



FLUGHAFEN ZÜRICH AG
INTERIM REPORT

2018

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KEY FINANCIAL DATA

KEY DATA

(CHF 1,000) ¹⁾	First half 2018	First half 2017	Change in %
Total revenue	540,182	488,793	10.5
of which aviation revenue	309,024	292,409	5.7
of which non-aviation revenue	231,158	196,384	17.7
Operating expenses	-300,618	-217,196	38.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	239,564	271,597	-11.8
EBITDA margin (in %)	44.3	55.6	
Earnings before interest and tax (EBIT)	115,786	151,205	-23.4
EBIT margin (in %)	21.4	30.9	
Profit	84,511	143,175	-41.0
Cash flow from operating activities	195,117	193,843	0.7
Cash flow from investing activities	-68,983	-241,077	-71.4
Invested capital as at reporting date	3,385,217	3,304,751	2.4
Return on invested capital (in % ²⁾)	7.2	8.4	
Equity as at reporting date	2,280,066	2,228,611	2.3
Return on equity (in % ²⁾)	10.1	13.3	
Equity ratio (in %)	54.5	54.8	
Interest-bearing liabilities (net)	232,939	206,293	12.9
Interest-bearing liabilities (net) / EBITDA ²⁾	0.42x	0.35x	
Key operational data			
Number of passengers	14,579,679	13,706,322	6.4
Number of flight movements	134,608	131,401	2.4
Freight (in tonnes)	244,330	231,916	5.4
Number of full-time positions as at reporting date	1,719	1,565	9.8
Number of employees as at reporting date	1,980	1,819	8.9
Key data for shareholders of Flughafen Zurich AG			
Number of issued shares	30,701,875	30,701,875	
Equity per share (CHF)	74.26	72.59	2.3
Basic earnings per share (CHF)	2.75	4.66	-41.0
Diluted earnings per share (CHF)	2.75	4.66	-41.0
Flughafen Zürich AG (registered share)	Security number	SIX Symbol	Reuters
	31941693	FHZN	FHZN.S
Share price as at 30.06. (CHF)	202.40	235.00	-13.9

1) All cited key financial data are unaudited.

2) Based on the result of the 12-month period preceding the reporting date.

KEY DATA EXCLUDING THE INFLUENCE OF AIRCRAFT NOISE

Flughafen Zürich AG refinances all costs relating to aircraft noise through noise charges based on the “costs-by-cause” principle. These noise charges have a specified purpose, and any surplus, after all noise-related expenses have been paid, must be repaid and does not belong to the owners of Flughafen Zürich AG.

As the consolidated 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 for the shareholders excluding the influence of aircraft noise. In the long term, noise-related items will not impact the income statement or the liquidity of Flughafen Zürich AG.

The figures for the income statement and results including and excluding noise-related factors are as follows:

(CHF 1,000)	First half 2018			First half 2017		
	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise
Revenue	540,182	-5,619	534,563	488,793	-5,466	483,327
Operating expenses	-300,618	59,113	-241,505	-217,196	1,561	-215,635
EBITDA	239,564	53,494	293,058	271,597	-3,905	267,692
Depreciation and amortisation	-123,778	2,657	-121,121	-120,392	2,657	-117,735
EBIT	115,786	56,151	171,937	151,205	-1,248	149,957
Profit	84,511	45,325	129,836	143,175	-2,286	140,889

As a result the adjusted key figures excluding the influence of aircraft noise are as follows:

(CHF 1,000) ¹⁾	First half 2018	First half 2017	Change in %
Total revenue	534,563	483,327	10.6
of which aviation revenue	303,405	286,943	5.7
of which non-aviation revenue	231,158	196,384	17.7
Operating expenses	-241,505	-215,635	12.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	293,058	267,692	9.5
EBITDA margin (in %)	54.8	55.4	
Earnings before interest and tax (EBIT)	171,937	149,957	14.7
EBIT margin (in %)	32.2	31.0	
Profit	129,836	140,889	-7.8
Cash flow from operating activities	195,535	195,605	-0.0
Cash flow from investing activities	-79,783	-301,064	-73.5
Invested capital as at reporting date	3,312,514	3,154,482	5.0
Return on invested capital (in % ²⁾)	8.8	8.8	
Equity as at reporting date	2,191,567	2,094,786	4.6
Return on equity (in % ²⁾)	12.7	13.7	
Equity ratio (in %)	60.3	60.4	
Interest-bearing liabilities (net)	670,366	661,731	1.3
Interest-bearing liabilities (net) / EBITDA ²⁾	1.12x	1.15x	
Key data for shareholders of Flughafen Zurich AG			
Number of issued shares	30,701,875	30,701,875	
Equity per share (CHF)	71.38	68.23	4.6
Basic earnings per share (CHF)	4.23	4.58	-7.6
Diluted earnings per share (CHF)	4.23	4.58	-7.6

1) All cited key financial data are unaudited.

2) Based on the result of the 12-month period preceding the reporting date.

2018 INTERIM REPORT

**DEAR SHAREHOLDERS,
DEAR SIR OR MADAM**

Flughafen Zürich AG reported a profit of CHF 84.5 million for the first half of 2018, a fall of CHF 58.7 million compared with the same period in 2017. While the disposal of its stake in Bangalore Airport positively impacted the result in the first half of 2017, additional provisions for sound insulation measures in the first half of 2018 had a negative effect. After adjusting for these one-off effects, profit rose by 16.6%.

BUSINESS REVIEW

TREND IN TRAFFIC VOLUME

Between January and June 2018, 14.6 million passengers used Zurich Airport as their departure, transfer or destination airport, representing an increase of 6.4% compared with the prior-year period. The number of local passengers rose by 6.8%, while there was an increase of 5.4% in transfer passengers. The proportion of transfer passengers declined from 28.7% to 28.4% over the prior-year period. Markets in all regions performed well. In absolute terms, the European market made the biggest contribution to growth (+5.0%), followed by North America (+8.7%), Latin America (+40.1%), Middle East (+9.1%), Africa (+23.3%) and the Far East (+5.3%).

The number of flight movements climbed by 2.4% to 134,608 take-offs and landings in the first half of 2018. The seat load factor per flight movement rose from 75.4% to 76.7% and the average number of passengers per flight movement (scheduled and charter) from 120 to 125 passengers. Compared with the prior-year period, the volume of freight handled at Zurich Airport increased by 5.4% to 244,330 tonnes.

FINANCIAL DEVELOPMENT

Trend in total revenue

Revenue grew by 10.5% year on year to CHF 540.2 million. In line with the growth in traffic, aviation revenue rose by 5.7% to CHF 309.0 million. Non-aviation revenue increased by 17.7% to CHF 231.2 million. Along with higher passenger volumes and the new contract with Dufry for airside retail units, taking over the operation of Florianópolis airport in southern Brazil had a particularly positive impact on revenue. Revenue from international airport business therefore rose to CHF 31.9 million in the first half of 2018 (prior-year period: CHF 4.9 million).

One-off effects

Flughafen Zürich AG is expanding its south-side sound insulation concept and its programme of sound insulation measures based on the night-time noise curve in the revised Sectoral Aviation Infrastructure Plan (SAIP2) approved by the Federal Council. Over and above the previously estimated CHF 340.0 million set aside for sound insulation and resident protection, further measures costing around CHF 60.0 million are planned. The present value of these additional costs of around CHF 57.6 million (before tax) was recognised as a provision as at 30 June 2018, resulting in a one-off amount of CHF 45.8 million (after taxes) being charged to the profit and loss account. All additional costs will be financed by the Airport of Zurich Noise Fund, which is adequately funded. The measures are scheduled for completion by the end of 2030.

In the prior-year period, the sale of the remaining 5% interest in Bangalore International Airport Ltd. resulted in a one-off gain of CHF 31.4 million (after taxes).

Operating expenses

Operating expenses rose by 38.4% to CHF 300.6 million in the first half of 2018, in particular due to the expansion of the sound insulation programme. After adjusting for the effects of recognising the provisions for expansion of the sound insulation programme, expenses rose by 11.9%, primarily due to setting up operations in Florianópolis. Operating expenses in Zurich increased by 1.9%, considerably lower than the growth in traffic.

Operating result and profit

At CHF 239.6 million, earnings before interest, tax, depreciation and amortisation (EBITDA) are below the prior-year figure of CHF 271.6 million. Adjusted for the provisions for sound insulation measures, EBITDA improved by 9.4% to CHF 297.2 million, representing an adjusted EBITDA margin of 55.0%.

Profit in the first half of 2018 amounts to CHF 84.5 million, down CHF 58.7 million on the result for the prior-year period. Compared with the same period last year, and in addition to the increased provision for sound insulation measures in the first half of 2018, the gain in the first half of 2017 on the disposal of the interest in Bangalore International Airport Ltd. had an effect on the result. When adjusted for these effects, profit increased by CHF 18.5 million to CHF 130.3 million (+16.6%) compared with the same period of 2017.

Segment reporting

Although revenues from the regulated segment increased in line with growth in passenger and traffic volumes, operating expenses and depreciation were actually slightly lower. As a result, the return on invested capital (on a 12-month rolling basis) rose from 5.6% to 6.7%.

The non-regulated segment is impacted in particular by the increase in invested capital as a result of THE CIRCLE construction project. On the balance sheet date, the return on invested capital (on a 12-month rolling basis) in this segment amounted to 11.8% (prior-year period: 13.5%).

Assets and financial position

At CHF 3.5 billion, non-current assets were up slightly on the 2017 year-end figure. Besides THE CIRCLE, the biggest ongoing projects in the first half of 2018 were the upgrading and expansion of the baggage system and the work on the aircraft stands on the south side of the airport.

The invested capital as at mid-2018 – adjusted for the noise component – was CHF 3.3 billion (prior-year period: CHF 3.2 billion), and return on invested capital (ROIC) was unchanged at 8.8%.

Capital management

Alongside capital expenditure on property, plant and equipment, Flughafen Zürich AG's solid financial position also enables value-enhancing investments to be made in the company's growth areas. Successfully taking over operation of the airport in Florianópolis marked an important milestone in the first half of 2018.

In a stable economic environment, there is also the potential to supplement the ordinary dividend by returning funds to shareholders from the capital contribution reserves. An additional dividend was again agreed at this year's General Meeting of Shareholders and paid out of the capital contribution reserves in addition to the ordinary dividend.

Standard & Poor's rating

Thanks to the company's continuing solid financial position, at the end of April 2018, Standard & Poor's raised Flughafen Zürich AG's rating from A+ to AA–, outlook stable.

Outlook

Flughafen Zürich AG expects passenger growth of around 6% in 2018. Excluding the one-off effects in financial years 2017 and 2018, earnings before interest, tax, depreciation and amortisation (EBITDA) and profit for the 2018 financial year are expected to be higher than in the previous year. Investments in 2018 will be in the region of CHF 300 million.

AVIATION

The global demand for mobility is also in evidence at Zurich Airport and is set to continue. The demand is being driven by population growth, economic development and the increasing internationalisation of business and research generally, as well as in our personal lives.

For some years now, we have already been operating at the limits of our capacity at peak times. Adverse weather conditions, airspace congestion in Europe and numerous strikes have also impacted on punctuality in the first half of 2018. Together with our partners SWISS and skyguide, we are doing everything in our power to mitigate capacity constraints and improve punctuality, which is vital for the operational efficiency of the airport. Short-term measures are already showing some success in this regard. Owing to lengthy approval processes and other constraints, however, other improvements are proving more difficult to implement in the long term. These are primarily aimed at gradually achieving better

separation of take-offs and landings on the ground and in the air through numerous small-scale measures based on the existing runway system.

REVISION OF AIRPORT CHARGES ORDINANCE

The current Ordinance on Airport Charges came into force in 2012. The Federal Office of Civil Aviation (FOCA) has reviewed the ordinance and decided to revise parts of it. FOCA is planning to make some minor amendments and adjustments to the structure and the procedure for setting the charges, which we welcome. However, it is also considering increasing transfer payments to finance the costs of the aviation segment. Airport charges regulation must support the sustainable development of the airport, and in particular must not disincentivise the airport operator from investing in the capacity, quality and safety of the airport. This investment will only be possible if it can be financed by means of an appropriate level of airport charges. This is the standpoint we will put forward when FOCA opens consultations with the various stakeholders towards the end of 2018. The argument is particularly pertinent as, despite excellent quality standards and the high cost of living in Switzerland, the charges at Zurich fall in the middle of the range compared with other European airports. The revised ordinance is due to come into force in the summer of 2019.

NEW DESTINATIONS AND AIRLINES

Five new long-haul destinations departing from Zurich have been added to the summer flight timetable: Chengdu (Sichuan Airlines) and Shenzhen (Hainan Airlines from August 2018) in China, Denver (Edelweiss Air) and Philadelphia (American Airlines) in the USA plus the Seychelles (Edelweiss Air). In addition, the number of flights to two important destinations were stepped up during the main season: San Francisco with United Airlines and Vancouver with Air Canada. These developments enhance Zurich's attractiveness as a place to live and work, boost tourism and provide businesses with faster and better access to new markets.

PARTIAL APPROVAL OF 2014 OPERATING REGULATIONS

FOCA has granted partial approval to our application to amend the 2014 Operating Regulations. Particularly significant improvements are the lowering of the minimum altitude for runway 32, which will now allow four-engined aircraft such as the Airbus A340 to take off from this runway in the evenings. This will significantly shorten the taxiing time for long-haul aircraft from Dock E and help to reduce delays in the evenings. Adjusting the take-off route from runway 10 in the "bise" (north-east wind) concept will avoid traffic crossing in the air. No approval has yet been granted for the most important safety measure for Zurich Airport, namely the separation of take-off and approach routes in its east concept. This element of the 2014 Operating Regulations also requires the consent of Germany, which has yet to be granted. In an additional report, FOCA also requested that we should investigate bringing forward the last take-off slot in the evening. It should be borne in mind here that Zurich Airport is already subject to one of the strictest night-time curfews for comparable airports in Europe. In its aviation policy report, the Federal Council also confirmed the current operating hours at Zurich Airport, from 6 a.m. to 11.30 p.m. These are also specified in the detailed plan for the airport in the Sectoral Aviation Infrastructure Plan (SAIP). As requested by FOCA, in the coming year we will therefore investigate the economic and operational ramifications of bringing this last slot forward.

AWARDS AND QUALITY OF EXPERIENCE

Time and again, Zurich Airport is the recipient of awards for the quality of its services and general airport experience. Zurich Airport is currently ranked third among European airports in the Airport Service Quality (ASQ) awards. This ranking is significant because it derives from customer satisfaction surveys conducted among more than 600,000 passengers at over 300 airports worldwide. For the fifteenth year in succession, Zurich Airport won the prestigious World Travel Award for its customer-friendliness and consistent high quality standards. The criteria used to assess the contenders included customer satisfaction as well as the general standard of products and services.

Such accolades are only possible thanks to close cooperation with our partner companies and the daily efforts of all employees. In recognising the most attractive potential employers, the 2018 Randstad Awards are further proof that our staff are happy to go the extra mile. Flughafen Zürich AG took second place across the whole of Switzerland.

VISITOR ATTRACTION IN ANNIVERSARY YEAR

Zurich Airport is not only a great place to work, it enjoys continuing popularity as an excursion destination in its own right. Only Zurich Zoo and the Swiss Museum of Transport in Lucerne attract more visitors.

70 years ago, on 14 June 1948, the first aircraft took off from and landed at our airport, and on 17 November 1948 all civil aviation operations were transferred from Dübendorf to Kloten. From then on, Zurich Airport developed into a key aviation hub and an important part of Switzerland's traffic infrastructure, as well as becoming a place that fascinates young and old alike. To celebrate our 70th anniversary, an airport experience weekend will again be held over 1 and 2 September. A wide-ranging programme featuring airshows, guided tours, bus tours and much more besides will take place at eight event areas around the main airport complex. This major event will require very careful logistical planning, and again our partner companies will provide valuable support.

RETAIL

SALES TREND AND NEW OFFERINGS

Thanks to rising passenger numbers, airside revenues were very satisfactory during the first half of the year. All the restaurant units and the watches and jewellery segment recorded above-average growth. Following remodelling, the duty-free stores in the central departure and arrival area have made a good start with the new shop concept. Landside, too, revenues are growing in line with expectations. The food retail segment in particular, including Migros, Coop and Sprüngli, saw above-average growth. The restaurant AIR has been operating at Check-in 2 since the end of January 2018 already. With over 500 covers and an outdoor terrace offering seating for an additional 250 people, this refurbished restaurant is now the largest at Zurich Airport, welcoming passengers, employees and visitors alike. Various renovations were completed in the Airport Center, and two new rental

contracts were signed with the lingerie brand Intimissimi and the cosmetics company Ella (opening in July 2018).

Since the installation of 38 electric vehicle charging points in car park P6, around 1,400 charging sessions have been logged, adding to our revenues from parking. The charging stations have so far run without any hitches and have been used for a total of approximately six days on average.

INFRASTRUCTURE AND PROJECTS

UPGRADING AND EXPANSION OF BAGGAGE SYSTEM

Following various dismantling and preparatory work, the project to upgrade and expand the baggage system at Zurich Airport was officially launched in March 2018. Among other things, this project also involves optimising the existing sorting system, building a new early bag store, and adding an extension to increase capacity. Investment costs amount to around CHF 470 million. The upgraded baggage system will cover an additional 30,000 square metres and is due to come on stream in various stages, with completion of the overall project scheduled for 2025.

ALTERATIONS TO PASSPORT CONTROL HALL

The alterations in the passport control hall were completed at the end of May. As well as providing more space for passengers, additional passport control desks will reduce the stress of the border control process, especially at peak periods. At the same time, automated passport control at departure was introduced in collaboration with the Zurich cantonal police. Eight gates in the immigration channel and five gates in the departure channel are now available for Swiss passport-holders.

AIRSIDE CONSTRUCTION PROJECTS: MULTIPLE ENTRY AND HIGH-SPEED TAXIWAYS

An additional 200-metre long, "multiple entry" access taxiway is being built for runway 16 at Zurich Airport. The construction work has been underway since April, including demolition, laying utility supply lines, concrete laying and asphaltting, and is expected to be completed in October this year. Aircraft will then be able to line up more efficiently when taking off from this runway, which in turn will improve punctuality. Two high-speed taxiways are also being built for runway 28 on the western side of Zurich Airport. They form part of the measures derived from the SAIP detailed plan. The first high-speed taxiway is expected to be completed by November 2018, and the second one by June 2019. High-speed taxiways allow aircraft to exit the landing runway more rapidly, and so release it to the next aircraft more quickly. The two airside construction projects also require some work to be carried out at night after flight operations have ended. Appropriate measures have been taken to minimise construction noise.

OBERHAU CAR PARK

Flughafen Zürich AG is planning a new car park directly adjacent to the Glattalbahn tram line. The additional car park will enable the airport operator to provide a differentiated offering, targeting in particular travellers in need of long-stay parking as well as airport personnel. In May the Swiss Federal Administrative Court rejected objections to the planning application. The Swiss Association for Transport and Environment (VCS) then submitted an objection to the Swiss Federal Supreme Court. As a consequence, the project will be delayed for approximately one year.

THE CIRCLE – DIGITALISATION AND PARTNERSHIPS

THE CIRCLE is creating an inspiring place where people will be able to come together, work in a modern environment and enjoy an entirely new shopping experience. During the first half of 2018, a number of exciting partners and new tenants have signed up: in May Flughafen Zürich AG and Microsoft Switzerland agreed a strategic partnership with the goal of fully digitalising THE CIRCLE across the board for tenants, employees and visitors. Microsoft Switzerland will move its headquarters from Wallisellen to THE CIRCLE and will create the “workplace of the future” over 3,500 square metres. The International Workplace Group IWG, a global market leader in flexible office spaces with its innovative co-working concept “Spaces”, will also be leasing a 3,000-square-metre unit in THE CIRCLE. A further tenant, occupying over 2,500 square metres, is the new company Abraxas which arose from the merger of Abraxas Informatik AG with Verwaltungsrechenzentrum St. Gallen in April 2018. The company will base all its Zurich activities at THE CIRCLE and exploit the synergies between other modules and tenants.

THE CIRCLE – FOOD AND DRINK

Following an initial tendering process, three operators were selected to provide a part of the restaurant offering. Under the name “Sablier”, a Zurich fine dining enterprise will create a French-themed establishment especially for THE CIRCLE. Spread over some 1,500 square metres right in the heart of THE CIRCLE, this restaurant will include terraces and enjoy views out over the rooftops to the adjacent park. The successful sushi concept “Yooji’s” will also expand into THE CIRCLE. This well-known brand will occupy over 300 square metres across two floors. At the main square, “Leon Coffee & Grill” will serve employees, visitors and passengers from a 250-square-metre unit. A second tendering process for further restaurant units is already well underway. The two restaurants in the Hyatt Hotels will be run by the hotel operator itself. The building work is coming along apace, and the preparations for erecting the facade are well in hand. THE CIRCLE remains on track to open as scheduled in 2020.

INTERNATIONAL ACTIVITIES

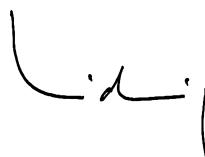
Almost a year ago, Flughafen Zürich AG was awarded the concession to expand and operate the airport in the southern Brazilian city of Florianópolis. It took over the operation of this airport in January 2018, and construction work on the new terminal commenced already in April 2018. It is scheduled for completion in the second half of 2019. Flughafen Zürich AG is currently involved in the operation of six airports in Latin America. Besides Latin America, the development of our international business is focused on projects in Europe and Asia. To develop the market in Asia, the airport operator set up a Regional Office in Kuala Lumpur,

Malaysia, which will be able to coordinate expansion and seize market opportunities when they arise.

Zurich Airport, 23 August 2018

Handwritten signature of Andreas Schmid in black ink.

Andreas Schmid
Chairman of the Board of Directors

Handwritten signature of Stephan Widrig in black ink.

Stephan Widrig
Chief Executive Officer

INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(CHF 1,000) ¹⁾	Notes	First half 2018	First Half 2017
Aviation revenue	(2)	309,024	292,409
Non-aviation revenue	(2)	231,158	196,384
Total revenue		540,182	488,793
Personnel expenses		-102,968	-97,587
Police and security		-59,969	-59,689
Energy and waste		-10,972	-10,397
Maintenance and material		-16,706	-15,751
Other operating expenses		-27,291	-25,450
Sales, marketing and administration		-20,486	-15,315
Capitalised expenditure and other income	(3)	7,207	7,945
Expenses for construction projects and other expenses	(3)	-69,433	-952
Earnings before interest, tax, depreciation and amortisation (EBITDA)		239,564	271,597
Depreciation and amortisation		-123,778	-120,392
Earnings before interest and tax (EBIT)		115,786	151,205
Finance costs	(4)	-11,928	-9,835
Finance income	(4)	2,489	2,566
Share of profit or loss of associates		-1,766	-1,307
Gain on disposal of assets held for sale		0	36,293
Profit before tax		104,581	178,922
Income tax expense		-20,070	-35,747
Profit		84,511	143,175
Profit attributable to shareholders of Flughafen Zürich AG		84,505	142,980
Profit attributable to non-controlling interests		6	195
Basic earnings per share (CHF)		2.75	4.66
Diluted earnings per share (CHF)		2.75	4.66

1) All financial data presented here are unaudited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CHF 1,000) ¹⁾	Notes	First half 2018	First half 2017
Profit		84,511	143,175
Other comprehensive income			
Available-for-sale securities			
Adjustments to fair value		0	-1,100
Transfer to income statement		0	0
Transfer to income statement of cumulative foreign exchange differences relating to the disposal of associates		0	2,875
Foreign exchange differences		-10,185	-2,155
Items that are or may be reclassified subsequently to profit or loss		-10,185	-380
Remeasurement of defined benefit liability, net of income tax		8,424	22,014
Items that will never be reclassified to profit or loss		8,424	22,014
Other comprehensive income, net of income tax		-1,761	21,634
Total comprehensive income		82,750	164,809
Comprehensive income attributable to shareholders of Flughafen Zürich AG		82,746	164,614
Comprehensive income attributable to non-controlling interests		4	195

1) All financial data presented here are unaudited.

CONSOLIDATED BALANCE SHEET

(CHF 1,000) ¹⁾	Notes	30.06.2018	31.12.2017
Assets			
Property, plant and equipment	(5)	2,610,814	2,658,652
Investment properties	(6)	248,213	211,907
Intangible asset from right of formal expropriation	(7)	95,183	131,682
Investments in airport operator projects	(7)	94,772	75,193
Other intangible assets	(7)	15,202	15,012
Investments in associates		14,890	13,518
Non-current financial assets of Airport of Zurich Noise Fund	(11)	386,528	360,525
Non-current fixed-term deposits	(8)	50,000	41,667
Other non-current financial assets		7,171	8,352
Deferred tax assets	(12)	10,907	0
Non-current assets		3,533,680	3,516,508
Inventories		8,888	10,206
Current financial assets of Airport of Zurich Noise Fund	(11)	33,772	76,578
Other current financial assets		414	0
Trade receivables		122,722	109,902
Other receivables and prepaid expenses		43,522	40,920
Current tax assets		12,384	0
Current fixed-term deposits	(8)	162,645	230,000
Cash and cash equivalents	(8)	265,142	314,615
Current assets		649,489	782,221
Total assets		4,183,169	4,298,729
Equity and liabilities			
Share capital		307,019	307,019
Treasury shares		-259	-459
Capital reserves		297,555	396,453
Fair value reserve		0	4,868
Translation reserve		-15,853	-5,670
Other retained earnings		1,691,559	1,698,883
Equity attributable to shareholders of Flughafen Zürich AG		2,280,021	2,401,094
Equity attributable to non-controlling interests		45	41
Total equity		2,280,066	2,401,135
Non-current financial liabilities	(9)	1,087,258	1,076,560
Non-current provisions for formal expropriations plus sound insulation and resident protection	(10)	370,127	369,227
Employee benefit obligations		129,472	137,238
Deferred tax liabilities	(12)	60,680	61,687
Non-current liabilities		1,647,537	1,644,712
Trade payables		39,740	39,846
Current financial liabilities	(9)	43,769	4,719
Other current liabilities, accruals and deferrals		105,340	125,898
Current provisions for formal expropriations plus sound insulation and resident protection	(10)	66,717	50,120
Current tax liabilities		0	32,299
Current liabilities		255,566	252,882
Total liabilities		1,903,103	1,897,594
Total equity and liabilities		4,183,169	4,298,729

1) All financial data presented here are unaudited, with the exception of figures as at 31 December 2017.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF 1,000) ¹⁾	Share capital	Treasury shares	Capital reserves	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
Balance as at 31 December 2017	307,019	-459	396,453	4,868	-5,670	1,698,883	2,401,094	41	2,401,135
Effect of initial application of IFRS 9, net of income tax				-4,868		1,061	-3,807		-3,807
Balance as at 1 January 2018	307,019	-459	396,453	0	-5,670	1,699,944	2,397,287	41	2,397,328
Profit, first half 2018						84,505	84,505	6	84,511
Foreign exchange differences					-10,183		-10,183	-2	-10,185
Remeasurement of defined benefit liability, net of income tax						8,424	8,424		8,424
Other comprehensive income, net of income tax	0	0	0	0	-10,183	8,424	-1,759	-2	-1,761
Total comprehensive income	0	0	0	0	-10,183	92,929	82,746	4	82,750
Ordinary dividend for the 2017 financial year						-101,314	-101,314		-101,314
Additional distribution from the capital contribution reserves for the 2017 financial year			-98,243				-98,243		-98,243
Purchase of treasury shares		-966					-966		-966
Share-based payments		1,166	-655				511		511
Balance as at 30 June 2018	307,019	-259	297,555	0	-15,853	1,691,559	2,280,021	45	2,280,066

1) All financial data presented here are unaudited, with the exception of figures as at 31 December 2017.

The change in the company's equity for the prior-year period is as follows:

(CHF 1,000) ¹⁾	Share capital	Treasury shares	Capital reserves	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
Balance as at 31 December 2016	307,019	-856	494,408	4,604	-8,383	1,461,696	2,258,488	1,661	2,260,149
Profit, first half 2017						142,980	142,980	195	143,175
Available-for-sale securities									
Adjustments to fair value				-1,100			-1,100		-1,100
Transfer to income statement							0		0
Transfer to income statement of cumulative foreign exchange differences relating to the disposal of associates					2,875		2,875		2,875
Foreign exchange differences					-2,155		-2,155		-2,155
Remeasurement of defined benefit liability, net of income tax						22,014	22,014		22,014
Other comprehensive income, net of income tax	0	0	0	-1,100	720	22,014	21,634	0	21,634
Total comprehensive income	0	0	0	-1,100	720	164,994	164,614	195	164,809
Ordinary dividend for the 2016 financial year						-98,245	-98,245		-98,245
Additional distribution from the capital contribution reserves for the 2016 financial year			-98,245				-98,245		-98,245
Purchase of treasury shares		-418					-418		-418
Share-based payments		905	-344				561		561
Balance as at 30 June 2017	307,019	-369	395,819	3,504	-7,663	1,528,445	2,226,755	1,856	2,228,611

1) All financial data presented here are unaudited, with the exception of figures as at 31 December 2016.

CONSOLIDATED CASH FLOW STATEMENT

(CHF 1,000) ¹⁾	Notes	First half 2018	First half 2017
Profit		84,511	143,175
Finance result	(4)	9,439	7,269
Share of profit or loss of associates		1,766	1,307
Gain on disposal of associates		0	-36,293
Income tax expense		20,070	35,747
Depreciation / amortisation of			
Property, plant and equipment (after recognition of government subsidies and grants)	(5)	116,477	116,024
Investment property	(6)	120	0
Intangible assets	(7)	7,181	4,369
Gains (-) / losses (+) on disposal of property, plant and equipment (net)		238	935
Share-based payments		511	560
Increase (-) / decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		-15,251	-16,001
Increase (+) / decrease (-) in current liabilities, excluding current financial liabilities		-7,865	7,926
Increase (+) / decrease (-) in employee benefit obligations		2,417	1,902
Increase (+) / decrease (-) in provision for formal expropriations plus sound insulation and resident protection		51,932	-6,817
Income tax paid		-76,429	-66,260
Cash flow from operating activities		195,117	193,843
of which related to aircraft noise (Airport of Zurich Noise Fund)		-418	-1,762
Income from noise charges	(11)	5,293	5,259
Expenses for formal expropriations plus sound insulation and resident protection	(11)	-5,711	-7,021
Investments in property, plant and equipment (projects in progress)		-76,348	-70,854
Investments in investments property (incl. advance payments)		-46,546	-33,571
Investments in airport operator projects		-12,688	-605
Investments in associates		-5,449	-3,795
Proceeds from disposal of associates		0	48,537
Acquisition of subsidiaries less cash and cash equivalents acquired		0	-3,495
Investments in financial assets		-33,200	-10,013
Investments in fixed-term deposits due > 90 days		-126,000	-238,333
Repayment of financial assets		44,000	20,000
Repayment of fixed-term deposits due > 90 days		185,000	50,000
Proceeds from disposal of property, plant and equipment		148	87
Interest received		2,100	965
Cash flow from investing activities		-68,983	-241,077
of which related to aircraft noise (Airport of Zurich Noise Fund)		10,800	59,987
Investments in financial assets and fixed-term deposits Airport of Zurich Noise Fund		-33,200	-10,013
Repayment of current financial assets and fixed-term deposits Airport of Zurich Noise Fund		44,000	70,000
Repayment of loan		0	-250,000
Issue of new loan		42,600	350,731
Repayment of other financial liabilities		-1,307	-701
Repayment of lease liabilities		-868	-839
Payment of dividend for the 2016 / 2015 financial years		-199,550	-196,483
Purchase of treasury shares		-966	-418
Interest paid		-6,824	-12,850
Cash flow from financing activities		-166,915	-110,560
Increase (+) / decrease (-) in cash and cash equivalents		-40,781	-157,794
Balance at 1 January	(8)	314,615	447,778
Effect of foreign exchange differences on cash and cash equivalents held		-8,692	-524
Balance as at reporting date	(8)	265,142	289,460
of which included in Airport of Zurich Noise Fund	(8)	17,127	111,198

1) All financial data presented here are unaudited.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

I ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements for the six months ended 30 June 2018 were prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting. They do not contain all the information included in the consolidated financial statements for the year ended 31 December 2017 and should therefore be read in conjunction with the latter.

CHANGES IN ACCOUNTING POLICIES

The company adopted the following new and amended International Financial Reporting Standards which are mandatory for the first time for financial year 2018 beginning on 1 January:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRSs (2014–2016 Cycle)

Except as outlined in the following, the application of the new and amended Standards does not have a significant impact on these interim consolidated financial statements. In all other respects, these interim consolidated financial statements were prepared in accordance with the accounting policies described in the consolidated financial statements for the year ended 31 December 2017.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments contains revised principles for classifying and measuring financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It replaces the existing principles in IAS 39 Financial Instruments: Recognition and Measurement.

In some cases, the new principles in IFRS 9 resulted in changes in the classification of financial assets, in particular the financial assets of the Airport of Zurich Noise Fund (AZNF), which were previously classified as available-for-sale securities. The financial assets of the AZNF are now classified as at amortised cost (bonds) or at fair value through profit or loss (other financial assets). In addition, under the new principles governing impairment, losses on financial assets are recognised earlier. In hedge accounting, there were no changes. Initial application of IFRS 9 reduced equity by CHF 3.8 million as at 1 January 2018. Prior-

year amounts were not adjusted, as the company chose to apply the modified approach on initial application.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework in the form of a single, five-step model for determining whether, how much and when revenue is recognised. It replaces the existing principles for recognising revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The new principles in IFRS 15 do not have a significant impact on revenue recognition or on equity as at 1 January 2018, but will affect disclosure in the consolidated financial statements.

CHANGES IN THE CONSOLIDATED GROUP

In April 2018, Flughafen Zürich AG established the wholly-owned subsidiary Zurich Airport Asia Consultancy Sdn. Bhd. based in Kuala Lumpur (Malaysia), with a view to developing the markets in Asia.

SEASONAL FACTORS

Due to the nature of the civil aviation sector and based on statistics, traffic volumes (passenger volumes and number of flights) are usually higher in the second half of the year than in the first half.

II REPORTING OF NOISE-RELATED COSTS IN THE FINANCIAL STATEMENTS

CURRENT DEVELOPMENTS RELATING TO THE REPORTING OF NOISE-RELATED COSTS IN THE FINANCIAL STATEMENTS

PROVISION FOR FORMAL EXPROPRIATIONS

In the first half of 2018, the Swiss Federal Supreme Court handed down two rulings in test cases regarding cooperative ownership. These Swiss Federal Supreme Court rulings enabled Flughafen Zürich AG to undertake a reappraisal of the outstanding cost of compensation for formal expropriations. Based on the recalculation, the total cost expected in relation to formal expropriations decreased from CHF 385.0 million to CHF 350.0 million. This enabled the provision for formal expropriations to be reduced by CHF 34.5 million (nominal amount: CHF 35.0 million) as at 30 June 2018 (see [note 10, Provision for formal expropriations plus sound insulation and resident protection](#)). At the same time, the intangible asset from the right of formal expropriation was reduced by the same amount (see [note 7, Intangible assets](#)).

PROVISION FOR SOUND INSULATION AND RESIDENT PROTECTION

Flughafen Zürich AG is required to implement sound insulation measures in the area where it claims exemptions from noise limits (emission limit). In this context, the Federal Office of Civil Aviation (FOCA) has initiated a night-time noise abatement procedure. The area with exemptions under the Sectoral Aviation Infrastructure Plan adopted by the Federal Council on 23 August 2017 is to be extended. A provision for further costs of CHF 60.0 million, with a present value of CHF 57.6 million, was recognised in this context as at 30 June 2018 in addition to the cost of CHF 340.0 million previously estimated for sound insulation and resident protection (see [note 3, Other income and expenses](#) and [note 10, Provision for formal expropriations plus sound insulation and resident protection](#)).

III NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 SEGMENT REPORTING

(CHF million)					
First half 2018	Regulated business	Noise	Non-regulated business	Eliminations	Consolidated
Revenue from third parties	303.4	5.6	231.2	0.0	540.2
Inter-segment revenue	9.4	0.0	43.8	-53.2	0.0
Total revenue	312.8	5.6	275.0	-53.2	540.2
Operating expenses	-170.6	-59.1	-124.1	53.2	-300.6
Segment result (EBITDA)	142.2	-53.5	150.9	0.0	239.6
Depreciation and amortisation	-67.8	-2.7	-53.3		-123.8
Segment result (EBIT)	74.4	-56.2	97.6	0.0	115.8
Finance result					-9.4
Share of profit or loss of associates					-1.8
Gain on disposal of associates					0.0
Income tax expense					-20.1
Profit					84.5
Invested capital as at 30 June 2018	1,883.1	72.7	1,429.4		3,385.2
Non-interest-bearing non-current liabilities ²⁾					585.3
Non-interest-bearing current liabilities ³⁾					212.7
Total assets as at 30 June 2018					4,183.2
ROIC (in %) ¹⁾	6.7	-39.6	11.8		7.2

(CHF million)							Total regulated business
First half 2018	Aviation	PRM	User fees	Air security ⁴⁾	Access fees ⁴⁾	Eliminations	
Revenue from third parties	178.8	7.2	34.0	82.8	0.6	0.0	303.4
Inter-segment revenue	9.2	0.0	2.8	5.3	1.1	-9.0	9.4
Total revenue	188.0	7.2	36.8	88.1	1.7	-9.0	312.8
Operating expenses	-83.6	-6.4	-16.2	-43.3	-30.1	9.0	-170.6
EBITDA	104.4	0.8	20.6	44.8	-28.4	0.0	142.2
Depreciation and amortisation	-50.3	-0.1	-12.6	-3.1	-1.7		-67.8
EBIT	54.1	0.7	8.0	41.7	-30.1	0.0	74.4
Invested capital as at 30 June 2018	1,421.8	6.5	310.3	112.0	32.5		1,883.1
ROIC (in %) ¹⁾	6.5	27.4	4.0	62.4	-142.7		6.7

1) Based on the result of the 12-month period preceding the reporting date.

2) Non-interest-bearing non-current liabilities include non-current provisions for formal expropriations plus sound insulation and resident protection, deferred tax liabilities, employee benefit obligations and the non-interest-bearing portion of non-current financial liabilities.

3) Non-interest-bearing current liabilities include current provisions for formal expropriations and sound insulation and resident protection, current tax liabilities, trade payables and other current liabilities plus accruals and deferrals, and the non-interest-bearing portion of current financial liabilities.

4) In accordance with the Swiss Ordinance on Airport Charges, the shortfall in the "Access fees" segment can be charged to the "Air security" segment. Taking the shortfall into account, the ROIC of the "Air security" segment amounts to 14.1%.

The reportable segments for the prior-year period are as follows:

(CHF million)					
First half 2017	Regulated business	Noise	Non-regulated business	Eliminations	Consolidated
Revenue from third parties	286.9	5.5	196.4		488.8
Inter-segment revenue	9.6	0.0	43.4	-53.0	0.0
Total revenue	296.5	5.5	239.8	-53.0	488.8
Operating expenses	-171.6	-1.6	-97.0	53.0	-217.2
Segment result (EBITDA)	124.9	3.9	142.8	0.0	271.6
Depreciation and amortisation	-68.7	-2.7	-49.0		-120.4
Segment result (EBIT)	56.2	1.2	93.8	0.0	151.2
Finance result					-7.3
Share of profit or loss of associates					-1.3
Gain on disposal of associates					36.3
Income tax expense					-35.7
Profit					143.2
Invested capital as at 30 June 2017	1,889.8	146.7	1,268.3		3,304.8
Non-interest-bearing non-current liabilities ²⁾					609.0
Non-interest-bearing current liabilities ³⁾					156.4
Total assets as at 30 June 2017					4,070.2
ROIC (in %) ¹⁾	5.6	1.6	13.5		8.4

(CHF million)							
First half 2017	Aviation	PRM	User fees	Air security ⁴⁾	Access fees ⁴⁾	Eliminations	Total regulated business
Revenue from third parties	169.1	6.8	33.4	77.1	0.5		286.9
Inter-segment revenue	9.5	0.0	2.8	5.3	1.0	-9.0	9.6
Total revenue	178.6	6.8	36.2	82.4	1.5	-9.0	296.5
Operating expenses	-84.6	-6.1	-15.8	-44.0	-30.1	9.0	-171.6
EBITDA	94.0	0.7	20.4	38.4	-28.6	0.0	124.9
Depreciation and amortisation	-50.1	-0.1	-12.3	-4.0	-2.2		-68.7
EBIT	43.9	0.6	8.1	34.4	-30.8	0.0	56.2
Invested capital as at 30 June 2017	1,422.7	6.2	316.8	108.6	35.5		1,889.8
ROIC (in %) ¹⁾	5.7	28.7	2.2	71.0	-134.3		5.6

1) Based on the result of the 12-month period preceding the reporting date.

2) Non-interest-bearing non-current liabilities include non-current provisions for formal expropriations plus sound insulation and resident protection, deferred tax liabilities, employee benefit obligations and the non-interest-bearing portion of non-current financial liabilities.

3) Non-interest-bearing current liabilities include current provisions for formal expropriations and sound insulation and resident protection, current tax liabilities, trade payables and other current liabilities plus accruals and deferrals, and the non-interest-bearing portion of current financial liabilities.

4) In accordance with the Swiss Ordinance on Airport Charges, the shortfall in the "Access fees" segment can be charged to the "Air security" segment. Taking the shortfall into account, the ROIC of the "Air security" segment amounts to 12.7%.

2 REVENUE

(CHF 1,000)	First half 2018	First half 2017
Passenger charges	117,075	109,998
Security charges	81,746	76,639
PRM charges	7,239	6,799
Passenger-related flight operations charges	206,060	193,436
Landing charges	41,457	39,699
Aircraft-related noise charges	5,619	5,466
Emission charges	1,944	1,844
Parking charges	12,725	12,477
Freight revenue	4,378	4,010
Other flight operations charges	66,123	63,496
Total flight operations charges	272,183	256,932
Baggage sorting and handling system	20,718	19,892
De-icing	6,286	6,526
Check-in	2,873	2,739
Aircraft energy supply system	1,725	1,736
Other fees	3,026	3,014
Total aviation fees	34,628	33,907
Refund of security costs	1,008	470
Other revenue	1,205	1,100
Total other aviation revenue	2,213	1,570
Total aviation revenue	309,024	292,409
Retail, tax & duty-free	52,211	48,066
Food & beverage operations	8,895	8,236
Advertising media and promotion	9,103	9,037
Revenue from multi-storey car parks	38,846	38,076
Other commercial revenue (car rentals, taxis, banks, etc.)	8,448	7,878
Total commercial revenue	117,503	111,293
Revenue from rental and leasing agreements	44,884	44,300
Energy and utility cost allocation	11,226	11,416
Cleaning	2,348	2,409
Revenue from services	1,999	1,892
Total revenue from facility management	60,457	60,017
Communication services	7,605	7,639
Other services and miscellaneous	8,635	7,705
Catering	960	923
Fuel charges	4,121	3,900
Total revenue from services	21,321	20,167
Revenue from consulting activities	3,198	3,214
Other revenue from international business	19,918	1,693
Revenue from construction projects as part of concession arrangements	8,761	0
Total revenue from international business	31,877	4,907
Total non-aviation revenue	231,158	196,384
Total revenue	540,182	488,793

Presentation of Revenue from Contracts with Customers (IFRS 15):

(CHF 1,000)	First half 2018	First half 2017
Flight operations charges	272,183	256,932
Aviation charges	34,628	33,907
Other aviation revenues	2,110	1,467
Total aviation revenue from contracts with customers (IFRS 15)	308,921	292,306
Aviation revenue (non IFRS 15)	103	103
Total aviation revenue	309,024	292,409
Commercial and parking revenue	38,882	37,531
Revenue from facility management	15,322	15,503
Revenue from services	20,631	19,481
Revenues from international activities	31,877	4,907
Total non-aviation revenue from contracts with customers (IFRS 15)	106,712	77,422
Non-aviation revenue (non IFRS 15)	124,446	118,962
Total non-aviation revenue	231,158	196,384
Total revenue	540,182	488,793

3 OTHER INCOME AND EXPENSES

(CHF 1,000)	First half 2018	First half 2017
Capitalised expenditure	6,620	7,703
Other income	587	242
Capitalised expenditure and other income	7,207	7,945
Expenses for construction projects as part of concession arrangements	-8,761	0
Other expenses	-60,672	-952
Expenses for construction projects and other expenses	-69,433	-952

The expenses of CHF 8.8 million (prior-year period: CHF 0.0 million) for construction projects under concession arrangements are the result of investments in infrastructure at the airports in Brazil and Chile. The corresponding counter-item can be found under [note 2, Revenue](#).

“Other expenses” include the CHF 57.6 million increase in the provision for sound insulation and resident protection measures that is recognised in profit or loss (see [note 10, Provision for formal expropriations plus sound insulation and resident protection](#)).

4 FINANCE RESULT

(CHF 1,000)

Net interest expenses on debentures and non-current loans	-5,545	-7,047
Net interest expenses on defined benefit obligations	-409	-542
Interest expenses on finance lease liabilities	-75	-105
Other interest expenses	-781	-712
Losses on financial assets of Airport of Zurich Noise Fund	-2,746	-594
Present value adjustment on provision for formal expropriations plus sound insulation and resident protection ¹⁾	-94	0
Present value adjustment on liabilities from concession arrangements	-933	0
Other finance costs	-1,345	-835
Total finance costs	-11,928	-9,835
Interest income on financial assets of Airport of Zurich Noise Fund	1,088	1,171
Present value adjustment on provision for formal expropriations plus sound insulation and resident protection ¹⁾	0	1,115
Other interest income	1,012	87
Foreign exchange gains	185	100
Other finance income	204	93
Total finance income	2,489	2,566
Finance result	-9,439	-7,269

1) See note 10, Provision for formal expropriations plus sound insulation and resident protection.

5 PROPERTY, PLANT AND EQUIPMENT

(CHF million)	Land	Engineering structures	Buildings	Projects in progress	Movables	Leased assets	Total property, plant and equipment
Cost							
Balance as at 1 January 2018	118.7	1,712.0	4,311.7	122.8	273.5	21.8	6,560.5
Additions				72.4			72.4
Disposals		-1.0	-44.7		-8.7		-54.4
Transfers		-0.1	4.0	-10.9	3.5		-3.5
Balance as at 30 June 2018	118.7	1,710.9	4,271.0	184.3	268.3	21.8	6,575.0
Depreciation, amortisation							
Balance as at 1 January 2018	0.0	-880.6	-2,798.6	0.0	-192.0	-18.0	-3,889.2
Additions		-31.3	-77.3		-7.7	-0.7	-117.0
Disposals		1.0	44.6		8.5		54.1
Balance as at 30 June 2018	0.0	-910.9	-2,831.3	0.0	-191.2	-18.7	-3,952.1
Government subsidies and grants							
Balance as at 1 January 2018	0.0	-10.9	-1.1	0.0	-0.7	0.0	-12.7
Additions							0.0
Disposals		0.4	0.1		0.1		0.6
Balance as at 30 June 2018	0.0	-10.5	-1.0	0.0	-0.6	0.0	-12.1
Net carrying amount as at 1 January 2018	118.7	820.5	1,512.0	122.8	80.8	3.8	2,658.6
Net carrying amount as at 30 June 2018	118.7	789.5	1,438.7	184.3	76.5	3.1	2,610.8

PROJECTS IN PROGRESS

In the first half of 2018, Flughafen Zürich AG invested a total of CHF 72.4 million in projects in progress (prior-year period: CHF 28.4 million). The biggest items comprise the following projects:

- Upgrading and expansion of the baggage system (CHF 14.4 million)
- Expansion of the south-side aircraft stands (CHF 10.4 million)
- Construction of multiple-entry and high-speed taxiways (CHF 7.2 million)

DEPRECIATION

Depreciation of property, plant and equipment totalling CHF 117.0 million was offset against government grants and subsidies recognised in the income statement in the amount of CHF 0.6 million.

6 INVESTMENT PROPERTY

(CHF 1,000)	Land	Project and construction costs	Total investment property
Cost			
Balance as at 1 January 2018	950	211,309	212,259
Additions	0	36,426	36,426
Balance as at 30 June 2018	950	247,735	248,685
Accumulated depreciation and impairment losses			
Balance as at 1 January 2018	0	-352	-352
Additions	0	-120	-120
Balance as at 30 June 2018	0	-472	-472
Net carrying amount as at 1 January 2018	950	210,957	211,907
Net carrying amount as at 30 June 2018	950	247,263	248,213

THE CIRCLE PROJECT

Based on the nature of the contractual arrangement, the co-ownership structure THE CIRCLE is classified as a joint operation in accordance with IFRS 11. The share of the rights to the assets and the share of the obligations for the liabilities of the co-ownership structure are therefore recognised and presented in the relevant line items in the consolidated financial statements of Flughafen Zürich AG (Flughafen Zürich AG's share: 51%).

The share of THE CIRCLE properties under construction is classified as investment property in accordance with IAS 40. In this context, Flughafen Zürich AG has decided to apply the cost model. The land recognised in the amount of CHF 1.0 million represents the purchase cost of the share of the plot of land on which the project will be implemented. The item "Project and construction costs" in the amount of CHF 247.3 million (31 December 2017: CHF 211.0 million) includes the share of the production costs capitalised to date.

The fair value of THE CIRCLE was CHF 298.7 million at the reporting date (31 December 2017: CHF 242.6 million).

7 INTANGIBLE ASSETS

(CHF 1,000)	Intangible asset from right of formal expropriation	Investments in airport operator projects	Other intangible assets
Cost			
Balance as at 1 January 2018	188,558	77,094	84,962
Additions	0	28,735	1,012
Disposals	-34,528	0	-2,084
Transfers	0	1,116	2,367
Foreign exchange differences	0	-7,985	-222
Balance as at 30 June 2018	154,030	98,960	86,035
Accumulated depreciation and impairment losses			
Balance as at 1 January 2018	-56,876	-1,901	-69,950
Additions	-1,971	-2,458	-2,752
Disposals	0	0	1,841
Foreign exchange differences	0	171	28
Balance as at 30 June 2018	-58,847	-4,188	-70,833
Net carrying amount as at 1 January 2018	131,682	75,193	15,012
Net carrying amount as at 30 June 2018	95,183	94,772	15,202

INTANGIBLE ASSET FROM RIGHT OF FORMAL EXPROPRIATION

As a result of the Swiss Federal Supreme Court rulings in the first half of 2018 in test cases regarding cooperative ownership, Flughafen Zürich AG was able, as at 30 June 2018, to undertake a reappraisal of the outstanding costs for formal expropriations. Based on the recalculation, the provision for formal expropriations was reduced by CHF 34.5 million (see [note 10, Provision for formal expropriations plus sound insulation and resident protection](#)). At the same time, the intangible asset from the right of formal expropriation was reduced by the same amount.

As at the reporting date, Flughafen Zürich AG has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 95.2 million (31 December 2017: CHF 131.7 million). This is amortised using the straight-line method over the remaining term of the operating licence (i.e. until May 2051).

INVESTMENTS IN AIRPORT OPERATOR PROJECTS

The investments in airport operator projects in the amount of CHF 94.8 million (31 December 2017: CHF 75.2 million) include concession rights which, due to the application of IFRIC 12, comprise minimum concession payments recognised as assets and investments made. They relate to the expansion and operation of the Chilean airports in Antofagasta and Iquique (CHF 33.3 million; 31 December 2017: CHF 24.4 million), in which Flughafen Zürich AG holds a controlling interest via its subsidiary A-port Chile S.A., as well as the expansion and operation of the Brazilian airport in Florianópolis (CHF 61.5 million; 31 December 2017: CHF 50.8 million) through the subsidiary Concessionária do Aeroporto Internacional de Florianópolis S.A. The obligations of CHF 25.9 million (31 December 2017: CHF 11.7 million) relating to the corresponding concessions are recognised as current and non-current liabilities (see [note 9, Financial liabilities](#)).

8 CASH AND CASH EQUIVALENTS AND FIXED-TERM DEPOSITS

(CHF 1,000)	30.06.2018		31.12.2017	
	Total	of which AZNF	Total	of which AZNF
Cash on hand	224	0	227	0
Cash at banks and in postal accounts	191,881	17,127	225,346	20,184
Fixed-term deposits ¹⁾	73,037	0	89,042	0
Total cash and cash equivalents	265,142	17,127	314,615	20,184
Current fixed-term deposits ²⁾	162,645	0	230,000	0
Non-current fixed-term deposits ²⁾	50,000	0	41,667	0
Total fixed-term deposits	212,645	0	271,667	0

1) Due within 90 days from date of acquisition.

2) Due after 90 days from date of acquisition.

9 FINANCIAL LIABILITIES

(CHF 1,000)	30.06.2018	31.12.2017
Debentures	1,050,309	1,050,134
Non-current lease liabilities	2,110	3,010
Non-current liabilities from concession arrangements	25,041	11,665
Other non-current financial liabilities	9,798	11,751
Non-current financial liabilities	1,087,258	1,076,560
Debentures	38,319	0
Current lease liabilities	1,783	1,752
Current liabilities from concession arrangements	835	0
Other current financial liabilities	2,832	2,967
Current financial liabilities	43,769	4,719
Total financial liabilities	1,131,027	1,081,279

10 PROVISION FOR FORMAL EXPROPRIATIONS PLUS SOUND INSULATION AND RESIDENT PROTECTION

(CHF 1,000)	Formal expropriations	Sound insulation and resident protection	Total
Balance as at 1 January 2018	316,623	102,724	419,347
Provisions used ¹⁾	-3,830	-1,795	-5,625
Release of provision	-34,528	0	-34,528
Increase of provision	0	57,556	57,556
Present value adjustment	527	-433	94
Balance as at 30 June 2018	278,792	158,052	436,844
of which current (planned payment within 1 year)	45,062	21,655	66,717
of which non-current (planned payment from 1 year on)	233,730	136,397	370,127

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.

PROVISION FOR FORMAL EXPROPRIATIONS

In the first half of 2018, the Swiss Federal Supreme Court handed down two rulings in test cases regarding cooperative ownership. These Swiss Federal Supreme Court rulings enabled Flughafen Zürich AG to undertake a reappraisal of the outstanding cost of compensation for formal expropriations. Based on the recalculation, the provision for formal expropriations was reduced by CHF 34.5 million (nominal amount: CHF 35.0 million) as at 30 June 2018. At the same time, the intangible asset from the right of formal expropriation was reduced by the same amount (see [note 7, Intangible assets](#)).

As at the reporting date, the estimated costs for formal expropriations amounted to CHF 350.0 million, of which CHF 67.7 million had already been paid out at that date. The outstanding costs of CHF 282.3 million (nominal amount) are stated at their present value of CHF 278.8 million in the interim consolidated financial statements for the period ended 30 June 2018. The discount rate used to discount the future nominal payments flows remained unchanged at 0.35%. It is currently expected that the payments can be completed by the end of 2025.

PROVISION FOR SOUND INSULATION AND RESIDENT PROTECTION

Flughafen Zürich AG is required to implement sound insulation measures in the area where it claims exemptions from noise limits (emission limit). In this context, the Federal Office of Civil Aviation (FOCA) has initiated a night-time noise abatement procedure. The area with exemptions under the Sectoral Aviation Infrastructure Plan adopted by the Federal Council on 23 August 2017 is to be extended. A provision for further costs of CHF 60.0 million, with a present value of CHF 57.6 million, was recognised in this context as at 30 June 2018 in addition to the cost of CHF 340.0 million previously estimated for sound insulation and resident protection (see [note 3, Other income and expenses](#)).

As at the reporting date, the estimated costs for sound insulation and resident protection measures amounted to CHF 400.0 million (previously: CHF 340.0 million), of which CHF 238.3 million had already been paid out at that date. The outstanding costs of CHF 161.7 million (nominal amount) are stated at their present value of CHF 158.1 million in the interim consolidated financial statements for the period ended 30 June 2018. The discount rate used to discount the future nominal payment flows rose from 0.25% to 0.45%, as the

average term of the future payments increased. It is currently expected that the total payments, including the extended sound insulation programme, can be completed by the end of 2030 (previously: end of 2025).

11 AIRPORT OF ZURICH NOISE FUND

(CHF 1,000)	2018
Airport of Zurich Noise Fund as at 1 January	443,505
Revenue from noise charges	5,293
Costs for sound insulation and resident protection	-1,795
Costs for formal expropriations ¹⁾	-3,916
Airport of Zurich Noise Fund as at 30 June before operating costs and finance result	443,087
Noise-related operating costs	-1,669
Interest income from financial assets of Airport of Zurich Noise Fund	571
Adjustments to fair value and gains/losses on financial assets	-2,196
Airport of Zurich Noise Fund as at 30 June	439,793

1) 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).

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

(CHF 1,000)	30.06.2018	31.12.2017
Cash equivalents (see note 8, "Cash and cash equivalents")	17,127	20,184
Current financial assets of Airport of Zurich Noise Fund	33,772	76,578
Non-current financial assets of Airport of Zurich Noise Fund	386,528	360,525
Accrual / deferral towards Flughafen Zürich AG ¹⁾	2,366	-13,782
Total assets invested for Airport of Zurich Noise Fund	439,793	443,505

1) For accounting reasons, an asset or liability 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.

12 DEFERRED TAX ASSETS AND 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 currently anticipates an applicable tax rate of 20.5% (31 December 2017: 20.5%).

The balance of deferred taxes changed as follows:

(CHF 1,000)	2018
Deferred tax assets and liabilities, net as at 1 January	-61,687
Deferred taxes on remeasurement of defined benefit liability, recognised in OCI	-2,172
Change according to income statement	14,086
Deferred tax assets and liabilities, net as at 30 June	-49,773
of which deferred tax assets	10,907
of which deferred tax liabilities	-60,680

13 FAIR VALUE DISCLOSURES

Due to their short-term nature, the carrying amounts of cash and cash equivalents, fixed-term deposits, trade receivables, other current receivables and current liabilities are a reasonable approximation of their fair values (level 1).

Financial assets in the Airport of Zurich Noise Fund (AZNF) : The fair value of the bonds corresponds to the market price of the securities at the reporting date (level 1). The fair value of the mixed investment fund is the net asset value, as the units may be redeemed at that value as at the reporting date (level 2).

Financial liabilities: The fair value of the debentures corresponds to the market price at the reporting date (level 1).

(CHF 1,000)	30.06.2018		31.12.2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Debentures	1,088,628	1,123,714	1,050,134	1,095,379
Total	1,088,628	1,123,714	1,050,134	1,095,379

Derivative financial instruments: The fair value of the cross-currency swap is determined using a fair value model (level 2). The key inputs are foreign exchange rates and interest rates observable in the market. Unobservable inputs are not significant to the measurement.

Financial instruments recognised or disclosed at fair value are categorised according to the following hierarchy, reflecting the significance of the inputs used to measure fair value:

LEVEL 1 – QUOTED MARKET PRICES

The inputs used to measure the assets or liabilities are quoted, unadjusted market prices determined in active markets for identical assets or liabilities at the measurement date.

LEVEL 2 – MEASUREMENT BASED ON OBSERVABLE INPUTS

The assets or liabilities are measured on the basis of inputs (other than the quoted prices included within level 1) that are directly or indirectly observable for the asset or liability.

LEVEL 3 – MEASUREMENT BASED ON UNOBSERVABLE INPUTS

The inputs for these assets or liabilities are not observable. Flughafen Zürich AG does not have any assets or liabilities in this level.

(CHF 1,000)	30.06.2018			01.01.2018			31.12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for-sale financial assets of the AZNF							335,653	101,450	
Bonds of the AZNF at amortised cost 1)	320,875			331,846					
Mixed investment fund of the AZNF at fair value 2)		99,425			101,450				
Cross Currency Swap		-6,004			-6,088			-6,088	

- 1) The change of CHF -3.8 million between 31 December 2017 and 1 January 2018 is attributable to the introduction of IFRS 9. CHF -3.4 million results from the measurement of the bond at amortised cost (previously: fair value through OCI) and CHF -0.4 million from the new guidance on calculating impairment losses under IFRS 9. Among other things, the new standard requires forward-looking information (expected credit losses) to be included. For further information, see also Notes to the consolidated statements, I. Accounting policies, IFRS 9 Financial Instruments.
- 2) The AZNF's mixed investment fund continues to be measured at fair value. Since 1 January 2018, changes in fair value have been recognised in profit or loss (previously through OCI). The cumulative amount in equity as at 31 December 2017 (CHF 1.4 million) was therefore reclassified out of the fair value reserve and into other retained earnings within equity as at 1 January 2018 (see also Consolidated statement of changes in equity, Effect of the initial application of IFRS 9, net of tax).

14 FURTHER DETAILS

14.1 SERVICE CONCESSIONS FOR THE OPERATION OF FOREIGN AIRPORTS

As at the reporting date, Flughafen Zürich AG was responsible, via its subsidiaries, for the operation and expansion of following three foreign airports:

BRAZIL (FLORIANÓPOLIS)

On 16 March 2017, in a public tender conducted by the Brazilian government as part of an airport privatisation programme, Flughafen Zürich AG was awarded the concession for the operation and expansion of Hercílio Luz International Airport (IATA: FLN) in Florianópolis in the south of Brazil. The airport has a catchment area of 1.1 million people and is located in Santa Catarina, a popular holiday destination for both local and international travellers. In 2017, traffic volumes reached 3.8 million passengers. A concession fee of BRL 241.5 million (CHF 61.7 million) is due as consideration for the right to operate the airport. A portion of the concession fee (BRL 83.3 million; adjusted for inflation: BRL 83.7 million – approximately CHF 21.4 million) was paid and recognised as an intangible asset on the day that the concession arrangement was signed. Further minimum concession payments totalling BRL 158.2 million (adjusted for inflation; approximately CHF 40.4 million as at 30 June 2018) are payable over the term of the concession and have been recognised as a provision at their present value and as an intangible asset. The concession runs for 30 years. Following the signing of the concession arrangement on 28 July 2017 and with all suspensive conditions having been met, the wholly-owned subsidiary Concessionária do Aeroporto Internacional de Florianópolis S.A., as sole holder of the concession, took over flight operations from the state-owned operator Infraero on 3 January 2018. Flughafen Zürich AG is currently expecting investments in airport infrastructure of approximately BRL 550 million (CHF 141 million) during the first five years.

CHILE (ANTOFAGASTA AND IQUIQUE)

Since 2011, Sociedad Concesionaria Aeropuerto de Antofagasta S.A., a wholly-owned subsidiary of A-port Chile S.A., has held the concession for the expansion and operation of Andrés Sabella International Airport (IATA: ANF) in Antofagasta in the north of Chile. The airport is located approximately 25 kilometres north of the city of Antofagasta. The concession has a term that is dependent upon traffic volumes and ends 36 months after the date on which 75% of the maximum aeronautical revenues are generated, but at the latest

after 15 years. It is currently expected to end in 2025. No notable infrastructure investments are anticipated in the period through to the end of the concession.

Until the end of March 2018, Sociedad Concesionaria Aeropuerto de Iquique S.A., a wholly-owned subsidiary of A-port Chile S.A., held the concession for the operation and expansion of Diego Aracena International Airport (IATA: IQQ) in Iquique in the north of Chile. The airport is located 41 kilometres south west of the city of Iquique in the Tarapacá region. With 1.3 million passengers a year, it is the country's fifth-largest airport.

In 2017, Sociedad Concesionaria Aeropuerto Diego Aracena S.A., a wholly-owned subsidiary of A-port Chile S.A., acquired the new concession for the operation and expansion of Diego Aracena International Airport in Iquique. The new concession commenced on 1 April 2018 and has a variable term that is dependent upon traffic volumes and ranges from an anticipated 18 years up to a specified maximum of 25 years. As part of the concession arrangement, the company has undertaken to invest in measures to upgrade and extend the airport infrastructure, in particular to extend the existing terminal. Flughafen Zürich AG is currently expecting investments in airport infrastructure of approximately USD 60 million (CHF 59 million) during the first four years.

14.2 CONTINGENT LIABILITIES

A number of legal proceedings and claims against Flughafen Zürich AG in the context of its normal business activities are still pending. The company does not expect the amounts required to settle these lawsuits and claims to have a significantly negative impact on the consolidated financial statements and cash flow of Flughafen Zürich AG.

Depending on future and final-instance legal judgements, especially with respect to the southern approaches, noise-related liabilities may in future be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. 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 resulting amortisation or the corresponding provision.

As part of its involvement in the expansion and operation of Confins International Airport in Belo Horizonte, Flughafen Zürich AG provides a guarantee as security for local debt financing, which is made available by the Brazilian development bank Banco Nacional de Desenvolvimento Econômico e Social (BNDES). As at the reporting date, the amount arising from this guarantee was CHF 13.8 million (31 December 2017: CHF 15.9 million). In the context of the local debt financing, the company has also entered into a counterbond in the amount of CHF 12.9 million (31 December 2017: CHF 14.9 million) in respect of Companhia de Concessões Rodoviárias S.A., which is a co-shareholder in Confins Airport. Moreover, the company has entered into a counterbond for a performance bond which the operator, Concessionária do Aeroporto Internacional de Confins S.A., had to submit to Brazil's National Civil Aviation Authority (ANAC). As at the reporting date, the amount arising from the counterbond was CHF 10.7 million (31 December 2017: CHF 12.0 million).

In connection with the concession for the airport in Florianópolis, the operator, Concessionária do Aeroporto Internacional de Florianópolis S.A., has entered into a performance bond for Brazil's National Civil Aviation Authority (ANAC). As at the reporting date, the amount arising from the counterbond was CHF 29.0 million (31 December 2017: CHF 33.5 million).

In addition, in June 2018, Concessionária do Aeroporto Internacional de Florianópolis S.A. arranged a one-year bond with Brazilian company Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários. Comprising two tranches of BRL 150 million each, the bond will be used to finance the mandatory infrastructure measures specified in the concession arrangement, including the construction of a new terminal building, the expansion of the parking areas and the extension of the runway at Florianópolis airport. Flughafen Zürich AG provides a guarantee to Simplific Pavarini Distribuidora de Títulos e Valores Mobiliários as security for the local debt financing. As at the reporting date, an initial tranche of the bond had been drawn down in the amount of BRL 150 million (CHF 38.3 million).

As part of the concession arrangements for the airports in Antofagasta and Iquique, the operators have entered into counterbonds for performance bonds issued to the Chilean Ministry of Public Works (Ministerio de Obras Públicas). As at the reporting date, the total amount arising from these counterbonds was CHF 7.3 million (31 December 2017: CHF 6.9 million).

Flughafen Zürich AG is jointly and severally liable to third parties for the liabilities of the co-ownership structure THE CIRCLE and the ordinary partnership THE CIRCLE.

14.3 EVENTS AFTER THE REPORTING DATE

The Board of Directors approved the 2018 interim consolidated financial statements and authorised them for issue on 23 August 2018. No events occurred between 30 June 2018 and the date on which these consolidated financial statements were authorised for issue by the Board of Directors which would require an adjustment to the carrying amounts of the group's assets and liabilities or which would have to be disclosed here.

FURTHER INFORMATION

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RESULTS AND FINANCIAL INFORMATION

Other results and financial information: <https://www.zurich-airport.com/the-company/investor-relations-en/>

2018 INTERIM REPORT

The 2018 Interim Report of Flughafen Zürich AG is available in English and German and published online: <https://report.flughafen-zuerich.ch/2018/hyr/en>.

The German version is binding.