Editorial

Dear Reader,

In terms of passenger volume, 2012 was a good year for Zurich Airport. 24.8 million passengers—an all-time high—departed from, arrived at or transferred via the airport in 2012. This represents a slight year-on-year increase of 1.9%, despite a 3.2% fall in the number of flight movements. This shows that Zurich Airport is valued as a transport hub and gateway to the world.

Zurich Airport is not just a travel and transfer platform, however. Its numerous shops, restaurants and services make it an attractive place to spend time. These facilities are equally popular with passengers, employees and commuters from the surrounding region.

To ensure that the high level of quality is maintained, we continued to invest a considerable amount in the airport’s infrastructure over the past year, particularly in value preservation, process optimization and improving the passenger experience. After over three decades of intensive use, Terminal 2 is currently undergoing extensive renovation. Flughafen Zürich AG is investing over 220 million Swiss francs in this building project alone.

It is still of vital importance to us that a solution is found to the long-running dispute about aircraft noise from flight approaches to Zurich Airport over German territory. Flughafen Zürich AG is actively lobbying for ratification of the treaty signed by the transport ministers of Germany and Switzerland by the respective parliaments. In particular with regard to long-term investments in its infrastructure, Flughafen Zürich AG needs the legal and planning certainty that can only be underpinned by a treaty. We therefore greatly regret that the ratification process in Germany has stalled.

I would like to stress that Zurich Airport is very important for the whole of the Upper Rhine/Lake Constance cross-border area, for both residents and the region’s economy generally. A smoothly functioning airport is a key business driver and strengthens the competitiveness of the region compared with other economic regions. An airport can only optimally fulfill its function as a transport hub, however, if the many restrictions and regulations are proportionate.

This edition of our Political Newsletter contains further information about these issues.

Many thanks for your interest in Zurich Airport and I wish you a stimulating read!

Daniel Schmucki
Chief Financial Officer
Regulations should be proportionate

The curfew periods specified in the German implementing regulation (DVO) for flights approaching Zurich Airport over German territory greatly constrain flight movements. The implementation of the treaty, which represents a compromise designed to settle the long-running dispute over aircraft noise, will also pose a major challenge to the organisation of the flight operations at Zurich airport. Further restrictions were also imposed on Zurich Airport. Individually, each of these may appear to be reasonable, but taken in their entirety they will make it increasingly difficult to maintain efficient flight operations.

Zurich Airport is a vital link in the Swiss national transport infrastructure. As the holder of the operating licence awarded by the Confederation, it is mandated to provide connections from Switzerland to the world’s major cities. Moreover, with some 270 companies and over 24,000 employees located here, Zurich Airport is a major economic driver for the Zurich region and Switzerland as a whole. To ensure passengers and freight are transported efficiently, airport operations must run smoothly every day. The ability to offer sufficient capacity to meet the rising demand for air travel in the future is also crucial. While Flughafen Zürich AG finances the construction and maintenance of the airport infrastructure itself, it needs legal and planning certainty in order to make the necessary investments.

Zurich aircraft is subject to a strict ban on night-time flights

Zurich Airport has agreed to the most stringent ban on night-time flights among comparable European airports. There are no take-offs or landings from 11 p.m. (or 11.30 p.m. in the event of delays) through to 6 a.m. Exceptions are permitted in justified individual cases only, for instance when delays arise as a result of airspace congestion or exceptional weather conditions. The very tight operating times of Zurich Airport pose a major challenge, especially to its home carrier SWISS. In order to ensure an attractive flight network for Switzerland and to deploy its flight personnel and aircraft fleet as optimally as possible, SWISS is dependent on many connecting flights between European and long-haul destinations. In return, Zurich Airport was promised unrestricted operation during its normal operating hours. To date, however, this has not been guaranteed. For example, take-offs between 9 p.m. and 7 a.m. are only permitted on runways 32 and 34, and exceptions are only allowed for safety reasons, for example in the case of poor weather conditions or insufficient runway length.

Zurich Aircraft Noise Index (ZFI)

On 25 November 2007, Zurich’s voters firmly rejected the initiative to restrict flight movements to 250,000. The counterproposal of the Canton of Zurich to set up the Zurich Aircraft Noise Index (ZFI) was, however, accepted. This stipulates a maximum of 47,000 people exposed to high levels of aircraft noise. At 53,700, the
monitoring value was above the guideline figure for the third time in 2011 (2008: 49,000, and 2010: 50,800). However, according to the canton’s ZFI monitoring report for 2011, we should not seek the reasons for this increase and the current situation at the airport or in its aviation operations: “If the ZFI were to take account of the increase in flight movements alone – without the growth in population, the 2011 ZFI monitoring value would be 45,999, i.e. 2% below the ZFI limit of 47,000, or 13,581 units or 23% below the level of 2000 respectively.” Nevertheless, because the limit has been exceeded, the Government Council of the Canton of Zurich is required to evaluate measures to bring this monitoring value down below the limit again. If flight operations are not to be restricted further, it will need to take account of the above reasons.

**Noise compensation costs**
The recently published INTRAPLAN study “Monitoring the competitiveness of the Swiss aviation industry” found that, in comparison with other European airports of a similar size, Zurich Airport is also disadvantaged in terms of noise compensation and noise costs. The level of noise protection and compensation costs already paid out and expected is far higher than those for other comparable European airports.

Independently of this, on 16 May 2012 the Federal Council agreed to a revision of noise compensation provisions. Instead of the judicial compensation process practised to date, new regulations are to be introduced in the Environmental Protection Act. It is not yet clear what the financial repercussions of this will be for Zurich Airport. Here, too, there is a risk of introducing regulations that overshoot the mark and further weaken the international competitiveness of Switzerland’s aviation industry.

**Balanced restrictions**
At first glance each of these measures seems reasonable and has a specific purpose. Taken together, however, these regulations can greatly hinder aviation operations and weaken the competitiveness of Zurich Airport. Since it is exposed to strong competition from other comparable European airports, any further restrictions should be balanced and take account of the bigger picture.
**Treaty: Ratification vital to establish legal certainty**

Germany has suspended the ratification process for the treaty relating to the impact of Zurich Airport’s operations over German territory and is demanding the inclusion of more concrete details in the agreement. In Switzerland, the Council of States Committee on Transportation and Telecommunications voted unanimously in favour of ratification. Flughafen Zürich AG welcomes this decision and is likewise of the view that the ratification process is in the interests of the country and its infrastructure and should be driven forward.

The treaty is the result of lengthy, intensive negotiations and discussions over the past decade. Even if Germany, like Switzerland, would have liked a more favourable solution from their standpoint, in the end the outcome now achieved is a compromise that establishes the urgently needed legal certainty as well as planning and investment security for all concerned.

**Council of States Committee on Transportation and Foreign Affairs Committee in favour of the treaty**

During consultations on the treaty, the Committee on Transportation of the Council of States heard evidence from various stakeholders, including Flughafen Zürich AG. The Committee found the treaty to be an acceptable compromise. It considered the alternatives to ratification to be worse, especially the likelihood of Germany unilaterally imposing even tighter restrictions. In addition, the treaty would establish long-term legal certainty and put an end to the dispute which has been straining the relations between Switzerland and Germany for many years. The Committee thus unanimously recommended that the Council of States ratify the treaty. The Committee further noted the report from the Foreign Affairs Committee, which also voted unanimously in favour of ratifying the treaty. Flughafen Zürich AG welcomes this forward-looking decision and hopes that the Council of States will follow the lead of its Committee in the spring session.

**Risk of even stricter regulations**

The consequences of rejection by Switzerland can be imagined. In 2003, Switzerland rejected the agreement negotiated in 2001 to resolve the aircraft noise dispute. Germany responded by tightening up the German implementing regulation (DVO) which is still in force today, and which unilaterally stipulates at which times aircraft can approach Zurich Airport from the north over German territory. It can therefore be assumed that if Switzerland rejects the treaty, Germany will further tighten up this regulation in accordance with the demands set out in the Stuttgart Declaration (key stipulations: maximum 80,000 flight approaches, no curved north approach). In this context, therefore, the recommendation of the Committee on Transportation is to be welcomed, and further steps should now be taken to ratify the treaty.
Accessibility – a key success factor for Zurich University

With a budget of some 1.3 billion Swiss francs, approximately 7,800 staff (including around 550 professors), and over 26,000 students, the University of Zurich (UZH) is not only the biggest university in Switzerland, it is also a higher learning institution with a global reach: in the three top international rankings, it numbers among the hundred best universities in the world. As the recent study "Zurich as a Financial Centre 2012/13" published by the cantonal Office for Economy and Labour shows, in terms of the availability of highly qualified employees Zurich University and the Swiss Federal Institute of Technology (ETH) play an important role in the attractiveness of Zurich as a business location. The two universities are therefore not only important employers themselves, they are also a key factor in attracting internationally active companies to Zurich and keeping them here.

The success of the university can be put down to a number of factors. Alongside the quality of its teaching and research, the attractiveness of its location is also important – the city of Zurich lies at the heart of Europe and is extremely popular as a place to live and work. This ideal location and good transport links are important for us, particularly since by its nature the world of academia is not generally tied to specific locations. Researchers are part of international networks and frequently travel – often several times a year – for research stays and to conferences all over the world. They often organise conferences in Zurich too, which are attractive to participants not least because it is very easy to reach Zurich by train and by plane. All three main campuses of UZH (city centre, Irchel and Oerlikon) can be reached from the main railway station or the airport in less than thirty minutes. A large number of students (especially PhD students) and many members of staff are foreigners, and although they study, conduct research or teach in Zurich, they regularly travel home. Quite a few even commute by train or plane. For these people, too, the accessibility of UZH is extremely important.

To put it simply: the University of Zurich founded back in 1833 would undoubtedly still exist without the airport. However, today it is one of the factors that play a vital role in the university’s success. Long may this continue!

Prof. Dr. Andreas Fischer
Rector of the University of Zurich
Attractive shops, restaurants & services at Zurich Airport

Today’s airports are much more than just travel and transfer hubs. Everywhere in the world, travellers are spending a lot of time at airports and there is a clear trend emerging of passengers utilising the time before and after flights to satisfy various needs such as shopping, eating, attending business meetings, and much more besides. Flughafen Zürich AG is also making great efforts to meet this demand and is investing in its commercial offering. Consequently, passengers will benefit from an attractive range of high-quality services, shops and restaurants.

This so-called “non-aviation” side of the business is becoming increasingly important for Zurich Airport. In addition to the profits it contributes to the company as a whole, the factors that influence the popularity of the airport, i.e. the provision of a reasonable level of retail and other services to meet passenger needs, are important. This popularity is regularly reflected in the excellent rankings Zurich Airport achieves in international passenger surveys.

Airside Center opened in 2004
Less than ten years ago, Zurich Airport was only one of many in terms of its commercial offering. At best, shops, restaurants and other services catered only to the basic needs of passengers and were perceived as unattractive and expensive. With the opening of its Airside Center in 2004, Zurich Airport responded to the growing needs of passengers and at a stroke greatly expanded its commercial offering. But the Airside Center was about far more than simply satisfying customer demand for well-known international brands. By providing a wide range of Swiss brands and local products, Zurich Airport succeeded in differentiating itself from other airports with its Swissness, ensuring it was perceived as a desirable place for people to spend time.

Duty-free purchases also on arrival in Switzerland
The opening of two arrival duty-free stores in the summer of 2011 marked another milestone in the airport’s history. Since then, arriving passengers have also been offered the convenience of making duty-free purchases after landing at Zurich, which has further enhanced the attractiveness of the airport. As a result, some of the passenger spend which would otherwise have been made abroad has been brought back to Switzerland, and at Zurich Airport alone around 30 new full-time jobs have been created in sales and logistics.

Landside facilities also used by residents and commuters
The landside commercial business has also considerably been expanded in recent years. The driving force here is the growth of the airport generally. One million additional passengers generate 1000 new jobs. Along with the number of commuters using public transport, the demand for our commercial offerings has grown.

Continue with successful strategy
The general trend favours the parameters of our commercial portfolio. The attractiveness of the environment created helps in finding suitable partners to carry forward this strategy. It is vital for our airport to offer a well-balanced range of shops, restaurants and services in the space available. This results in a cross-fertilisation effect which adds value for businesses, customers and the airport.
Major upgrade of Terminal 2

The first passengers set foot in Zurich Airport’s new Terminal 2 back in 1975. Following more than three decades of intensive use of this core infrastructure, extensive renovation of the terminal became necessary. This work has been underway since 2010 and is set to last around five years. The upgraded Terminal 2 will have a fresh new face from 2016.

In addition to visual and technical improvements, our major Terminal 2 upgrade project principally concerns the renewal of operational infrastructure. In total, Flughafen Zürich AG is investing over 220 million Swiss francs in this renovation. Work is currently focused on the arrival and check-in areas. Carrying on “business as usual” while renovating the building poses some major challenges.

Some renovation projects already completed

Even before the large-scale rebuild of the check-in hall commenced, some elements had already been completed in advance. For instance, the customs hall was renovated, provided with a larger customs control area, and further enhanced with new arrival duty-free shopping opportunities. In Arrival 2 a switzerlandinfo+ information desk was installed, and on the basement level goods delivery facilities were altered to meet future logistics needs. A further important element was the provision of a temporary check-in area. This was set up on level 1 next to the new Swiss Arrival Lounge.

Main project launched in June 2012

Successful commissioning of the temporary check-in desks enabled construction work to commence on schedule at the southern end of the check-in hall, which has now been completely cleared. The northern end of the hall is continuing to operate as normal behind a partition wall. Once the southern half of the hall has been completed, including the facade, work will immediately commence on the northern section at the beginning of 2014. As well as increasing check-in capacities, offices and shops will be modernised.

Synergies of quality and efficiency

The new Terminal 2 will set new standards of quality and efficiency: smooth, efficient processes in a pleasant environment will further enhance the well-being of passengers and partner companies. Lots of light, generous spaces, and clear signage are the primary design goals for the architecture. With these objectives, Zurich Airport is continuing to comprehensively renew and improve its infrastructure for the benefit of passengers and partner companies.
Traffic statistics

Slight growth in passenger numbers to 24.8 million in 2012

24,802,400 passengers passed through Zurich Airport in 2012. This represents a year-on-year increase of 1.9% and is an all-time record. Despite the uncertain economic climate, in 2012 the Zurich Airport catchment area again proved to be a stable and reliable market with continued growth in the demand for flights. The number of local passengers increased during 2012 by 1.6% to a total of 16.2 million. At the same time, the number of transit passengers at Zurich Airport rose by 2.5% to 8.5 million. In percentage terms, the share of transfer passengers increased slightly from 34.0% in 2011 to 34.2% in 2012.

Fewer flight movements

There were 270,027 flight movements in 2012, a decline of 3.2% over the previous year. Yet owing to the use of larger aircraft the number of seats to and from Zurich remained virtually unchanged at -0.2%. The increase in passengers and the drop in flight movements led to a 1.6% rise in the seat load factor to 74.4%. The number of passengers per flight movement likewise rose accordingly – from 102 in 2011 to 106 in 2012. Based on the number of flight movements, Swiss International Air Lines’ share of air traffic amounted to 55.5%, followed by Lufthansa (5.1%), Air Berlin (4.9%), British Airways (2.7%) and Edelweiss Air (2.7%).

Modest increase in air freight

In 2012 freight volumes at Zurich Airport increased by 0.9% over their 2011 levels. A total of 418,751 tonnes of air freight were transported during 2012. The volume of freight shipped by air grew slightly by 1.9%, whereas substitute air freight transported by road fell by 1.3%.

188 destinations worldwide

In 2012, 65 airlines offered scheduled services and 13 charter companies operated flights from Zurich Airport to 130 European and 58 intercontinental destinations.

Current traffic statistics on the Internet

The most recent traffic statistics continue to be updated monthly and can be found on the Internet under www.zurich-airport.com/investorrelations.

Traffic volumes at Zurich Airport in 2012

<table>
<thead>
<tr>
<th></th>
<th>2012 (no.)</th>
<th>2011 (no.)</th>
<th>Change in % 2012 compared with 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local passengers</td>
<td>16,246,942</td>
<td>15,998,457</td>
<td>1.6</td>
</tr>
<tr>
<td>Transfer passengers</td>
<td>8,464,230</td>
<td>8,254,036</td>
<td>2.5</td>
</tr>
<tr>
<td>Share of transfers</td>
<td>34.2%</td>
<td>34.0%</td>
<td>0.2</td>
</tr>
<tr>
<td>Total passengers</td>
<td>24,802,400</td>
<td>24,337,954</td>
<td>1.9</td>
</tr>
<tr>
<td>Flight movements</td>
<td>270,027</td>
<td>279,001</td>
<td>-3.2</td>
</tr>
<tr>
<td>Freight (in tonnes)</td>
<td>418,751</td>
<td>415,035</td>
<td>0.9</td>
</tr>
<tr>
<td>Mail (in tonnes)</td>
<td>35,606</td>
<td>32,936</td>
<td>8.1</td>
</tr>
</tbody>
</table>

1 incl. transit, general aviation and other

Source: Flughafen Zürich AG