous years, Zurich Airport levied a 5 franc noise supplement for each outbound passenger in order to finance noise protection measures which Flughafen Zürich AG was required to finance and disclose in its financial statements. The revenue from these charges flowed into the Airport of Zurich Noise Fund (AZNF) and was stated as a balance sheet item. As it stands, given the passenger and airport landing noise charges collected to date, together with the airport landing noise charges that will be collected over the coming years, the Airport of Zurich Noise Fund currently possesses sufficient assets to cover the forecast costs for noise protection measures in the area affected by aviation noise as well as the costs of formal expropriations.

Passenger charge to rise slightly over time
The charges to be levied for each outbound passenger will be increased slightly in order to refinance future investment in cost-intensive passenger infrastructure. Passenger charges will be adjusted once for 2014, then will rise slightly in each of the following years. Combined with the reduction in the security charge and the withdrawal of the 5 franc noise supplement, the net result is an overall reduction in passenger-related charges.

Airport landing and parking charges also to be adjusted
For calculating aircraft landing and parking charges, in future aircraft will be allocated to aircraft categories according to their size. Until now they have been calculated according to their individual take-off weight. Different landing and parking charges are levied for each aircraft category. The clearer categorisation of aircraft simplifies calculations and provides greater transparency. The increase in the aircraft parking charges will be offset by a corresponding reduction in landing charges, so that overall these charges will not go up.

Noise charges – new proposal being drafted
At the same time, FOCA ordered the implementation of the Federal Administrative Court’s recent decision on the matter of noise charges. In consultation with the relevant authorities and its partners, Flughafen Zürich AG will draft a new proposal for noise charges to be levied early in the morning, late in the evening and at night. This must be submitted to FOCA by the end of 2014. This will meet the Federal Administrative Court’s requirement to strengthen the incentive effect of noise charges early in the morning, late in the evening and at night.

Commercial activities help finance the airport’s infrastructure
In recognition of the direct connection between flight operations and some of the commercial activities at Zurich Airport, such as the revenue from car parks and from duty-free stores for example, FOCA has stipulated cross-subsidisation of flight operations by a substantial proportion of the profit from these activities.

Safeguarding the financing of infrastructure into the future
Zurich Airport is one of the best airports in the world. The modest increase in the actual passenger charge which FOCA has set is necessary to enable the airport to maintain high-quality, efficient and safe operations in future and ensure long-term financing of the airport’s infrastructure. In order to provide and maintain this infrastructure, Flughafen Zürich AG must not be distracted by short-term market fluctuations, but must plan for the long term. Like other companies in Switzerland, it is also faced with higher production costs than companies in other countries. Moreover, Flughafen Zürich AG does not receive any public subsidies and is not a burden on taxpayers.

Passenger charges set by FOCA until 2017

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<tr>
<th>Local passengers in CHF</th>
<th>Current</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Passenger charge</td>
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<td>23.70</td>
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<td>12.80</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>PRM* charge</td>
<td>0.90</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41.40</strong></td>
<td><strong>37.00</strong></td>
<td><strong>37.50</strong></td>
<td><strong>38.00</strong></td>
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<table>
<thead>
<tr>
<th>Transfer passengers in CHF</th>
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<td>8.30</td>
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</tr>
<tr>
<td>Security charge</td>
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<td>10.00</td>
<td>10.00</td>
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<tr>
<td>Noise supplement</td>
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<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.90</strong></td>
<td><strong>19.00</strong></td>
<td><strong>19.30</strong></td>
<td><strong>19.60</strong></td>
<td><strong>19.90</strong></td>
</tr>
</tbody>
</table>

* Passengers with reduced mobility
International commitment to environmental protection

Flughafen Zürich AG is welcomed as a partner in associations and working groups concerned with environmental protection at airports. By engaging with such organisations, it is making a substantial contribution to international development in the field of environmental protection.

Climate protection, aircraft noise, air quality – three issues that are debated not only in and around Zurich, but represent environmental priorities for airports around the globe. With its know-how and extensive networks, Flughafen Zürich AG is in great demand internationally, particularly in relation to issues surrounding air quality and climate protection, and is consequently making a significant contribution to the development of environmental protection worldwide. This voluntary commitment benefits the entire aviation industry.

Cooperation in associations

Among other things, Flughafen Zürich AG sits on the World Environment Standing Committee (WESC) of the Airports Council International (ACI), an association of airports from all over the world. As a representative of ACI, it is actively involved in the Committee on Aviation Environmental Protection (CAEP) of the International Civil Aviation Organization (ICAO). Flughafen Zürich AG brings its knowledge and its networks around air pollution and climate protection to the table in various working groups, helping to create the foundations for improvements in these areas.

Finger on the pulse of research

Flughafen Zürich AG is also involved in specific projects and initiatives that aim to advance environmental protection in the aviation industry through research and development. These include the Forum on Aviation and Emissions (FORUM-AE), a research programme funded by the European Union which brings together universities, research institutes, aviation authorities, air traffic controllers, airlines, engine manufacturers and airports.

Models for calculating air pollution emissions

Flughafen Zürich AG is developing models for calculating air pollution caused by aviation. These models require continual further development in order to make clear the technical and operational advances achieved. Along with Flughafen Zürich AG, the Federal Office of Civil Aviation (FOCA) is also actively involved at the international level so Switzerland is very well represented in the field of environmental protection.
An airport for everyone

Zurich Airport is our gateway to the world. It connects Switzerland and Zurich with all the continents. It represents a vital driver for both Zurich’s and Switzerland’s economy and helps promote our attractiveness as a prosperous place to do business. It is also a major employer in the Canton of Zurich.

Despite this importance, Zurich Airport is always the subject of lively debate among citizens and in the Cantonal Parliament. Over the course of the last 20 years alone, the Parliament has discussed well over 300 proposals, motions and initiatives relating to the airport. The next major item of business on the agenda in the spring is the separate “Airport” part of the cantonal development plan. Since the revocation of the treaty by Germany, Switzerland’s Federal Assembly has also been increasingly concerning itself with the airport.

How are such successes possible? One part of this success story is certainly the prudent strategy of the Board of Directors and the excellent performance of all employees. Getting to the top is already a major achievement. But remaining at the top for a whole decade is quite simply outstanding and deserves our respect.

In my opinion, success has come not least thanks to the constant political discussions. Our airport at Zurich-Kloten has steadily expanded on the tailwinds of referendums over the last 60 years. Again and again, citizens, the Cantonal Parliament and the Government Council have taken the decisions on the development of the airport together. With respect to runway extensions, Zurich’s laws make provision for a referendum related to the national frame conditions.

As long as this political debate is being conducted and the needs of the people are being addressed, the airport will be supported by the population. Is this perhaps also an opportunity for the airport’s management, on being faced with unconventional suggestions, to reach for new ideas and strategies? If we succeed in encouraging and taking advantage of this interaction between democracy and business, we will create fertile ground for innovative solutions, such as Zurich Airport itself represents.

For us the airport at Zurich-Kloten is not simply a national airport which our economy needs. It is also a people’s airport with which everyone can identify and which – all political discussions notwithstanding – engages much sympathy.

Bruno Walliser
President of Zurich’s Cantonal Parliament
Noise abatement measures during runway renovation

Owing to the wear and tear it has suffered over its many years of service since 1976, the time has come when runway 14/32 requires comprehensive renovation. The building work for this will be carried out during night hours from March to October 2014. In order to minimise the impact on local residents, Flughafen Zürich AG is putting comprehensive noise abatement measures in place.

Since it came into service in 1976, runway 14/32 has seen over three million take-offs and landings and is now consequently showing visible signs of damage. Renovation is therefore essential. The lighting systems will also be renewed in conjunction with the construction work on the runway. Carrying out the necessary work during the night worked well when runway 16/34 was upgraded in 2008 so this method has again been chosen. Flughafen Zürich AG is aware that construction work causes noise. It is therefore putting comprehensive noise abatement measures in place.

Unavoidable building site noise
In some cases the construction machinery used generates a lot of noise that can still be heard from a relatively long distance away. Demolishing concrete is particularly noisy. Also excavation work, laying sub-bases and asphalt, cutting runway surfaces, vehicles and machinery generate engine noise. Additional traffic noise is also produced along the access roads.

Noise abatement measures during concrete demolition
The building work will be carried out during a 9-hour window between 10 p.m. and 7 a.m., with the most noisy demolition work usually being carried out before midnight. Specific measures to mitigate the noise will be taken depending on factors such as the intensity of the noise, the time of day, the duration, and also the distance of the residential areas from the construction site. The measures will comply with the relevant statutory provisions of the canton and the federal government. A specially designed shovel will be used for removing the concrete. This rips out the concrete slabs instead of smashing them up. As a result, the concrete slabs can be removed more efficiently and with less noise. In particular, it is possible to minimise the amount of work required to be done with hydraulic concrete breakers as the hammering noise they make can be very annoying. The rubble will be temporarily deposited within the airport grounds then taken away during the day. This avoids materials being transported on public highways during the night.

Specially constructed shovels cut down the noise when breaking out concrete slabs.
Mobile noise barriers
To protect neighbouring residential areas from construction noise, mobile noise barriers will be erected around the construction sites at night. Three trailers with shipping containers will be converted into noise barriers around 40 m long and 4.5 m high especially for this purpose. These walls are mobile for quick and flexible deployment. In addition, to mitigate noise from construction traffic, a 400 m long noise protection wall has already been erected along the perimeter fence on the most exposed part of the access road.

Noise limit must not be exceeded
During the planning phase a noise limit of 55dB(A) was specified which must not be exceeded in residential areas, even during the loudest phase of the building works. Regular noise measurements will be taken to monitor compliance. The results will be passed on to the authorities in the neighbouring municipalities and the supervisory authority.

Transparent communications
A fundamental factor for understanding and acceptance by neighbouring communities is transparent communications. This is why the measurement results will also be made public. In addition, Zurich Airport’s existing aircraft noise hotline is there to receive complaints about noise and answer questions. To enable local residents to get an insight into what’s going on “behind the scenes” with the runway renovation work, an “Open Night” will be held during which they can watch the construction work going on directly on the runway. Information about the project and the progress of the work will also be provided in media releases and on the Internet.
Traffic statistics

Slight growth in passenger numbers to 24.9 million in 2013

24,865,138 passengers passed through Zurich Airport in 2013. This represents an increase of just under 63,000 passengers or 0.3% compared with the previous year. Despite the continued uncertain economic climate, therefore, the catchment area of Zurich Airport remained a stable market in 2013. The number of local passengers rose by 2.2% to 16.6 million in 2013. At the same time, the number of transit passengers at Zurich Airport declined by 3.5% to 8.2 million. In percentage terms, the share of transfer passengers fell from 34.2% in 2012 to 32.9% in 2013.

Growth recorded for Asia, North America and the Middle East

Thanks to a wider choice of flights and rising demand, intercontinental traffic saw increases for Asia (+5.0%), North America (+4.1%) and the Middle East (+3.2%). The collapse of Egyptian business meant that passenger volumes to and from Africa dropped dramatically (-14.4%). European traffic fell slightly by -0.1%.

2.9% fewer flight movements, but number of seats remained relatively stable

In total there were 262,227 flight movements in 2013, corresponding to a decline of 2.9% from the previous year. However, the use of larger aircraft meant that the number of seats offered changed only marginally (-0.7%). The average number of passengers per flight rose from 106 to 109, and the seat load factor increased by one percentage point to 75.1% in 2013. Swiss International Air Lines’ share of air traffic amounted to 56.8%, followed by Air Berlin (5.5%), Edelweiss Air (3.7%), Lufthansa (3.6%) and British Airways (2.1%).

452,424 tonnes of air freight and air mail

415,362 tonnes of air freight and 37,062 tonnes of air mail were transported in 2013. Compared with 2012, air freight decreased by 0.8%, while the volume of air mail saw a year-on-year increase of 4.1%.

184 destinations worldwide

In 2013, 73 airlines and charter companies operated flights from Zurich Airport to 130 European and 54 intercontinental destinations.

Expansion of capacity in the United Arab Emirates in 2014

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.

Etihad Airways, another airline based in the United Arab Emirates, will be serving Zurich Airport with a daily flight to Abu Dhabi from June 2014.

Traffic volumes at Zurich Airport in 2013

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change in % 2013 compared with 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local passengers</td>
<td>16,611,016</td>
<td>16,246,942</td>
<td>2.2</td>
</tr>
<tr>
<td>Transfer passengers</td>
<td>8,165,306</td>
<td>8,464,230</td>
<td>-3.5</td>
</tr>
<tr>
<td>Share of transfers</td>
<td>32.9%</td>
<td>34.2%</td>
<td></td>
</tr>
<tr>
<td>Total passengers</td>
<td>24,865,138</td>
<td>24,802,400</td>
<td>0.3</td>
</tr>
</tbody>
</table>

1 incl. transit, general aviation and other

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