



FLUGHAFEN ZÜRICH AG
ANNUAL REPORT

2019

KEY FINANCIAL DATA

KEY DATA (5-YEAR SUMMARY)

(CHF 1,000)	2015	2016	2017	2018	2019
Total revenue	988,973	1,012,804	1,037,125	1,152,897	1,210,084
of which aviation revenue	597,389	620,402	624,241	656,667	661,451
of which non-aviation revenue	391,584	392,402	412,884	496,230	548,633
Operating expenses	-486,157	-434,000	-453,485	-581,918	-568,249
Earnings before interest, tax, depreciation and amortisation (EBITDA)	502,816	578,804	583,640	570,979	641,835
EBITDA margin (in %)	50.8	57.1	56.3	49.5	53.0
Earnings before interest and tax (EBIT)	274,644	337,350	339,899	326,527	403,116
EBIT margin (in %)	27.8	33.3	32.8	28.3	33.3
Profit	179,807	248,018	285,527	237,841	309,145
Cash flow from operating activities	456,177	471,869	529,744	538,359	511,737
Cash flow from investing activities	-119,524	-167,482	-542,322	-273,351	-628,311
Invested capital as at reporting date ¹⁾	3,186,427	3,215,677	3,470,749	3,516,827	3,753,684
Average invested capital ¹⁾	3,193,267	3,201,052	3,343,213	3,493,788	3,635,255
Return on average invested capital (ROIC in %)	6.8	8.4	8.1	7.4	8.8
Equity as at reporting date	2,212,437	2,260,149	2,401,135	2,414,853	2,469,086
Return on equity (in %)	8.3	11.1	12.3	9.9	12.7
Equity ratio (in %)	54.7	55.6	55.9	55.3	53.8
Interest-bearing liabilities (net) ²⁾	174,683	102,020	57,894	146,380	728,551
Interest-bearing liabilities (net) / EBITDA ²⁾	0.35	0.18x	0.10x	0.26x	1.14x
Key data for shareholders of Flughafen Zürich AG³⁾					
Number of issued shares	30,701,875	30,701,875	30,701,875	30,701,875	30,701,875
Ordinary dividend per share (CHF)	3.00	3.20	3.30	3.70	3.90
Payout ratio (in %) ⁴⁾	51.2	39.6	35.5	47.8	38.7
Additional dividend per share (CHF)	3.20	3.20	3.20	3.20	3.20
Equity per share (CHF)	72.06	73.62	78.21	78.65	80.42
Basic earnings per share (CHF)	5.85	8.07	9.29	7.75	10.07
Diluted earnings per share (CHF)	5.85	8.07	9.29	7.75	10.07

1) Invested capital includes equity and interest-bearing debt.

2) Interest-bearing liabilities (net) include interest-bearing debt less cash and cash equivalents, interest-bearing current and non-current financial assets and fixed-term deposits.

3) A 5-for-1 share split was implemented on 6 May 2016. For the purpose of comparison, the previous year's figures have been adjusted accordingly.

4) Additional dividend from capital contribution reserves not included.

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ADDRESS TO SHAREHOLDERS

**DEAR SHAREHOLDERS,
DEAR SIR OR MADAM**

Although we experienced slower growth than in recent years, we can look back on a successful financial year. At around 31.5 million, once again we hit an all-time record in passenger numbers. We were again able to cope with these high traffic volumes thanks to forward planning, a motivated workforce and the professional cooperation of all the airport's partner companies. Our major construction project THE CIRCLE is on track for a phased opening in the course of 2020. Further major building projects such as the expansion of the baggage system or the landside passenger areas, which are essential for the further development of Zurich Airport, are also proceeding on schedule and on budget. At a regulatory level, among other things we have concerns about operating hours, which are crucial for intercontinental flights to and from Switzerland, and airport charges, which have a major influence on our ability to invest. Pleasing news in relation to the development of our international business is winning the concessions for operating Vitória and Macaé airports in Brazil and the contract for a greenfield project in Noida near New Delhi in India.

PASSENGER VOLUMES AND KEY FINANCIAL DATA

Last year, 31.5 million passengers passed through Zurich Airport or to be precise, 31,507,692. Compared with the previous year this is an increase of 1.3%. The number of local passengers rose by 0.1% to 22.2 million. The transfer passenger share came to 29.3% (2018: 28.4%) and the number of transfer passengers at Zurich Airport went up by 4.2% to 9.2 million.

Flight movements totalled 275,329 in 2019, down 1.1% from the prior-year period. Freight volumes were down by 8.4% compared with 2018. A total of 451,827 tonnes of freight were transported.

In the 2019 financial year, Flughafen Zürich AG's revenue grew by CHF 57.2 million to CHF 1,210.1 million (+5.0%). Of the total revenue, approximately 55% was attributable to aviation and 45% to non-aviation business. After deducting operating expenses amounting to CHF 568.3 million and depreciation of CHF 238.7 million, earnings before interest and tax (EBIT) came to CHF 403.1 million (2018: CHF 326.5 million). In the previous year this result was affected by a one-off amount of CHF 57.6 million for the increase of the provision for sound insulation measures.

Consolidated profit for the financial year just ended amounted to CHF 309.1 million, up CHF 71.3 million from the previous year. The above-mentioned additional provisions (CHF 45.8 million after taxes) for sound insulation measures had depressed the result of the prior-year period. When adjusted to take account of this one-off effect, profit was lifted year on year by CHF 25.5 million or 9.0%.

DAYS WITH OVER
100,000 PASSENGERS

70

More than 100,000
passengers passed
through Zurich
Airport on 70 days.

AIRPORT CHARGES

An adequate return on invested capital is an important prerequisite for future investment in a high-quality and efficient aviation infrastructure in Switzerland. As all investments at Zurich Airport are financed by private equity, a stable and predictable regulatory environment is crucial.

The Federal Council approved the Ordinance on Airport Charges on 14 June 2019. We welcome the fact that the Swiss government decided not to alter the economic parameters, counter to FOCA's original proposal. On the other hand, however, we regret that no corresponding adjustment was made to the formula for calculating a reasonable return on invested capital. The ordinance came into force on 1 August 2019. It now forms the basis for future airport charge-setting rounds.

On 6 November 2019, FOCA decided that airport charges (excluding noise and emission charges) were to be cut by 15% from 1 April 2020. We have lodged a challenge to this decision in the courts and the matter is still pending. We have already planned a significant reduction in charges for the upcoming charging period and are expecting a drop in aviation revenues.



“The airport charges are the basis for financing the aviation infrastructure and enable the constant renewal and expansion of Zurich Airport to its acknowledged high standards.”

Andreas Schmid
Chairman of the Board of Directors

FLIGHT OPERATIONS

Despite the prevailing challenging business climate, we were able to maintain our high standards of quality as an airport operator and further optimise our passenger processes thanks to the excellent cooperation of all airport partners involved. The following issues occupied us in particular during the year under review:

BRINGING FORWARD THE LAST SLOTS

FOCA had instructed Flughafen Zürich AG to investigate bringing forward its last slots from at present 10:55 p.m. for arrivals and 10:45 p.m. for take-offs to 10:30 p.m. in terms of operational feasibility, economic viability and the impact on noise exposure. Flughafen Zürich AG commissioned an expert report which it submitted to FOCA in May 2019. This report showed that bringing forward the last slots would have serious negative ramifications for the Swiss economy's access to key world markets and for the competitiveness of Swiss airlines. Although it would contribute to noise abatement in the late evening, it would greatly jeopardise the airport's hub operations and its intercontinental flights. From the point of view of the airport operator, bringing forward the last slots is incompatible with its mandate to safeguard intercontinental connections, which is why we have asked FOCA to abandon the idea. FOCA's decision is still pending and will presumably be notified in the course of the proceedings relating to the 2017 amendments to our operating regulations.

INCREASE IN NOISE CHARGES

FOCA has approved Flughafen Zürich AG's proposal for higher noise charges during shoulder periods and at night. The revised charges came into force on 10 September 2019. As well as incentivising airlines to use quieter aircraft, the new rules aim to motivate them to step up their efforts to reduce delays and schedule as few flights as possible during particularly sensitive times of day. Owing to the in some cases significantly higher noise charges after 11 p.m., it was possible to discern a corrective effect after just a short time.

CHANGES TO THE ROUTE NETWORK

Our hub carrier Swiss International Air Lines has expanded its European offering. Edelweiss Air as well as British Airways, Aegean Airlines and Icelandair, among others, have increased some frequencies. Air Canada has added flights on its Zurich-Vancouver route.

Some destinations also disappeared from the route network during the reporting year. For instance, Sichuan Airlines dropped its flights to Chengdu, and Air China stopped flying to Beijing. Korean Air suspended its flights from Seoul to Zurich at the end of 2019.

AIRPORT INFRASTRUCTURE DEVELOPMENT PROJECTS

UPGRADING AND EXPANSION OF THE BAGGAGE SYSTEM

This project encompasses a new building to increase the capacity of the existing baggage sorting system by around one third, the replacement of many parts of the system, and a larger early bag store. The dismantling and excavation work was completed during the first half of 2019, and the new building is now under construction. The first major technical upgrading commenced in autumn 2019 with the replacement of the old baggage transport system in the baggage tunnel. Flughafen Zürich AG is investing some CHF 500 million in modernising and expanding the baggage sorting system. Completion of the overall project is scheduled for 2025.

INVESTMENTS IN AIRPORT INFRASTRUCTURE

500 million

Around CHF 500 million is being invested in modernising and expanding the baggage sorting system.

BUILDING PROJECTS IN THE MAIN AIRPORT COMPLEX

2019 saw the commencement of the expansion of landside passenger areas, representing an investment of approximately CHF 275 million. The structural alterations at the South Bus Terminal have been completed, and alternative stands are in place. The building work for links to THE CIRCLE is on track and is scheduled for completion in mid-2020 in good time, ahead of THE CIRCLE's opening date. The new landside passenger areas are scheduled to come on stream in stages from the summer of 2024. These will include new retail outlets, underground logistics and a food hall above ground.

AIRSIDE BUILDING PROJECTS

After many years tied up in legal proceedings, the second of the two new high-speed taxiways for runway 28 came into operation in May 2019. Since then, thanks to frequent use of these taxiways, it has been possible to reduce the runway occupancy time for landings on runway 28 as very few aircraft now need to taxi the full length of the runway. When using the north and east concepts, the new taxiways and the taxiway routing around runway 28 made it possible to greatly reduce the total of over 100,000 runway crossings per year across runway 28 and thus increase the safety margin. Flughafen Zürich AG submitted the respective planning application to FOCA in November 2019. It also submitted a planning application in October 2019 for a building including hangar space and landside infrastructure for business aviation in Zone West.



“If the airport is to keep up with the constantly rising demand we have to chart a course now for the major development projects of the future.”

Stephan Widrig
Chief Executive Officer

RUNWAY EXTENSIONS

The political process for seeking consent to extend runways 28 and 32 will commence in 2020. It can be assumed that voters in the Canton of Zurich will ultimately decide in a referendum whether the extensions will go ahead. The planning work was completed in 2019. The runway extensions are a key element of our efforts to provide dependable operations without delays in the evenings, because when the east concept is used they will ensure significantly greater stability in the event of adverse weather conditions, reduce distances on the ground, and cut the number of crossings on the ground and in the air.

RETAIL

REVENUE GROWTH AND NEW CONCEPTS

In the publicly accessible airport shopping areas, Globus launched a Globus Delicatessa & Bar, and Nespresso set up a 24-hour sales terminal. Foodland welcomed a Kentucky Fried Chicken franchise. A Coop Vitality pharmacy opened for the first time at Check-in 2, along with a second branch of the popular chocolate brand Läderach. In addition, the landside and airside launch of Pret A Manger represented the first Swiss outlets of the well-known British takeaway chain. Two large restaurants in the Airside Center are undergoing makeovers: the former Walter is now serving delicious Italian food under the name of Villa Antinori da Bindella, while the Center Bar has added seating and is now offering guests Asian cuisine as the Center Bar and Kitchen. The Rolex Boutique and the Bucherer multibrand store have been operating since the spring. Further additions include the luxury brands Moncler, Bottega Veneta and Longchamp, along with Globus Accessories and Grieder with prêt-à-porter fashion and accessories for women.

OBERHAU CAR PARK

Continued growth in local passenger numbers will result in a shortage of parking spaces at Zurich Airport within the foreseeable future. We are therefore planning a multi-storey car park with around 3,000 parking spaces in Oberhau, adjacent to the Balsberg stop on the Glattalbahn tram line. Following lengthy proceedings over a number of years, on 9 October 2019 the Federal Supreme Court decided to overrule the federal government's planning consent for the Oberhau car park and to refer the matter back to the Federal Department of Environment, Transport, Energy and Communications (DETEC) for reconsideration. It is now also necessary to include the parking spaces provided by off-airport parking providers in the parking statistics for Flughafen Zürich AG. This is done by means of a counter in their approach lanes.

THE CIRCLE

Two years after the foundation stone was laid, THE CIRCLE's joint ownership company celebrated the topping-out of this major construction project in March 2019. During the year under review we were able to welcome numerous new tenants, for instance Edelweiss Air, management consultants Horváth & Partners, Globus, SAP, Hyatt International, Läderach (Switzerland) AG and Valora Schweiz AG. Further service providers have also come on board, including a family-run hairdressing business and a beauty clinic. Flughafen Zürich AG is planning to move into THE CIRCLE in the spring of 2020, while the public opening will be in September 2020. As a go-to destination, THE CIRCLE will significantly shape the landside aspect of the airport and will greatly enhance the prestige of the address and the airport experience as a whole. By providing a recreational public space, the airport park will also contribute to this. It is likewise due to open in the course of 2020.

THE CIRCLE OPENING

09/2020

September 2020 will see the first stages in the opening of THE CIRCLE at Zurich Airport.

PROPERTY PORTFOLIO

Shortly before the end of the year, Flughafen Zürich AG bought a total of 36 buildings and plots of land from Piora Suisse AG. The acquisition of the Piora portfolio is strategically important for Flughafen Zürich AG and the demand-led development of the airport, especially in relation to the modernisation and expansion of areas to the south, east and west. These include, for example, freight areas or new developments for aircraft ground handling, as well as the building of new infrastructure for business aviation and hangars. The airport (excluding the purchased properties) covers approximately 1.25 million square metres. The addition of the Piora portfolio increased the rentable space by 10%.

INTERNATIONAL

Our international business ventures progressed well in 2019. On 15 March 2019 we were awarded the concessions for two new airports in Brazil (Vitória and Macaé), both with a 100% stake. We celebrated the opening of the new terminal at Florianópolis airport in Brazil on 1 October. And at the end of November 2019, we won the contract to develop, build and operate Delhi Noida International Airport in India. This operating licence will run for 40 years and also marks the continuation of our success story in India following our involvement in Bangalore. The high Swiss standards of corporate governance continue to apply to Flughafen Zürich AG also in its operations abroad. Environmental and social aspects are always important considerations when exploring projects and form the basis for the sustainable development of this area of our business.

CO₂ ACT

Various matters relating to the Swiss aviation industry were once again discussed in the Swiss Parliament in the year under review. In particular, the flight ticket levy planned as part of the revised CO₂ Act will give us much to think about in the coming year. We contend that an isolated solution for Switzerland does not make sense in a global aviation industry and that unilateral measures by individual countries will not help to stop climate change. If a levy on flight tickets is nevertheless introduced in Switzerland, the money must be specifically earmarked for promoting alternative fuels or developing new aviation technologies in order to ensure effective action to counter climate change.

Despite the rising demand for air travel from business and society and the concomitant increase in building footprints and passenger volumes, as an infrastructure provider Flughafen Zürich AG has succeeded in almost halving its CO₂ emissions since 1990. Moreover, the company has voluntarily set itself the goal of reducing its CO₂ emissions to zero by 2050.

OUTLOOK AND THANKS

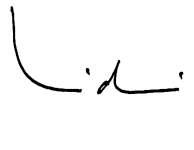
Flughafen Zürich AG is operationally, financially and strategically well placed. Thanks to our very high quality standards and cost-conscious approach, we have been able to maintain our competitiveness and further strengthen profitability by expanding our corporate activities with THE CIRCLE and our international business. As Switzerland's sole intercontinental air transport hub, we still need to be able to develop the airport in a prudent and sustainable way. To do this, however, we are also reliant on a conducive political environment. The prosperity of Switzerland is crucially dependent on its ability to generate wealth internationally, which in turn is dependent on our country being globally accessible.

We would like to thank all partners and supporters of Zurich Airport, and especially our employees for their exceptional commitment to our company and to Zurich Airport in general.

Zurich Airport, 5 March 2020



Andreas Schmid
Chairman of the Board of Directors



Stephan Widrig
Chief Executive Officer

FLUGHAFEN ZÜRICH AG

Flughafen Zürich AG is the owner and operator of Zurich Airport. Its business model combines the professional management of large transport hubs with the administration of attractive commercial centres and real estate. Thanks to the high quality of its services, Zurich Airport enjoys an excellent reputation.

As Switzerland's gateway to the world, Zurich Airport is a quality airport at the heart of Europe, offering excellent access to international, national and regional transport networks. Zurich Airport regularly wins awards for its excellent services, short transfer distances, friendly staff, clean infrastructure, reliable processes, attractive retail offering and other quality indicators. This performance may be credited to some 27,000 employees at more than 280 partner companies, who ensure each day that passengers and visitors enjoy the time they spend at Zurich Airport.

As a semi-public listed company, Flughafen Zürich AG operates one of the most important transport and meeting hubs in Switzerland. The company focuses on its core activities relating to the operation of airports and management of commercial centres, as well as on profitably managing and further developing real estate and the infrastructure at its Zurich base. Increasingly, it is also involved in holdings in foreign airports and their operation.

ORGANISATIONAL STRUCTURE

The Management Board of Flughafen Zürich AG comprises five members who oversee the company's four divisions:

ORGANISATION CHART



AVIATION

All the tasks required for ensuring safe, efficient and high-quality flight operations are grouped together in the Aviation division. These include all passenger processes related to departure, arrival and transfer, the coordination of stand allocation and the guidance of aircraft on the aprons as well as safety and security. Everything runs smoothly because all major partners are coordinated by a central control body – Airport Steering. The Aviation division is also responsible for all freight-related activities and, together with Aviation Marketing, constitutes the interface to the airlines. Furthermore, the operation of the 800 hectares of airport premises, including planning, utilities, waste management and maintenance of engineering structures, also falls under the remit of Aviation. Moreover, the Aviation division ensures that aviation infrastructures and procedures are developed in order to meet demand, and handles all questions relating to noise management and resident protection.

COMMERCIAL

The Commercial division represents the interests of the airport's end customers. In this capacity, it is responsible for supporting the airport's commercial centres, its landside traffic and marketing. The division develops services and attractive shopping and dining experiences both airside and landside, and operates the most successful shopping centre in Switzerland. Other tasks include overall responsibility for all landside transport services, the airport's various parking products and its connections to public transport as well as all the service and information points, the design of the airport's digital presence and its overarching marketing and branding.

REAL ESTATE

The Real Estate division is responsible for the development, construction and the commercial, technical and infrastructural operation of all the buildings and associated building systems at Zurich Airport. Its portfolio ranges from the terminal buildings, office centres, logistics and hangar buildings to the major project THE CIRCLE. The division ensures that all projects, small and large, are realised within their defined budgets, on schedule, and to the necessary quality standards, and that the airport's real estate and systems are operated optimally throughout their life cycles. These include building technology systems, energy and heat supply, the baggage handling system and the Skymetro to Dock E.

FINANCE

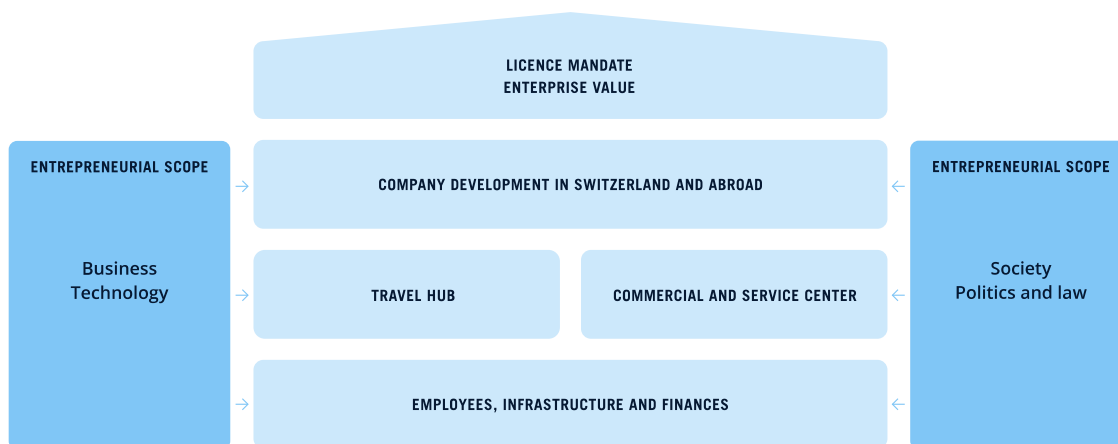
The Finance division oversees the financial management of the company, administers cross-divisional functions and supervises its international airport activities. Along with the usual financial functions including treasury, investor relations and risk management, its remit also includes responsibility for all matters relating to information and communications technology, central purchasing and charge management. As well as overseeing existing management and consultancy agreements, international activities encompass business development and due diligence for new acquisitions.

STAFF UNITS

The four staff units – Corporate Communications, Human Resources, Public Affairs and Legal & Environment – report directly to the CEO. The office of the General Secretary acts as the staff unit for the Board of Directors.

STRATEGY

STRATEGY MODEL



VISION

Zurich Airport is the leading transport and meeting centre in Europe.

MISSION

- We connect Switzerland to the world.
- We welcome our guests round the clock.
- We undertake projects at home and abroad.
- We live "Swissness".

STRATEGY

Flughafen Zürich AG fulfils the Confederation's licence mandate and increases the company's value by

- using its resources (employees, infrastructure, finances) sustainably and optimally exploiting entrepreneurial scope,
- constantly developing the airport as a high-quality travel hub while also ensuring safety and making optimum use of the available infrastructure and technology,
- using the commercial and services centre (real estate, retail, services) to expand flight operations, bring the fascination of flying to life, and generate profits which enable the system as a whole at Zurich Airport to be further developed to a high quality standard, and

- utilising its expertise and experience in projects in Switzerland and abroad to develop new revenue streams in the medium to long term.

PRINCIPLES OF CONDUCT

Our behaviour is goal-oriented and is characterised by loyalty, openness, respect and discipline.

MANAGEMENT PRINCIPLES

We assume responsibility, serve as good examples, offer trust and demand accountability.

COMMITMENT TO SUSTAINABILITY

Flughafen Zürich AG's understanding of sustainability is based on the three dimensions of economic performance, environmental responsibility and social solidarity.

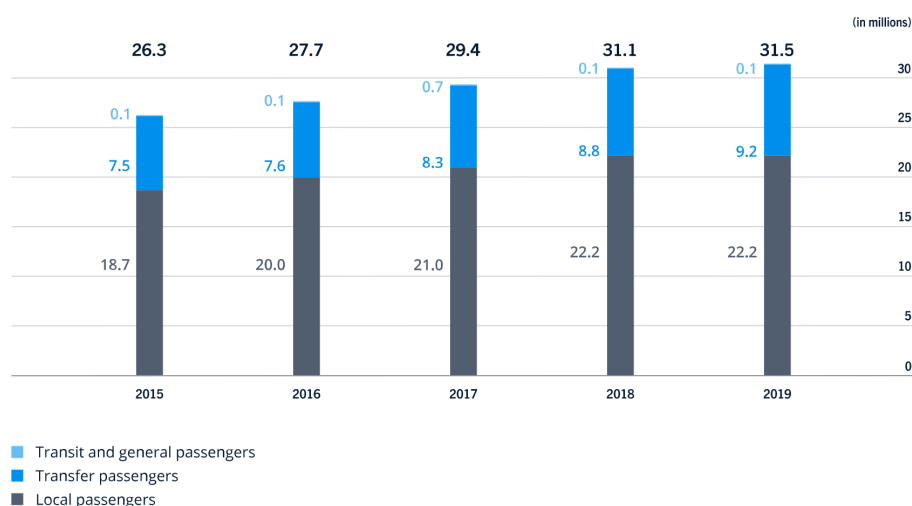
Building on the foundations of safety, quality and efficiency, we operate Zurich Airport in a sustainable way by

- creating long-term added value and consequently contributing to the economy as a whole,
- striving to reduce the impact on the environment and improving environmental efficiency,
- providing an attractive and safe environment for employees, partners, customers and visitors, and engaging in broad-based dialogue with stakeholders.

TREND IN TRAFFIC VOLUME

NEW PASSENGER RECORD: 31.5 MILLION PASSENGERS AT ZURICH AIRPORT

In 2019, Zurich Airport hit a new all-time high of 31,507,692 passengers, bettering the record set in the previous year by 1.3%. The average growth rate of major European airports was 2.8% in 2019 (source: [ACI Airports Council International](#)).



Demand in the local segment showed little change in 2019, with the volume of local passengers remaining virtually unchanged at 22.2 million, representing an increase of 0.1%. At 4.2%, growth in the transfer segment remained strong, however, lifting the transfer volume to 9.2 million by the end of the year. The share of transfer passengers consequently also rose from 28.4% in the previous year to 29.3% in the reporting period. The scheduled and charter segment grew by 1.3% in 2019. Passenger numbers in general aviation declined by 9.6%.

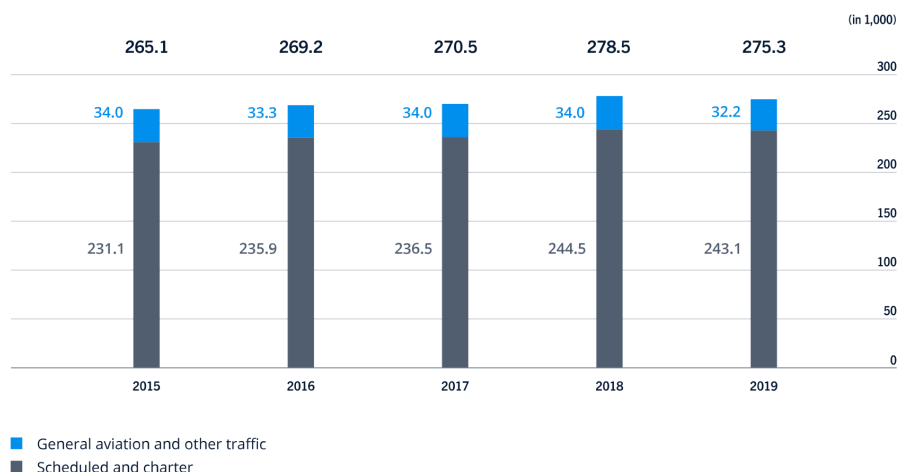
Europe, Zurich Airport's most important market, showed a below-average increase of 0.2%. Intercontinental traffic, on the other hand, experienced above-average growth of 4.7%. The biggest increase in demand was seen for flights to the Far East (+5.1%), followed by Latin America (+18.3%), Africa (+10.3%), North America (+2.2%) and the Middle East (+1.2%).

The passenger share of home carrier Swiss rose to 53.6% in the year under review (2018: 52.9%). Edelweiss Air followed with a share of 8.5%, then easyJet with 2.9%, Eurowings with 2.6% and British Airways with 2.1%.

BETTER CAPACITY UTILISATION AND FEWER FLIGHT MOVEMENTS

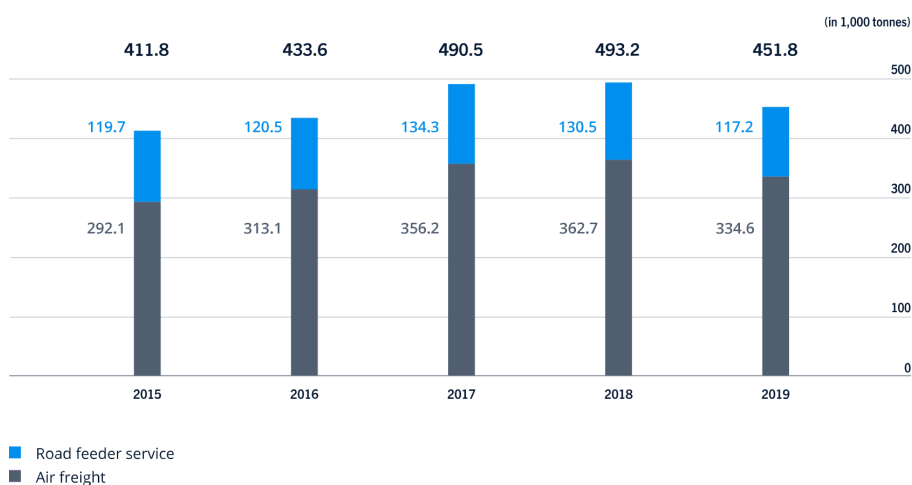
Flight movements totalled 275,329 in 2019, down 1.1% from the prior-year period. In the scheduled and charter flight segment, the number of flight movements fell by 0.6%. General aviation flight movements contracted by 5.1%.

During the same period, on the other hand, the number of seats offered rose by 1.0%. The increase in seat capacity and growth in the number of passengers per flight movement, from 127 to 130, resulted in a 0.2 percentage point rise in the seat load factor during the reporting year to 78.1%.



DECLINE IN AIR FREIGHT

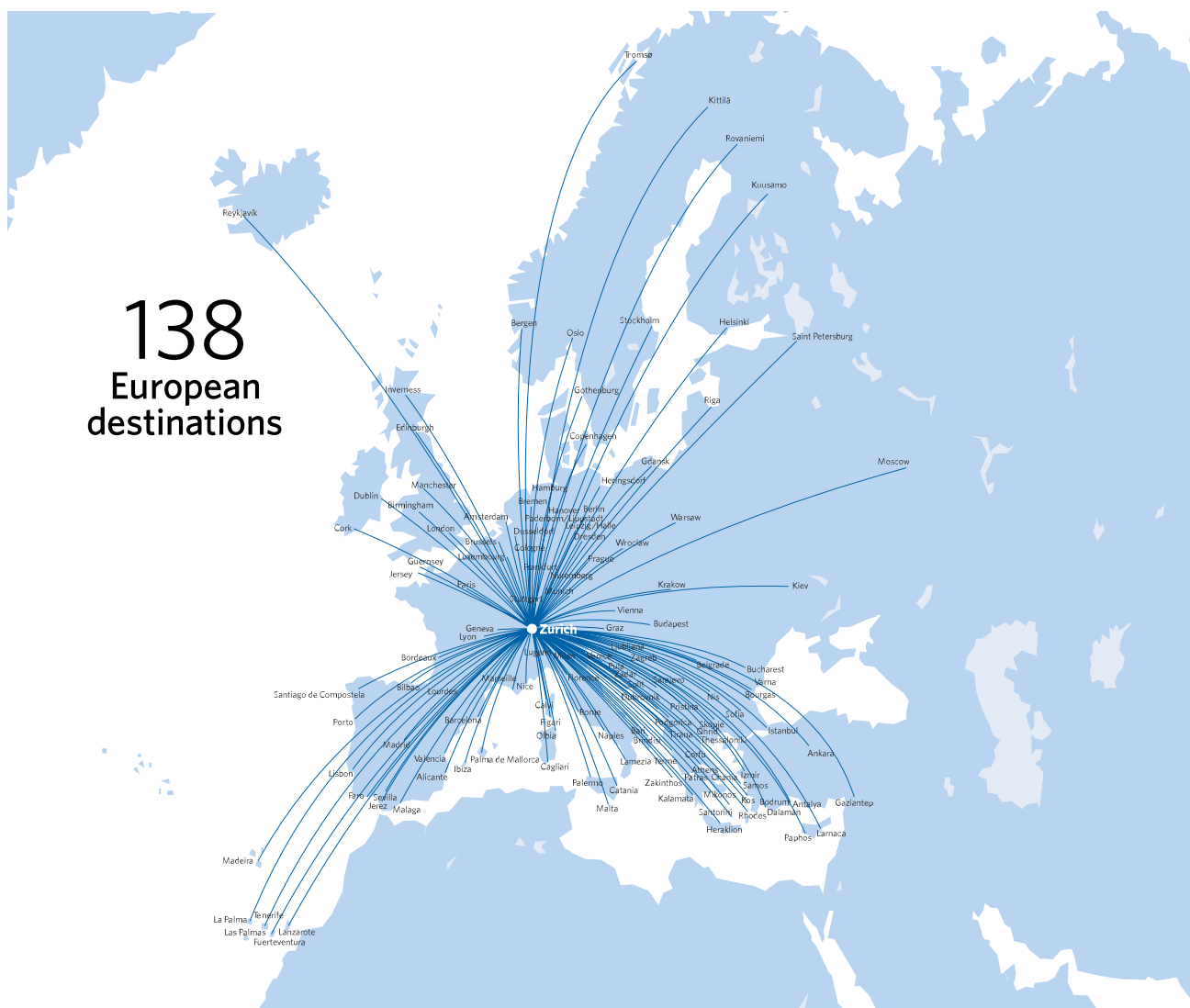
In 2019, freight volumes at Zurich Airport fell by 8.4% compared with their 2018 levels. A total of 451,827 tonnes of freight were transported during the year under review. While the volume of freight shipped by air decreased by 7.7%, air freight transported by road fell by 10.2%.



DIRECT CONNECTIONS FROM ZURICH

Compared with the previous year, the number of direct destinations served by Zurich Airport in 2019 fell by 3, taking the total to 203. In 2019, scheduled and charter airlines operated flights from Zurich Airport to 138 European and 65 intercontinental destinations. 69 scheduled airlines and charter carriers offered services on the route network.

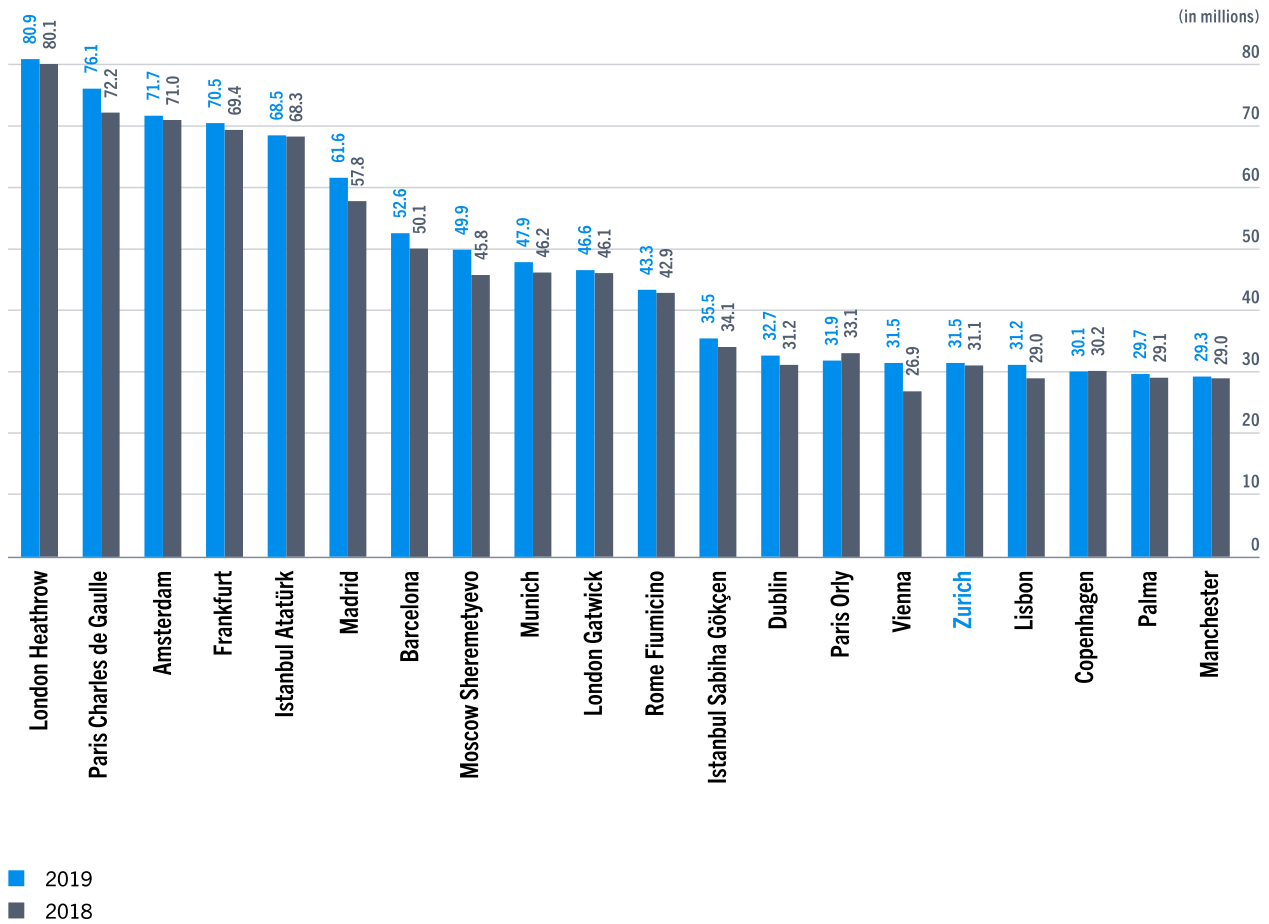
OVERVIEW OF EUROPEAN DESTINATIONS



OVERVIEW OF INTERCONTINENTAL DESTINATIONS



PASSENGERS AT EUROPEAN AIRPORTS



Source: [ACI Airports Council International](#) (scheduled & charter)

KEY FINANCIAL DATA

KEY DATA

(CHF 1,000)	2019	2018	Change in %
Total revenue	1,210,084	1,152,897	5.0
of which aviation revenue	661,451	656,667	0.7
of which non-aviation revenue	548,633	496,230	10.6
Operating expenses	-568,249	-581,918	-2.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	641,835	570,979	12.4
EBITDA margin (in %)	53.0	49.5	
Earnings before interest and tax (EBIT)	403,116	326,527	23.5
EBIT margin (in %)	33.3	28.3	
Profit	309,145	237,841	30.0
Cash flow from operating activities	511,737	538,359	-4.9
Cash flow from investing activities	-628,311	-273,351	129.9
Invested capital as at reporting date ¹⁾	3,753,684	3,516,827	6.7
Average invested capital ¹⁾	3,635,255	3,493,788	4.0
Return on average invested capital (ROIC, in %)	8.8	7.4	
Equity as at reporting date	2,469,086	2,414,853	2.2
Return on equity (in %)	12.7	9.9	
Equity ratio (in %)	53.8	55.3	
Interest-bearing liabilities (net) ²⁾	728,551	146,380	397.7
Interest-bearing liabilities (net) / EBITDA ²⁾	1.14x	0.26x	
Key data for shareholders of Flughafen Zürich AG			
Number of issued shares	30,701,875	30,701,875	
Ordinary dividend per share (CHF)	3.90	3.70	5.4
Payout ratio (in %) ³⁾	38.7	47.8	
Additional dividend per share (CHF)	3.20	3.20	0.0
Equity per share (CHF)	80.42	78.65	2.2
Basic earnings per share (CHF)	10.07	7.75	29.9
Diluted earnings per share (CHF)	10.07	7.75	29.9
Flughafen Zürich AG (registered share)	Security number	SIX Symbol	Reuters
	31941693	FHZN	FHZN.S
Share price as at 31.12. (CHF)	176.70	162.50	8.7

1) Invested capital includes equity and interest-bearing debt.

2) Interest-bearing liabilities (net) include interest-bearing debt less cash and cash equivalents, current and non-current financial assets and fixed-term deposits.

3) Additional dividend from capital contribution reserves not included.

	2019	2018	Change in %
Key operational data			
Number of passengers	31,507,692	31,113,488	1.3
Number of flight movements	275,329	278,458	-1.1
Freight (in tonnes)	451,827	493,222	-8.4
Number of full-time positions as at reporting date	1,909	1,757	8.7
Number of employees as at reporting date	2,194	2,033	7.9

KEY DATA EXCLUDING THE INFLUENCE OF NOISE

Flughafen Zürich AG refinances all costs relating to aircraft noise through special noise charges. There is a specified purpose for these noise charges, 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 cash flow statement of Flughafen Zürich AG.

The figures of the income statement including and excluding the influence of aircraft noise are as follows:

	2019			2018		
(CHF 1,000)	Including influence of noise	Elimination influence of noise	Excluding influence of noise	Including influence of noise	Elimination influence of noise	Excluding influence of noise
Revenue	1,210,084	-12,827	1,197,257	1,152,897	-11,629	1,141,268
Operating expenses	-568,249	3,465	-564,784	-581,918	60,921	-520,997
EBITDA	641,835	-9,362	632,473	570,979	49,292	620,271
Depreciation and amortisation	-238,719	4,266	-234,453	-244,452	4,790	-239,662
EBIT	403,116	-5,096	398,020	326,527	54,082	380,609
Profit	309,145	-7,249	301,896	237,841	48,441	286,282

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

(CHF 1,000)	2019	2018	Change in %
Total revenue	1,197,257	1,141,268	4.9
of which aviation revenue	648,624	645,038	0.6
of which non-aviation revenue	548,633	496,230	10.6
Operating expenses	-564,784	-520,997	8.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	632,473	620,271	2.0
EBITDA margin (in %)	52.8	54.3	
Earnings before interest and tax (EBIT)	398,020	380,609	4.6
EBIT margin (in %)	33.2	33.3	
Profit	301,896	286,282	5.5
Cash flow from operating activities	520,632	547,660	-4.9
Cash flow from investing activities	-624,875	-300,933	107.6
Invested capital as at reporting date ¹⁾	3,644,106	3,406,994	7.0
Average invested capital ¹⁾	3,525,550	3,360,122	4.9
Return on average invested capital (ROIC in %)	9.0	9.0	
Equity as at reporting date	2,370,324	2,323,333	2.0
Return on equity (in %)	12.9	12.5	
Equity ratio (in %)	58.1	60.9	
Interest-bearing liabilities (net) ²⁾	1,158,447	579,830	99.8
Interest-bearing liabilities (net) / EBITDA ²⁾	1.83x	0.93x	
Key data for shareholders of Flughafen Zurich AG			
Payout ratio (in %) ³⁾	39.7	39.7	
Equity per share (CHF)	77.20	75.67	2.0
Basic earnings per share (CHF)	9.83	9.32	5.5
Diluted earnings per share (CHF)	9.84	9.33	5.5

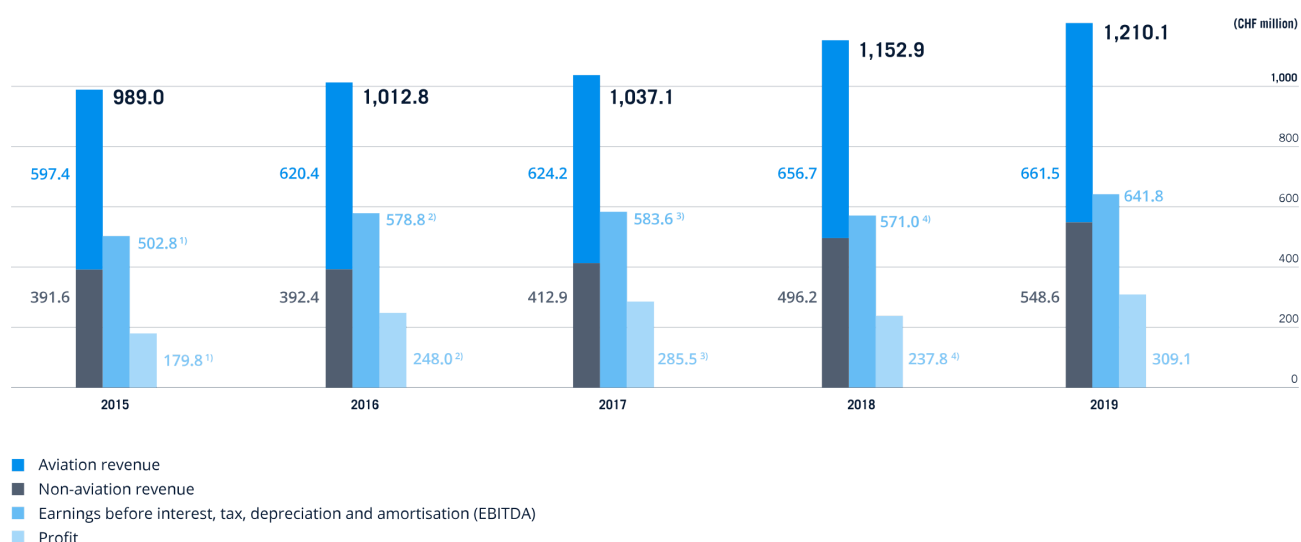
1) Invested capital includes equity and interest-bearing debt.

2) Interest-bearing liabilities (net) include interest-bearing debt less cash and cash equivalents, current and non-current financial assets and fixed-term deposits.

3) Additional dividend from capital contribution reserves not included.

FINANCIAL DEVELOPMENT

A total of 31.5 million passengers passed through Zurich Airport in the 2019 financial year, an increase of 1.3%. Over this period, Flughafen Zürich AG generated revenue of CHF 1,210.1 million, representing a year-on-year increase of 5.0%. Consolidated profit for the financial year just ended amounted to CHF 309.1 million, up CHF 71.3 million from the prior-year period. Additional provisions for sound insulation measures in 2018 had depressed the result of the previous year. When adjusted to take account of this one-off effect, profit was lifted year on year by CHF 25.5 million or 9.0%.



1) After expenditure for increased provisions for sound insulation and resident protection, revenue from adjustments to the net defined benefit obligations as a result of the announced change to the BVK scheme, and profit from the sale of a portion of land for THE CIRCLE and transfer of the associated projects costs.

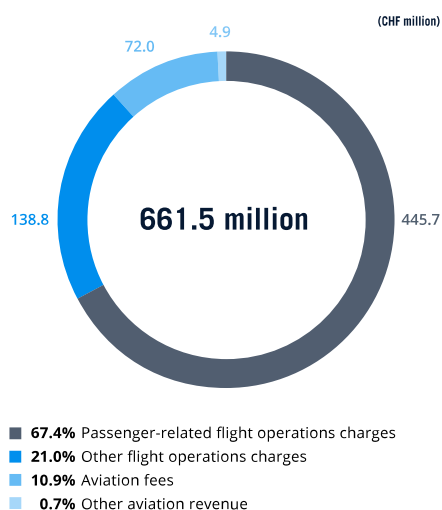
2) After revenue from an additional purchase price payment for the land for THE CIRCLE (2nd phase) and from an advance payment from the bankruptcy assets of the former Swissair.

3) After revenue from an advance payment from the bankruptcy assets of the former Swissair (EBITDA level) and gain on sale of the remaining stake in Bangalore International Airport Ltd. (profit level).

4) After expenditure for increasing the provisions for sound insulation and resident protection.

RESULTS TREND

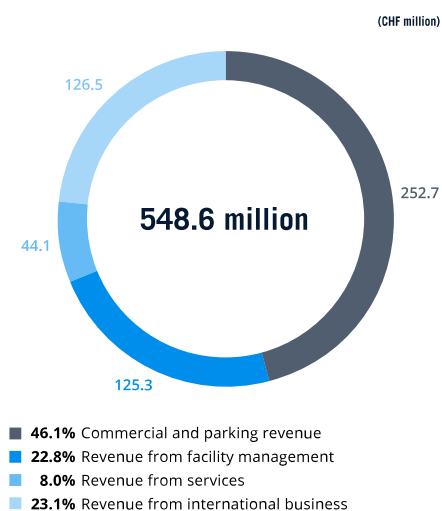
AVIATION REVENUE



As a result of the passenger growth, aviation revenue grew from CHF 656.7 million to CHF 661.5 million (+0.7%) in the financial year just ended, accounting for around 55% of Flughafen Zürich AG's total revenue.

Flight operations charges increased by CHF 3.8 million to CHF 584.5 million (+0.7%). Total income from aviation fees and other aviation revenue rose by CHF 1.0 million overall to CHF 76.9 million (+1.3%).

NON-AVIATION REVENUE



Overall, non-aviation revenue, which accounted for approximately 45% of total revenue, increased by CHF 52.4 million to CHF 548.6 million (+10.6%).

Total commercial and parking revenue increased year on year by CHF 4.4 million (+1.8%) to CHF 252.7 million. In commercial operations, our partners lifted revenue by CHF 7.6 million to CHF 601.4 million last year, which translated into commercial revenue of CHF 134.3 million for Flughafen Zürich AG (+3.1%). The increase of CHF 3.9 million in earnings from facility management was mainly driven by higher revenue from rental agreements and higher revenue from energy and utility charges. Revenue from services remained virtually unchanged at CHF 44.1 million (2018: CHF 43.7 million). The increase in revenue from international airport business of CHF 43.7 million to CHF 126.5 million is due in particular to higher revenue from construction projects (concession accounting). In Brazil, the expansion and opening of the terminal at the airport in Florianópolis in October 2019 meant that the infrastructure measures stipulated in the operating licence were completed.

OPERATING EXPENSES

Operating expenses fell year on year by CHF 13.7 million to CHF 568.3 million, following the hike of CHF 57.6 million (before taxes) in last year's cost basis due to extension of the sound insulation programme. After adjusting for this one-off item, operating expenses rose by 8.4%, mainly as a result of higher expenses resulting from construction projects (expansion of the infrastructure in Florianópolis). Operating expenses in Zurich fell by 0.4%.

Owing to a higher headcount and a general pay rise, personnel expenses for the reporting year rose by CHF 4.8 million to CHF 216.3 million (+2.3%). The higher costs of CHF 1.1 million (+0.9%) for police and security were in line with the generated passenger growth. The decrease in other operating expenses by CHF 4.0 million to CHF 50.8 million was primarily due to the initial application of IFRS 16 (Leases), which resulted in rental costs being reclassified as depreciation charges on right-of-use assets.

OPERATING RESULT AND CONSOLIDATED PROFIT

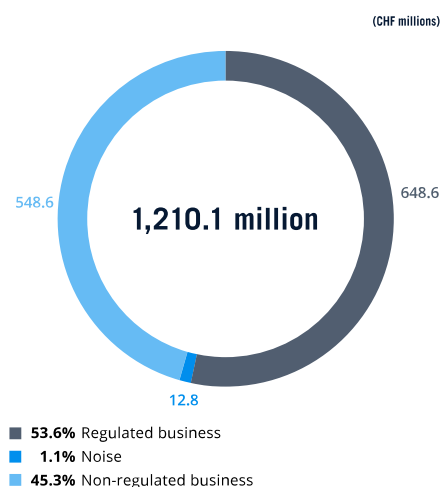
EBITDA increased by CHF 70.9 million to CHF 641.8 million (+12.4%). Factoring out the one-off effect in the prior-year period (increased provision for sound insulation measures), EBITDA improved by 2.1%, making the EBITDA margin 53.0%.

Despite the initial application of IFRS 16 and the new depreciation charges on right-of-use assets arising as a result, depreciation and amortisation were down year on year from CHF 244.5 million to CHF 238.7 million. This was due in particular to buildings reaching the end of their operating life. At CHF –14.0 million, the net finance result improved by CHF 9.1 million compared with the previous year thanks to gains on the financial assets of the Airport of Zurich Noise Fund. The share in the result of associates in the amount of CHF –2.5 million (2018: CHF –4.3 million) reflects the company's share in the profit/loss of the Belo Horizonte airport operator.

Consolidated profit for the financial year just ended amounted to CHF 309.1 million, up CHF 71.3 million from the previous year. The above-mentioned additional provisions (CHF 45.8 million after taxes) for sound insulation measures had depressed the result of the prior-year period. When adjusted to take account of this one-off effect, profit was lifted year on year by CHF 25.5 million or 9.0%.

SEGMENT REPORTING

REVENUE



REGULATED BUSINESS

Owing to passenger growth, revenue from third parties for the regulated segment rose from CHF 645.1 million to CHF 648.6 million during the year under review. In the same period, earnings before interest and tax (EBIT) for regulated business, which comprises the "Aviation", "PRM", "User fees", "Air security" and "Access fees" segments, fell by CHF 3.1 million to CHF 174.1 million. This was due in particular to higher operating expenses and depreciation in the "Aviation" segment. Capital invested for regulated business was down CHF 0.2 billion to CHF 1.7 billion, of which CHF 1.3 billion was associated with the "Aviation" segment. In addition to the directly allocatable airport infrastructure, invested capital also includes proportionate costs for mixed-use buildings, in particular the terminals. The resulting ROIC for regulated business was 7.7% (2018: 7.3%).

NOISE

At CHF 12.9 million, revenue in the "Noise" segment was slightly higher than in the previous year. The marked improvement in EBIT from CHF –54.1 million in 2018 to CHF 5.1 million in the reporting year was largely due to the recognition of additional provisions for sound insulation in the amount of CHF 57.6 million in the prior-year period. The invested capital in the "Noise" segment amounted to CHF 0.1 billion at the reporting date and primarily includes intangible assets from the right of formal expropriation plus assets of the Airport of Zurich Noise Fund minus provisions for formal expropriations plus sound insulation and resident protection.

NON-REGULATED BUSINESS

Thanks in particular to higher income from the commercial sector and expansion of the infrastructure of Florianópolis airport in southern Brazil, revenue from third parties for the non-regulated business segment grew by CHF 52.4 million to CHF 548.6 million in the 2019

financial year. EBIT consequently improved by 10.0% to CHF 223.9 million. Compared with the previous year, invested capital increased by around CHF 0.5 billion to CHF 2.0 billion, with current ROIC standing at 10.3% (2018: 11.2%).

INVESTMENTS

In the year under review, Flughafen Zürich AG invested CHF 359.7 million in ongoing projects at its Zurich base (2018: CHF 290.1 million). Investments in THE CIRCLE, which were higher than the previous year owing to the progress on this building project, contributed in large part to this figure. Further significant investments included the overhauling and expansion of the baggage sorting system plus projects for upgrading the airfield power supply systems and runway 28/10.

ASSETS AND FINANCIAL POSITION

As at the end of 2019, invested capital amounted to CHF 3.8 billion and the return on invested capital (ROIC) was 8.8% (2018: 7.4%). At the reporting date, equity was unchanged at CHF 2.5 billion, resulting in a healthy equity ratio of 53.8% (2018: 55.3%). Due to investments in property, plant and equipment, ongoing projects and international holdings, net debt increased to CHF 728.6 million at the reporting date (2018: CHF 146.4 million).

Starting with an operative cash flow of CHF 511.7 million and year-on-year significantly higher investments of CHF 773.2 million in property, plant and equipment, projects in progress and airport operator projects, the company's free cash flow for the reporting period was CHF –261.5 million (2018: CHF 154.9 million).

FINANCIAL OUTLOOK

The coronavirus, which is currently spreading, will have a negative effect on the earnings of Flughafen Zürich AG. As it is not possible to estimate the impact any more closely, no financial outlook for the 2020 financial year can be provided at this time.

RISK MANAGEMENT

For Flughafen Zürich AG, risk management is a key factor for successful company management. Comprehensive risk management ensures that risks are approached systematically and given due consideration. It guarantees transparency with respect to all the internal and external risks associated with the company's business activities as well as continuous monitoring and improvement of the risk situation.

RISK MANAGEMENT AND REPORTING TOOL

Zurich Airport's risk management system is the tool used to manage corporate risk and consists of the following components:

- Risk policy objectives and principles
- Risk management organisation
- Risk management process (method for managing risk)
- Risk reporting
- Auditing and review of the risk management system

The risk management organisation forms the backbone of this system and includes the following units and functions:

- **Board of Directors, Management Board and Chief Risk Officer**

The Board of Directors and Management Board have the overall responsibility under Swiss company law for ensuring the group's existence and profitability. The Board of Directors is responsible for overall oversight of risk management. The Chief Financial Officer also acts as the Management Board's Chief Risk Officer.

- **Risk Management & Insurance department**

The Risk Management & Insurance department is run by the Risk Manager, who reports to the Chief Risk Officer. This department supports the line units in all matters relating to risk management and is responsible for risk reporting as well as the operation and ongoing development of the risk management system.

- **Line units (divisions and departments)**

As part of their function, the line units also bear responsibility for risks in their respective division or department and manage them within the framework of the risk management system (risk-owner-concept).

- **Specialist units**

In consultation with the Risk Management & Insurance department, the specialist units perform specific risk-related cross-divisional functions within the group (liquidity management, occupational safety, information security, fire prevention, contingency planning, etc.).

In risk reporting, Flughafen Zürich AG describes in detail the most important business risks it has identified and assesses the probability of occurrence as well as their potential operational and economic impact. Along with defining responsibilities, a plan of action is drawn up with specified target dates and outlining how the risks can be minimised. The risk management organisation continually monitors implementation of the defined measures. The risk report is presented to the Management Board and the Board of Directors twice a year.

COMPLIANCE MANAGEMENT

Flughafen Zürich AG's compliance management system is another key component of its comprehensive risk management strategy. The aim of compliance management is to systematically identify, understand and comply with the applicable statutory requirements as well as with internal corporate guidelines and ethical principles.

A review of compliance with the relevant laws, guidelines and principles is conducted in around 30 different areas, each of which is supervised by a specialist who is the process owner. Within their areas, process owners are responsible for (1) precautionary measures such as providing information, guidelines and checklists to line managers and individual employees; (2) performing the checks required for compliance audits; and (3) systematic reporting. The ultimate responsibility for compliance with laws, guidelines and principles lies with line management. A broadly based Compliance Steering Committee headed by the Chief Risk Officer monitors consistent and uniform implementation of compliance management procedures.

On behalf of the Chief Risk Officer the risk management organisation produces a comprehensive biannual compliance report based on information provided by the process owners. This report covers all areas and is submitted to the Management Board and the Board of Directors.

CURRENT RISK SITUATION

The current risk situation of Flughafen Zürich AG is characterised primarily by the following risks:

1. LEGAL UNCERTAINTIES

Various domestic or foreign restrictions might prevent Flughafen Zürich AG from fully utilising its infrastructure, or cause it to incur additional capital expenditures and costs, or generate less revenue. These restrictions include the following:

1.1 AIRPORT CHARGES

Owing to the welcome growth in passenger numbers and the resulting increase in aviation revenues in recent years as well as declining interest rates, a reduction in airport charges is likely for the next charging period (expected to be from 2021 to 2024).

Nevertheless, on 6 November 2019, on the basis of a purported cost surplus, the Federal Office of Civil Aviation (FOCA) ordered the company to lower its flight operations charges (excluding noise and emission charges) by 15% already from 1 April 2020 until the beginning of the next charging period. Flughafen Zürich AG has lodged a challenge to this decision in the courts.

1.2 REGULATION GOVERNING THE USE OF SOUTH GERMAN AIRSPACE

The use of south German airspace is presently regulated by an implementing regulation (DVO) issued unilaterally by Germany. On 4 September 2012, the then Swiss Federal Councillor Doris Leuthard and the German Transport Minister at the time Peter Ramsauer signed an aviation treaty. This treaty must be ratified by both countries. The two chambers of Switzerland's Parliament have already approved the treaty, but in Germany ratification was halted, and no date has yet been set for ratification there. Germany could also unilaterally change the implementing regulation (DVO), which would lead to additional capacity restrictions for Zurich Airport.

1.3 INVESTMENTS TO REDUCE OPERATIONAL COMPLEXITY

The complexity of the runway and taxiway layout, of the departure and approach routes, and of the various operational regulations at Zurich Airport is considerable. Following an incident involving two departing aircraft at the runway intersection, in 2012 Flughafen Zürich AG, Skyguide, Swiss International Air Lines and the Swiss Air Force prepared a comprehensive risk report with the assistance of the Federal Office of Civil Aviation (FOCA) and the Department of the Environment, Transport, Energy and Communications (DETEC). It proposed a number of measures aimed at improving safety. Some of these measures have since been implemented or are in the process of being implemented, while others are

pending approval by the Federal government. Without implementing these additional measures to improve safety, there is a risk of capacity restrictions which would consequently have a negative impact on business growth.

1.4 NOISE EXPOSURE

In 2015, the Federal Office of Civil Aviation (FOCA) specified the noise levels permitted for Zurich Airport. Under the Federal Noise Abatement Ordinance, Flughafen Zürich AG is obliged to report annually on aircraft noise emissions. Reasons must be given for any noise exposure above the permitted level, and measures for avoiding such infringements in future must be stated. If it is anticipated that noise emissions will greatly exceed the permitted levels in the long term, the relevant departments of the Federal Administration will take the necessary measures. The permitted noise exposure levels are greatly exceeded during landings between 10 p.m. and 11 p.m. and take-offs after 11 p.m. With its decision of 23 July 2018, FOCA therefore limited the declared capacity of Zurich Airport for aircraft landing after 9 p.m. and taking off after 10.20 p.m. to apply to the allocation of airport slots with effect from the summer 2019 timetable. In the meantime, Flughafen Zürich AG has identified measures to improve the situation for night-time delays and is seeking approval for changes to the permitted noise levels (amendments of the 2014 and 2017 operating regulations). The Sectoral Aviation Infrastructure Plan (SAIP) adopted by the Federal Council on 23 August 2017 also extends the night-time noise curve. If the measures to avoid delays can be successfully implemented, and if the permitted noise exposure levels in the area concerned are not exceeded, Flughafen Zürich AG can apply to FOCA for the slot restrictions to be lifted. The decision was challenged by the SBFZ residents' association and is due to be heard by the Swiss Federal Administrative Court.

Nonetheless, on 14 May 2018, FOCA instructed Flughafen Zürich AG to investigate the feasibility of bringing forward the last slots in the evening. The company was required to produce a report within a year setting out the operational feasibility, economic viability and the impact on noise exposure this would have. Flughafen Zürich AG commissioned an expert report which it submitted to FOCA by the specified deadline, together with a request not to bring forward the last slots as this would be neither operationally feasible nor economically viable, not only on account of the situation in Zurich but first and foremost because of influencing factors (slots) at the departure airports. The expert report was published in September 2019 together with the 2017 operating regulations. Various objections and comments were received. The proceedings are still ongoing at FOCA. If no new night-time noise exposure limits are specified or if the last slots are brought forward, this would greatly jeopardise the airport's hub operations and its intercontinental flights.

1.5 ZURICH AIRCRAFT NOISE INDEX (ZFI)

The Zurich Cantonal Airport Act contains the following stipulations:

- Temporary halt: Once the number of flights per year reaches 320,000, the canton will reassess the situation.
- ZFI: A monitoring value to be determined each year will be compared with a guideline figure (47,000 persons) set by the Government Council.

In recent years, the guideline figure of 47,000 persons was exceeded every year. This is due to the strong population growth in the region around the airport compared with the year 2000. It is not inconceivable that the Canton of Zurich, through its representatives on the Board of Directors or through the Swiss Federal government, could demand the implementation of measures that might have a negative impact on the airport's development.

1.6 DISCONTINUATION OF BILATERAL AGREEMENTS WITH THE EU

The popular initiative aimed at capping immigration which was handed in at the end of August 2018 is shedding uncertainty on the continued existence of the Agreement on the Free Movement of Persons, and consequently all bilateral agreements with the EU. In a worst-case scenario, terminating the agreements could result in Switzerland being excluded from the Schengen system. This would result in extraordinary write-offs and additional costs for the company to make the necessary changes to its affected infrastructures. If visa procedures were to become more complex, a drop in demand at Zurich Airport would also have to be expected.

2. DECLINE IN DEMAND

Experience over the past few years has shown that the air transport sector is a growing but also volatile industry that is affected by external events such as economic crises, acts of terrorism or epidemics. Such events could temporarily cause a drop in demand at Zurich Airport. In addition, other external factors such as the political and macro-economic environment could have a negative impact on demand in both the aviation and non-aviation segments at Zurich Airport.

3. INTERRUPTIONS TO BUSINESS DUE TO OPERATIONAL EVENTS OR NATURAL HAZARDS

Given the complex and tightly interconnected nature of airport operations, they could be severely disrupted by operational events such as accidents or the failure of critical systems. Depending on the scale of the disruption, operations would have to be curtailed or even suspended altogether in order to maintain the safety of passengers and airport employees. The extensive airport infrastructure is especially exposed to natural hazards, in particular earthquakes and flooding following heavy precipitation. To minimise the risk, infrastructure and operations are designed to be robust. Where possible, cost-effective property and business interruption insurance is also taken out to cover such risks.

4. INFORMATION SECURITY

The majority of workflows and processes of Flughafen Zürich AG can no longer be executed properly without the aid of IT systems. A serious system failure, following a hacking attack for example, could result in lengthy interruptions to business or to the loss of business-critical and/or confidential data.

5. HUB CARRIER

Like any other hub airport, Flughafen Zürich AG depends to a considerable extent on the operational and financial performance of its hub carrier Swiss (and the latter's parent, Lufthansa). During the year under review, Swiss accounted for around 53.6% of passenger volumes (2018: 52.9%). The airline plays a major role within the Lufthansa Group as far as profits are concerned, so the risk of the hub carrier failing for economic reasons can be considered minor at present. Capacity reductions can never be ruled out, however.

6. INTERNATIONAL BUSINESS

Projects abroad and international holdings inherently pose commercial and industry-specific risks comparable with those associated with operating Zurich Airport. Along with political risks, location-specific risks typically include country, market and currency risks that could severely impact future revenue prospects, or even lead to a total failure of a venture.

Given the greater risks involved, when considering any project, both the financial risks and the political and economic risks are analysed in detail against the backdrop of the prevailing social and economic conditions. They are also continually monitored with reference to existing activities. The same high standards as practised at Zurich Airport apply.

7. NOISE-RELATED COSTS

Under Article 36a of the Civil Aviation Act and the Federal Expropriation Act together with Articles 679 and 684 of the Swiss Civil Code, and also under Article 20 f. of the Environmental Protection Act and its associated ordinances, Flughafen Zürich AG must bear the cost of formal expropriations and costs relating to sound insulation and resident protection measures. According to current legal practice, one of the several preconditions for any noise-related claim is that noise emissions must have exceeded the emission limits for commercial airports in effect since 1 June 2001. Both the operating licence and aviation and environmental legislation form the basis for refinancing the costs related to such claims

through airport charges. In the interest of transparency, costs and income relating to aircraft noise are additionally presented in a separate statement for the Airport of Zurich Noise Fund.

With respect to formal expropriations in particular, the reporting of noise-related costs in the financial statements is a complex matter due to a multitude of relevant legal bases, unclear or pending case law and political debate. Especially in the case of formal expropriations, this financial reporting requires significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise appropriate provisions.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 6,300 were still pending at the end of 2019. Almost 800 of these cases are currently being examined by the Swiss Federal Assessments Commission.

Depending on future legal judgements – including 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.

Aircraft noise costs are refinanced through separate charges. As, based on current knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations as well as noise insulation and resident protection measures that can be estimated under the base case at the present time, the passenger-related noise supplement was suspended as of 1 February 2014. Aircraft noise charges based on flight movements and noise category continue to be levied.

CORPORATE GOVERNANCE

Corporate governance forms an important element of Flughafen Zürich AG's corporate policy. It is based on transparency and clearly defined responsibilities. The company meets the guidelines of SIX Swiss Exchange and those of the Swiss Code of Obligations, and observes the Swiss Code of Best Practice for Corporate Governance recommendations issued by economiesuisse.

GROUP AND CAPITAL STRUCTURES

GROUP STRUCTURE

For details concerning the group operational structure, please see the section on [segment reporting](#). Apart from Flughafen Zürich AG, Kloten, which is listed on SIX Swiss Exchange (securities no. 31941693, ISIN CH0319416936, market capitalisation of CHF 5.4 billion as at 31 December 2019), the consolidated group does not comprise any other listed companies. However, it does include the following unlisted companies:

Company	Domicile	Share capital	Stake held in %
Flughafen Zürich AG	Kloten	CHF 307,018,750	Parent company
Zurich Airport International AG	Kloten	CHF 100,000	100.0
Zurich Airport International Asia Sdn. Bhd.	Kuala Lumpur	MYR 1.0 million	100.0
Zurich Airport Latin America Ltda.	Rio de Janeiro	BRL 578 million	100.0
Aeroportos do Sudeste do Brasil S.A.	Vitória	BRL 571 million	100.0
Concessionária do Aeroporto Internacional de Florianópolis S.A.	Florianópolis	BRL 304 million	100.0
A-port S.A.	Santiago de Chile	CLP 16,138 million	100.0
Sociedad Concesionaria Antofagasta S.A.	Santiago de Chile	CLP 3,600 million	100.0
Sociedad Concesionaria Iquique S.A.	Santiago de Chile	CLP 600 million	100.0
Sociedad Concesionaria Aeropuerto Diego Aracena S.A.	Santiago de Chile	CLP 10,700 million	100.0
A-port Operaciones S.A.	Santiago de Chile	CLP 1,352 million	99.0
A-port Operaciones Colombia S.A.	Bogotá	COP 100 million	99.0
Unique IDC S.A. de C.V.	Tegucigalpa	HNL 0.2 million	99.0

CAPITAL STRUCTURE

The group's ordinary share capital amounts to CHF 307,018,750, which is divided into 30,701,875 fully paid-up registered shares with a nominal value of CHF 10.00 each. All shares have the same dividend entitlements and voting rights (as long as they have been entered in the Share Register accordingly). No approved or conditional capital, no participation or dividend-right certificates and no outstanding convertible bonds or options existed as at the balance sheet date.

For information concerning the distribution of shares to employees (no options are distributed), please refer to the Financial report, Consolidated financial statements according to IFRS, Notes to the consolidated financial statements, [note 3](#), [Personnel expenses](#).

The changes in share capital, reserves and available earnings (financial statements according to the provisions of the Swiss Code of Obligations) during the past three years are shown below:

	31.12.2019	31.12.2018	31.12.2017
Share capital	307,019	307,019	307,019
Legal capital reserves			
Capital contribution reserves	117,013	215,256	313,499
Legal retained earnings			
General legal retained earnings	42,370	42,370	42,370
Voluntary retained earnings	109,747	109,810	109,838
Available earnings			
Profit brought forward	1,501,226	1,316,090	1,107,409
Profit for the year	315,919	298,729	309,995
Treasury shares	-563	-341	-458
Total equity	2,392,731	2,288,933	2,189,672

SHAREHOLDERS AND PARTICIPATION RIGHTS

SIGNIFICANT SHAREHOLDERS

As at 31 December 2019, the Canton of Zurich held 33.33% plus one share, and the City of Zurich held 5% of the company's shares/voting rights. There were no other shareholders entered in the Share Register whose holdings exceeded 3% of the total number of shares with voting rights. Information about shareholdings in excess of or below the thresholds specified in Article 120 of the Financial Markets Infrastructure Act (FMIA), published during the reporting period can be found on the publication platform of the [Disclosure Office of SIX Swiss Exchange](#). There are no crossholdings and no shareholder agreements of which the company is aware.

CHANGES OF CONTROL

The company's Articles of Incorporation contain an opting-up clause which stipulates that, in the event that the threshold at which an offer is required in accordance with the provisions of the Swiss Stock Exchange Act is exceeded, it shall be set at 49%. No clauses exist regulating a change of control in favour of members of the Board of Directors or Management Board.

LIMITATIONS ON TRANSFERABILITY OF SHARES/VOTING RIGHTS AND NOMINEE REGISTRATIONS

Registration with voting rights is limited to 5% of the share capital. This limit applies both to individual investors and groups of shareholders, with the exception of the Canton of Zurich (limit = 49%) and the City of Zurich (limit = 10%). Other statutory registration limits apply to guarantee proof of Swiss control, should such proof be required by special laws or double taxation agreements. Nominees are exclusively registered as shareholders without voting rights. Exceptions to these registration limits may be granted by the Board of Directors at its discretion, specifically in association with contributions in kind, shareholdings, mergers and easing of tradability of shares on the stock market. No exceptions were granted during the reporting period. Limitations on transferability are set forth in [Article 6 of the company's Articles of Incorporation](#). They can be amended by a resolution of the General Meeting of Shareholders by a two-thirds majority of represented votes.

PARTICIPATION RIGHTS AT THE GENERAL MEETING OF SHAREHOLDERS

Entries in the Share Register are normally made up to one week before the General Meeting of Shareholders. With respect to the convening of the General Meeting of Shareholders and the inclusion of items on the agenda, no rules in the Articles of Incorporation deviate from the statutory provisions. In accordance with Article 699 para. 3 of the Swiss Code of Obligations, shareholders representing shares with a par value of CHF 1.0 million may request that items be included on the agenda. In accordance with Article 12 para. 3 of the company's Articles of Incorporation, the relevant requests must be submitted in writing to the Board of Directors of the company together with proof of entitlement, an exact description of the requested item and a specifically formulated resolution proposal. Only requests that are received by the company in good time, i.e. at least 60 days before the General Meeting, can be considered.

In accordance with the company's Articles of Incorporation, any shareholder may arrange to be represented at the General Meeting by another shareholder entered in the Share Register, who shall present a written power of attorney, or by an independent proxy. Members of the Board of Directors and Management Board may represent other shareholders provided this does not constitute institutionalised representation. In accordance with Article 14 para. 3 of the company's Articles of Incorporation, the Board of Directors may draw up rules of procedure covering participation in and representation at the General Meeting of Shareholders and, in particular, make detailed provision for the issue of instructions to independent proxies. It shall ensure that the shareholders are also able to issue electronic powers of attorney and instructions to the independent proxy.

In accordance with the rules set out in the Articles of Incorporation, resolutions of the General Meeting of Shareholders are generally passed by a majority of the votes cast. In addition to those defined in Article 704 of the Swiss Code of Obligations, a qualified majority as defined in the code is required for the following cases:

- Amendments to the Articles of Incorporation
- Easing or elimination of limitations with respect to the transferability of registered shares
- Conversion of registered shares into bearer shares

BOARD OF DIRECTORS

ELECTION AND TERM OF OFFICE

Members of the Board of Directors are elected by the General Meeting of Shareholders for a term of office of one year. They may stand for re-election, although members of the Board of Directors are required to step down for age reasons at the General Meeting of Shareholders that is held in the year in which they turn 70.

According to the Articles of Incorporation, the Canton of Zurich is entitled to appoint three of seven or eight, or four of nine Members of the Board of Directors in accordance with Article 762 of the Swiss Code of Obligations. In the reporting period, the five members to be elected by the General Meeting of Shareholders were elected by individual vote.

MEMBERS

ANDREAS SCHMID

- Chairman of the Board of Directors since the 2000 General Meeting of Shareholders.
- Swiss citizen, born in 1957, MA (Law); Member of the Mövenpick Executive Board of Management from 1993 to 1997 and then CEO of Jacobs AG (until 2000); CEO of Barry Callebaut AG (until mid-2002), Chairman of the Board of Directors of Barry Callebaut AG from 1999 to 2005, Member of the Board of Directors of Barry Callebaut AG from December 2014 to December 2017 and Vice-Chairman from December 2005; Chairman of the Board of Oettinger Davidoff Group between 2007 and 2017, and Chairman of the Board of Directors of Helvetica Capital AG since 2016.
- Other activities and vested interests: Member of the Board of Directors of Gategroup Holding AG and of Steiner AG, Chairman of the Governing Board of the Avenir Suisse Foundation.

VINCENT ALBERS

- Member of the Board of Directors since May 2015.
- Swiss citizen, born in 1956, degree in mechanical engineering from the Federal Institute of Technology (ETH Zurich) and MSc in management from Stanford Graduate School of Business; mechanical engineer at Amdahl Corp., Sunnyvale and Fujitsu Ltd., Tokyo; Director of Albers & Co AG, Zurich since 1986, responsible since 1992 for the Real Estate division, Partner since 1993.
- Other activities and vested interests: CEO of Hardturm AG, Member of the Board of Directors of Schoeller Textil AG.

GUGLIELMO BRENTEL

- Member of the Board of Directors since the 2014 General Meeting of Shareholders.
- Swiss citizen, born in 1955, commercial apprenticeship, Swiss federal diploma as administration officer, Swiss Hospitality Management School in Lausanne with Swiss federal diploma; various consultancy roles for the hotel and tourism sector since 1989; founder, owner and managing director of H&G Hotel Gast AG.
- Other activities and vested interests: none.

JOSEF FELDER

- Member of the Board of Directors since the 2017 General Meeting of Shareholders.
- Swiss citizen, born in 1961, Swiss Certified Expert for Accounting and Controlling and Executive MBA Harvard Business School; various positions at Crossair AG between 1989 and 1998, culminating in deputy director and divisional head, then as CEO of Flughafen-Immobilien-Gesellschaft FIG (1998 to 2000) and Flughafen Zürich AG (2000 to 2008); member of the Boards of Directors at various companies since 2009.
- Other activities and vested interests: Vice Chairman of the Board of Directors of Luzerner Kantonalbank AG as well as of AMAG Group AG and subsidiaries, Chairman of the

Board of Directors of Stöckli Swiss Sports AG and Flaschenpost Service AG, Member of the Boards of Directors of HTC Corporation, Cereal Property Group AG and Edelweiss Air.

STEPHAN GEMKOW

- Member of the Board of Directors since the 2017 General Meeting of Shareholders.
- German citizen, born in 1960, degree in business administration from the University of Paderborn and St. Olaf College Minnesota; business consultant at BDO Deutsche Warentreuhand AG (1988 to 1990) and, from 1990, various management roles at Deutsche Lufthansa AG, between 2006 and 2012 Chief Financial Officer and Member of the Executive Board; Chairman of the Board of Franz Haniel & Cie. GmbH from 2012 to 2019.
- Other activities and vested interests: Member of the Board of Directors of JetBlue Airways Corporation and of Amadeus IT Group S.A.

CORINE MAUCH

- Member of the Board of Directors since the 2011 General Meeting of Shareholders.
- Swiss citizen, born in 1960, degree in agr. engineering from the Federal Institute of Technology (ETH); research work (1993–2002) and political studies (2002–2008) in the fields of environment, transport, energy and sustainable development; politically active as a member of the City Parliament of Zurich (1999–2009), Mayor of Zurich since 2009.
- Other activities and vested interests: Member of the Greater Zurich Area Foundation Board, member of the Metropolitan Council of the Metropolitan Conference Association of Zurich, Deputy President of the SSV Association of Swiss Cities, member of the Steering Committee of the Association of Mayors of the Canton of Zurich, Member of the Technopark Zurich Foundation Board, Member of the Foundation Board of Switzerland Innovation Park Zurich, member and patron of digitalswitzerland.

EVELINE SAUPPER

- Member of the Board of Directors since May 2015.
- Swiss citizen, born in 1958, PhD (Law); attorney-at-law and federally qualified tax expert; degree from the University of St. Gallen; positions in tax and company law at Homburger AG since 1985, from 1994 to 2014 as Partner and from 2014 to 2017 as “of counsel”; own practice since 2017.
- Other activities and vested interests: Member of the Boards of Directors of Georg Fischer AG, Stäubli Holding AG, Clariant AG, Tourismus Savognin Bivio Albula AG and Hoval AG.

CARMEN WALKER SPÄH

- Member of the Board of Directors since July 2015.
- Swiss citizen, born in 1958, MA (Law); attorney-at-law, head of Legal Services and deputy head of the Building Inspectorate of the City of Winterthur (1998–2000); independent attorney (2000–2015); politically active as a member of the Cantonal Parliament (2002–2015) and since 2015 as member of the Government Council and Head of the Department for Economic Affairs of the Canton of Zurich.
- Other activities and vested interests: President of the Greater Zurich Area Foundation Board, Member of the Board of the Swiss Conference of Cantonal Directors of Finance and of the Conference of Cantonal Directors of Public Transport (KöV), President of the Conference of Directors of Public Transport for the Zurich Region, Chair of the ZVV Transport Council, member of the Swiss Conference of Directors of Building, Planning and Environmental Protection, member of the Zurich Metropolitan Council and Metropolitan Conference, President of the Intercantonal Conference of the Zurich Metropolitan Area, President of the Gotthard-Komitee, Member of the Board of the Swiss Blockchain Federation.

None of the members of the Board of Directors holds an executive position at Flughafen Zürich AG, and none was a member of the Management Board of Flughafen Zürich AG or any of its group companies during the three financial years prior to the period under review. As at the reporting date, there were no significant business relationships between members of the Board of Directors or the entities they represent and Flughafen Zürich AG.

According to Article 19 of the company's Articles of Incorporation, the number of additional mandates that members of the Board of Directors are permitted to hold in the most senior managerial or administrative organs of legal entities outside the scope of consolidation of the company is restricted to five mandates at listed companies and ten mandates at unlisted companies, and to an additional ten mandates at other legal entities entered in the Commercial Register.

INTERNAL ORGANISATION

CHAIRMAN OF THE BOARD OF DIRECTORS

Andreas Schmid (elected by the General Meeting of Shareholders for one year at a time)

VICE CHAIRWOMAN OF THE BOARD OF DIRECTORS

Eveline Saupper

The Board of Directors has formed the following committees:

AUDIT & FINANCE COMMITTEE

Members

Josef Felder (Chairman), Stephan Gemkow, Vincent Albers, Andreas Schmid

Duties

This committee is responsible for the close supervision of the annual accounts and the monitoring of compliance with the accounting policies, the evaluation of financial reporting and auditing activities, the assessment of findings obtained from audits and recommendations by the auditors, the definition of the group's financing policy and an examination of business transactions of special importance.

NOMINATION & COMPENSATION COMMITTEE**Members**

Eveline Saupper (Chairwoman), Vincent Albers, Guglielmo Brentel, Andreas Schmid (are elected by the General Meeting of Shareholders for one year at a time)

Duties

This committee deals with all matters relating to the nomination and/or removal of members of the executive management of the Group, including their compensation and questions relating to succession planning. It formulates the principles of the Group's personnel and compensation policies and ensures that these are duly complied with. It is also responsible for assessing any potential conflicts of interest on the part of members of the Board of Directors or Management Board.

PUBLIC AFFAIRS COMMITTEE**Members**

Carmen Walker Späh (Chairwoman), Eveline Saupper, Corine Mauch, Andreas Schmid

Duties

This committee chiefly monitors political matters that are relevant to Zurich Airport and acts as an advisory panel for political issues of strategic importance to the company.

INTERNATIONAL BUSINESS COMMITTEE**Members**

Stephan Gemkow (Chairman), Vincent Albers, Andreas Schmid

Duties

This committee considers investment opportunities and proposals for international business, and in particular evaluates and finalises any related tenders to be submitted within the bounds stipulated by the Board of Directors in each case.

ORGANISATION AND PARTICIPANTS

The executive bodies of Flughafen Zürich AG convene meetings as required. During the reporting period the Board of Directors held nine meetings with an average duration of around six hours, while the Audit & Finance Committee held three meetings, the Nomination & Compensation Committee held two meetings, and the Public Affairs Committee and the International Business Committee each held one meeting with an average duration of two hours.

The committees approve recommendations and submit proposals to the Board of Directors, and arrange for any necessary clarifications by internal or external offices. However, the committees do not pass any final, substantive resolutions.

The Chief Executive Officer and members of the Management Board and the General Secretary are regularly invited to participate in meetings of the Board of Directors. The CEO, CFO, Head of Controlling & Accounting, the internal auditor, the lead auditor at the external auditing firm and the General Secretary are invited to attend meetings of the Audit & Finance Committee. The CEO, Head of Human Resources and the General Secretary are invited to attend meetings of the Nomination & Compensation Committee. The CEO, COO, Head of Public Affairs and the General Secretary are invited to attend meetings of the Public Affairs Committee, and the CEO, CFO and the General Secretary are invited to attend meetings of the International Business Committee.

DEFINITION OF AREAS OF RESPONSIBILITY

Based on the Articles of Incorporation, the Board of Directors has issued a set of organisational regulations in accordance with the provisions of Article 716b of the Swiss Code of Obligations. Alongside the duties that are non-delegable by law, the Board of Directors has retained further fundamental strategic responsibilities, in particular those associated with the rights and obligations arising from federal civil aviation concessions, specifically deciding on significant licence applications, major budget approval requests, petitions for amendments to operating regulations and changes to fees and charges. In all other matters, it entrusts the Management Board with the general management of the company.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE MANAGEMENT BOARD

By means of monthly updates via the Management Information System (MIS), the Management Board reports to the Board of Directors on traffic developments, marketing activities, non-aviation business, personnel controlling, balance sheet management and project information. Comprehensive financial and business reports are prepared on a quarterly basis, and a report on substantial business risks and the compliance situation every six months. The Board of Directors is also kept informed about anticipated developments by means of rolling long-term planning for various scenarios.

In consultation with the Audit & Finance Committee, the external auditors EY (Ernst & Young AG) reviewed the internal control system as part of the interim audit. In the reporting period, Internal Audit, which was set up by management as an independent entity to help the Board of Directors and the Audit & Finance Committee perform their duty of overall supervision, conducted reviews of – among other things – procurement and the transparency of segment reporting. Follow-up activities to previous audits also took place. Internal Audit reports directly to the Chairman of the Audit & Finance Committee.

MANAGEMENT BOARD

MEMBERS

STEPHAN WIDRIG

- Chief Executive Officer (CEO).
- Swiss citizen, born in 1972, MA (Business Economics), University of St. Gallen; business consultant at Arthur Andersen (1997 to 1999); joined Flughafen Zürich AG (formerly Flughafen-Immobilien-Gesellschaft, FIG) in 1999 with special responsibility for real estate operations; Chief Financial and Commercial Officer at Bangalore International Airport Ltd. (BIAL), Bengaluru, India (2005 to 2008).
- Returned to Flughafen Zürich AG in 2008 as Member of the Management Board; CEO since 1 January 2015.
- Other activities and vested interests: none.

LUKAS BROSI

- Chief Finance Officer (CFO).
- Swiss citizen, born 1979, degree in business economics; various roles in the corporate consulting division at UBS AG (2000 to 2009); joined Flughafen Zürich AG in 2009 as Group Treasurer, steadily acquiring a wider role and more responsibility, including deputising for the CFO.
- Became CFO and assumed his position on the Management Board in February 2017.
- Other activities and vested interests: none.

STEFAN GROSS

- Chief Commercial Officer (CCO).
- Swiss citizen, born in 1969, studied business administration; managerial positions at IKEA in Switzerland, Australia, Germany and Russia (1996–2010); shopping centre management roles for the Federation of Migros Cooperatives (2010–2015).
- Joined Flughafen Zürich AG in February 2016.
- Other activities and vested interests: none.

DANIEL SCHEIFELE

- Chief Real Estate Officer (CREO).
- Swiss citizen, born in 1962, PhD in civil engineering from the Federal Institute of Technology (ETH) and completed Senior Executive Programme in Advanced Management at the London Business School; project management and planning/realisation of large infrastructure and real estate projects at Rosenthaler & Partner and at Karl Steiner AG; thereafter various management roles in project development and general contracting at Batigroup, Losinger, Steiner AG and Strabag AG.

- Joined Flughafen Zürich AG in April 2016.
- Other activities and vested interests: none.

STEFAN TSCHUDIN

- Chief Operations Officer (COO).
- Swiss citizen, born 1968, MA (Law) and qualified airline pilot; worked as a legal consultant at a law firm and in court (1994 to 1997), as an airline pilot and flying instructor for Swissair (1997 to 2002) and as a legal advisor at PFS Pension Fund Services (2002 to 2006); joined Flughafen Zürich AG in 2007 as a lawyer and aviation specialist in charge of approval processes.
- Became COO and assumed his position on the Management Board in October 2017.
- Other activities and vested interests: none.



Stefan Tschudin, Stephan Widrig, Lukas Brosi, Daniel Scheifele and Stefan Gross (l-r)

In the year under review there were no management agreements associated with the assignment of management duties to third parties.

According to Article 19 of the company's Articles of Incorporation, the number of additional mandates that members of the Management Board are permitted to hold in the most senior managerial and administrative organs of legal entities outside the scope of consolidation of the company is restricted to one mandate at listed companies and five mandates at unlisted companies, and to an additional five mandates at other legal entities entered in the Commercial Register.

REMUNERATION, PARTICIPATION AND LOANS

The rules relating to the remuneration of the Board of Directors and the Management Board, which are based on Art. 25 ff. of the [Articles of Incorporation](#), and the remuneration paid in the reporting period are shown in the separate [Remuneration Report](#).

AUDITORS

The auditors are appointed each year by the General Meeting of Shareholders. The current auditors Ernst & Young AG assumed their mandate in 2018. The present lead auditor, Daniel Zaugg, has thus been responsible for this mandate since 2018, which is limited by law to a period of seven years.

The fee charged by the current auditors for auditing the figures for the year under review amounted to CHF 351,100 (2018: CHF 256,300). The auditors also charged a total of CHF 45,400 (2018: none) for additional audit-related services. In terms of non-audit-related services CHF 2,700 (2018: none) was charged for tax consultancy.

The Audit & Finance Committee is responsible for monitoring and supervising the external audit. It deals with the formulation and approval of integrated audit planning, which includes the plans for both external and internal audits. Moreover, the Audit & Finance Committee evaluates and analyses the respective audit reports and approves the fees for the external audit.

The auditors provide a written report on the results of the interim audit and the end-of-year audit. The lead auditor at the auditing firm attends the meetings of the Audit & Finance Committee.

INFORMATION POLICY

Shareholders regularly receive information about current events and developments in the Interim Report and Annual Report, and in the form of ad-hoc news flashes. Ad-hoc announcements from the company can be read online at www.zurich-airport.com/newsflash. Anyone interested in receiving these news flashes can [sign up to the electronic distribution list](#).

For further information, please see [Investor Relations](#).

REMUNERATION REPORT

The following Remuneration Report describes the principles of the remuneration policy at Flughafen Zürich AG as well as the associated decision-making powers and the components of remuneration.

1. REMUNERATION POLICY AT FLUGHAFEN ZÜRICH AG

1. FOUNDATIONS AND PRINCIPLES

At Flughafen Zürich AG, the rules governing remuneration are based on the corporate and capital market law requirements of the Swiss Code of Obligations, the Ordinance against Excessive Compensation in Stock Exchange Listed Companies and SIX regulations as well as the company's Articles of Incorporation (Art. 25 ff.) and any resolutions and rules issued on the basis of these Articles.

The remuneration philosophy of Flughafen Zürich AG is geared to a corporate strategy oriented toward sustainable success. Market-based, performance-oriented remuneration is intended to create the conditions for recruiting and retaining qualified, committed employees in a competitive labour market. The remuneration system should be simply structured, clear and transparent. The basic structure of the company's existing remuneration system has been unchanged for a long time; over the years there have merely been adjustments to individual aspects.

2. COMPONENTS AND METHODS OF DETERMINATION

For the remuneration of members of the Board of Directors

Remuneration of active members of the Board of Directors comprises an annual lump sum plus payments for attending meetings.

The applicable amounts are determined on a discretionary basis by the Board of Directors at the request of the Nomination & Compensation Committee. They remain valid indefinitely, that is to say until they are amended by a new resolution, if necessary. Additionally, the company assumes the payment of all statutory social security and pension fund contributions due on these amounts. There are no bonus or participation programmes for members of the Board of Directors.

For the remuneration of members of the Management Board

Remuneration of members of the Management Board is based on individual employment contracts and comprises a fixed component (fixed salary and benefits) and a variable performance-related component plus employer contributions to social security and pension funds. Two thirds of the variable component is paid out in cash and one third in the form of shares in the company that are blocked for a period of four years, which ensures that the incentives include an element oriented to long-term perspectives.

The fixed component is determined on a discretionary basis, while the variable component is based on the degree to which the target for the company's success set by the Board of Directors for the respective financial year was achieved. EBIT according to the budget (excluding the influence of aircraft noise) has been adopted as the target. The target bonus proposed for 100% achievement of the target amounts to 100% of the fixed salary for the CEO and 50% of the fixed salary for the other members of the Management Board. In the event that the target is exceeded, variable remuneration is limited to 150% of the target bonus. If the achievement of the target drops below 70%, no variable remuneration is paid.

The amounts concerned are set by the Board of Directors as proposed by the Nomination & Compensation Committee. Members of the Management Board do not participate or have a say in these decisions of the Board of Directors.

3. APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

Each year, the General Meeting of Shareholders holds a binding vote on the aggregate amount of remuneration for the Board of Directors and the Management Board. On the basis of Article 26 of the company's Articles of Incorporation, this vote is held prospectively; that is, the maximum aggregate amounts that could be paid to the members of the Board of Directors and the Management Board during the following reporting period are submitted to the General Meeting of Shareholders for approval.

In accordance with Article 26 para. 2 of the Articles of Incorporation, an additional sum of 30% of the approved aggregate amount is available as necessary for the remuneration of any subsequently nominated members of the Management Board (per additional member); this sum does not require the approval of the General Meeting of Shareholders.

As the amounts actually to be paid out depend in part on factors not yet known when these amounts are approved (for remuneration of the Board of Directors the actual number of meetings, for remuneration of the Management Board the consolidated result), this prospective method of approval requires that theoretical maximum amounts be used by the General Meeting of Shareholders as a basis for their approval decisions. The remuneration actually paid out for a specific reporting period will be stated the following year in the Remuneration Report, which will be presented to the General Meeting of Shareholders for approval on a consultative basis.

2. REMUNERATION PAID

The following table shows the remuneration that was actually paid for the given financial year:

1. REMUNERATION OF THE BOARD OF DIRECTORS

a) for the reporting period (2019):

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Pension and social insurance contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	225,000	22,500	16,250	32,500	147,154	443,404
Vincent Albers	Member	85,000	22,500	9,583	27,500	21,001	165,584
Guglielmo L. Brentel	Member	97,324	25,762	5,725	40,075	0	168,886
Josef Felder	Member; Chairman Audit & Finance Committee	97,391	25,780	11,458	8,593	0	143,222
Stephan Gemkow	Member; Chairman International Business Committee	85,000	20,000	7,500	10,000	17,858	140,358
Corine Mauch	Member	19,597	12,500	1,153	2,500	5,212	40,962
Eveline Saupper	Vice Chairwoman; Chairwoman Nomination & Compensation Committee	100,000	22,500	15,000	7,500	21,056	166,056
Carmen Walker Späh	Member; Chairwoman of the Public Affairs Committee	0	0	0	0	0	0
Total		709,312	151,542	66,669	128,668	212,281	1,268,472

The following lump-sum payments were made:

to the Department for Economic Affairs of the Canton of Zurich (as part of the remuneration due to Carmen Walker Späh)	114,167
to City of Zurich (as part of the remuneration due to Corine Mauch)	69,250
Total	1,451,889
Total amount approved by the General Meeting of Shareholders	1,600,000

b) for the comparative period (2018):

(CHF)		Remuneration for members of the Board of Directors	Remuneration for attending board meetings	Remuneration for committee membership	Remuneration for committee meetings	Pension and social insurance contributions	Total
Recipient	Function						
Andreas Schmid	Chairman	225,000	22,500	15,000	30,000	75,942	368,442
Vincent Albers	Member	85,000	22,500	5,000	12,500	18,223	143,223
Guglielmo L. Brentel	Member	97,301	25,756	5,723	42,927	0	171,707
Josef Felder	Member; Chairman Audit & Finance Committee	97,301	25,756	11,447	8,585	0	143,089
Stephan Gemkow	Member	85,000	22,500	5,000	7,500	17,494	137,494
Corine Mauch	Member	9,562	22,500	563	5,000	5,485	43,110
Eveline Saupper	Vice Chairwoman; Chairwoman Nomination & Compensation Committee	100,000	22,500	15,000	10,000	21,386	168,886
Carmen Walker Späh	Member; Chairwoman of the Public Affairs Committee	0	0	0	0	0	0
Total		699,164	164,012	57,733	116,512	138,530	1,175,951

The following lump-sum payments were made:

to the Department for Economic Affairs of the Canton of Zurich (as part of the remuneration due to Carmen Walker Späh)	130,000
to City of Zurich (as part of the remuneration due to Corine Mauch)	79,875
Total	1,385,826
Total amount approved by the General Meeting of Shareholders	1,600,000

No severance payments or other long-term remuneration payments were made in 2019 or 2018.

2. REMUNERATION OF THE MANAGEMENT BOARD

a) for the reporting period (2019):

(CHF)	Salary	Bonus (cash) ¹⁾	Bonus (shares) ¹⁾	Pension and social insurance contributions	Miscellaneous	Total CHF	Number of shares ²⁾	Share price (CHF) ²⁾
Recipient								
Stephan Widrig (CEO)	400,000	258,832	129,168	234,703	60,328	1,083,031	731	176.70
Other members of the Management Board	1,260,000	407,542	203,558	533,830	109,416	2,514,346	1,152	176.70
Total	1,660,000	666,374	332,726	768,533	169,744	3,597,377	1,883	
Total amount approved by the General Meeting of Shareholders						4,500,000		

1) Allocation is rounded to whole shares, and any remainder is added to the cash component. This may result in minor differences between the cash and the share components, but the overall bonus remains unchanged.

2) The bonus shares indicated above are based on the share price as at the end of the year. The definitive number of shares is calculated on the basis of the share price at the payment date.

Remuneration of members of the Management Board was effected as shown in the above table. The bonus (cash and share components) is accrued for the period under review and paid out in the spring of the following year. The aggregate variable remuneration (cash and share components of the bonus) amounts to between 49% and 97% of the fixed salary for individual members of the Management Board. Bonus shares are blocked for a period of four years (see also "Financial report", "Consolidated financial statements according to

IFRS", "Notes to the consolidated financial statements", [note 3, Personnel expenses](#)). No long-term remuneration or severance payments were made in 2019.

b) for the comparative period (2018):

(CHF)	Salary	Bonus (cash) ¹⁾	Bonus (shares) ¹⁾	Pension and social insurance contributions	Miscellaneous	Total CHF	Number of shares	Share price (CHF)
Recipient								
Stephan Widrig (CEO)	400,000	320,033	159,967	176,845	26,994	1,083,839	922	173.50
Other members of the Management Board	1,150,000	460,459	229,541	434,799	89,029	2,363,828	1,323	173.50
Total	1,550,000	780,492	389,508	611,644	116,023	3,447,667	2,245	
Total amount approved by the General Meeting of Shareholders						4,400,000		

1) The breakdown of the bonus into cash and equity components has been changed slightly compared with the information in last year's Remuneration Report. This is because the bonus shares were rounded to whole shares at the time of the distribution, and the remaining amount was allocated to the cash component.

3. LOANS, ADVANCES, NON-MARKET-BASED REMUNERATION

No loans or advances were granted to members of the Board of Directors or the Management Board in 2019 or 2018, nor was non-market-based remuneration paid to parties related to members of the Board of Directors or the Management Board during these years.

To the General Meeting of
Flughafen Zürich AG, Kloten

Zurich, 5 March 2020

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Flughafen Zürich AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section «2. Remuneration paid» of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Flughafen Zürich AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Juri Frischknecht
Licensed audit expert

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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CONSOLIDATED INCOME STATEMENT

(CHF 1,000)	Notes	2019	2018
Aviation revenue	(2)	661,451	656,667
Non-aviation revenue	(2)	548,633	496,230
Total revenue		1,210,084	1,152,897
Personnel expenses	(3)	-216,331	-211,483
Police and security		-122,364	-121,222
Energy and waste		-20,333	-21,245
Maintenance and material		-40,738	-38,770
Other operating expenses	(4)	-50,842	-54,754
Sales, marketing and administration		-43,768	-45,375
Capitalised expenditure and other income	(5)	17,184	15,470
Expenses for construction projects and other expenses	(5)	-91,057	-104,539
Earnings before interest, tax, depreciation and amortisation (EBITDA)		641,835	570,979
Depreciation and amortisation		-238,719	-244,452
Earnings before interest and tax (EBIT)		403,116	326,527
Finance costs	(6)	-27,612	-27,147
Finance income	(6)	13,602	4,083
Share of profit or loss of associates	(12)	-2,548	-4,329
Profit before tax		386,558	299,134
Income tax expense	(7)	-77,413	-61,293
Profit		309,145	237,841
Profit attributable to shareholders of Flughafen Zürich AG		309,135	237,832
Profit attributable to non-controlling interests		10	9
Basic earnings per share (CHF)	(17)	10.07	7.75
Diluted earnings per share (CHF)	(17)	10.07	7.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CHF 1,000)	Notes	2019	2018
Profit		309,145	237,841
Other comprehensive income			
Foreign exchange differences		-18,230	-10,703
Items that are or may be reclassified subsequently to profit or loss		-18,230	-10,703
Remeasurement of defined benefit liability, net of income tax	(22)	-24,401	-10,145
Items that will never be reclassified to profit or loss		-24,401	-10,145
Other comprehensive income, net of income tax		-42,631	-20,848
Total comprehensive income		266,514	216,993
Comprehensive income attributable to shareholders of Flughafen Zürich AG		266,511	216,987
Comprehensive income attributable to non-controlling interests		3	6

CONSOLIDATED BALANCE SHEET

(CHF 1,000)	Notes	31.12.2019	31.12.2018
Assets			
Property, plant and equipment	(8)	2,843,462	2,615,954
Right-of-use assets	(9)	83,394	0
Investment properties	(10)	432,757	307,054
Intangible asset from right of formal expropriation	(11)	70,845	93,737
Investments in airport operator projects	(11)	343,290	125,632
Other intangible assets	(11)	18,533	17,885
Investments in associates	(12)	9,270	12,323
Non-current financial assets of Airport of Zurich Noise Fund	(13)	394,428	377,241
Non-current fixed-term deposits	(16)	636	37,500
Other non-current financial assets		5,933	6,326
Deferred tax assets	(21)	2,121	1,950
Non-current assets		4,204,669	3,595,602
Inventories		12,750	10,398
Current financial assets of Airport of Zurich Noise Fund	(13)	17,376	21,967
Other current financial assets		1,859	387
Trade receivables	(14)	112,189	102,024
Other receivables and prepaid expenses	(15)	73,618	89,217
Current tax assets		1,089	685
Current fixed-term deposits	(16)	37,500	149,167
Cash and cash equivalents	(16)	132,428	395,872
Current assets		388,809	769,717
Total assets		4,593,478	4,365,319
Equity and liabilities			
Share capital	(17)	307,019	307,019
Treasury shares		-564	-342
Capital reserves		199,716	298,182
Translation reserve		-34,593	-16,370
Other retained earnings		1,997,458	1,826,317
Equity attributable to shareholders of Flughafen Zürich AG		2,469,036	2,414,806
Equity attributable to non-controlling interests		50	47
Total equity		2,469,086	2,414,853
Non-current financial liabilities	(18)	959,368	1,085,470
Non-current provisions for formal expropriations plus sound insulation and resident protection	(19)	360,024	392,097
Deferred tax liabilities	(21)	36,154	44,284
Employee benefit obligations	(22)	190,204	155,355
Non-current liabilities		1,545,750	1,677,206
Trade payables		56,790	53,625
Current financial liabilities	(18)	351,552	42,657
Current provisions for formal expropriations plus sound insulation and resident protection	(19)	27,483	31,256
Current tax liabilities		29,242	33,963
Other current liabilities, accruals and deferrals	(23)	113,575	111,759
Current liabilities		578,642	273,260
Total liabilities		2,124,392	1,950,466
Total equity and liabilities		4,593,478	4,365,319

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF 1,000)	Share capital	Treasury shares	Capital reserves	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
Balance as at 1 January 2019	307,019	-342	298,182	-16,370	1,826,317	2,414,806	47	2,414,853
Profit					309,135	309,135	10	309,145
Foreign exchange differences				-18,223		-18,223	-7	-18,230
Remeasurement of defined benefit liability, net of income tax					-24,401	-24,401		-24,401
Other comprehensive income, net of income tax	0	0	0	-18,223	-24,401	-42,624	-7	-42,631
Total comprehensive income	0	0	0	-18,223	284,734	266,511	3	266,514
Ordinary dividend for the 2018 financial year					-113,593	-113,593		-113,593
Additional distribution from the capital contribution reserves for the 2018 financial year			-98,242			-98,242		-98,242
Purchase of treasury shares		-1,467				-1,467		-1,467
Share-based payments		1,245	-224			1,021		1,021
Balance as at 31 December 2019	307,019	-564	199,716	-34,593	1,997,458	2,469,036	50	2,469,086

(CHF 1,000)	Share capital	Treasury shares	Capital reserves	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
Balance as at 1 January 2018	307,019	-459	396,453	-5,670	1,699,944	2,397,287	41	2,397,328
Profit					237,832	237,832	9	237,841
Foreign exchange differences				-10,700		-10,700	-3	-10,703
Remeasurement of defined benefit liability, net of income tax					-10,145	-10,145		-10,145
Other comprehensive income, net of income tax	0	0	0	-10,700	-10,145	-20,845	-3	-20,848
Total comprehensive income	0	0	0	-10,700	227,687	216,987	6	216,993
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			-98,244			-98,244		-98,244
Purchase of treasury shares		-1,065				-1,065		-1,065
Share-based payments		1,182	-27			1,155		1,155
Balance as at 31 December 2018	307,019	-342	298,182	-16,370	1,826,317	2,414,806	47	2,414,853

CONSOLIDATED CASH FLOW STATEMENT

(CHF 1,000)	Notes	2019	2018
Profit		309,145	237,841
Finance result	(6)	14,010	23,064
Share of profit or loss of associates		2,548	4,329
Income tax expense	(7)	77,413	61,293
Depreciation / amortisation of			
Property, plant and equipment (after recognition of government subsidies and grants)	(8)	214,702	228,406
Right-of-use assets	(9)	6,262	0
Investment property	(10)	120	240
Intangible assets	(11)	17,635	15,806
Gains (-) / losses (+) on disposal of property, plant and equipment (net)		928	1,407
Share-based payments		1,021	1,155
Increase (-) / decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		-27,552	-1,898
Increase (+) / decrease (-) in current liabilities, excluding current financial liabilities		-3,847	2,693
Increase (+) / decrease (-) in employee benefit obligations		3,107	4,558
Increase (+) / decrease (-) in provision for formal expropriations plus sound insulation and resident protection		-21,269	36,676
Income tax paid		-82,486	-77,211
Cash flow from operating activities		511,737	538,359
of which related to aircraft noise (Airport of Zurich Noise Fund)		-8,895	-9,301
Income from noise charges	(20)	12,733	11,945
Expenses for formal expropriations plus sound insulation and resident protection	(20)	-21,628	-21,246
Investments in property, plant and equipment and projects in progress		-432,890	-228,829
Investments in investments property (incl. advance payments)		-104,987	-102,781
Investments in airport operator projects		-235,279	-51,872
Investments in associates		0	-5,487
Investments in intangible assets		-859	-153
Investments in financial assets		-28,239	-48,218
Investments in fixed-term deposits due > 90 days		-6,500	-221,000
Repayment of financial assets		23,360	75,800
Repayment of fixed-term deposits due > 90 days		149,167	306,000
Proceeds from disposal of property, plant and equipment		126	219
Interest received		7,790	2,970
Cash flow from investing activities		-628,311	-273,351
of which related to aircraft noise (Airport of Zurich Noise Fund)		-3,436	27,582
Investments in financial assets and fixed-term deposits Airport of Zurich Noise Fund		-26,796	-48,218
Repayment of current financial assets and fixed-term deposits Airport of Zurich Noise Fund		23,360	75,800
Repayment of loan	(18)	-38,204	0
Issue of new loan	(18)	0	40,414
Issue of other financial liabilities	(18)	151,640	0
Repayment of other financial liabilities	(18)	-3,297	-3,922
Repayment of lease liabilities	(18)	-5,797	-1,752
Payment of dividend for the 2018/2017 financial years		-211,835	-199,550
Purchase of treasury shares		-1,467	-1,065
Interest paid		-24,902	-15,345
Cash flow from financing activities		-133,862	-181,220
Increase (+) / decrease (-) in cash and cash equivalents		-250,436	83,788
Balance at 1 January	(16)	395,872	314,615
Effect of foreign exchange differences on cash and cash equivalents held		-13,008	-2,531
Balance as at reporting date	(16)	132,428	395,872
of which included in Airport of Zurich Noise Fund	(16)	18,092	34,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I ACCOUNTING POLICIES

GENERAL REMARKS

The operating licence awarded by the Federal Government authorises and obliges the airport operator, Flughafen Zürich AG, to operate Zurich Airport until 2051. In addition to combining transport services by road, rail and air, Flughafen Zürich AG also operates Zurich Airport as a shopping, entertainment and services centre.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and comply with Swiss law. They have been prepared under the historical cost convention, with the exception of the financial assets of the Airport of Zurich Noise Fund, derivative financial instruments, associates and defined benefit obligations.

The single-entity financial statements of the group's subsidiaries, which have been prepared in accordance with uniform accounting policies, have been used as the basis for consolidation. The reporting date for all subsidiaries is 31 December.

The preparation of financial statements in accordance with IFRSs requires the Management Board to make estimates and assumptions, as well as exercise its discretion, when applying the accounting policies. This may affect reported income, expenses, assets, liabilities and contingent liabilities at the time of preparation of the financial statements. In the event that such estimates and assumptions made in good faith by the Management Board at the time of preparation of the financial statements subsequently deviate from the actual circumstances, the estimates and assumptions originally made are adjusted prospectively in the financial year in which the circumstances changed.

Judgements made by the Management Board in its application of IFRSs that have a significant effect on the consolidated financial statements, and estimates and assumptions with a significant risk of adjustment in the following financial year, are discussed in "II.

Judgements and significant estimates and assumptions in the application of accounting policies" and in the following notes in Notes to the consolidated financial statements:

- [Note 8, Property, plant and equipment](#)
- [Note 11, Intangible assets](#)

NEW AND AMENDED ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

The company adopted the following new and amended International Financial Reporting Standards which are mandatory for the first time for the financial year beginning 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRSs (2015–2017 Cycle)

Except as outlined in the following, the above-mentioned amendments did not have a significant impact on the financial position, results of operations or cash flows of Flughafen Zürich AG for financial year 2019:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in the balance sheet.

For lessors, IFRS 16 leaves lease accounting essentially unchanged compared with IAS 17. Lessors will continue to classify leases as operating leases or finance leases, applying similar principles to those in IAS 17. IFRS 16 therefore had no impact on leases where the group is the lessor.

On initial application of IFRS 16 at 1 January 2019 (date of initial application), Flughafen Zürich AG chose the modified retrospective approach, under which the Standard is applied retrospectively by recognising the cumulative effect of initially applying the Standard at the date of initial application.

The effects of initially applying IFRS 16 at 1 January 2019 are as follows:

(CHF 1,000)	01.01.2019
Property, plant and equipment	
Transfer of leased assets to right-of-use assets	–2,359
Right-of-use assets	
Transfer of leased assets from property, plant and equipment	2,359
Effect of the initial application from IFRS 16	41,894
Increase in total assets	41,894
Lease liabilities (current and non-current)	
Effect of the initial application from IFRS 16	41,894
Increase in total liabilities	41,894
Change in equity	0

Prior to the initial application of IFRS 16, Flughafen Zürich AG classified its leases (as lessee) either as a finance lease or an operating lease at inception of the contract. On initial application of IFRS 16, the group recognised and measured all leases (with the exception of short-term leases) by applying a single model.

The Standard contains specific transition guidance and practical expedients, which were applied in Flughafen Zürich AG's consolidated financial statements:

- The company did not change the original carrying amounts of assets and liabilities under leases that were previously classified as finance leases.
- The company recognised right-of-use assets and liabilities for leases (with the exception of short-term leases) that were previously classified as operating leases. An amount equal to the corresponding lease liabilities was in each case recognised when measuring right-of-use assets. Initial application therefore has no effect on retained earnings. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of 0.0% at the date of initial application.

In addition, Flughafen Zürich AG chose to apply the following practical expedients:

- The company applied the exemption for short-term leases to leases for which the lease term ends within twelve months of the date of initial application.
- The company did not include initial direct costs when measuring the right-of-use asset at the date of initial application.

Initial application of IFRS 16 at 1 January 2019 impacted on the consolidated financial statements of Flughafen Zürich AG as follows:

- Right-of-use assets amounting to CHF 41.9 million were recognised in the consolidated financial statements and presented under “**Right-of-use assets**”. This figure includes leased assets amounting to CHF 2.4 million that were previously recognised as finance leases.
- Additional lease liabilities totalling CHF 41.9 million were recognised as current and non-current lease liabilities.

The lease liabilities at 1 January 2019 can be reconciled to the obligations under operating leases at 31 December 2018 as follows:

(CHF 1,000)	Total
Obligations under operating leases as at 31 December 2018	0
Leases previously not recognised ¹⁾	–41,894
Liabilities under leases previously classified as finance leases (aircraft energy supply system)	–3,010
Lease liabilities as at 1 January 2019	–44,904

1) Due to the incremental borrowing rate of 0.0% applied at the date of initial application of IFRS 16, the present value stated in the balance sheet for previously unrecognised leases is also the nominal amount of the future lease payments.

INTRODUCTION OF NEW STANDARDS IN 2020 AND LATER

The new, revised and amended standards and interpretations issued by the end of 2019 and set out in the table below are not yet effective and were not applied early in these consolidated financial statements.

Amendments to standards and interpretations		Effective date	Planned application by Flughafen Zürich AG
Amendments to IAS 1 and IAS 8: Definition of materiality	*	1 January 2020	Financial year 2020
Amendments to IFRS 3: Definition of a business	*	1 January 2020	Financial year 2020
Amendments to references to the conceptual framework in IFRS standards	*	1 January 2020	Financial year 2020
Amendments to IAS 1: Requirements for classifying liabilities as current or non-current	*	1 January 2022	Financial year 2022

* No, or no significant, impact is expected on the consolidated financial statements of Flughafen Zürich AG.

CHANGES IN THE CONSOLIDATED GROUP

On 15 March 2019, in a public tender conducted by the Brazilian government, Flughafen Zürich AG was awarded concessions for the operation and expansion of Vitória and Macaé airports in the southeast of Brazil. The wholly-owned subsidiary Aeroportos do Sudeste do Brasil S.A. based in Vitória (Brazil) was established for this purpose (see [note 24.7, Concessions for the operation of foreign airports](#)).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SCOPE AND METHODS OF CONSOLIDATION

The consolidated financial statements comprise Flughafen Zürich AG and all companies in Switzerland and abroad that it directly or indirectly controls. Flughafen Zürich AG controls an entity if it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins until the date on which control ceases. All assets and liabilities are therefore included in the consolidated financial statements together with all income and expenses in accordance with the principles of full consolidation. All unrealised gains and losses on intra-group transactions and all intra-group balances are eliminated on consolidation.

Business combinations are accounted for using the acquisition method at the date of acquisition. Consideration transferred in a business combination includes the fair value of the assets transferred, liabilities assumed or incurred and equity instruments issued by the group. Transaction costs incurred in connection with a business combination are recognised in the income statement. Goodwill arising from a business combination is recognised as an asset. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed. Two choices exist regarding the measurement of non-controlling interests. Non-controlling interests are measured at their fair value or at their proportionate share of the recognised amount of the identifiable net assets. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement, after first reassessing the fair value of the net assets acquired.

FOREIGN CURRENCY TRANSLATION

For consolidation purposes, all assets and liabilities reported in the balance sheets of companies within the group are translated into Swiss francs (functional currency of Flughafen Zürich AG) at the closing rate. Income statements and cash flow statements are

translated at the average exchange rate for the period. Foreign currency differences arising on the translation of balance sheets and income statements are credited/charged directly to the translation reserve in equity. Transactions in foreign currency are translated into Swiss francs at the exchange rate in effect on the day of the transaction.

Foreign currency monetary items are translated at the exchange rate at the reporting date. Foreign exchange gains/losses that arise from the settlement or remeasurement of foreign currency items at the reporting date are recognised in the income statement.

ALTERNATIVE PERFORMANCE INDICATORS

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA comprises earnings before tax, the finance result, the share of profit/loss of associates plus depreciation and amortisation.

Earnings before interest and tax (EBIT)

EBIT comprises earnings before tax, the finance result and the share of profit/loss of associates.

REVENUE RECOGNITION

Revenue is recognised by Flughafen Zürich AG when the customer obtains control of a service.

Revenue in the "Aviation" segment primarily comprises passenger and landing charges. Charges for providing assistance to passengers with reduced mobility are received by the "PRM" segment, while the "User fees" segment primarily receives fees for the use of the central infrastructure. Revenue in the "Air security" segment mainly includes security charges, and in the "Noise" segment it mainly contains noise charges. Revenue is recognised immediately on rendering the service in question. Landing charges are billed per landing according to the weight of the aircraft. Passenger charges, fees for the use of the baggage sorting and handling system and security charges are based on the number of departing passengers. Noise charges are based, in turn, on the number of departing passengers and on an emissions-based charge according to the aircraft type.

The main components in the "Non-regulated business" segment are revenue from the marketing and rental of the commercial infrastructure at the airport (retail, tax & duty free, food & beverage operations, advertising media, parking, rental and leasing agreements, and energy and utility cost allocation). The service is rendered as soon as the commercial space is made available and the revenue recognised accordingly. For fixed-rent tenancy agreements classified as operating leases, the rents are recognised on a straight-line basis over the term of the tenancy agreement. Conditional rental payments (e.g. from turnover-based tenancy agreements) are recognised on an accrual basis based on the turnover generated by the lessee, in which case a minimum rent may be applied. The company does not currently have any tenancy agreements classified as finance leases.

FINANCE RESULT

The finance result comprises interest payments on borrowings calculated using the effective interest method (excluding borrowing costs relating to buildings under construction), interest expense as a result of adjusting the present value of provisions and non-current liabilities, interest and dividend income, foreign currency gains and losses, and gains and losses on financial assets.

Interest income is recognised in the income statement using the effective interest method.
Dividend income is recognised in the financial statements at the due date.

Borrowing costs arising during the construction stage for movables, buildings and engineering structures are capitalised up until the date the asset is taken into use or at the date of completion, if earlier.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and accumulated impairment losses. The construction cost of buildings includes direct costs for labour (third-party services and internal personnel), materials and overheads, plus the borrowing costs arising during the construction stage, which are capitalised up until the date the asset is taken into use or at the date of completion, if earlier. Borrowing costs and expenditure relating to significant assets under construction are capitalised.

Components of an item of property, plant and equipment with a different useful life are reported individually and depreciated separately. Expansion and replacement expenditure is capitalised only if it is probable that future economic benefits will flow to Flughafen Zürich AG. Maintenance and renovation expenditure is charged to the income statement when incurred.

The assets (with the exception of land, which is not depreciated) are depreciated using the straight-line method over the estimated useful life or over the term of the lease, whichever is shorter. The useful life for each category of property, plant and equipment is as follows:

- Buildings: maximum 30 years
- Engineering structures: maximum 30 years
- Movables: 4 to 20 years

PROJECTS IN PROGRESS

Projects in progress are stated at acquisition or production cost and include investments in projects that have not yet been billed. These mainly comprise assets under construction. Once a project has been put into operation and billed, the related asset is transferred to the relevant categories of property, plant and equipment and segments and depreciated over its useful life. From the date the asset is taken into use, or from the date of completion, no further borrowing costs are capitalised.

GOVERNMENT SUBSIDIES AND GRANTS

Government subsidies and grants related to investments are deducted from the carrying amount in the relevant balance sheet items and recognised in profit or loss over the useful life of the related asset. They are reported in the income statement as an adjustment to the depreciation of the related asset. All government subsidies take the form of "à fonds perdu" grants and do not have to be repaid.

LEASES AS LESSEE

At inception of a contract, Flughafen Zürich AG assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment requires a certain amount of judgement.

Flughafen Zürich AG recognises the right-of-use asset and the lease liability at the commencement date of the lease. The right-of-use asset is presented in "Right-of-use assets" and the lease liability as a current or non-current financial liability, depending on its maturity. The initial measurement of the right-of-use asset is based on the present value of the lease payments, plus any initial direct costs and costs for the obligation to dismantle and remove the asset and restore the site, less any incentives received. When calculating the present value of the lease payments, the company uses its incremental borrowing rate at the commencement date, as the interest rate implicit in the lease cannot be readily determined. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The right-of-use asset is tested for impairment if there are indicators of impairment. If the lease contains an extension or purchase option that the company believes it is reasonably certain to exercise, the costs related to the option are included in the lease payments.

Flughafen Zürich AG has decided not to recognise the right-of-use asset and the lease liability if the lease term is twelve months or less or if the lease relates to IT equipment of low value (less than CHF 5,000). Payments for such leases are recognised on a straight-line basis over the term of the contract.

INVESTMENT PROPERTY

Investment property (in accordance with IAS 40) is property held for the long term to earn rentals or for capital appreciation. It is measured at initial recognition at its cost and subsequently at cost less straight-line depreciation and any impairment losses in accordance with IAS 36.

JOINT ARRANGEMENTS

A joint arrangement (in accordance with IFRS 11) is a contractual arrangement between two or more parties which gives those parties joint control of an activity. Each joint arrangement must be classified as either a joint operation or a joint venture. In a joint operation, the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangement and account for them in relation to their interest. In a joint venture, the parties that have joint control merely have rights to the net assets of the joint arrangement (the investment is accounted for using the equity method).

INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised using the straight-line method.

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation in respect of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments and is recognised as an intangible asset at the date when the probable total cost can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21. The timing of recognition may differ depending on the airport region. At the same time as an intangible asset is recognised at the present value of the expected future payments, an equal amount is recognised as a provision. Any future adjustments to the probable total cost already recognised as assets and liabilities will be reflected on both sides of the balance sheet. The intangible asset is amortised using the straight-line method over the remaining duration of the operating licence (i.e. until May 2051).

In the case of clearly defined projects, external and internal costs directly attributable to the development of computer software are capitalised if they will be exceeded by the future economic benefits. The useful life of software is three to five years.

INVESTMENTS IN AIRPORT OPERATOR PROJECTS

The concession arrangements for the operation of foreign airports fall within the scope of IFRIC 12 and are generally accounted for under the intangible asset model (IFRIC 12.17), as the company as operator receives the right to charge for usage as consideration for the obligation to pay concession fees and provide upgrade services. The obligations under the concession arrangements to pay fixed concession fees are recognised as financial liabilities. They are initially measured at the fair value of the liabilities using a discount rate appropriate to the risk. The rights to operate the airports that are received as consideration are recognised as intangible assets in the same amount and presented as investments in airport operator projects. The rights received as consideration for the upgrade services provided are recognised as an intangible asset on an accrual basis at the cost of construction. Revenues and costs relating to upgrade services are generally recognised in accordance with IFRIC 12.14. The financial liabilities recognised are subsequently measured at amortised cost using the effective interest method. The rights recognised as assets are subsequently measured at cost less accumulated amortisation over the term of the concessions. In accordance with IFRIC 12.18, any minimum revenue guaranteed by the grantor is deducted from the intangible asset and accounted for as a financial asset.

INVESTMENTS IN ASSOCIATES

Associates are companies where the group is able to exercise significant influence, but not control, over the financial and operating policies (where the group holds between 20% and 50% of the voting rights). Associates are included in the consolidated financial statements by applying the equity method. Any difference between the cost of the investment and the fair value of the share of net assets acquired is determined at the time of acquisition and recognised as goodwill and included in the carrying amount of the investment. In subsequent reporting periods, the carrying amount is adjusted to recognise the share of Flughafen Zürich AG of any profit or loss and changes recognised in other comprehensive income of the investee and any dividends received.

Investments in associates where the group holds less than 20% of the voting rights, but where it nonetheless is able to exercise significant influence, are also included in the consolidated financial statements by applying the equity method.

FINANCIAL ASSETS OF THE AIRPORT OF ZÜRICH NOISE FUND

In accordance with the principles in IFRS 9, the financial assets of the Airport of Zurich Noise Fund are classified as at amortised cost (bonds) or at fair value through profit or loss (other financial assets).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used exclusively for the purpose of hedging interest rate and currency risks, and are recognised as other receivables or other current liabilities at fair value. Changes in fair value are recognised in the income statement.

INVENTORIES

Inventories mainly comprise operating supplies and consumables used for the maintenance and repair of property, plant and equipment and are stated at cost or, if lower, at net realisable value. The first-in, first-out method is applied when calculating the cost.

RECEIVABLES

Receivables are measured initially at fair value and subsequently at amortised cost, which is usually their nominal value, minus individual allowances for doubtful accounts. As soon as there is sufficient evidence that a receivable will not be recoverable, it is directly written off or offset against the corresponding allowances.

Flughafen Zürich AG uses a simplified method to calculate expected credit losses on trade receivables. Changes in credit risk are not tracked; instead, a loss allowance is recognised at each reporting date on the basis of the lifetime expected credit losses. In addition to forward-looking factors specific to the borrowers and general economic conditions, credit loss experience to date is also taken into account.

The recoverable amount of receivables is the present value of the estimated future cash flows. Impairment losses on receivables are reversed if the amount of the impairment loss decreases and the decrease is related to an event that occurred in a period after the impairment loss was recognised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, in postal accounts and at banks and short-term investments with a maturity of 90 days or less from the date of acquisition.

IMPAIRMENT

The carrying amounts of non-current non-financial assets (excluding deferred taxes) are assessed once a year for indications of impairment. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test).

If the carrying amount of an asset or related cash generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

The recoverable amount is the higher of the fair value less costs to sell and value in use. To determine value in use, the estimated future cash flows are discounted. The discount rate is a pre-tax rate that reflects the risks associated with the corresponding asset. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses on other assets are reversed if indications exist that the impairment loss has decreased or no longer exists, and if estimates that were used for calculating the recoverable amount have changed.

The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

EQUITY

Share capital

Shares are classified as equity since they are non-redeemable and dividend payments are at the discretion of the company.

Treasury shares

The cost (purchase price and directly attributable transaction costs) of treasury shares is deducted from equity.

Dividends

Dividends are recognised as a liability as soon as they have been approved at the General Meeting of Shareholders.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value less transaction costs. The difference between the carrying amount and the redemption amount is amortised over the term of the liability using the effective interest method.

PROVISIONS

Provisions are recognised when the entity has a present obligation as a result of a past event that occurred prior to the reporting date, if an outflow of resources is probable and the amount of the outflow can be estimated reliably. If the effect is significant, provisions are reported in the balance sheet at their present value.

Provisions for legal and constructive obligations for sound insulation and resident protection measures are recognised on the basis of the Environmental Protection Act as soon as they can be estimated reliably.

Provisions for formal expropriations are recognised for compensation payments as soon as the probable total cost can be estimated reliably based on final-instance court rulings (see Intangible assets).

EMPLOYEE BENEFITS

For defined benefit plans, the benefit cost and the defined benefit obligation are determined on the basis of various economic and demographic assumptions using the projected unit credit method and taking into account the past years of insurance up until the measurement date. The assumptions required to be made by Flughafen Zürich AG include, among others, expectations about future salary increases, the long-term return on retirement savings accounts, employee turnover and life expectancy. The calculations are performed annually by independent actuaries. The plan assets are measured annually at fair value and deducted from the defined benefit obligation.

The defined benefit cost consists of three components:

- service cost, which is recognised in the income statement within personnel expenses;
- net interest expense, which is recognised in the income statement within the finance result; and
- remeasurement components, which are recognised in other comprehensive income.

Service cost comprises current service cost, past service cost and gains and losses on settlement. Gains and losses resulting from curtailments are regarded as past service cost. Employee contributions and contributions from third parties reduce service cost and are deducted from it if they are set out in the formal terms of the plan or arise from a constructive obligation.

The net interest expense is the amount calculated by multiplying the net defined benefit obligation (or asset) by the discount rate, both as at the beginning of the financial year, including any changes during the period as a result of contributions and benefit payments. Cash flows and changes during the year are factored in pro rata.

Remeasurement components comprise actuarial gains and losses resulting from changes in the present value of the defined benefit obligations due to changes in assumptions and experience adjustments, the return on plan assets less amounts included in net interest expense, and changes in unrecognised assets less effects included in net interest expense. Remeasurement components are recognised in other comprehensive income and cannot be recycled.

The amount recognised in the consolidated financial statements is the surplus or deficit of the defined benefit plans (net defined benefit obligation or asset). However, the asset recognised as a result of any surplus is limited to the present value of economic benefits to the group available in the form of reductions in future contributions.

Employer contributions to defined contribution plans are recognised in the income statement as personnel expenses when the employee earns the benefit entitlement. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

For other long-term employee benefits, the present value of the obligation is recognised at the end of the reporting period. Changes in the present value are recognised in the income statement as personnel expenses.

SHARE-BASED PAYMENT

Flughafen Zürich AG's annual bonus programme provides for one-third of the allocated bonus to be paid out to members of the Management Board and eligible members of management in the form of shares. The share-based payment is recognised as an expense with a corresponding increase in equity.

INCOME TAXES

Income taxes comprise current and deferred taxes. They are recognised in the income statement unless relating to transactions recognised in other comprehensive income or directly in equity. In these cases, taxes are also recognised in other comprehensive income or directly in equity.

Current taxes comprise the taxes expected to be payable on the taxable result, calculated using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax base using the balance sheet liability method. No deferred taxes are recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Measurement of deferred taxes takes into account the expected timing and manner of realisation or settlement of the assets and liabilities concerned using tax rates that are enacted or substantively enacted at the reporting date.

Deferred tax assets are only recognised if it is probable that the deductible temporary differences can be offset against future taxable profits.

SEGMENT REPORTING

Reporting of operating segments is carried out in accordance with IFRS 8 in line with the internal reporting to the company's chief operating decision-maker. The Board of Directors has been identified as chief operating decision-maker of Flughafen Zürich AG responsible for major decisions concerning the allocation of resources and the assessment of the operating segments' performance.

II JUDGEMENTS AND SIGNIFICANT ESTIMATES AND ASSUMPTIONS IN THE APPLICATION OF ACCOUNTING POLICIES

REPORTING OF NOISE-RELATED COSTS IN THE FINANCIAL STATEMENTS

With respect to formal expropriations, the reporting of noise-related costs in the financial statements is a complex matter due to a multitude of relevant legal bases, unclear or pending case law and political debate. Especially in the case of formal expropriations, this financial reporting requires significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise appropriate provisions.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 6,300 were still pending at the end of 2019. Almost 800 of these cases are currently being examined by the Swiss Federal Assessments Commission.

The rulings by the Swiss Federal Supreme Court in the first half of 2008 on fundamental issues related to formal expropriations enabled Flughafen Zürich AG to estimate the total cost of compensation for formal expropriations for the first time, in spite of the remaining uncertainties regarding the accuracy of this estimate. In further rulings in 2010, the Swiss Federal Supreme Court definitively set the cut-off date for the foreseeability of an eastern approach as 1 January 1961 and, in 2011, it ruled definitively on the method used to calculate a decline in the market value of investment property. In 2016, the Swiss Federal Supreme Court handed down two rulings in test cases regarding claims for compensation relating to eastern and southern approach routes and, in 2018, it handed down two rulings in test cases regarding cooperative ownership. Based on these Swiss Federal Supreme Court rulings and other fundamental issues that have been decided, the company undertook a reappraisal of costs for formal expropriations at these dates, which in each case led to an adjustment to both the provision for formal expropriations and the intangible asset from the right of formal expropriation.

On 22 November 2019, the Swiss Federal Supreme Court handed down a ruling in test cases regarding the period of limitation on claims for compensation in Oberglatt. This Swiss Federal Supreme Court ruling and other fundamental issues that have been decided enabled Flughafen Zürich AG to undertake a reappraisal of the outstanding cost of compensation for formal expropriations. Based on the reappraisal, the total cost expected in relation to formal expropriations decreased from CHF 350.0 million to CHF 330.0 million, enabling the provision for formal expropriations to be reduced by CHF 20.0 million as at 31 December 2019 (see [note 19, 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 11, Intangible assets](#)).

As at the reporting date, the estimated costs for formal expropriations amounted to CHF 330.0 million (31 December 2018: CHF 350.0 million), of which CHF 81.9 million had already been paid out at that date. As at 31 December 2019, a provision was recognised for the outstanding costs of CHF 248.1 million (see [note 19, Provision for formal expropriations plus sound insulation and resident protection](#)).

With respect to sound insulation and resident protection measures, the Federal Office of Civil Aviation (BAZL) required Flughafen Zürich AG, in connection with its 2014 operating regulations application, to submit an extended sound insulation programme. In June 2015, based on the sound insulation programme submitted, the Board of Directors approved a further CHF 100.0 million of measures in addition to the CHF 240.0 million of costs previously estimated for sound insulation and resident protection. The company is also required to implement sound insulation measures in the area where it claims exemptions from noise limits (emission limit). In this context, the FOCA 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 was extended. In this context in mid-2018, Flughafen Zürich AG recognised a provision for further costs of CHF 60.0 million, with a present value of CHF 57.6 million, in addition to the costs previously estimated for sound insulation and resident protection (see [note 5, Other income and expenses](#) and [note 19, Provision for formal expropriations plus sound insulation and resident protection](#)).

As at the reporting date, the estimated costs for sound insulation and resident protection measures amounted to CHF 400.0 million (31 December 2018: CHF 400.0 million), of which CHF 260.6 million had already been paid out at that date. As at 31 December 2019, a provision was recognised for the outstanding costs of CHF 139.4 million (see [note 19, Provision for formal expropriations plus sound insulation and resident protection](#)).

Depending on future legal judgements – including 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.

Aircraft noise costs are refinanced through separate charges. As, based on current knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations as well as noise insulation and resident protection measures that can be estimated under the base case at the present time, the passenger-related noise supplement was suspended as of 1 February 2014. Aircraft noise charges based on flight movements and noise category continue to be levied.

VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS; RELIABILITY OF ESTIMATE OF CAPITALISED NOISE-RELATED COSTS

Flughafen Zürich AG owns property, plant and equipment and intangible assets with a total carrying amount of around CHF 3.3 billion. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated (impairment test). On each reporting date, a check is conducted to determine whether there are any such indications and an impairment test needs to be performed. The calculation is based on the estimated future free cash flows of Flughafen Zürich AG, and a variety of assumptions have to be made in order to estimate them. Actual cash flows may be significantly negatively impacted by the risk factors described in the previous section "[Reporting of noise-related costs in the consolidated financial statements](#)".

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SEGMENT REPORTING

The following table shows the reportable segments in the current financial year:

(CHF million)					
2019	Regulated business	Noise	Non-regulated business	Eliminations	Consolidated
Revenue from contract with customers (IFRS 15)	648.4	12.8	285.3	0.0	946.6
Other revenue (non IFRS 15)	0.2	0.0	263.3	0.0	263.5
Total revenue from third parties	648.6	12.8	548.6	0.0	1,210.1
Inter-segment revenue	21.4		91.9	-113.3	0.0
Total revenue	670.1	12.8	640.5	-113.3	1,210.1
Personnel expenses	-82.5	-1.9	-132.0	0.0	-216.3
Other operating expenses	-183.3	-0.9	-167.8	0.0	-351.9
Inter-segment operating expenses	-91.2	-0.7	-21.4	113.3	-0.0
Segment result (EBITDA)	313.1	9.4	319.3	0.0	641.8
Depreciation and amortisation	-139.1	-4.3	-95.4	0.0	-238.7
Segment result (EBIT)	174.1	5.1	223.9	0.0	403.1
Finance result					-14.0
Share of profit or loss of associates					-2.5
Income tax expense					-77.4
Profit					309.1
Invested capital as at 31 December 2019	1,693.0	109.6	1,951.1		3,753.7
Non-interest-bearing non-current liabilities ¹⁾					611.6
Non-interest-bearing current liabilities ²⁾					228.2
Total assets as at 31 December 2019					4,593.5
ROIC (in %)	7.7	3.7	10.3		8.8
Capital expenditure	144.4	0.2	679.3		823.9
Investments in associates			9.3		9.3

1) 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 non-current liabilities from concession arrangements.

2) 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.

(CHF million)							Total regulated business
2019	Aviation	PRM	User fees	Air security ⁴⁾	Access fees ⁴⁾	Eliminations	
Revenue from contract with customers (IFRS 15)	381.8	15.7	70.7	178.9	1.3	0.0	648.4
Other revenue (non IFRS 15)	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Revenue from third parties	382.0	15.7	70.7	178.9	1.3	0.0	648.6
Inter-segment revenue	21.7	0.0	4.6	11.6	2.1	-18.5	21.4
Total revenue	403.7	15.7	75.3	190.5	3.4	-18.5	670.1
Personnel expenses	-69.0	0.0	-10.1	-2.5	-1.0	0.0	-82.5
Other operating expenses	-44.4	-12.3	-6.2	-73.3	-47.1	0.0	-183.3
Inter-segment operating expenses	-61.3	-1.1	-17.7	-15.4	-14.3	18.5	-91.2
EBITDA	229.0	2.4	41.3	99.4	-58.9	-0.0	313.1
Depreciation and amortisation	-103.9	-0.1	-25.1	-6.8	-3.1	0.0	-139.1
EBIT	125.2	2.3	16.1	92.6	-62.0	-0.0	174.1
Invested capital as at 31 December 2019	1,287.6	1.2	323.5	50.1	30.6		1,693.0
ROIC (in %)	7.4	43.1	4.0	92.7	-135.5		7.7
Operating assets pursuant to Ordinance on Airport Charges (OAC) ³⁾	1,318.6	2.3	329.2	64.4	29.4		1,743.8
ROIC (in %) pursuant to OAC	8.3	68.6	4.0	113.9	-144.7		8.5

3) The Ordinance on Airport Charges (OAC) defines operating assets, on which a reasonable rate of return forms the basis for the charges, as the sum of the "residual cost of the existing assets and net working capital". This definition therefore results in minor deviations compared with the reported capital employed.

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 pursuant to OAC of the "Air security" segment amounts to 24.6%.

The following table shows the reportable segments in the previous year:

(CHF million)					
2018	Regulated business	Noise	Non-regulated business	Eliminations	Consolidated
Revenue from contract with customers (IFRS 15)	644.9	11.6	237.6	0.0	894.1
Other revenue (non IFRS 15)	0.2	0.0	258.6	0.0	258.8
Total revenue from third parties	645.1	11.6	496.2	0.0	1,152.9
Inter-segment revenue	19.3	0.0	88.3	-107.6	0.0
Total revenue	664.4	11.6	584.5	-107.6	1,152.9
Personnel expenses	-80.1	-1.9	-129.5	0.0	-211.5
Other operating expenses	-184.3	-58.4	-127.7	0.0	-370.4
Inter-segment operating expenses	-87.7	-0.6	-19.3	107.6	0.0
Segment result (EBITDA)	312.3	-49.3	308.0	0.0	571.0
Depreciation and amortisation	-135.1	-4.8	-104.6	0.0	-244.5
Segment result (EBIT)	177.2	-54.1	203.4	0.0	326.5
Finance result					-23.1
Share of profit or loss of associates					-4.3
Income tax expense					-61.3
Profit					237.8
Invested capital as at 31 December 2018	1,901.6	109.8	1,505.4		3,516.8
Non-interest-bearing non-current liabilities ¹⁾					617.5
Non-interest-bearing current liabilities ²⁾					231.0
Total assets as at 31 December 2018					4,365.3
ROIC (in %)	7.3	-32.2	11.2		7.4
Capital expenditure	128.8	0.2	231.8		360.8
Investments in associates			12.3		12.3

1) 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 non-current liabilities from concession arrangements.

2) 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.

(CHF million)							Total regulated business
2018	Aviation	PRM	User fees	Air security ⁴⁾	Access fees ⁴⁾	Eliminations	
Revenue from contract with customers (IFRS 15)	380.6	15.6	69.9	177.7	1.1	0.0	644.9
Other revenue (non IFRS 15)	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Revenue from third parties	380.8	15.6	69.9	177.7	1.1	0.0	645.1
Inter-segment revenue	19.2	0.0	5.2	10.7	2.2	-18.0	19.3
Total revenue	400.0	15.6	75.1	188.4	3.3	-18.0	664.4
Personnel expenses	-66.8	0.0	-10.4	-1.8	-1.1	0.0	-80.1
Other operating expenses	-44.7	-12.1	-6.3	-72.4	-48.8	0.0	-184.3
Inter-segment operating expenses	-59.5	-1.0	-16.7	-14.8	-13.7	18.0	-87.7
EBITDA	229.0	2.5	41.7	99.4	-60.3	0.0	312.3
Depreciation and amortisation	-100.6	-0.1	-24.8	-6.2	-3.4	0.0	-135.1
EBIT	128.4	2.4	16.9	93.2	-63.7	0.0	177.2
Invested capital as at 31 December 2018	1,419.2	7.1	324.2	108.8	42.3		1,901.6
ROIC (in %)	7.1	25.1	4.2	66.5	-119.3		7.3
Operating assets pursuant to Ordinance on Airport Charges (OAC) ³⁾	1,323.2	2.9	306.4	65.0	38.9		1,736.4
ROIC (in %) pursuant to OAC	8.5	66.8	4.5	116.0	-131.6		8.8

3) The Ordinance on Airport Charges (OAC) defines operating assets, on which a reasonable rate of return forms the basis for the charges, as the sum of the "residual cost of the existing assets and net working capital". This definition therefore results in minor deviations compared with the reported capital employed.

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 pursuant to OAC of the "Air security" segment amounts to 23.0%.

Internal reporting of operating segments to the chief operating decision-maker is carried out in accordance with the Ordinance on Airport Charges (OAC), more specifically with regard to the regulated charges and fees affected by the Ordinance. The following segments are presented for the regulated business and submitted to the chief operating decision-maker as the basis for his significant judgements and decisions:

- "Aviation" segment
- "PRM" segment
- "User fees" segment
- "Air security" segment
- "Access fees" segment

The "Regulated business" column presented in the segment reporting tables is not a separate segment in accordance with IFRS 8; for presentation reasons, it merely combines the reportable segments in which charges and fees are regulated by the OAC (excluding the "Noise" segment).

All regulated revenue related to aircraft noise and the corresponding expenses are reported separately in the "Noise" segment so as to ensure transparency in presenting the

performance and balance of the Airport of Zurich Noise Fund in particular ([note 20, Airport of Zurich Noise Fund](#)).

In all, Flughafen Zürich AG therefore has the following reportable segments:

→ **AVIATION**

The “Aviation” segment comprises the original infrastructure and services related to flight operations. It incorporates all the core services provided to airlines and passengers by Flughafen Zürich AG in its capacity as operator of Zurich Airport. These services include the runway system, most apron zones (including control activities), passenger zones in the terminals, freight operations, passenger handling and services, and safety. The main sources of revenue for the “Aviation” segment are passenger and landing charges. Revenue from third parties is determined by passenger volumes, flight volumes and the trend with respect to aircraft take-off weights.

→ **PRM**

The “PRM” (People with Reduced Mobility) segment combines the infrastructure and services related to implementing the regulation regarding the provision of support for passengers with reduced mobility. Revenue consists exclusively of the PRM charge.

→ **USER FEES**

The “User fees” segment comprises the central infrastructure, in particular the check-in areas and facilities, baggage sorting and handling system, aircraft power supply system, handling apron areas and the related services and fees.

→ **AIR SECURITY**

The “Air security” segment comprises the equipment and services that Flughafen Zürich AG is responsible for providing for air security (passenger and aircraft security measures). This includes all systems and their operation and maintenance designed to prevent actions of any kind that affect the security of commercial civil aviation, in particular facilities for checks on passengers, hand luggage, checked baggage and freight. The security charges levied per passenger are the main source of revenue for covering the costs of the “Air security” segment.

→ **ACCESS FEES**

The “Access fees” segment comprises the air security-related equipment and services that have to be provided in order to allow all persons other than passengers to access the airside areas. This includes all relevant systems and their operation and maintenance. It also includes airport policing duties such as surveillance patrols and other security-related duties. Revenue in the “Access fees” segment comes mainly from the fees for issuing airport badges.

→ **NOISE**

All revenue and expenses related to aircraft noise are reported separately in the “Noise” segment. A liquidity-based statement of noise-related data is presented in the notes to the consolidated financial statements ([note 20, Airport of Zurich Noise Fund](#)). This statement presents the accumulated surplus or shortfall as at the reporting date arising from noise charges determined on a costs-by-cause basis, less expenses for formal expropriations, sound insulation and resident protection measures, and operating costs.

→ **NON-REGULATED BUSINESS**

The “Non-regulated business” segment encompasses all activities relating to the development, marketing and operation of the commercial infrastructure at Zurich Airport. This includes all retail and restaurant/catering operations at the airport, revenue from rented premises and supplementary costs (energy supply, etc.), parking charges plus a broad range of commercial services provided by Flughafen Zürich AG.

PRINCIPLES OF SEGMENT REPORTING

For reporting purposes, each profit centre has been allocated to a segment. Any internal supplies and services that have been provided to other segments have been booked as inter-segment revenue or offset against costs. For example, the “Supplementary costs” profit centre is allocated to Non-regulated business and proportionate costs are charged to the Regulated business segments on a costs-by-cause basis. Support functions are also allocated to Non-regulated business and charged on accordingly.

Invested capital is allocated to the respective operating segments based, firstly, on the allocation of the individual assets in the fixed-asset ledger and, secondly, on the pro rata allocation of the remaining assets (buildings, engineering structures and net working capital) to the respective segments. Until projects in progress have been completed, they are allocated to the segment with the largest share of the project measured by value. The definitive allocation to segments takes place after the projects have been classified into the relevant asset categories.

The identified operating segments have not been aggregated.

ADDITIONAL DISCLOSURES IN ACCORDANCE WITH THE SWISS ORDINANCE ON AIRPORT CHARGES (OAC)

In accordance with Art. 34 OAC, 30% of the economic added value in the airside area of the airport not relevant to flight operations and the area of road vehicle parking is to be used in the form of a transfer payment to finance the costs in the “Aviation” segment. Pursuant to this rule, in financial year 2019, an amount of CHF 12.7 million (2018: CHF 14.5 million) was allocated to the “Aviation” segment and is reflected in the reported return on operating assets. Moreover, in accordance with Art. 45 OAC, the shortfall in the “Access fees” segment can be charged to the “Air security” segment.

Revenue from security charges is allocated in full to the “Security” segment and revenue from PRM charges to the “PRM” segment. All other flight operations charges (with the exception of aircraft noise charges) are allocated to the “Aviation” segment. A breakdown of revenue by charge type can be found in [note 2, Revenue](#).

ADDITIONAL DISCLOSURES

Flughafen Zürich AG primarily provides services within Switzerland. In financial year 2019, external consulting services totalling CHF 6.6 million (2018: CHF 6.0 million) were provided in Brazil and Chile. Flughafen Zürich AG's revenue with Lufthansa Group in the reportable segments amounted to CHF 445.3 million in the past financial year (2018: CHF 432.3 million).

2 REVENUE

(CHF 1,000)	2019	2018
Passenger charges	253,117	251,798
Security charges	176,860	175,685
PRM charges	15,730	15,554
Passenger-related flight operations charges	445,707	443,037
Landing charges	86,903	86,838
Aircraft-related noise charges	12,827	11,629
Emission charges	4,100	4,068
Parking charges	26,641	26,257
Freight revenue	8,352	8,919
Other flight operations charges	138,823	137,711
Total flight operations charges	584,530	580,748
Baggage sorting and handling system	43,489	43,500
De-icing	12,730	11,742
Check-in	5,726	5,900
Aircraft energy supply system	3,873	3,800
Other fees	6,181	6,148
Total aviation fees	71,999	71,090
Refund of security costs	2,070	1,961
Other revenue	2,852	2,868
Total other aviation revenue	4,922	4,829
Total aviation revenue	661,451	656,667
Retail, tax & duty-free	114,211	111,379
Food & beverage operations	20,129	18,900
Advertising media and promotion	18,185	18,137
Revenue from multi-storey car parks	82,617	81,462
Other commercial revenue (car rentals, taxis, banks, etc.)	17,557	18,427
Total commercial revenue	252,699	248,305
Revenue from rental and leasing agreements	91,708	89,994
Energy and utility cost allocation	23,740	21,959
Cleaning	4,896	4,712
Revenue from services	4,913	4,686
Total revenue from facility management	125,257	121,351
Communication services	15,969	15,436
Other services and miscellaneous	17,135	17,446
Catering	2,165	2,109
Fuel charges	8,869	8,707
Total revenue from services	44,138	43,698
Revenue from consulting activities	6,577	6,048
Other revenue from international business	36,612	36,130
Revenue from construction projects as part of concession arrangements	83,350	40,698
Total revenue from international business	126,539	82,876
Total non-aviation revenue	548,633	496,230
Total revenue	1,210,084	1,152,897

Presentation of revenue from contracts with customers (IFRS 15):

(CHF 1,000)	2019	2018
Flight operations charges	584,530	580,748
Aviation charges	71,999	71,090
Other aviation revenue	4,709	4,624
Total aviation revenue from contracts with customers (IFRS 15)	661,238	656,462
Aviation revenue (non IFRS 15)	213	205
Total aviation revenue	661,451	656,667
Commercial and parking revenue	83,132	81,738
Revenue from facility management	33,013	30,763
Revenue from services	42,665	42,238
Revenue from international business	126,539	82,876
Total non-aviation revenue from contracts with customers (IFRS 15)	285,349	237,615
Non-aviation revenue (non IFRS 15)	263,284	258,615
Total non-aviation revenue	548,633	496,230
Total revenue	1,210,084	1,152,897

3 PERSONNEL EXPENSES

(CHF 1,000)	2019	2018
Wages and salaries	162,632	158,551
Pension costs for defined benefit plans ¹⁾	19,898	21,617
Social security contributions	14,559	14,326
Other personnel expenses and employee benefits	19,242	16,989
Total personnel expenses	216,331	211,483
Average number of employees (full-time positions) ²⁾	1,833	1,735
Number of employees as at reporting date (full-time positions) ²⁾	1,909	1,757
Personnel expense per full-time position as at 31 December	113	120

1) See note 22, Employee benefits.

2) Including employees of all subsidiaries.

STAFF PARTICIPATION PROGRAMME

Flughafen Zürich AG gives those employees who have completed their first year of service a one-off gift in the form of one share free of charge. In the reporting period, 138 shares (2018: 140 shares) worth CHF 24,356 (2018: CHF 28,506) were handed out in this context.

BONUS PROGRAMME FOR MEMBERS OF THE MANAGEMENT BOARD AND OTHER MEMBERS OF MANAGEMENT

The total annual remuneration awarded to members of the Management Board and other members of management comprises a fixed salary and a variable performance component (bonus), which is based on the consolidated result. The criterion for measuring the consolidated result is earnings before interest and tax (EBIT) excluding noise-related factors, or the difference between targeted and achieved EBIT (excluding noise-related factors). The decision relating to the degree of achievement of the consolidated result is taken in the following financial year (grant date). Two thirds of the bonus is paid out in cash and one third in shares.

	2019	2018	2018 ¹⁾	Price per share ¹⁾
(Recipient)	(CHF 1,000)	(CHF 1,000)	(Number of shares)	(CHF)
Members of the Management Board	333	390	2,245	173.50
Other members of management	667	772	4,429	173.50
Adjustment of bonus accrued in the previous year ²⁾	-4	-36		
Total	996	1,126	6,674	

1) Shares distributed in the 2019 financial year under the bonus programme for the Management Board and other members of management (number and price per share) for the 2018 financial year.

2) In the subsequent period, the accrued bonus is adjusted through personnel expenses on the basis of the actual degree of achievement of the relevant profit figure.

The equity-settled portion of the bonus for financial year 2019 was calculated and accounted for on the basis of the data available as at the reporting date regarding the degree of achievement of the consolidated result. The number of shares to be granted cannot yet be established precisely at the reporting date, as that number is determined based on the quoted price as at the payment date (mid-April 2020). If the shares had been granted as at year-end, a total of 5,662 shares would have been distributed.

BONUS PROGRAMME FOR THE BOARD OF DIRECTORS

No bonus programme exists for members of the Board of Directors. Their remuneration comprises an annual lump sum plus payments for attending meetings.

OPTION PROGRAMME

No option programme exists at Flughafen Zürich AG.

4 OTHER OPERATING EXPENSES

(CHF 1,000)	2019	2018
Zurich Protection & Rescue Services	21,117	20,973
PRM costs (service costs of service providers)	12,241	12,111
Other operating costs	4,960	9,235
Insurance	3,641	3,599
Cleaning by external contractors, incl. snow clearing	3,322	3,200
Costs for own car park	2,091	2,116
Communication costs	2,020	2,138
Passenger services	1,450	1,382
Total other operating expenses	50,842	54,754

5 OTHER INCOME AND EXPENSES

(CHF 1,000)	2019	2018
Capitalised expenditure	15,264	14,450
Other income	1,920	1,020
Capitalised expenditure and other income	17,184	15,470
Expenses for construction projects as part of concession arrangements	-83,350	-40,698
Other expenses	-7,707	-63,841
Expenses for construction projects and other expenses	-91,057	-104,539

Capitalised expenditure of CHF 15.3 million (2018: CHF 14.5 million) primarily comprises fees for the company's architects and engineers as well as for project managers representing the client.

In the reporting period, "Other income" included a payment in connection with the liquidation of Swissair in debt restructuring proceedings.

The expenses of CHF –83.4 million (2018: CHF –40.7 million) for construction projects as part of concession arrangements are the result of investments in airport infrastructure in Brazil and Chile. The corresponding counter-item can be found under [note 2, Revenue](#).

In both the reporting period and the previous year, other expenses included losses on asset disposals and losses on receivables, among other items. In the previous year, this line item also contained the CHF 57.6 million increase in the provision for sound insulation and resident protection measures that was recognised in profit or loss (see [note 19, Provision for formal expropriations plus sound insulation and resident protection](#)).

6 FINANCE RESULT

(CHF 1,000)	2019	2018
Interest expenses on debentures and non-current loans	–10,473	–10,960
Net interest expenses on defined benefit obligations	–1,128	–796
Interest expenses on finance lease liabilities	–72	–135
Other interest expenses	–2,828	–1,375
Adjustments to fair value on financial assets of Airport of Zurich Noise Fund	0	–6,205
Present value adjustment on provision for formal expropriations plus sound insulation and resident protection	–5,423	–1,859
Present value adjustment on liabilities from concession arrangements	–2,676	–3,123
Foreign exchange losses	–909	0
Other finance costs	–4,103	–2,694
Total finance costs	–27,612	–27,147
Interest income on financial assets of Airport of Zurich Noise Fund	765	621
Adjustments to fair value on financial assets of Airport of Zurich Noise Fund	9,103	0
Other interest income	3,530	3,255
Foreign exchange gains	0	50
Other finance income	204	157
Total finance income	13,602	4,083
Finance result	–14,010	–23,064

Interest expenses on debentures and non-current loans were down slightly on the prior-year figure to CHF –10.5 million for the reporting period.

The expense for the present value adjustment on the provision for formal expropriations plus sound insulation and resident protection rose by CHF –3.6 million year on year to CHF –5.4 million. The expense for the present value adjustment on liabilities from concession arrangements, on the other hand, declined slightly.

Positive changes in value amounting to CHF 9.1 million were achieved on the financial assets of the Airport of Zurich Noise Fund (AZNF) held at fair value in the reporting period. In

the previous year, a negative change in value of CHF –6.2 million was incurred in this context. Interest income on the other assets of the AZNF rose slightly to CHF 0.8 million.

7 INCOME TAX

(CHF 1,000)	2019	2018
Taxes for current year	–82,288	–78,175
Taxes for prior years	2,647	94
Total current income tax	–79,641	–78,081
Deferred income tax on changes in temporary differences	2,228	16,788
Total deferred income tax	2,228	16,788
Total income tax	–77,413	–61,293

Income tax can be analysed as follows:

(CHF 1,000)	2019	2018
Profit before tax	386,558	–299,134
Tax expense based on the statutory tax rate of 20.4% applicable at the parent company (2018: 20.5%)	–78,774	–61,286
Prior-period adjustments	2,647	94
Effect of share of results of associates	20	124
Non deductible losses	–493	0
Current-year losses for which no deferred tax assets were recognised	–1,377	–1,122
Effect of application of different income tax rates	778	–404
Miscellaneous items	–214	1,301
Total income tax	–77,413	–61,293

8 PROPERTY, PLANT AND EQUIPMENT

(CHF million)	Land	Engineering structures	Buildings	Projects in progress	Movables	Leased assets	Total
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				194.7			194.7
Disposals		-3.6	-54.6		-16.3		-74.5
Transfers		50.6	59.9	-132.7	15.8		-6.4
Reclassification		-61.0	61.0				0.0
Foreign exchange differences			-0.1		-0.1		-0.2
Balance as at 31 December 2018	118.7	1,698.0	4,377.9	184.8	272.9	21.8	6,674.1
Balance as at 31 December 2018	118.7	1,698.0	4,377.9	184.8	272.9	21.8	6,674.1
Effect of initial application of IFRS 16						-21.8	-21.8
Balance as at 1 January 2019	118.7	1,698.0	4,377.9	184.8	272.9	0.0	6,652.3
Additions	10.3		210.4	233.9	0.5		455.1
Disposals		-36.8	-55.3		-14.2		-106.3
Transfers		12.1	75.0	-113.5	18.0		-8.4
Reclassification			-0.3		0.3		0.0
Foreign exchange differences					-0.1		-0.1
Balance as at 31 December 2019	129.0	1,673.3	4,607.7	305.2	277.4	0.0	6,992.6
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		-62.2	-150.7		-15.2	-1.4	-229.5
Disposals		3.5	53.7		15.6		72.8
Reclassification		40.9	-40.9				0.0
Balance as at 31 December 2018	0.0	-898.4	-2,936.5	0.0	-191.6	-19.4	-4,045.9
Balance as at 31 December 2018	0.0	-898.4	-2,936.5	0.0	-191.6	-19.4	-4,045.9
Effect of initial application of IFRS 16						19.4	19.4
Balance as at 1 January 2019	0.0	-898.4	-2,936.5	0.0	-191.6	0.0	-4,026.5
Additions		-59.4	-140.3		-16.1		-215.8
Disposals		36.4	54.2		13.8		104.4
Balance as at 31 December 2019	0.0	-921.4	-3,022.6	0.0	-193.9	0.0	-4,137.9
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				-0.7			-0.7
Disposals		0.8	0.1		0.3		1.2
Transfers			-0.7	0.7			0.0
Balance as at 31 December 2018	0.0	-10.1	-1.7	0.0	-0.4	0.0	-12.2
Additions				-0.2			-0.2
Disposals		0.8	0.2		0.2		1.2
Transfers			-0.2	0.2			0.0
Balance as at 31 December 2019	0.0	-9.3	-1.7	0.0	-0.2	0.0	-11.2
Net carrying amount as at 31 December 2018	118.7	789.5	1,439.7	184.8	80.9	2.4	2,616.0
Net carrying amount as at 31 December 2019	129.0	742.6	1,583.4	305.2	83.3	0.0	2,843.5

PROJECTS IN PROGRESS

In the past financial year, Flughafen Zürich AG invested CHF 233.9 million in projects in progress (2018: CHF 194.7 million). The biggest items comprise the following projects:

- Expansion and refurbishment of the baggage sorting system (CHF 50.2 million)
- Renovation of runway 28/10 (CHF 22.5 million)
- Upgrading of airfield power supply systems (CHF 19.6 million)

DEPRECIATION

Depreciation of property, plant and equipment totalling CHF –215.8 million was offset against government grants and subsidies recognised in the income statement in the amount of CHF 1.2 million.

IMPAIRMENT

On a yearly basis, Flughafen Zürich AG carries out a calculation at company level to determine whether there is any indication that property, plant and equipment and intangible assets (see [note 11, Intangible assets](#)) may be impaired. The calculation is based on the expected future free cash flows of Flughafen Zürich AG and various assumptions regarding future trends (e.g. passenger and traffic volumes, investments, the hub status of Zurich Airport and the discount rate). The calculation as at 31 December 2019 did not identify any indications of impairment.

9 RIGHT-OF-USE ASSETS

FLUGHAFEN ZÜRICH AG AS LESSEE

(CHF 1,000)	Technical installations	Real estate	Total right-of-use assets
Cost			
Balance as at 31 December 2018	0	0	0
Transfer of leased assets from property, plant and equipment	21,755	0	21,755
Effect of the initial application from IFRS 16	0	41,894	41,894
Balance as at 1 January 2019	21,755	41,894	63,649
Additions	0	45,403	45,403
Balance as at 31 December 2019	21,755	87,297	109,052
Depreciation, amortisation			
Balance as at 31. Dezember 2018	0	0	0
Transfer of leased assets from property, plant and equipment	–19,396	0	–19,396
Effect of the initial application from IFRS 16	0	0	0
Balance as at 1 January 2019	–19,396	0	–19,396
Additions	–1,423	–4,839	–6,262
Balance as at 31 December 2019	–20,819	–4,839	–25,658
Net carrying amount as at 31 December 2019	936	82,458	83,394

TECHNICAL INSTALLATIONS

In December 2001, Flughafen Zürich AG entered into a framework lease contract to finance the aircraft energy supply system (ESS). The ESS contract has a term of around 19 years

and expires on 31 July 2020. The contract does not contain any extension or termination options, and the leased asset will transfer to Flughafen Zürich AG at the end of the lease term without any further consideration.

REAL ESTATE

Flughafen Zürich AG has a right-of-use asset entitling it to use space in a building that is located on Flughafen Zürich AG's land and was constructed under a granted building right from 2005. Although its right to use the space ends on 31 January 2080, Flughafen Zürich AG has termination options, which have been taken into account. Had the termination options not been taken into account, additional liabilities of CHF 91.2 million (nominal amount) would arise in addition to the lease liabilities recognised as at 31 December 2019.

In financial year 2020, following the completion of the real estate project THE CIRCLE, Flughafen Zürich AG will move into new office premises for which the company has signed a 20-year lease (taking into account extension options) with the co-ownership structure THE CIRCLE.

Flughafen Zürich AG leases space that is subleased as car parking space. The average period of use is five years.

The following table shows the carrying amounts of the lease liabilities and the changes during the reporting period:

(CHF 1,000)	2019
Balance as at 1 January	-44,904
Additions	-45,403
Payments	5,797
Present value adjustment	-72
Balance as at 31 December	-84,582
of which current (payment within 1 year)	-6,163
of which non-current (payment from 1 year on)	-78,419

A detailed overview of the maturities of the lease liabilities can be found in [note 18, Financial liabilities](#).

In the reporting period, the following amounts were recognised in profit or loss in connection with leases:

(CHF 1,000)	2019
Depreciation charges for right-of-use assets	-6,262
Interest expense on lease liabilities	-72
Expense relating to short-term leases	-1,111
Total amount recognised for leases in profit or loss	-7,445

The total cash outflow for leases amounted to CHF 6.9 million in the reporting period. Future cash outflows for leases not yet commenced as at the reporting date amount to CHF 23.2 million.

FLUGHAFEN ZÜRICH AG AS LESSOR

The tenancy agreements entered into by Flughafen Zürich AG as lessor may be either fixed tenancy or turnover-based agreements:

FIXED TENANCY AGREEMENTS

Fixed tenancy agreements comprise in particular agreements for office, warehouse, archive and workshop premises. They are divided into limited-term and indefinite agreements, with the latter usually being subject to either six or twelve months' notice to be communicated in advance.

TURNOVER-BASED AGREEMENTS

Sales-based tenancy agreements primarily relate to commercial premises. These agreements between the parties generally comprise guaranteed basic rents plus turnover-based portions with a fixed term of five years and no other options. Moreover, some agreements involving basic rents and turnover-based portions exist as a function of passenger trends or prior-year sales.

Commercial revenue (retail, tax & duty free plus food & beverage) and revenue from facility management (rental and leasing agreements) contained conditional rental payments amounting to CHF 14.2 million in the reporting period (see also [note 2, Revenue](#)).

At the reporting date, minimum lease payments (fixed rents and guaranteed basic rents) under non-cancellable leases were as follows:

(CHF 1,000)	31.12.2019	31.12.2018
Due date up to 1 year	229,706	202,615
Due date from 1 to 5 years	774,776	675,995
Due date in more than 5 years	368,050	403,071
Total	1,372,532	1,281,681

10 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	95,387	95,387
Balance as at 31 December 2018	950	306,696	307,646
Balance as at 1 January 2019	950	306,696	307,646
Additions	0	125,823	125,823
Balance as at 31 December 2019	950	432,519	433,469
Depreciation, amortisation			
Balance as at 1 January 2018	0	-352	-352
Additions	0	-240	-240
Balance as at 31 December 2018	0	-592	-592
Balance as at 1 January 2019	0	-592	-592
Additions	0	-120	-120
Balance as at 31 December 2019	0	-712	-712
Net carrying amount as at 31 December 2018	950	306,104	307,054
Net carrying amount as at 31 December 2019	950	431,807	432,757

THE CIRCLE PROJECT

On 5 February 2015, Flughafen Zürich AG and Swiss Life AG notarised the purchase agreement for the share of land for THE CIRCLE and registered it for entry in the Land Register, thereby establishing the co-ownership structure between the two parties provided for in the financing agreements, in which Flughafen Zürich AG has a 51% interest and Swiss Life AG a 49% interest. Flughafen Zürich AG then transferred the project costs incurred for THE CIRCLE up until that date to the co-ownership structure.

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.

The share of THE CIRCLE property 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 for THE CIRCLE in the amount of approximately CHF 1.0 million represents the purchase cost of the share of the plot of land on which the project will be implemented. "Project and construction costs" in the amount of CHF 431.8 million (2018: CHF 306.1 million) include the share of the production costs capitalised to date.

The fair value of THE CIRCLE was CHF 530.9 million at the reporting date (2018: CHF 373.3 million). The value was calculated by an external expert using the discounted cash flow method (level 3). Under this method, the fair value is determined on the basis of the

total expected future net income (before tax, interest payments, depreciation and amortisation) discounted to the present date. A risk-adjusted discount rate is set depending on the risks and rewards and in line with market rates.

11 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	66,763	3,937
Disposals	-34,529	0	-2,142
Transfer	0	0	6,378
Foreign exchange differences	0	-13,382	-758
Balance as at 31 December 2018	154,029	130,475	92,377
Balance as at 1 January 2019	154,029	130,475	92,377
Additions	0	242,449	721
Disposals	-20,000	-211	-5,580
Transfer	0	-572	8,926
Reclassification	0	2,035	-2,035
Foreign exchange differences	0	-20,417	-295
Balance as at 31 December 2019	134,029	353,759	94,114
Depreciation, amortisation			
Balance as at 1 January 2018	-56,876	-1,901	-69,950
Additions	-3,416	-5,586	-6,804
Disposals	0	0	2,142
Foreign exchange differences	0	2,644	120
Balance as at 31 December 2018	-60,292	-4,843	-74,492
Balance as at 1 January 2019	-60,292	-4,843	-74,492
Additions	-2,892	-7,808	-6,935
Disposals	0	0	5,252
Transfer	0	0	0
Reclassification	0	-486	486
Foreign exchange differences	0	2,668	108
Balance as at 31 December 2019	-63,184	-10,469	-75,581
Net carrying amount as at 31 December 2018	93,737	125,632	17,885
Net carrying amount as at 31 December 2019	70,845	343,290	18,533

INTANGIBLE ASSET FROM RIGHT OF FORMAL EXPROPRIATION

With the award of the operating licence, Flughafen Zürich AG was also granted a right of formal expropriation in respect of property owners exposed to aircraft noise. This right of formal expropriation was granted on condition that the airport operator bears the costs associated with compensation payments and is recognised as an intangible asset at the date when the probable total cost can be estimated based on final-instance court rulings, so that the cost can be reliably estimated in accordance with IAS 38.21.

On 22 November 2019, the Swiss Federal Supreme Court handed down a ruling in test cases regarding the period of limitation on claims for compensation in Oberglatt. This Swiss Federal Supreme Court ruling and other fundamental issues that have been decided 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 350.0 million to CHF 330.0 million, enabling the provision for formal expropriations to be reduced by CHF 20.0 million as at 31 December 2019 (see [note 19, 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.

In the previous year, based on Swiss Federal Supreme Court rulings in test cases regarding cooperative ownership, the company was likewise able to undertake a reappraisal of the outstanding cost of compensation for formal expropriations and reduce both the provision for formal expropriations and the intangible asset from the right of formal expropriation by CHF 34.5 million.

As at 31 December 2019, Flughafen Zürich AG has therefore recognised an intangible asset from the right of formal expropriation in the amount of CHF 70.8 million (2018: CHF 93.7 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 343.3 million (2018: CHF 125.6 million) consist of 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 34.3 million; 2018: CHF 30.4 million), in which Flughafen Zürich AG holds a controlling interest via its subsidiary A-port Chile S.A., the expansion and operation of the Brazilian airport in Florianópolis (CHF 178.3 million; 2018: CHF 95.2 million) through the subsidiary Concessionária do Aeroporto Internacional de Florianópolis S.A. and the expansion and operation of the Brazilian airports in Vitória and Macaé (CHF 130.7 million; 2018: CHF 0.0 million) through the subsidiary Aeroportos do Sudeste do Brasil S.A. The obligations of CHF 26.3 million (2018: CHF 26.1 million) relating to the corresponding concessions have been recognised as current and non-current liabilities (see [note 18, Financial liabilities](#)).

IMPAIRMENT

On a yearly basis, Flughafen Zürich AG carries out a calculation at company level to determine whether there is any indication that property, plant and equipment (see [note 8, Property, plant and equipment](#)) and intangible assets may be impaired. The calculation is based on the expected future free cash flows of Flughafen Zürich AG and various assumptions regarding future trends (e.g. passenger and traffic volumes, investments, the hub status of Zurich Airport and the discount rate). The calculation as at 31 December 2019 did not identify any indications of impairment.

12 INVESTMENTS IN ASSOCIATES

(CHF 1,000)	31.12.2019	31.12.2018
Sociedade de Participação no Aeroporto de Confins S.A., Belo Horizonte (Brazil)		
Share capital: BRL 474 million (previous year BRL 474 million) / Equity share 25.0% (previous year 25.0%)	9,270	12,323
Administradora Uniqne IDC C.A., Porlamar (Venezuela)		
Share capital: VEB 25 million (previous year VEB 25 million) / Equity share 49.5% (previous year 49.5 %)	0	0
Aeropuertos Asociados de Venezuela C.A., Porlamar (Venezuela)		
Share capital: VEB 10 million (previous year VEB 10 million) / Equity share 49.5% (previous year 49.5 %)	0	0
Total investments in associates	9,270	12,323

BRAZIL

Alongside Brazilian company CCR, Flughafen Zürich AG holds a 25% interest in Sociedade de Participação no Aeroporto de Confins S.A., a private consortium which in turn controls 51% of the local airport operator Concessionária no Aeroporto Internacional de Confins S. A. The remaining 49% of the shares are held by the state-owned Infraero. As a consequence, since 2014 Flughafen Zürich AG and CCR have been responsible for the operation and expansion of the international airport in Belo Horizonte in the Brazilian state of Minas Gerais. The concession agreement is for 30 years and prescribes certain infrastructure expansion. After just 14 months' construction time, a new terminal was put into operation in 2016. There is an Operations, Management & Service Agreement (OMSA) with the licence holder. The company receives revenue from this service agreement. Flughafen Zürich AG appoints the flight operations manager.

VENEZUELA

In 2010, Flughafen Zürich AG and its consortium partner Unique IDC turned to the International Centre for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the investment protection treaty between Venezuela, Switzerland and Chile. The ICSID reached its decision in November 2014, requiring the Bolivarian Republic of Venezuela to reimburse the consortium the costs incurred for the proceedings and project plus a compensation payment of around USD 19.5 million as well as interest incurred up until receipt of payment (around USD 24.7 million accrued as at 31 December 2019). Flughafen Zürich AG is entitled to 50% of the total amount of the payments. Prior to the deadline set for 18 March 2015, Venezuela appealed to the ICSID to set aside the tribunal's decision on the grounds of an infringement of procedural rules. On 15 April 2019, the ICSID ad hoc committee rejected the application for annulment in full. This means that the tribunal's decision is definitive and final. The value of this holding has been fully impaired.

ADDITIONAL DISCLOSURES

The following table contains the summarised financial information for the associate Sociedade de Participação no Aeroporto de Confins S.A. The amounts correspond to those in the associate's financial statements prepared in accordance with IFRSs.

SOCIEDADE DE PARTICIPAÇÃO NO AEROPORTO DE CONFINS S. A.

(CHF 1,000)	31.12.2019	31.12.2018
Revenue	95,922	96,299
Loss	-10,193	-17,316
Comprehensive income	-10,193	-17,316
Non-current assets	565,553	607,805
Current assets	27,479	31,669
Non-current liabilities	-479,506	-498,857
Current liabilities	-40,898	-44,089
Equity attributable to non-controlling interests	-35,548	-47,238
Net equity	37,080	49,290
Equity share	25.0%	25.0%
Carrying amount of interest in associate	9,270	12,323

13 FINANCIAL ASSETS OF THE AIRPORT OF ZURICH NOISE FUND

(CHF 1,000)	31.12.2019	31.12.2018
Current financial assets of Airport of Zurich Noise Fund	17,376	21,967
Non-current financial assets of Airport of Zurich Noise Fund	394,428	377,241
Total financial assets of Airport of Zurich Noise Fund	411,804	399,208

The financial assets of the Airport of Zurich Noise Fund consist mostly of CHF-denominated bonds and a mixed investment fund. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund and averages around four years. In 2019, interest on bonds was unchanged year on year at between 0.00% and 2.625%. The funds are managed by professional financial institutions (see [note 6, Finance result](#), and [note 24.1 a\) Financial risk management, i\) Credit risk](#)).

14 TRADE RECEIVABLES

(CHF 1,000)	31.12.2019	31.12.2018
Trade receivables, gross ¹⁾	112,805	102,610
Allowance for expected credit loss	-616	-586
Trade receivables, net	112,189	102,024

1) Trade receivables include an amount of CHF 18.8 million due from Swiss (2018: CHF 21.8 million). In the period between the balance sheet date and the preparation of the 2019 annual report, Swiss had paid the outstanding amount arising from airport charges in full as at 31 December 2019.

Geographical distribution of trade receivables:

(CHF 1,000)	31.12.2019	31.12.2018
Switzerland	50,513	35,013
Europe	4,356	9,110
Other	809	7,670
Total aviation	55,678	51,793
Switzerland	52,545	44,918
Europe	110	67
Latin America	4,377	5,785
Other	95	47
Total non-aviation	57,127	50,817
Total trade receivables, gross	112,805	102,610

Expected credit losses on trade receivables are as follows for the reporting period and the previous year:

(CHF 1,000)	31.12.2019				
	Not past due	Past due, 0 to 30 days	Past due, 31 to 60 days	Past due, more than 60 days	Total
Expected credit loss rate (in %)	0.3	1.5	3.0	5.0	
Trade receivables, gross	94,505	14,754	1,499	2,047	112,805
Expected credit loss	-247	-221	-46	-102	-616

(CHF 1,000)	31.12.2018				
	Not past due	Past due, 0 to 30 days	Past due, 31 to 60 days	Past due, more than 60 days	Total
Expected credit loss rate (in %)	0.3	1.5	2.5	5.0	
Trade receivables, gross	88,039	9,683	2,050	2,838	102,610
Expected credit loss	-248	-145	-51	-142	-586

In almost all cases, receivables not past due concern long-standing client relationships. Based on past experience, Flughafen Zürich AG does not expect any additional credit losses.

15 OTHER RECEIVABLES AND PREPAID EXPENSES

(CHF 1,000)	31.12.2019	31.12.2018
Services not yet invoiced	21,388	14,686
Accrued interest on interest-bearing debt instruments Airport of Zurich Noise Fund	406	380
Prepaid services	24,888	61,712
Prepaid expenses and accruals	46,682	76,778
Tax receivables (VAT and withholding tax)	25,655	11,812
Other receivables	1,281	627
Total other receivables and prepaid expenses	73,618	89,217
of which financial instruments	21,794	15,066
of which other receivables and prepaid expenses	51,824	74,151

The interest from the liquid funds of the Airport of Zurich Noise Fund that were invested separately (see also [note 13, Financial assets of the Airport of Zurich Noise Fund](#) and [note 20, Airport of Zurich Noise Fund](#)), was recognised on an accrual basis.

All services provided in the reporting period were invoiced between the reporting date and the preparation of the annual report. There are no past due receivables reported in the above items that would require the recognition of an allowance.

16 CASH AND CASH EQUIVALENTS AND FIXED-TERM DEPOSITS

(CHF 1,000)	31.12.2019		31.12.2018	
	Total	of which AZNF	Total	of which AZNF
Cash on hand	120	0	213	0
Cash at banks and in postal accounts	115,845	18,092	273,288	34,242
Fixed-term deposits ¹⁾	16,463	0	122,371	0
Total cash and cash equivalents	132,428	18,092	395,872	34,242
Current fixed-term deposits ²⁾	37,500	0	149,167	0
Non-current fixed-term deposits ²⁾	636	0	37,500	0
Total fixed-term deposits	38,136	0	186,667	0

1) Due within 90 days from date of acquisition.

2) Due after 90 days from date of acquisition.

17 EQUITY AND RESERVES

(Number of shares)	Issued registered shares (nominal value, CHF 10)	Treasury shares	Total shares in circulation
Balance as at 1 January 2018	30,701,875	2,094	30,699,781
Purchase of treasury shares		5,185	-5,185
Distribution of treasury shares to employees and third parties		-5,624	5,624
Balance as at 31 December 2018	30,701,875	1,655	30,700,220
Purchase of treasury shares		8,290	-8,290
Distribution of treasury shares to employees and third parties		-6,812	6,812
Balance as at 31 December 2019	30,701,875	3,133	30,698,742

SHARE RIGHTS

The holders of registered shares are entitled to participate at the General Meeting of Shareholders and cast one vote per share.

TREASURY SHARES

Treasury shares are distributed to employees and third parties under the bonus programme; see [note 3, Personnel expenses](#), and [note 24.4, Related parties](#). Treasury shares are used for the bonus programme and are held as treasury stock.

TRANSLATION RESERVE

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations and associates.

EARNINGS PER SHARE

Basic and diluted earnings per share are calculated from the results and share data as at 31 December, which are composed as follows:

	2019	2018
Profit attributable to shareholders of Flughafen Zürich AG in CHF	309,135,090	237,832,160
Weighted average number of outstanding shares	30,690,962	30,691,512
Effect of dilutive shares	7,808	8,873
Adjusted weighted average number of outstanding shares	30,698,770	30,700,385
Basic earnings per share (CHF)	10.07	7.75
Diluted earnings per share (CHF)	10.07	7.75

DIVIDEND DISTRIBUTION LIMIT

The amount available for payment as a dividend is based on the available retained earnings of Flughafen Zürich AG and is determined in accordance with the provisions of the Swiss Code of Obligations (CO). As at the reporting date, reserves amounting to CHF 154.1 million (2018: CHF 153.9 million) were subject to a restriction on distribution under the provisions of commercial law.

MAJOR SHAREHOLDERS AND SHAREHOLDER STRUCTURE

The shareholder structure as at 31 December was as follows:

	2019	2018
Public sector	38.60%	38.60%
Private individuals	6.90%	6.50%
Companies	5.30%	4.60%
Pension funds	2.30%	2.09%
Financial institutions (including nominees)	22.00%	25.78%
Balance available and non-registered shareholders	24.90%	22.43%
Total	100.00%	100.00%
Number of shareholders	13,922	13,592

As at the reporting date, the following shareholders or groups of shareholders held at least 5% of the voting rights:

	2019	2018
Canton of Zurich	33.33%	33.33%
City of Zurich	5.00%	5.00%

18 FINANCIAL LIABILITIES

(CHF 1,000)	31.12.2019	31.12.2018
Debentures	750,416	1,050,244
Non-current liabilities from concession arrangements	25,256	25,711
Non-current lease liabilities	78,419	1,655
Other non-current financial liabilities	105,277	7,860
Non-current financial liabilities	959,368	1,085,470
Debentures	299,938	38,204
Current liabilities from concession arrangements	1,068	438
Current lease liabilities	6,163	1,355
Other current financial liabilities	44,383	2,660
Current financial liabilities	351,552	42,657
Total financial liabilities	1,310,920	1,128,127

The CHF 300.0 million debenture maturing in July 2020 was reclassified out of non-current and into current financial liabilities.

In connection with the initial application of IFRS 16, lease liabilities rose by CHF 41.9 million as at 1 January 2019 (see [Changes in accounting policies, IFRS 16 Leases](#)).

Other current and non-current financial liabilities primarily include bank loans taken out by the subsidiaries in Brazil and Chile. The year-on-year increase is due in particular to the expansion of the airport in Florianópolis being partly debt-financed.

Composition of non-current financial liabilities as at the reporting date:

Financial liabilities	as at 31.12.2019	as at 31.12.2019	Duration	Interest rate	Early amortisation	Interest payment date
	Nominal value	Carrying amount				
	(CHF 1,000)	(CHF 1,000)				
Debenture	400,000	399,839	2013 – 2023	1.500%	no	17.4.
Debenture	350,000	350,577	2017 – 2019	0.625%	no	24.5.
Non-current liabilities from concession arrangements	47,390	25,256	until 2047	n/a	no	n/a
Non-current lease liabilities	78,419	78,419	until 2039	0.000%	no	n/a
Other non-current financial liabilities	105,277	105,277	until 2042	3.900 – 5.500%	no	n/a
Total non-current financial liabilities		959,368				

External financing is subject to standard guarantees and covenants, which were complied with as at the reporting date.

In addition, unused credit facilities at the reporting date amounted to a total of CHF 224.1 million (see [note 24.1 a\) Financial risk management](#), ii) [Liquidity risk](#)).

The maturities of financial liabilities are shown in the table below:

(CHF 1,000)	31.12.2019	31.12.2018
Due within 1 year	351,552	42,657
Due between 1 and 5 years	468,852	701,497
Due in more than 5 years	490,516	383,973
Total financial liabilities	1,310,920	1,128,127

Financial liabilities changed as follows as a result of cash and non-cash changes:

(CHF 1,000)	31.12.2018	Cash flows	Non-cash changes			31.12.2019
			Initial application IFRS 16	Increase(+) / decrease(-)	Foreign exchange movements	
Debentures	1,050,244	0	0	-299,828	0	750,416
Non-current liabilities from concession arrangements	25,711	0	0	1,194	-1,649	25,256
Non-current lease liabilities	1,655	0	38,063	38,701	0	78,419
Other non-current financial liabilities	7,860	108,344	0	-5,162	-5,765	105,277
Non-current financial liabilities	1,085,470	108,344	38,063	-265,095	-7,414	959,368
Debentures	38,204	-38,204	0	299,938	0	299,938
Current liabilities from concession arrangements	438	0	0	733	-103	1,068
Current lease liabilities	1,355	-5,797	3,831	6,774	0	6,163
Other current financial liabilities	2,660	40,000	0	2,052	-329	44,383
Current financial liabilities	42,657	-4,001	3,831	309,497	-432	351,552
Total financial liabilities	1,128,127	104,343	41,894	44,402	-7,846	1,310,920

OVERVIEW OF LEASE LIABILITIES

The lease liabilities shown below include the leases listed in [note 9, Right-of-use assets](#).

With the exception of the lease for the aircraft energy supply system (ESS), the interest rate on the future lease liabilities is 0.0%. The interest rate for the ESS lease, which expires on 31 July 2020, is 3.476%.

(CHF 1,000)	31.12.2019	31.12.2018
Future minimum lease payments		
Due within 1 year	6,175	1,887
Due between 1 and 5 years	25,271	1,207
Due in more than 5 years	53,148	0
Total future minimum lease payments	84,594	3,094
Future interest payments	-12	-84
Present value of lease liabilities	84,582	3,010
Due within 1 year	6,163	1,815
Due between 1 and 5 years	25,271	1,195
Due in more than 5 years	53,148	0

19 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
Provision used ¹⁾	-8,263	-12,617	-20,880
Release of provision	-34,529	0	-34,529
Increase of provision	0	57,556	57,556
Present value adjustment ²⁾	1,352	507	1,859
Balance as at 31 December 2018	275,183	148,170	423,353
of which current (planned payment within 1 year)	21,273	9,983	31,256
of which non-current (planned payment from 1 year on)	253,910	138,187	392,097
Balance as at 1 January 2019	275,183	148,170	423,353
Provision used ¹⁾	-9,771	-11,498	-21,269
Release of provision	-20,000	0	-20,000
Increase of provision	0	0	0
Present value adjustment ²⁾	2,667	2,756	5,423
Balance as at 31 December 2019	248,079	139,428	387,507
of which current (planned payment within 1 year)	12,981	14,502	27,483
of which non-current (planned payment from 1 year on)	235,098	124,926	360,024

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 (see note 20, Airport of Zurich Noise Fund).

2) In the year under review as well as in the previous year, a reassessment was made of the discount rates and the expected cash outflows.

PROVISION FOR FORMAL EXPROPRIATIONS

On 22 November 2019, the Swiss Federal Supreme Court handed down a ruling in test cases regarding the period of limitation on claims for compensation in Oberglatt. This Swiss Federal Supreme Court ruling and other fundamental issues that have been decided 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 350.0 million to CHF 330.0 million, enabling the provision for formal expropriations to be reduced by CHF 20.0 million as at 31 December 2019. At the same time, the intangible asset from the right of formal expropriation was reduced by the same amount (see [note 11, Intangible assets](#)).

In the previous year, based on Swiss Federal Supreme Court rulings in test cases regarding cooperative ownership, the company was likewise able to undertake a reappraisal of the outstanding cost of compensation for formal expropriations and reduce both the provision for formal expropriations and the intangible asset from the right of formal expropriation by CHF 34.5 million.

As at the reporting date, the estimated costs for formal expropriations amounted to CHF 330.0 million, of which CHF 81.9 million had already been paid out at that date. In the consolidated financial statements for the period ended 31 December 2019, a provision was recognised at present value for the outstanding costs of CHF 248.1 million (nominal amount). As the interest rate used to adjust the present value of the nominal payment flows was 0.00% at the reporting date (2018: 0.25%) due to the further fall in interest rates, the present value is the nominal amount. It is expected that the payments can be completed by the end of 2030 (previously 2025).

PROVISION FOR SOUND INSULATION AND RESIDENT PROTECTION

The company is also required to implement sound insulation measures in the area where it claims exemptions from noise limits (emission limit). In this context, the FOCA 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 was extended. In this context in the previous year, Flughafen Zürich AG recognised a provision for further costs of CHF 60.0 million, with a present value of CHF 57.6 million, in addition to the cost of CHF 340.0 million previously estimated for sound insulation and resident protection (see [note 5, 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, of which CHF 260.6 million had already been paid out at that date. In the consolidated financial statements for the period ended 31 December 2019, a provision was recognised at present value for the outstanding costs of CHF 139.4 million (nominal amount). As the interest rate used to adjust the present value of the nominal payment flows was 0.00% at the reporting date (2018: 0.35%) due to the further fall in interest rates, the present value is the nominal amount. It is expected that the payments can be completed by the end of 2030.

20 AIRPORT OF ZÜRICH NOISE FUND

Flughafen Zürich AG refinances all costs relating to aircraft noise through special noise charges based on the “costs-by-cause” principle. In the interest of transparency, costs and income relating to aircraft noise are recognised in a special statement for the Airport of Zurich Noise Fund. This is a liquidity-based fund statement. The fund statement presents the accumulated surplus or shortfall as at the reporting date arising from noise charges, less expenses for formal expropriations, sound insulation and resident protection measures, and noise-related operating costs. Its presentation is independent of the accounting policies. The key figures from the fund statement are shown in the table below.

If the fund statement shows an accumulated income surplus, this surplus is moved to a special investment account and invested by professional financial institutions, partly on the basis of a conservative, money market-oriented investment strategy and partly in a mixed investment fund. The income from these investments is credited to the fund statement.

The detailed fund statement is disclosed to a committee comprising representatives of Zurich Airport customers and the relevant authorities. The regulations of the Airport of Zurich Noise Fund and other information (including an overview of its financial performance) can be downloaded from the [website](#).

The balance on the Airport of Zurich Noise Fund changed as follows in the reporting period:

(CHF 1,000)	2019	2018
Airport of Zurich Noise Fund as at 1 January	425,405	443,505
Revenue from noise charges	12,733	11,945
Costs for sound insulation and resident protection	-11,498	-12,617
Costs for formal expropriations ¹⁾	-10,130	-8,629
Balance before operating costs and finance result	416,510	434,204
Operating costs	-3,469	-3,402
Interest income and adjustments to fair value financial assets Airport of Zurich Noise Fund	9,841	-5,397
Airport of Zurich Noise Fund as at 31 December	422,882	425,405

1) In addition to compensation payments for formal expropriations, this amount includes other associated external costs (in accordance with regulations of the Airport of Zurich Noise Fund; see note 19, "Provision for formal expropriations plus sound insulation and resident protection").

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

(CHF 1,000)	31.12.2019	31.12.2018
Cash equivalents (see note 16, "Cash and cash equivalents")	18,092	34,242
Current financial assets of Airport of Zurich Noise Fund	17,376	21,967
Non-current financial assets of Airport of Zurich Noise Fund	394,428	377,241
Accrual / deferral towards Flughafen Zürich AG ¹⁾	-7,014	-8,045
Total assets invested for Airport of Zurich Noise Fund	422,882	425,405

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.

The table below presents an overview of the maturities and credit ratings of the assets invested for the Airport of Zurich Noise Fund:

(CHF 1,000)	2020	2021	2022	2023	2024ff.	Total
Cash and cash equivalents	18,092					18,092
AAA	13,622	44,160	15,000	29,066	55,667	157,515
AA+ / AA / AA-	1,800		5,016	18,010	30,701	55,527
A+ / A / A-		3,900	25,030	12,982	50,847	92,759
BBB+ / BBB / BBB-	1,504					1,504
Without rating					104,499	104,499
Other ¹⁾	-7,014					-7,014
Total assets invested for Airport of Zurich Noise Fund	28,004	48,060	45,046	60,058	241,714	422,882
in %	6.6	11.4	10.6	14.2	57.2	100.00

1) For accounting reasons, an accrual (deferral) 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.

21 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 anticipates a tax rate of 20.4% for the reporting period (2018: 20.5%). The expected tax rate is calculated on the basis of the applicable rate (rounded up or down) at the domicile of Flughafen Zürich AG and its subsidiaries.

The balance of deferred tax assets and liabilities changed as follows:

(CHF 1,000)	2019	2018
Deferred tax assets and liabilities, net as at 1 January	-42,334	-61,687
Deferred taxes on remeasurement of defined benefit obligations, recognised in OCI	6,212	2,617
Change according to income statement	2,228	16,788
Foreign exchange differences	-139	-52
Deferred tax assets and liabilities, net as at 31 December	-34,033	-42,334
of which deferred tax assets	2,121	1,950
of which deferred tax liabilities	-36,154	-44,284

Deferred tax assets and liabilities are allocated to the following items:

	31.12.2019		31.12.2018	
(CHF 1,000)	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment & other intangible assets		-12,169		-15,011
Investments in associates and other financial assets		0		-1,321
Renovation fund		-36,495		-35,588
Aircraft noise		-26,266		-24,224
Financial liabilities issuing costs	72		50	
Employee benefit obligations	38,757		31,848	
Miscellaneous items	2,121	-53	1,950	-38
Deferred tax assets and liabilities, gross	40,950	-74,983	33,848	-76,182
Offsetting of assets and liabilities	-38,829	38,829	-31,898	31,898
Deferred tax assets and liabilities, net	2,121	-36,154	1,950	-44,284

22 EMPLOYEE BENEFITS

(CHF 1,000)	31.12.2019	31.12.2018
Net defined benefit obligations	-177,007	-143,466
Other long-term employee benefits	-13,197	-11,889
Employee benefit obligations	-190,204	-155,355

22.1 POST-EMPLOYMENT BENEFITS

Flughafen Zürich AG maintains the following employee benefit plans:

A) DEFINED BENEFIT PLANS

Affiliation contract with the BVK Employee Pension Fund of the Canton of Zurich (BVK)

The employees of Flughafen Zürich AG are affiliated to the BVK (Employee Pension Fund of the Canton of Zurich). The BVK is a multi-employer plan for employees of the Canton of Zurich and other employers. The BVK is registered with the Pensions and Trusts Supervisory Authority of the Canton of Zurich and is monitored by the latter.

The BVK Foundation Board, comprising nine employer and nine employee representatives, is the senior executive body of the Foundation and thus responsible for the strategic objectives and principles and for monitoring its management. The management is responsible for implementing legal requirements and the instructions given by the Foundation Board and its committees.

The BVK is subject to the provisions of the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG) and its implementing provisions. The BVG defines the minimum insured salary, the minimum retirement credits and the return on them, and the conversion rate. As a result of these statutory provisions and the features of the plan, Flughafen Zürich AG, as an employer affiliated to the BVK, is exposed to actuarial risks such as investment risk, interest rate risk, disability risk and the risk of longevity.

Moreover, in accordance with the statutory provisions, the management body of the pension fund is also responsible for ensuring that restructuring measures are decided and implemented in the event of a shortfall, so that complete cover for future pension benefits is restored within a reasonable period. Among other things this includes restructuring payments in the form of additional contributions.

According to the applicable Swiss accounting regulations (Art. 44 BVV2), the liabilities of the BVK were funded at an (unaudited) level of 100.5% as at 31 December 2019 (2018: 95.1%).

Employees of Flughafen Zürich AG are insured with the BVK against the risks of old age, death and disability. The retirement benefits are determined on the basis of the individual retirement savings accounts at the time of retirement and are calculated by multiplying the balance of the savings account by the conversion rate stipulated in the regulations. The statutory retirement age is 65. Early retirement with a reduced conversion rate is possible as of the time the employee turns 60. Flughafen Zürich AG pays age-related contributions for all insured persons of between 6.0% and 17.4% of the insured salary and risk contributions of 1.2%. Up to the age of 20, only the risk contribution is incurred.

The assets originate from the BVK benefit plans. The investment strategy is defined by the BVK Foundation Board, based on the proposals and recommendations of the Board's own investment committee, which in particular is responsible for managing the BVK's assets. It prepares all the investment-related decisions taken by the Foundation Board and manages and supervises their implementation by the management. In addition, it is supported in the monitoring of the investment strategy and the investment process by an external investment controller.

The investment strategy (asset allocation) ranges within tactical bandwidths so as to enable a flexible response to current market situations. The aim is to manage the capital investments effectively and efficiently. The assets are well diversified. Compliance with the investment guidelines and the investment results are reviewed periodically.

Because the BVK, as a multi-employer plan, does not prepare separate financial statements for Flughafen Zürich AG, the company is also liable for liabilities of other affiliated employers, in accordance with the statutory provisions.

Explanation of the amounts in the consolidated financial statements

The actuarial calculation of the defined benefit obligations as at 31 December 2019 and the service cost was performed by independent actuaries using the projected unit credit method. The fair value of the plan assets was determined as at 31 December 2019 based on the information available at the date of preparation of the annual financial statements.

As no separate information was available for the affiliation contract with Flughafen Zürich AG for the plan assets or for the breakdown of assets into asset classes at the reporting date, assumptions had to be made on the basis of the available information for these purposes.

The net defined benefit obligations recognised in the balance sheet at the reporting date are as follows:

(CHF 1,000)	31.12.2019	31.12.2018
Present value of funded defined benefit obligations	-746,572	-652,069
Fair value of plan assets	569,565	508,603
Net defined benefit obligations recognised in the balance sheet	-177,007	-143,466

The defined benefit obligations changed as follows:

(CHF 1,000)	2019	2018
Present value of defined benefit obligations as at 1 January	-652,069	-642,408
Current service costs	-19,877	-21,379
Interest expenses on defined benefit obligations	-5,121	-4,089
Employee contributions	-12,034	-11,504
Benefits paid	20,594	30,674
Gain / (loss) due to experience	-9,323	-16,181
Gain / (loss) due to financial assumption changes	-68,742	12,818
Present value of defined benefit obligations as at 31 December	-746,572	-652,069

The weighted average duration of the defined benefit obligations at 31 December 2019 was 18.1 years (2018: 17.0 years).

The plan assets changed as follows:

(CHF 1,000)	2019	2018
Fair value of plan assets as at 1 January	508,603	516,848
Employer contributions	18,009	17,198
Employee contributions	12,034	11,504
Benefits paid	-20,594	-30,674
Administration expenses	-21	-238
Interest income on plan assets	4,083	3,364
Return on plan assets excluding amounts included in interest income	47,451	-9,399
Fair value of plan assets as at 31 December	569,565	508,603

The net defined benefit obligations changed as follows:

(CHF 1,000)	2019	2018
Net defined benefit obligations as at 1 January	-143,466	-125,560
Total charge recognised in the income statement	-20,936	-22,342
Total remeasurements recognised in other comprehensive income	-30,614	-12,762
Employer contributions	18,009	17,198
Net defined benefit obligations as at 31 December	-177,007	-143,466

The company expects employer contributions of CHF 19.8 million for financial year 2020.

Analysis of the amounts recognised in the income statement:

(CHF 1,000)	2019	2018
Current service cost	-19,877	-21,379
Net interest expenses on defined benefit obligations	-1,038	-725
Administration expenses	-21	-238
Total charge recognised in the income statement	-20,936	-22,342

Analysis of the amounts recognised in other comprehensive income:

(CHF 1,000)	2019	2018
Actuarial gains / (losses) due to experience	-9,323	-16,181
Actuarial gains / (losses) due to changes in financial assumptions	-68,742	12,818
Return on plan assets excluding amounts included in net interest	47,451	-9,399
Total remeasurements recognised in other comprehensive income	-30,614	-12,762

Assumptions used in actuarial calculations:

(in % or years)	2019	2018
Discount rate as at 31 December	0.20	0.80
Consumer price inflation	0.75	0.75
Expected rate of salary increases (incl. inflation)	1.50	1.50
Expected rate of pension increases	0.00	0.00
Interest rate on retirement savings accounts	1.00	1.00
Life expectations at age 65 (years):		
Female (aged 45)	26.4	25.7
Female (aged 64)	24.7	23.8
Male (aged 45)	24.4	23.7
Male (aged 65)	22.6	21.8

The discount rate is based on CHF-denominated corporate bonds with an AA rating issued by domestic and foreign issuers and listed on SIX Swiss Exchange. The future rate of salary increase is the long-term historical average adjusted for management's current estimates for the future. Based on the current financial status of the pension fund, no future increases in pensions are anticipated.

As at 31 December 2019, the life expectancy assumption was calculated by projecting future longevity improvements in accordance with the Continuous Mortality Investigation 2016 model (CMI model), based on historically observed longevity improvements in Switzerland and a future long-term improvement rate of 1.50%.

Breakdown of plan assets by asset class:

(in %)	31.12.2019	31.12.2018
Asset category:		
Cash and cash equivalents	2.0	4.7
Shares	33.0	33.3
Bonds	37.0	36.8
Property	18.0	17.0
Other	10.0	8.2
Total	100.0	100.0

Sensitivities

The discount rate, the assumption regarding future salary increases and the return on retirement savings accounts are the significant actuarial assumptions in calculating the present value of the defined benefit obligations. A change in the assumptions of +0.25% or – 0.25% has the following impact on the present value of the defined benefit obligations (DBO):

(CHF 1,000)	2019 Effect on DBO		2018 Effect on DBO	
	+0.25%	–0.25%	+0.25%	–0.25%
Discount rate	–29,863	32,849	–24,127	26,083
Expected salary increases	2,240	–2,240	1,956	–1,304
Interest rate on retirement savings accounts	3,733	–1,493	1,956	–1,304

The above sensitivity calculations are based on one assumption changing while the others remain unchanged. In practice, however, there are certain correlations between the individual assumptions. The same method was used to calculate the sensitivities and the defined benefit obligations recognised at the reporting date.

B) DEFINED CONTRIBUTION PLAN

An agreement exists with Zurich Insurance Company offering benefits to the pensioners of the former Flughafen-Immobilien-Gesellschaft (FIG). This group of beneficiaries did not transfer to the BVK. This is a defined contribution plan which is fully funded. Zurich Insurance Company is responsible for providing all future benefits.

22.2 OTHER LONG-TERM EMPLOYEE BENEFITS

Flughafen Zürich AG pays its employees loyalty bonuses on the basis of years of service, in accordance with the employment regulations of 1 January 2016. The corresponding provision of CHF 13.2 million (2018: CHF 11.9 million) was calculated based on the number of accumulated years of service which, at the reporting date, was 9.6 years (2018: 9.3 years).

23 OTHER CURRENT LIABILITIES, ACCRUALS AND DEFERRALS

(CHF 1,000)	31.12.2019	31.12.2018
Expenses not invoiced	52,294	28,964
Investments not invoiced	29,152	25,882
Accrued interest on financial liabilities	7,373	7,373
Other deferred income and accruals	1,773	27,886
Deferred income and accruals	90,592	90,105
Cross currency swap	4,843	5,624
Amounts due to personnel (holidays and overtime)	4,646	4,636
Deposits and advance payments by customers	7,199	7,819
Social security contributions	241	19
Other liabilities	6,054	3,556
Total other current liabilities, accruals and deferrals	113,575	111,759
of which financial liabilities carried at amortised cost	88,819	62,219
of which financial liabilities measured at fair value	4,843	5,624
of which other current liabilities, accruals and deferrals excluding financial instruments	19,913	43,916

24 FURTHER DETAILS

24.1 INFORMATION CONCERNING THE PERFORMANCE OF A RISK ASSESSMENT

Flughafen Zürich AG has set itself the strategic goal of maintaining a comprehensive risk management system and is committed to carrying out uniform and systematic risk management.

Risk management ensures that risks are approached systematically and given due consideration. It guarantees transparency over all the risks associated with the company's business activities as well as continuous improvement and monitoring of the risk situation.

The risk management system is the tool used to manage corporate risk and consists of the following components:

- Risk policy objectives and principles
- Risk management organisation
- Risk management process (method for managing risk)
- Risk reporting
- Auditing and review of the risk management system

The risk management organisation forms the backbone of this system and includes the following units and functions:

BOARD OF DIRECTORS, MANAGEMENT BOARD AND CHIEF RISK OFFICER

The Board of Directors and Management Board have overall responsibility under Swiss company law for ensuring the group's existence and profitability. The Board of Directors is responsible for overall oversight of risk management. The Chief Financial Officer also acts as the Management Board's Chief Risk Officer.

RISK MANAGEMENT & INSURANCE DEPARTMENT

The central Risk Management & Insurance department is run by the Risk Manager, who reports to the Chief Risk Officer. This department supports the line units in all matters

relating to risk management and is responsible for risk reporting as well as the operation and ongoing development of the risk management system.

LINE UNITS (DIVISIONS AND DEPARTMENTS)

As part of their role, the line units also bear responsibility for risks in their respective division or department and manage them within the framework of the risk management system (risk owner concept).

A) FINANCIAL RISK MANAGEMENT

Due to the nature of its activities, Flughafen Zürich AG is exposed to various financial risks, including:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk (foreign currency and interest rate risks)

The following sections provide an overview of the extent of the various financial risks and the objectives, principles and processes relating to the assessment, monitoring and hedging of risks, as well as of the capital management of the group. Further information on financial risks can also be found in the corresponding notes.

i) Credit risk

Credit risk refers to the risk that Flughafen Zürich AG could incur losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents, accruals, trade receivables and other financial assets are exposed to credit risk.

Flughafen Zürich AG invests its cash and cash equivalents and fixed-term deposits with major banks with a rating indicating their solvency. In addition, the company minimises other risks relating to cash and cash equivalents and fixed-term deposits in that it does not invest with a single bank, but with a variety of financial service providers.

As a rule, accruals as at the reporting date are invoiced within one month and subsequently monitored as part of trade receivables management.

With the exception of Swiss as the main client, credit risk is distributed over a broad clientele. Trade receivables include an amount of CHF 18.8 million due from Swiss (2018: CHF 21.8 million) (see [note 14, Trade receivables](#)). In the period between the reporting date and the preparation of the 2019 annual report, Swiss paid the outstanding amount arising from flight operations charges as at 31 December 2019 in full.

The exposure to credit risk primarily depends on the individual characteristics of each client. Risk assessments include a creditworthiness check, taking account of the client's financial circumstances, past experience and other factors. The maturity structure of trade receivables is normally examined on a weekly basis. Where necessary, terms of payment aimed at minimising risk (normally proforma invoicing) are applied, or security is requested (mainly in the form of bank guarantees).

The financial assets of the Airport of Zurich Noise Fund are invested by professional financial institutions, partly on the basis of a conservative, money market-oriented investment strategy (mainly in fixed-rate debt instruments) and partly in a mixed investment fund. Here, priority is given to preservation of value and flexibility with respect to early

redemption of investments. The direct use of derivative financial instruments is not permitted. The investment horizon is based on the expected obligation to make payments from the Airport of Zurich Noise Fund and averages around four years. For bonds held directly, the minimum acceptable rating is BBB+ (Standard & Poor's) or Baa1 (Moody's), or an equivalent rating from another recognised rating agency (see [note 20, Airport of Zurich Noise Fund](#)).

The maximum exposure to credit risk corresponds to the carrying amounts of the individual financial assets. No guarantees or similar commitments exist that could give rise to an increase in the credit exposure above the respective carrying amounts. The maximum exposure to credit risk as at the reporting date was as follows:

(CHF 1,000)	31.12.2019	31.12.2018
Cash equivalents (excluding cash on hand)	132,308	395,659
Current and non-current fixed-term deposits	38,136	186,667
Non-current financial assets of Airport of Zurich Noise Fund	394,428	377,241
Trade receivables, net	112,189	102,024
Current financial assets of Airport of Zurich Noise Fund	17,376	21,967
Other receivables and prepaid expenses	21,794	15,066
Other financial assets	7,792	6,713
Total maximum exposure to credit risk	724,023	1,105,337

ii) Liquidity risk

Liquidity risk refers to the risk that Flughafen Zürich AG may not be able to meet its financial obligations on the due date.

Flughafen Zürich AG monitors liquidity risk via a prudent liquidity management process. Here it observes the principle that it must have sufficient flexibility and room for manoeuvre with respect to the availability of liquid funds at short notice. This means maintaining an adequate reserve of liquid funds, ensuring the availability of sufficient funds for financing purposes by securing adequate credit facilities, and being able to issue financial securities on the capital market. For this purpose, the company uses rolling liquidity planning that is based on expected cash flows and is periodically updated. Treasury is responsible for monitoring liquidity risk. As at the reporting date, Flughafen Zürich AG had the following unused credit facilities at its disposal:

(CHF 1,000)	Duration	31.12.2019	31.12.2018
Operating credit lines (committed credit lines) ¹⁾	31.12.2019	240,000	240,000
Total credit lines		240,000	240,000
Utilisation ²⁾		-15,904	-60
Total unused credit lines		224,096	239,940

1) The operating credit lines were extended on 18 December 2019 by a total amount of CHF 160.0 million and a six-year term from 1 January 2020 until 31 December 2025.

2) Letter of credit and bank guarantees.

The tables below show the contractual maturities of financial liabilities (including interest payments) held by Flughafen Zürich AG:

(CHF 1,000)					
31 December 2019	Carrying amount	Contractual cash flows	Due within 1 year	Due within 1 to 5 years	Due in more than 5 years
Debentures	1,050,354	1,099,625	311,938	426,750	360,938
Liabilities from concession arrangements	26,324	48,458	1,068	5,575	41,815
Lease liabilities	84,582	84,594	6,175	25,271	53,148
Other financial liabilities	149,660	149,660	44,383	105,277	0
Trade payables	56,790	56,790	56,790	0	0
Other current liabilities and accruals	88,819	88,819	88,819	0	0
Total non-derivative financial liabilities	1,456,529	1,527,946	509,172	562,873	455,901
Cross currency swap	4,843	5,640	997	4,643	0
Total derivative financial liabilities	4,843	5,640	997	4,643	0
Total	1,461,372	1,533,586	510,169	567,516	455,901

(CHF 1,000)					
31 December 2018	Carrying amount	Contractual cash flows	Due within 1 year	Due within 1 to 5 years	Due in more than 5 years
Debentures	1,088,448	1,149,608	49,983	736,500	363,125
Liabilities from concession arrangements	26,149	52,932	438	5,281	47,213
Lease liabilities	3,010	3,094	1,887	1,207	0
Other financial liabilities	10,520	10,520	2,660	7,860	0
Trade payables	53,625	53,625	53,625	0	0
Other current liabilities and accruals	62,219	62,219	62,219	0	0
Total non-derivative financial liabilities	1,243,971	1,331,998	170,812	750,848	410,338
Cross currency swap	5,624	5,624	1,406	4,218	0
Total derivative financial liabilities	5,624	5,624	1,406	4,218	0
Total	1,249,595	1,337,622	172,218	755,066	410,338

iii) Market risk

Market risk refers to the risk that changes in market prices such as exchange rates and interest rates could have an impact on the finance result or the value of the financial instruments.

The objective of market risk management is to monitor and control such risks in order to ensure that they do not exceed a specified limit.

iiia) Currency risk

The functional currency of the consolidated financial statements of Flughafen Zürich AG is the Swiss franc (CHF). The group is exposed to foreign currency exchange movements primarily in respect of the Brazilian real (BRL), the Chilean peso (CLP), the US dollar (USD), the euro (EUR) and the Malaysian ringgit (MYR).

An appreciation or depreciation of the Swiss franc by 5% against the relevant currencies as at 31 December 2019 would have increased or reduced equity or profit by the amounts below. This analysis assumes that all other variables - in particular interest rates - remain unchanged.

(CHF 1,000)	Appreciation of CHF (plus 5%)		Depreciation of CHF (minus 5%)	
	Equity	Profit	Equity	Profit
BRL	-3,267	0	3,267	0
CLP	-872	0	872	0
MYR	-11	0	11	0
USD	0	-280	0	280
EUR	0	-523	0	523
31 December 2019	-4,150	-803	4,150	803
BRL	-3,549	0	3,549	0
CLP	-921	0	921	0
USD	0	-299	0	299
EUR	0	-41	0	41
31 December 2018	-4,470	-340	4,470	340

iiib) Interest rate risk

Interest rate risk can be divided into an interest-related cash flow risk, i.e. the risk that future interest payments could change due to fluctuations in the market interest rate, and an interest-related risk of a change in fair value, i.e. the risk that the fair value of a financial instrument could change due to fluctuations in the market interest rate.

Preference is normally given to external financing denominated in the functional currency, the Swiss franc, and subject to fixed interest rates.

All non-current financing transactions have been concluded at a fixed interest rate. The interest rate risk on short-term variable advances is hedged on a case-by-case basis using interest rate swaps.

The financial assets of the Airport of Zurich Noise Fund are primarily invested in fixed-rate debt instruments and a mixed investment fund. The direct use of derivative financial instruments is not permitted in this context.

As at the reporting date, Flughafen Zürich AG's interest rate profile was as follows (interest-bearing financial instruments):

(CHF 1,000)	31.12.2019	31.12.2018
Current and non-current fixed-term deposits	38,136	186,667
Fixed-interest financial assets of Airport of Zurich Noise Fund	307,305	303,812
Fixed-interest financial instruments (assets)	345,441	490,479
Cash and cash equivalents	114,336	361,630
Cash and cash equivalents of Airport of Zurich Noise Fund	18,092	34,242
Variable-interest financial instruments (assets)	132,428	395,872
Total interest-bearing assets	477,869	886,351
Current and non-current debentures	-1,050,354	-1,088,448
Current and non-current lease liabilities	-84,582	-3,010
Current and non-current other financial instruments	-149,660	-10,520
Fixed interest financial instruments (liabilities)	-1,284,596	-1,101,978
Total interest-bearing liabilities	-1,284,596	-1,101,978

The table below shows the sensitivity analysis for variable and fixed-rate financial instruments with a deviation of 50 basis points:

(CHF 1,000)	Increase by 50 bp		Decrease by 50 bp	
	Equity	Profit	Equity	Profit
Variable-interest financial instruments	0	560	0	-560
Fixed-interest financial instruments	-4,664	0	4,664	0
31 December 2019	-4,664	560	4,664	-560
Variable-interest financial instruments	0	1,574	0	-1,574
Fixed-interest financial instruments	-5,828	0	5,828	0
31 December 2018	-5,828	1,574	5,828	-1,574

B) CATEGORIES OF FINANCIAL INSTRUMENTS

The following tables show the carrying amounts of all financial instruments by category both for the reporting period and for the previous year:

(CHF 1,000)	31.12.2019	31.12.2018
Current and non-current financial assets of Airport of Zurich Noise Fund (bonds)	307,305	303,812
Total financial assets carried at amortised cost	307,305	303,812
Current and non-current financial assets of Airport of Zurich Noise Fund (mixed investment fund)	104,499	95,396
Total financial assets measured at fair value	104,499	95,396
Cash (excl. cash on hand) and cash equivalents, collateral and short-term monetary investments	132,308	395,659
Current and non-current fixed-term deposits	38,136	186,667
Trade receivables, net	112,189	102,024
Other receivables and prepaid expenses	21,794	15,066
Other financial assets	7,792	6,713
Total cash and cash equivalents, fixed-term deposits, receivables and other financial assets	312,219	706,129
Debentures	-1,050,354	-1,088,448
Total financial liabilities carried at amortised cost	-1,050,354	-1,088,448
Other current liabilities, accruals and deferrals (cross currency swap)	-4,843	-5,624
Total financial liabilities measured at fair value	-4,843	-5,624
Liabilities from concession arrangements	-26,324	-26,149
Lease liabilities	-84,582	-3,010
Other financial liabilities	-149,660	-10,520
Trade payables, net	-56,790	-53,625
Other current liabilities, accruals and deferrals (excluding derivatives and non-financial instruments)	-88,819	-62,219
Total other financial liabilities	-406,175	-155,523

C) FAIR VALUES

The carrying amounts of cash and cash equivalents, fixed-term deposits, receivables, other financial assets and other financial liabilities are a reasonable approximation of their fair values.

Financial assets in the Airport of Zurich Noise Fund: 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 unadjusted 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 (level 1).

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.

(CHF 1,000)	31.12.2019		31.12.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets of Airport of Zurich Noise Fund (bonds)	307,305	313,155	303,812	307,599
Total financial assets	307,305	313,155	303,812	307,599
Debt securities	–1,050,354	–1,093,000	–1,088,448	–1,121,597
Total financial liabilities	–1,050,354	–1,093,000	–1,088,448	–1,121,597

D) FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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.

(CHF 1,000)	31.12.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Mixed investment fund of the Airport of Zurich Noise Fund at fair value		104,499			95,396	
Cross currency swap		–4,843			–5,624	

E) CAPITAL MANAGEMENT

With respect to capital management, Flughafen Zürich AG pays particular attention to ensuring the continuation of the group's activities, achieving an acceptable dividend for shareholders and optimising the balance sheet structure, particularly in periods of major investment activity, taking account of the cost of capital. In order to achieve these objectives, Flughafen Zürich AG can adjust the amount of the dividend payment or repay capital to shareholders.

Flughafen Zürich AG constantly monitors the following key financial data: equity ratio, debt ratio and interest coverage. Here it is especially important to ensure that the ratio of debt to equity is in line with the budgetable cash flows and investments, and tends towards the conservative side. In this way a high degree of entrepreneurial flexibility can be assured at all times, including when unforeseeable events occur.

The necessary quantity of treasury shares may be held for the purpose of employee and bonus programmes. It is not permitted to accumulate several years' worth of treasury shares for the purpose of bonus programmes, however. Neither is it permitted to hold treasury shares to use as payment for acquisitions (exchange of shares in the event of a takeover) or

for the purpose of speculating on higher selling prices. Accumulated treasury shares may in no case exceed 10% of all shares issued.

24.2 CAPITAL COMMITMENTS

As at the reporting date, capital commitments for various buildings and engineering structures amounted to around CHF 330 million in total. The most significant capital commitments involved the refurbishment and expansion of the baggage sorting system (CHF 155 million), the expansion of landside passenger areas (CHF 55 million), the creation of stands in Zone West (CHF 20 million) and the renovation of runway 28/10 (CHF 10 million). In addition, the company's share of capital commitments for THE CIRCLE amount to approximately CHF 210 million.

24.3 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, in particular the new noise-related liabilities, but also the old ones, 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 25.0 million (31 December 2018: CHF 26.5 million). 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 10.6 million (31 December 2018: CHF 10.6 million).

As part of its involvement in the expansion and operation of the airport in Florianópolis, 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 90.7 million (31 December 2018: CHF 0.0 million). Moreover, Flughafen Zürich AG has entered into a counterbond for a performance bond which the operator, Concessionária do Aeroporto Internacional de Florianópolis 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 15.1 million (31 December 2018: CHF 28.8 million).

As part of the concession arrangements for the airports in Antofagasta and Iquique, the operators have entered into performance bonds for the Chilean Ministry of Public Works (Ministerio de Obras Públicas). As at the reporting date, the total amount arising from these performance bonds was CHF 5.7 million (31 December 2018: CHF 7.0 million).

For the tender regarding the airport in Jewar (Noida), New Delhi, Flughafen Zürich AG entered into a tender bond for the project company of the local Indian authority (Noida International Airport Limited). As at the reporting date, the amount arising from this tender bond was CHF 13.6 million.

As part of an invitation to tender for airport concessions conducted by the Airports Authority of India, Flughafen Zürich AG entered into tender bonds. As at the reporting date, the total amount arising from the tender bonds was CHF 2.2 million.

Flughafen Zürich AG and Swiss Life AG are jointly and severally liable in respect of third parties for the liabilities of the co-ownership structure THE CIRCLE and the ordinary partnership THE CIRCLE.

24.4 RELATED PARTIES

Related parties are:

- Canton of Zurich
- Members of the Board of Directors
- Members of the Management Board
- Associates
- BVK Employee Pension Fund of the Canton of Zurich

A) TRANSACTIONS WITH RELATED PARTIES

In the reporting period, the Canton of Zurich police force was paid CHF 99.3 million (2018: CHF 98.0 million) by Flughafen Zürich AG in accordance with the applicable service level agreement. In this context, accrued expenses amounting to CHF 7.8 million at the reporting date (2018: CHF 5.8 million) were included in “Other current liabilities, accruals and deferrals”.

In financial year 2019, consulting revenue from operations and management agreements amounted to CHF 3.0 million (2018: CHF 2.7 million) for the airport in Belo Horizonte and to CHF 3.6 million (2018: CHF 3.3 million) for the Chilean airports.

In the reporting period, Flughafen Zürich AG paid employer contributions amounting to CHF 18.0 million (2018: CHF 17.2 million) to the BVK Employee Pension Fund of the Canton of Zurich for employee benefits (see [note 22, Employee Benefits](#)). As at the reporting date, CHF 2.6 million (2018: CHF 2.4 million) was still included in “Other current liabilities, accruals and deferrals”.

B) SHARES HELD BY RELATED PARTIES

As at the reporting date, members of the Board of Directors and related parties held the following number of shares:

Name	Function	Number of shares as at	Number of shares as at
		31.12.2019	31.12.2018
Andreas Schmid	Chairman	11,115	15
Vincent Albers	Member	2,517	2,217
Guglielmo L. Brentel	Member	309	309
Josef Felder	Member; Chairman Audit & Finance Committee	25,100	25,100
Stephan Gemkow	Member; Chairman International Business Committee	100	100
Corine Mauch	Member	0	0
Eveline Saupper	Vice Chairwoman; Chairwoman Nomination & Compensation Committee	675	675
Carmen Walker Späh	Member; Chairwoman Public Affairs Committee	5	5
Total		39,821	28,421

As at the reporting date, members of the Management Board and related parties held the following number of shares:

Name	Number of shares as at	Number of shares as at
	31.12.2019	31.12.2018
Stephan Widrig	5,572	4,650
Lukas Brosi	1,043	698
Stefan Gross	860	515
Daniel Scheifele	877	532
Stefan Tschudin	418	130
Total	8,770	6,525

Neither members of the Board of Directors nor the Management Board held options on the company's shares at the reporting date.

C) REMUNERATION FOR KEY MANAGEMENT PERSONNEL

Remuneration for the members of the Board of Directors and Management Board comprises the following:

(CHF 1,000)	2019	2018
Short-term employee benefits	3,991	3,797
Post-employment benefits	543	553
Share-based payments	333	390
Total	4,867	4,740

24.5 COMPOSITION OF THE GROUP

As at the reporting date, the group comprised the following companies:

Company	Domicile	Share capital	Stake held in %
Flughafen Zürich AG	Kloten	CHF 307,018,750	Parent company
Zurich Airport International AG	Kloten	CHF 100,000	100.0
Zurich Airport International Asia Sdn. Bhd.	Kuala Lumpur	MYR 1.0 million	100.0
Zurich Airport Latin America Ltda.	Rio de Janeiro	BRL 578 million	100.0
Aeroportos do Sudeste do Brasil S.A.	Vitória	BRL 571 million	100.0
Concessionária do Aeroporto Internacional de Florianópolis S.A.	Florianópolis	BRL 304 million	100.0
A-port S.A.	Santiago de Chile	CLP 16,138 million	100.0
Sociedad Concesionaria Antofagasta S.A.	Santiago de Chile	CLP 3,600 million	100.0
Sociedad Concesionaria Iquique S.A.	Santiago de Chile	CLP 600 million	100.0
Sociedad Concesionaria Aeropuerto Diego Aracena S.A.	Santiago de Chile	CLP 10,700 million	100.0
A-port Operaciones S.A.	Santiago de Chile	CLP 1,352 million	99.0
A-port Operaciones Colombia S.A.	Bogotá	COP 100 million	99.0
Unique IDC S.A. de C.V.	Tegucigalpa	HNL 0.2 million	99.0

In addition, the following associates are included by applying the equity method:

Company	Domicile	Share capital	Stake held in %
Sociedade de Participação do Aeroporto de Confins S.A.	Belo Horizonte	BRL 474 million	25.0
Concessionária do Aeroporto Internacional de Confins S.A.	Belo Horizonte	BRL 907 million	12.8
Administradora Unique IDC C.A.	Porlamar	VEB 25 million	49.5
Aeropuertos Asociados de Venezuela C.A.	Porlamar	VEB 10 million	49.5

24.6 NOTES ON THE LICENCE TO OPERATE ZÜRICH AIRPORT

The Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) awarded Flughafen Zürich AG the licence to operate Zurich Airport for 50 years from 1 June 2001 to 31 May 2051.

The licence encompasses the operation of an airport in accordance with the provisions of the ICAO (International Civil Aviation Organisation) governing domestic, international and intercontinental civil aviation services. Flughafen Zürich AG is authorised and obliged to operate Zurich Airport for the entire period cited in the operating licence, and to provide the necessary infrastructure for this purpose. To accomplish this, it is entitled to collect charges from all users of the airport. Furthermore, Flughafen Zürich AG is authorised to assign specific rights and obligations arising from the operating licence to third parties. Insofar as they concern activities relating to airport operations such as aircraft handling, passenger handling, baggage sorting and handling, mail and freight handling, these rights and obligations shall be subject to the provisions of public law. Flughafen Zürich AG regulates rights and obligations it has assigned to third parties in the form of binding entitlements (concessions).

The concessionaire is obliged to grant access to the airport to all aircraft that are licensed to provide domestic and international flights. The volume of flight traffic and handling of licensed aircraft are governed by the regulations laid down in the Sectoral Aviation Infrastructure Plan (SAIP) and the provisions of the operating regulations. The concessionaire is obliged to implement all measures relating to regulations governing the use of German airspace for landings at, and take-offs from, Zurich Airport without delay, and to submit the necessary applications for approval by the authorities in good time. The

concessionaire is empowered and obliged to enforce sound insulation measures and to implement them where they are not contested. The provision whereby the concessionaire shall meet all obligations to which it is bound through clauses of the civil aviation treaty between Germany and Switzerland without entitlement to compensation was declared null and void in response to an objection lodged by Flughafen Zürich AG.

As part of the bilateral agreements that came into effect on 1 June 2002, the EU ground handling directive (Council Directive 96/67/EC of 15 October 1996 on access to the groundhandling market at Community airports) also became applicable to Switzerland. The principles governing the granting of rights to carry out ground handling activities are defined in the operating regulations for Flughafen Zürich AG dated 30 June 2011. The licences for ground handling operations in areas in which the number of admissible service providers may be limited were re-awarded on the basis of tender procedures on 1 December 2018 for the period to the end of November 2025.

24.7 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 the following foreign airports:

BRAZIL

In 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 2019, traffic volumes reached 3.9 million passengers. Concession fees totalling BRL 241.5 million are payable as consideration for the right to operate the airport. A portion of the concession charge was paid on the day that the concession arrangement was signed (BRL 83.3 million or CHF 24.7 million). Further minimum concession payments totalling BRL 158.2 million (CHF 38.1 million) are due over the 30-year term of the concession. Following the signing of the concession arrangement in the summer of 2017, the wholly-owned subsidiary Concessionaria 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. In October 2019, the mandatory infrastructure measures provided for in the concession totalling approximately BRL 550 million (approximately CHF 132 million) were completed and a new terminal was opened.

On 15 March 2019, in a public tender conducted by the Brazilian government, Flughafen Zürich AG was awarded concessions for the operation and expansion of the airports in Vitória (IATA: VIX) and Macaé (IATA: MEA) in the southeast of Brazil. In 2019, traffic volumes at the two airports reached around 3.2 million passengers. A fixed concession fee totalling BRL 437.0 million (CHF 105.0 million), payable as consideration for the right to operate the airports for a period of 30 years, fell due when the concession arrangement was signed in September 2019. As of the sixth year of operations, variable, revenue-based concession payments will also be due. Following the signing of the concession arrangement, the wholly-owned subsidiary Aeroportos do Sudeste do Brasil S.A., as sole holder of the concession, took over flight operations in Macaé on 20 December 2019 and in Vitória on 3 January 2020.

CHILE

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.

In 2017, Sociedad Concesionaria Aeropuerto Diego Aracena S.A., a wholly-owned subsidiary of A-port S.A., acquired the new concession for the operation and expansion of Diego Aracena International Airport (IATA: IQQ) in Iquique in the north of Chile. The airport is located around 40 kilometres south west of the city of Iquique in the Tarapacá region. With 1.5 million passengers a year, it is the country's fifth-largest airport. The concession commenced in April 2018 and has a variable term that is dependent upon traffic volumes and ranges from an anticipated 18 years up to a possible 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. The company is currently expecting investments in airport infrastructure of approximately USD 40 million (around CHF 39 million) during the first four years.

INDIA

In this context, the wholly-owned subsidiary Yamuna International Airport Private Limited based in New Delhi was established in early 2020. The investments associated with the first phase of construction (construction time of around four years) amount to approximately CHF 650 million. Once the first phase of construction is in operation, the new airport will have the capacity to handle 12 million passengers a year. In addition to the necessary investments for the construction and operation of the airport, a fixed passenger fee will be payable to the state authority as of the sixth year of operations.

24.8 EVENTS AFTER THE REPORTING DATE

The Board of Directors authorised the 2019 consolidated financial statements for issue on 5 March 2020. These also have to be approved by the General Meeting of Shareholders.

On 12 February 2020, Flughafen Zürich AG issued a 15-year debenture of CHF 400 million carrying a coupon of 0.20%. This will be used to refinance property purchases and as working capital.

The coronavirus, which is currently spreading, will have a negative effect on the earnings of Flughafen Zürich AG. It is not yet possible to estimate the financial impact any more closely.

To the General Meeting of
Flughafen Zürich AG, Kloten

Zurich, 5 March 2020

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Flughafen Zürich AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 62 to 128) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Provision for formal expropriations

Area of focus	<p>As of 31 December 2019, Flughafen Zürich Group recognized a provision for formal expropriations amounting to CHF 248.1 million.</p> <p>Under Article 36a of the Civil Aviation Act (CAA) and the Federal Expropriation Act in connection with Articles 679 and 684 of the Swiss Civil Code (CC), Flughafen Zürich AG must bear the cost for formal expropriations. Measuring this provision involves significant management assumptions and estimates. These assumptions and estimates involve judgment and are based on information available at the reporting date and affect the amounts recognized for the provision significantly. There is a risk that actual results which are largely beyond the Company's influence may differ from these estimates and assumptions and may result in material adjustments to the amounts recognized for the provision. Possible effects on the nature and scope of the business activities and thus on the balance sheet, the income statement and the statement of cash flows of Flughafen Zürich Group cannot be conclusively determined at present.</p> <p>Further information regarding the provision for formal expropriations are included in the notes to the consolidated financial statements under note 19.</p>
Our audit response	<p>We mainly performed the following audit procedures:</p> <ul style="list-style-type: none"> • Sample-based review whether controls were documented before cash distribution as well as the analysis of the effects of these payments on the estimate of total costs • Analysis of semi-annual noise reports submitted to the Group's management and the Board of Directors as well as evaluation of consequential questions • Inspection whether current total cost estimates are adjusted upon decisions by the court of final appeal <p>On the basis of our audit procedures, we have no objections regarding recognition and measurement of the provision for formal expropriations.</p>

Property, plant and equipment

Area of focus Property, plant and equipment used for operations (assets in use) and assets under construction for operating activities together comprise 62% of total assets. In 2019, investments in property, plant and equipment amounted to CHF 455.1 million. Therefore, based on the absolute size, this item is significant for the balance sheet of Flughafen Zürich Group.

The large number of different, partly very long-lived assets, the high transaction volume and the different expected useful lives as well as transfers between asset categories contain inherent risks regarding existence and valuation.

Furthermore, there is a risk that existing, long-lived assets will be replaced by new assets without eliminating the residual value of the out-of-use assets. Additionally, there are risks regarding valuation, delayed recognition of depreciation charges as well as in determining the adequate useful life.

Further information regarding property, plant and equipment is included in the notes to the consolidated financial statements under note 8.

Our audit response We mainly performed the following audit procedures:

- Evaluation of design, implementation and effectiveness of controls embedded in the procurement and capital expenditure process and of controls securing existence of property, plant and equipment on a sample basis
- Assessment of the adequacy of useful lives assigned to single assets and alignment towards useful lives according to the internal manual
- Evaluation of the assessment on existence of impairment triggers and discussion of resulting questions with the Controlling and Accounting department

On the basis of our audit procedures, we have no objections regarding the existence and valuation of property, plant and equipment.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our

knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:

<http://www.expertsuisse.ch/en/audit-report-for-public-companies>.

This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Juri Frischknecht
Licensed audit expert

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS ACCORDING TO THE SWISS CODE OF OBLIGATIONS (CO)

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INCOME STATEMENT

(CHF 1,000)	Notes	2019	2018
Aviation revenue		661,451	656,667
Non-aviation revenue		426,134	417,117
Total revenue		1,087,585	1,073,784
Personnel expenses		-199,461	-194,584
Police and security		-120,463	-119,033
Energy and waste		-19,124	-20,428
Maintenance and material		-38,291	-36,412
Other operating expenses		-47,698	-51,022
Sales, marketing, administration		-31,758	-34,370
Expenses for formal expropriations plus sound insulation and resident protection		-10,107	-8,213
Deposits into renovation fund		-5,500	-5,500
Other income and expenses		14,604	14,593
Ordinary profit before depreciation and amortisation, interest and tax		629,787	618,815
Depreciation and amortisation		-218,310	-224,812
Ordinary profit before interest and tax		411,477	394,003
Finance income		5,174	5,372
Finance expenses		-14,831	-16,745
Extraordinary result	(1)	-3,639	-3,913
Profit before tax		398,181	378,717
Direct tax		-82,262	-79,988
Profit for the year		315,919	298,729

BALANCE SHEET

(CHF 1,000)	Notes	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents		92,365	317,706
Current fixed-term deposits		37,500	149,167
Current financial assets of Airport of Zurich Noise Fund		17,376	21,967
Trade receivables	(2)	111,713	96,262
Other current receivables		8,645	4,418
Inventories		12,634	10,346
Prepaid expenses	(3)	42,492	46,856
Current assets		322,725	646,722
Non-current fixed-term deposits		0	37,500
Non-current financial assets of Airport of Zurich Noise Fund		395,450	377,972
Investments	(4)	6,012	6,012
Non-current loans to associates		313,611	158,118
Equity interest in co-ownership structure for THE CIRCLE	(5)	426,967	326,531
Property, plant and equipment	(6)	2,801,645	2,557,555
Right-of-use assets	(7)	127,913	0
Intangible asset from right of formal expropriation		26,796	19,917
Other intangible assets		15,824	14,186
Non-current assets		4,114,218	3,497,791
Total assets		4,436,943	4,144,513
Liabilities and equity			
Trade payables		37,455	37,597
Current financial liabilities	(9)	300,000	0
Other current liabilities	(8)	86,681	43,376
Current provision for aircraft noise	(10)	27,483	31,256
Other current provisions		4,034	4,137
Accruals and deferrals		89,748	78,440
Current liabilities		545,401	194,806
Non-current financial liabilities	(9)	750,000	1,050,000
Other non-current liabilities		123,824	0
Non-current provision for aircraft noise	(10)	445,885	437,172
Renovation fund		179,102	173,602
Non-current liabilities		1,498,811	1,660,774
Total liabilities		2,044,212	1,855,580
Share capital	(11)	307,019	307,019
Legal capital reserves: capital contribution reserves	(11)	117,013	215,256
Legal retained earnings: general legal retained earnings		42,370	42,370
Voluntary retained earnings		109,747	109,810
Available earnings			
Profit brought forward		1,501,226	1,316,090
Profit for the year		315,919	298,729
Treasury shares	(12)	-563	-341
Equity		2,392,731	2,288,933
Total liabilities and equity		4,436,943	4,144,513

NOTES TO THE FINANCIAL STATEMENTS

I ACCOUNTING PRINCIPLES

GENERAL REMARKS

The 2019 financial statements of Flughafen Zürich AG, based in Kloten, have been prepared in accordance with the accounting provisions of the Swiss Code of Obligations.

The significant valuation principles that have been applied but are not prescribed by law are described below. These single-entity financial statements also serve for tax purposes and form the basis for the statutory business of the General Meeting of Shareholders.

As Flughafen Zürich AG prepares consolidated financial statements in accordance with accepted financial reporting standards (IFRSs), it has omitted to present disclosures on interest-bearing liabilities, disclosures on auditors' fees, a cash flow statement and a management report in these financial statements in accordance with the statutory provisions.

As in the previous year, the average number of full-time equivalents was over 250 in the reporting period.

REPORTING OF NOISE-RELATED COSTS IN THE FINANCIAL STATEMENTS

Costs for formal expropriations qualify as an intangible asset under the accounting provisions of the Swiss Code of Obligations. They are recognised as assets at the latest on the date on which the counterparty has attained an assertable claim. Amortisation of capitalised costs for formal expropriations is based at a minimum on the consolidated financial statements. Adequate provisions are recognised for current liabilities arising from sound insulation and resident protection measures. Any balance of revenue from noise charges after deduction of noise-related costs (compensation for formal expropriations, sound insulation and resident protection measures, operating costs, financing costs and amortisation) is transferred to the provision for aircraft noise (see [note 10, Provision for aircraft noise](#)).

With respect to formal expropriations, the reporting of noise-related costs in the financial statements is a complex matter due to a multitude of relevant legal bases, unclear or pending case law and political debate. Especially in the case of formal expropriations, this financial reporting requires significant assumptions and estimates concerning the capitalisation of such costs and the obligation to recognise appropriate provisions.

Flughafen Zürich AG has received a total of around 20,000 noise-related claims for compensation, of which around 6,300 were still pending at the end of 2019. Almost 800 of these cases are currently being examined by the Swiss Federal Assessments Commission.

The rulings by the Swiss Federal Supreme Court in the first half of 2008 on fundamental issues related to formal expropriations enabled Flughafen Zürich AG to estimate the total cost of compensation for formal expropriations for the first time, in spite of the remaining uncertainties regarding the accuracy of this estimate. In further rulings in 2010, the Swiss Federal Supreme Court definitively set the cut-off date for the foreseeability of an eastern approach as 1 January 1961 and, in 2011, it ruled definitively on the method used to calculate a decline in the market value of investment property. In 2016, the Swiss Federal Supreme Court handed down two rulings in test cases regarding claims for compensation relating to eastern and southern approach routes and, in 2018, it handed down two rulings in test cases regarding cooperative ownership. Based on these Swiss Federal Supreme Court rulings and other fundamental issues that have been decided, the company undertook a reappraisal of costs for formal expropriations at these dates, which in each case led to an adjustment to both the provision for formal expropriations and the intangible asset from the right of formal expropriation.

On 22 November 2019, the Swiss Federal Supreme Court handed down a ruling in test cases regarding the period of limitation on claims for compensation in Oberglatt. This Swiss Federal Supreme Court ruling and other fundamental issues that have been decided enabled Flughafen Zürich AG to undertake a reappraisal of the outstanding cost of compensation for formal expropriations as at 31 December 2019.

With respect to sound insulation and resident protection measures, 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. In 2018, the Board of Directors approved further sound insulation measures in this context.

As at 31 December 2019, Flughafen Zürich AG has recognised an intangible asset from the right of formal expropriation of CHF 26.8 million (2018: CHF 19.9 million) and a provision for aircraft noise of CHF 473.4 million in total (2018: CHF 468.4 million) in the financial statements according to the provisions of the Swiss Code of Obligations.

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 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.

Aircraft noise costs are refinanced through separate charges. As, based on current knowledge, the Airport of Zurich Noise Fund has sufficient assets to be able to finance the costs for formal expropriations as well as noise insulation and resident protection measures that can be estimated under the base case at the present time, the passenger-related noise supplement was suspended as of 1 February 2014. Aircraft noise charges based on flight movements and noise category continue to be levied.

ADDITIONAL SIGNIFICANT ACCOUNTING POLICIES

LEASES

In introducing IFRS 16 Leases for the consolidated financial statements, Flughafen Zürich AG decided to also adopt the new accounting policy applicable in this context for the financial statements in accordance with the accounting provisions of the Swiss Code of Obligations as of 1 January 2019.

Leases are accounted for by applying the concept of control. In doing so, a lease contract is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item to Flughafen Zürich AG as lessee. All other leases are operating leases.

At the commencement date of a finance lease, the value of the leased item is recognised as a right-of-use asset and as a lease liability in the same amount. The right-of-use asset is depreciated and the lease liability amortised over the lease term. In the case of an operating lease, the lease payments are recognised directly in profit or loss at maturity.

The effects of applying the new lease accounting policy at 1 January 2019 are as follows:

(CHF 1,000)	01.01.2019
Right-of-use assets	
Effect of the initial application of the new lease accounting standard	41,894
Increase in total assets	41,894
Lease liabilities (current and non-current)	
Effect of the initial application of the new lease accounting standard	41,894
Increase in total liabilities	41,894

REVENUE RECOGNITION

Revenue is recognised by Flughafen Zürich AG when the service has been rendered, it is probable that the economic benefits will flow to the company and it can be measured reliably. In addition, the significant risks and rewards of ownership have to be transferred to the recipient of the service. Revenue from fixed-rent tenancy agreements is recognised on a straight-line basis over the term of the agreement. Conditional rental payments (including turnover-based tenancy agreements) are recognised on an accrual basis based on the turnover generated by the lessee, in which case a minimum rent may be applied.

INVENTORIES

Inventories mainly comprise operating supplies and consumables necessary for the maintenance and repair of property, plant and equipment and are stated at cost or, if lower, at net realisable value. The first-in, first-out method is applied when calculating the cost.

FINANCIAL ASSETS OF AIRPORT OF ZÜRICH NOISE FUND

The financial assets of the Airport of Zurich Noise Fund comprise quoted securities held for the short or long term. They are initially recognised at cost (fair value plus directly attributable transaction costs). The securities are subsequently measured at amortised cost (bonds) or at fair value (other financial assets), with gains and losses recognised in profit or loss. A fluctuation reserve is not recognised.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at acquisition or production cost less accumulated depreciation and impairment. With the exception of land which is not depreciated, items are depreciated over their estimated useful life using the straight-line method. If there are indications that they are impaired, the carrying amounts are reviewed and, if necessary, adjusted.

INTANGIBLE ASSETS

Intangible assets are stated at cost less amortisation. They are amortised over their estimated useful life using the straight-line method. If there are indications that they are impaired, the carrying amounts are reviewed and, if necessary, adjusted.

TREASURY SHARES

At the date of acquisition, treasury shares are recognised at cost as a deduction from equity. In the event of their sale at a later date, the gain or loss is credited or charged directly to voluntary retained earnings.

II NOTES TO THE FINANCIAL STATEMENTS

1 EXTRAORDINARY RESULT

(CHF 1,000)	2019	2018
Extraordinary income	1,887	991
Extraordinary expenses	-5,526	-4,904
Extraordinary result	-3,639	-3,913

In the reporting period, extraordinary income included a payment in connection with the liquidation of Swissair in debt restructuring proceedings. In both the reporting period and the previous year, extraordinary expenses comprised losses on asset disposals, losses on receivables and a share of the loss of the co-ownership structure THE CIRCLE.

2 TRADE RECEIVABLES

(CHF 1,000)	31.12.2019	31.12.2018
Trade receivables from third parties	111,528	96,837
Impairment allowance	-979	-575
Trade receivables from investments	1,164	0
Total trade receivables	111,713	96,262

Trade receivables from investments comprise amounts still due from Zurich Airport International AG for services rendered.

3 PREPAYMENTS AND ACCRUED INCOME

(CHF 1,000)	31.12.2019	31.12.2018
Prepaid expenses in respect of third parties	42,492	46,759
Prepaid expenses in respect of investments	0	97
Total prepaid expenses	42,492	46,856

Prepayments and accrued income relating to investments comprise accruals for receivables not yet billed to Zurich Airport International AG for services rendered.

4 INVESTMENTS

Company	Domicile	Share capital	Stake held in %
Zurich Airport International AG ¹⁾	Kloten	CHF 100,000	100.0
Zurich Airport International Asia Sdn. Bhd. ²⁾	Kuala Lumpur	MYR 1.0 million	100.0
Zurich Airport Latin America Ltda. ²⁾	Rio de Janeiro	BRL 578 million	100.0
Aeroportos do Sudeste do Brasil S.A. ²⁾	Vitória	BRL 571 million	100.0
Concessionária do Aeroporto Internacional de Florianópolis S.A. ²⁾	Florianópolis	BRL 304 million	100.0
A-port S.A. ²⁾	Santiago de Chile	CLP 16,138 million	100.0
Sociedad Concesionaria Antofagasta S.A. ²⁾	Santiago de Chile	CLP 3,600 million	100.0
Sociedad Concesionaria Iquique S.A. ²⁾	Santiago de Chile	CLP 600 million	100.0
Sociedad Concesionaria Aeropuerto Diego Aracena S.A. ²⁾	Santiago de Chile	CLP 10,700 million	100.0
A-port Operaciones S.A. ²⁾	Santiago de Chile	CLP 1,352 million	99.0
A-port Operaciones Colombia S.A. ²⁾	Bogotá	COP 100 million	99.0
Unique IDC S.A. de C.V. ²⁾	Tegucigalpa	HNL 0.2 million	99.0
Sociedade de Participação no Aeroporto de Confins S.A. ²⁾	Belo Horizonte	BRL 474 million	25.0
Concessionária do Aeroporto Internacional de Confins S.A. ²⁾	Belo Horizonte	BRL 907 million	12.8
Administradora Unique IDC C.A. ¹⁾	Portlamar	VEB 25 million	49.5
Aeropuertos Asociados de Venezuela C.A. ²⁾	Portlamar	VEB 10 million	49.5

- 1) Direct investment.
2) Indirect investment.

The equity interests stated are also the share of the voting power in the investees listed.

Zurich Airport International AG, the wholly-owned subsidiary responsible for advising, operating and/or owning airports and airport-related companies throughout the world, holds all the investees existing in this context (with the exception of those in Venezuela).

In 2010, Flughafen Zürich AG and its consortium partner Unique IDC turned to the International Centre for Settlement of Investment Disputes (ICSID) in Washington D.C. in the matter of the airport expropriated in Venezuela (Isla de Margarita). This step is in compliance with the investment protection treaty between Venezuela, Switzerland and Chile. The ICSID reached its decision in November 2014, requiring the Bolivarian Republic of Venezuela to reimburse the consortium the costs incurred for the proceedings and project plus a compensation payment of around USD 19.5 million as well as interest incurred up until receipt of payment (around USD 24.7 million accrued as at 31 December 2019). Flughafen Zürich AG is entitled to 50% of the total amount of the payments. Prior to the deadline set for 18 March 2015, Venezuela appealed to the ICSID to set aside the tribunal's decision on the grounds of an infringement of procedural rules. On 15 April 2019, the ICSID ad hoc

committee rejected the application for annulment in full. This means that the tribunal's decision is definitive and final. The value of this holding has been fully impaired.

5 EQUITY INTEREST IN THE CO-OWNERSHIP STRUCTURE THE CIRCLE

(CHF 1,000)	31.12.2019	31.12.2018
Share of assets of co-ownership structure for THE CIRCLE	445,698	350,197
Share of liabilities of co-ownership structure for THE CIRCLE	-18,731	-23,666
Total equity interest in co-ownership structure for THE CIRCLE	426,967	326,531

On 5 February 2015, Flughafen Zürich AG and Swiss Life AG notarised the purchase agreement for the share of land for the real estate project THE CIRCLE and registered it for entry in the Land Register, thereby establishing the co-ownership structure between the two parties provided for in the financing agreements, in which Flughafen Zürich AG has a 51% interest and Swiss Life AG a 49% interest.

The co-ownership structure THE CIRCLE is responsible for the implementation and subsequent operation of the real estate project THE CIRCLE.

6 PROPERTY, PLANT AND EQUIPMENT

(CHF 1,000)	31.12.2019	31.12.2018
Land	129,958	119,697
Buildings, engineering structures	2,280,889	2,170,743
Projects in progress	308,745	187,076
Movables	82,053	80,039
Total property, plant and equipment	2,801,645	2,557,555

7 LEASES

The cost of the right-of-use assets recognised and the accumulated depreciation are shown below:

(CHF 1,000)	31.12.2019
Cost of recognised right-of-use assets	133,720
Accumulated depreciation on right-of-use assets	-5,807
Total right-of-use assets	127,913

The corresponding lease liabilities have the following maturity structure:

(CHF 1,000)	31.12.2019
Due within 1 year	5,986
Due between 1 and 5 years	43,556
Due in more than 5 years	80,268
Total recognised lease liabilities	129,810

8 OTHER CURRENT LIABILITIES

(CHF 1,000)	31.12.2019	31.12.2018
Other current liabilities to third parties	84,122	40,934
Other current liabilities to employee pension funds	2,559	2,442
Total other current liabilities	86,681	43,376

At the reporting date, other current liabilities to employee pension funds comprise outstanding liabilities to the BVK Employee Pension Fund of the Canton of Zurich.

9 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	31.12.2019				
	Nominal value	Duration	Interest rate	Early amortisation	Interest payment date
	(CHF 1,000)				
Debenture	300,000	2012 – 2020	1.250%	no	3.7.
Total current financial liabilities	300,000				
Debenture	400,000	2013 – 2023	1.500%	no	17.4.
Debenture	350,000	2017 – 2029	0.625%	no	24.5.
Total non-current financial liabilities	750,000				

External financing is subject to standard guarantees and covenants, which were complied with as at the reporting date. In addition, unused credit facilities at the reporting date amounted to a total of CHF 224.1 million.

10 PROVISION FOR AIRCRAFT NOISE

(CHF 1,000)	2019	2018
Balance as at 1 January	468,428	485,259
Change in provision for aircraft noise	4,940	–16,831
Balance as at 31 December	473,368	468,428
of which current (planned payment within 1 year)	27,483	31,256
of which non current (planned payment from 1 year on)	445,885	437,172

For information on the reporting of noise-related data in the financial statements according to the Swiss Code of Obligations, see also [Reporting of noise-related costs in the financial statements in the notes to the financial statements](#).

11 SHARE CAPITAL AND CAPITAL CONTRIBUTION RESERVES

The share capital of Flughafen Zürich AG amounting to CHF 307,018,750 is composed of 30,701,875 fully paid-up registered shares with a par value of CHF 10.

At the reporting date, the capital contribution reserves amounted to CHF 117.0 million (2018: CHF 215.3 million).

12 TREASURY SHARES

(Number of shares)	2019	2018
Balance as at 1 January	1,655	2,094
Acquisitions (at applicable market price)	8,290	5,185
Allocation to management, employees and third parties ¹⁾	-6,812	-5,624
Balance as at 31 December	3,133	1,655

1) See also note 17, Equity interests of members of the Management Board, other members of management and employees.

In the reporting period, 8,290 registered shares were purchased at the market price (2018: 5,185 registered shares). Treasury shares are distributed to members of the Management Board and other members of management under the bonus programme. They are used primarily for this participation programme. In addition, Flughafen Zürich AG gives those employees who have completed their first year of service a one-off gift in the form of one share free of charge.

13 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 financial statements and cash flow of Flughafen Zürich AG.

Depending on future and final-instance legal judgements, especially with respect to the southern approaches, in particular the new noise-related liabilities, but also the old ones, 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.

Flughafen Zürich AG and Swiss Life AG are jointly and severally liable in respect of third parties for the liabilities of the co-ownership structure THE CIRCLE and the ordinary partnership THE CIRCLE.

14 NET REVERSAL OF HIDDEN RESERVES

Unlike in the previous year, no hidden reserves were reversed in financial year 2019. The prior-year net reversal of CHF 57.6 million was due primarily to the different methods of reporting noise-related data in the consolidated financial statements in accordance with IFRSs and in these financial statements in accordance with the Code of Obligations (see also [“Reporting of noise-related costs in the financial statements”](#)).

15 MAJOR SHAREHOLDERS

As at the reporting date, the following shareholders or groups of shareholders held at least 5% of the voting rights:

	2019	2018
Canton of Zurich	33.33%	33.33%
City of Zurich	5.00%	5.00%

16 SHAREHOLDINGS OF THE BOARD OF DIRECTORS

As at the reporting date, members of the Board of Directors and related parties held the following number of shares:

Name	Function	Number of shares as at	Number of shares as at
		31.12.2019	31.12.2018
Andreas Schmid	Chairman	11,115	15
Vincent Albers	Member	2,517	2,217
Guglielmo L. Brentel	Member	309	309
Josef Felder	Member; Chairman Audit & Finance Committee	25,100	25,100
Stephan Gemkow	Member; Chairman International Business Committee	100	100
Corine Mauch	Member	0	0
Eveline Saupper	Vice Chairwoman; Chairwoman Nomination & Compensation Committee	675	675
Carmen Walker Späh	Member; Chairwoman Public Affairs Committee	5	5
Total		39,821	28,421

17 EQUITY INTERESTS OF MEMBERS OF THE MANAGEMENT BOARD, OTHER MEMBERS OF MANAGEMENT AND EMPLOYEES

As part of the performance-related remuneration awarded to members of the Management Board, 2,245 shares (2018: 1,921 shares) worth CHF 389,508 (2018: CHF 394,189) were distributed to members of the Management Board and 4,429 shares (2018: 3,560 shares) worth CHF 768,432 (2018: CHF 730,512) were distributed to other members of management.

As at the reporting date, members of the Management Board and related parties held the following number of shares:

Name	Number of shares as at	Number of shares as at
	31.12.2019	31.12.2018
Stephan Widrig	5,572	4,650
Lukas Brosi	1,043	698
Stefan Gross	860	515
Daniel Scheiffele	877	532
Stefan Tschudin	418	130
Total	8,770	6,525

In addition, Flughafen Zürich AG gives those employees who have completed their first year of service a one-off gift in the form of one share free of charge. In the reporting period, 138 shares (2018: 140 shares) worth CHF 24,356 (2018: CHF 28,506) were handed out in this context.

18 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The Board of Directors authorised the 2019 financial statements according to the provisions of the Swiss Code of Obligations (CO) for issue on 5 March 2020. These also have to be approved by the General Meeting of Shareholders.

On 12 February 2020, Flughafen Zürich AG issued a 15-year debenture of CHF 400 million carrying a coupon of 0.20%. This will be used to refinance property purchases and as working capital.

The coronavirus, which is currently spreading, will have a negative effect on the earnings of Flughafen Zürich AG. It is not yet possible to estimate the financial impact any more closely.

PROPOSAL FOR THE DISTRIBUTION OF AVAILABLE EARNINGS

The Board of Directors will propose to the General Meeting of Shareholders that the available earnings be used as follows:

(CHF 1,000)	
Profit for the year	315,919
Profit brought forward	1,501,226
Available earnings	1,817,145
Allocation to the legal retained earnings ¹⁾	0
Payment of an ordinary dividend of CHF 3.90 (gross) ²⁾	119,737
To be carried forward	1,697,408

In addition to the ordinary dividend as proposed above, the Board of Directors will request that an additional dividend be distributed as follows from the capital contribution reserves:

(CHF 1,000)	
Capital contribution reserves before distribution	117,013
Transfer from capital contribution reserves to voluntary retained earnings and payment of an additional dividend of CHF 3.20 (gross) ²⁾	98,246
Capital contribution reserves after distribution	18,767

1) No allocation is being made to the legal retained earnings because these exceed 50% of the nominal share capital.

2) The dividend sum covers all outstanding registered shares. However, those shares held by the company at the time of declaration of the dividend are not eligible to a dividend. For this reason, the reported dividend sum may be correspondingly lower.

To the General Meeting of
Flughafen Zürich AG, Kloten

Zurich, 5 March 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Flughafen Zürich AG, which comprise the balance sheet, income statement and notes (pages 134 to 146), for the year ended 31 December 2019.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming

our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Provision for aircraft noise

Area of focus	As of 31 December 2019, Flughafen Zürich AG recognized a provision for aircraft noise amounting to CHF 473.4 million.
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Under Article 36a of the Civil Aviation Act (CAA) and the Federal Expropriation Act in connection with Articles 679 and 684 of the Swiss Civil Code (CC), Flughafen Zürich AG must bear particularly the cost for formal expropriations. Measuring this provision involves significant management assumptions and estimates. These assumptions and estimates involve judgment and are based on information available at the reporting date and affect the amounts recognized for the provision significantly. There is a risk that actual results which are largely beyond the Company's influence may differ from these estimates and assumptions and may result in material adjustments to the amounts recognized for the provision. Possible effects on the nature and scope of the business activities and thus on the balance sheet, the income statement and the statement of cash flows of Flughafen Zürich AG cannot be conclusively determined at present.

Further information regarding the provision for aircraft noise are included in the notes to the financial statements under note 10.

Our audit response	<p>We mainly performed the following audit procedures:</p> <ul style="list-style-type: none"> • Sample-based review whether controls were documented before cash distribution as well as the analysis of the effects of these payments on the estimate of total costs • Analysis of semi-annual noise reports submitted to the Group's management and the Board of Directors as well as evaluation of consequential questions • Inspection whether current total cost estimates are adjusted upon decisions by the court of final appeal
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On the basis of our audit procedures, we have no objections regarding recognition and measurement of the provision for aircraft noise.

Property, plant and equipment

Area of focus Property, plant and equipment used for operations (assets in use) and assets under construction for operating activities together comprise 63% of total assets. In 2019, investments in property, plant and equipment amounted to CHF 455.1 million. Therefore, based on the absolute size, this item is significant for the balance sheet of Flughafen Zürich AG.

The large number of different, partly very long-lived assets, the high transaction volume and the different expected useful lives as well as transfers between asset categories contain inherent risks regarding existence and valuation.

Furthermore, there is a risk that existing, long-lived assets will be replaced by new assets without eliminating the residual value of the out-of-use assets. Additionally, there are risks regarding valuation, delayed recognition of depreciation charges as well as in determining the adequate useful life.

Further information regarding property, plant and equipment is included in the notes to the financial statements under note 6.

Our audit response We mainly performed the following audit procedures:

- Evaluation of design, implementation and effectiveness of controls embedded in the procurement and capital expenditure process and of controls securing existence of property, plant and equipment on a sample basis
- Assessment of the adequacy of useful lives assigned to single assets and alignment towards useful lives according to the internal manual
- Evaluation of the assessment on existence of impairment triggers and discussion of resulting questions with the Controlling and Accounting department

On the basis of our audit procedures, we have no objections regarding the existence and valuation of property, plant and equipment.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Juri Frischknecht
Licensed audit expert

RESPONSIBILITY – EMPLOYEES

Flughafen Zürich AG employs around 1,700 people in over 70 different occupations. This diversity makes the airport operator one of the region's most attractive employers. The company offers fair market-based remuneration, equal opportunities for all, and promotes employees' professional development. It also offers traineeships and internships.

Zurich Airport is a unique place to work – as well as around 1,700 people who work for Flughafen Zürich AG itself, there are also over 27,000 employees of approximately another 280 companies who help ensure the airport runs smoothly, operate the commercial spaces and provide services.

The latest information about Flughafen Zürich AG as an employer and current vacancies can always be found on the [website](#).

FLUGHAFEN ZÜRICH AG AS AN EMPLOYER

For the airport operator, its employees are the key to lasting success so its management of human resources is therefore geared to the long term. The key elements of this are set out in its human resources policy:

COOPERATIVE WORKING

Co-determination and active participation are essential elements of the company's values. Flughafen Zürich AG regularly conducts employee surveys and implements continuous improvement initiatives. Employees interact with one another respectfully, support each other and cultivate a culture of open and transparent communication.

CAREER DEVELOPMENT OPPORTUNITIES

Based on a personnel development concept, Flughafen Zürich AG takes specific measures to both retain and develop its employees and managerial staff. For instance, suitable employees can take up airport-related posts abroad and consequently benefit from the opportunity of developing their skills in an international environment. The company offers a range of internal and external training and professional development opportunities.

TRAINEES AND INTERNS

Flughafen Zürich AG considers providing basic vocational education to be both an economic necessity and a social duty. It ensures that trainers have the necessary qualifications and practical experience and takes great care to choose the right interns and trainees. It also fosters the vocational, personal and social development of interns and trainees, ensuring they are well prepared to enter the world of work on completion of their education. Interns and trainees are often offered the opportunity to work at the airport after their training. These highly motivated employees are valuable additions to the workforce.

HEALTH MANAGEMENT

In-house health management activities focus on promoting and maintaining the health of the entire workforce, as healthy employees perform better and are more highly motivated. Moreover, absentee rates and staff turnover are reduced. Both the company and employees themselves share responsibility for the success of health management.

STAFF REPRESENTATION COUNCIL (PEV)

Flughafen Zürich AG has a staff representation council which represents employees' interests and liaises closely with the Management Board.

EQUAL PAY

Flughafen Zürich AG undertook an analysis of pay equality and found that the average pay gap between women and men is 2%. To permit an objective assessment of pay equality, average wages were compared at each function level. When comparing the average wages of women and men, only the function levels which had sufficient numbers of women and men to make comparison meaningful were analysed.

FLEXIBLE WORKING

Flughafen Zürich AG has recognised the need among its employees for a more flexible working environment and offers working models which help achieve a better work-life balance. It is important both to cover operational needs and take the fullest account possible of employees' individual needs by offering flexible arrangements. The primary objective is to have a highly efficient and service-oriented organisation with motivated, happy and healthy employees. Another aim is to offer flexible working conditions to increase the number of women in senior positions, and in particular encourage women to take up executive roles at the company. It is therefore important to offer various part-time models. Currently, 29% of all employees at Flughafen Zürich AG have part-time contracts. A total of 65% of women and 13% of men work part-time.

CORPORATE SOCIAL RESPONSIBILITY

With 31.5 million passengers and 275,000 flight movements, Zurich Airport is by far the largest airport in Switzerland and is consequently an infrastructure of national importance. 69 airlines connect Switzerland directly to 203 destinations all over the world. On the one hand, operating infrastructure like this creates thousands of jobs and boosts the attractiveness of Switzerland as a business location ([study on economic importance](#)). On the other hand, flight operations are also not without some negative impacts, especially in the immediate vicinity of the airport.

Zurich Airport has operated on the same runway system for over forty years now. Like individual road transport and other forms of public transport, aviation has also seen considerable growth during this time. Today Zurich Airport handles more than double the number of flight movements and almost five times as many passengers as it did when the runway system was last extended in 1976. Measures will therefore be necessary in the medium term to expand capacity so that Zurich Airport can fulfil the Swiss government's mandate to provide a safe and efficient transport hub to meet the demand for air travel. Such expansion will only be possible if the negative impacts of aviation operations can be further reduced and it can be shown that the positive benefits of this transport infrastructure clearly outweigh the disadvantages. Flughafen Zürich AG engages in regular dialogue and discussions on such issues with its many stakeholders, fostering trust in its activities and laying the foundations for adapting its operational framework to meet growing demand. Zurich Airport will then be able to continue operating as Switzerland's sole intercontinental hub airport as mandated by the federal government and in the interests of the country as a whole.

ASSOCIATIONS, INTEREST GROUPS AND POLITICAL DIALOGUE

As in previous years, Flughafen Zürich AG regularly engaged in dialogue with political stakeholders during 2019. As well as periodically publishing (for example in its [political newsletter](#)), these efforts focused on liaising with neighbouring municipalities, political decision-makers at a cantonal and federal level, and various public agencies. Flughafen Zürich AG also successfully continued to collaborate with a variety of regional and national business and industry associations.

AIRCRAFT NOISE

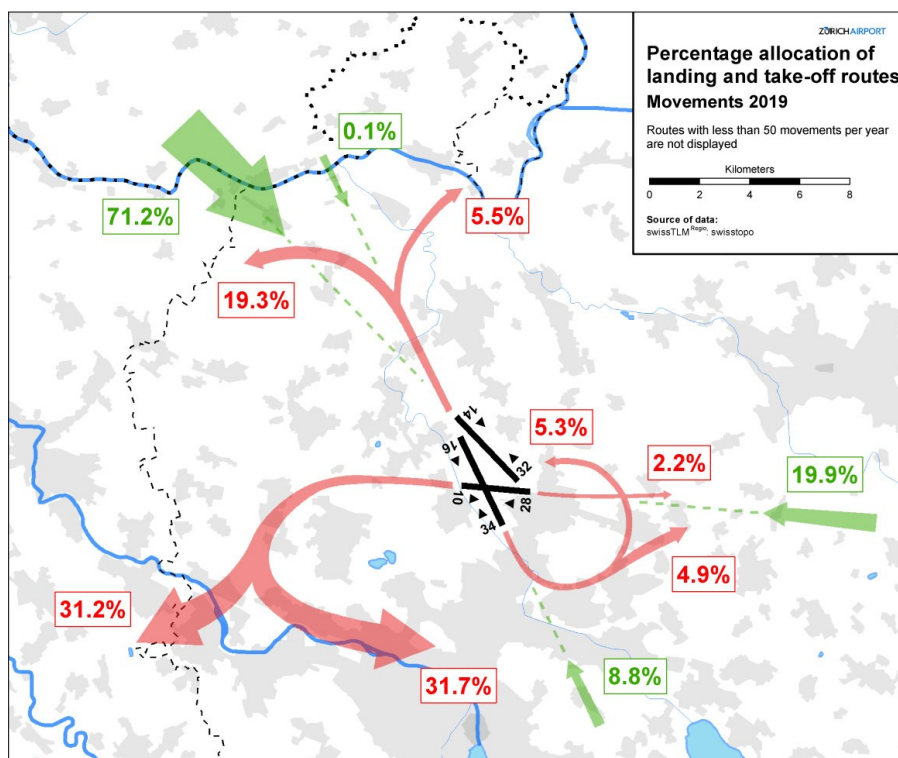
The impact of flight operations on the locality is a key concern for Flughafen Zürich AG. Our Noise Management department analyses and provides transparent reports on the noise situation.

NOISE MONITORING

Flughafen Zürich AG operates a network of 14 [noise monitoring stations](#) at fixed locations near departure and arrival routes. The data collected are published monthly in a noise bulletin.

Compared with the previous year, noise exposure remained stable during daytime at all monitoring stations. While the monitoring stations to the west (1 and 2) recorded an increase during the first night hour, those to the south (6, 12 and 13) registered a slight decrease in aircraft noise levels during the first and second night hours. At all other measuring points, aircraft noise exposure remained on a par with the previous year the first two night hours.

Changes in exposure to aircraft noise are mainly related to the allocation of flight movements to specific take-off and approach routes.



Usage of landing and take-off routes in 2019 (in % of total traffic). Routes with fewer than 50 flight movements per year are not shown.

NIGHT FLIGHTS AND SPECIAL AUTHORISATIONS

Residents often perceive night-time flights to be particularly disturbing. In 2019, night flights (between 10 p.m. and 6 a.m.) accounted for 4.8% (2018: 5.0%) of all flight movements. Special authorisations were issued for a total of 272 flights (2018: 312) during the night-time curfew period (11.30 p.m. to 6 a.m.). Such night flights are only authorised when there are justifiable grounds (see [noise statistics](#)).

FLIGHT PATH MONITORING

The Noise Management department monitors all departures from Zurich Airport for adherence to the prescribed flight paths. These are mandatory during daytime up to an altitude of 5,000 feet above sea level and at night up to flight level 80 (approximately 8,000 feet). In 2019, 136 (2018: 178) investigations were triggered and 29 (2018: 25) interviews with chief pilots were conducted. As in the previous year, the most frequent reason for deviations from the prescribed flight paths were specific instructions from air traffic control.

NOISE CHARGES

All jet aircraft are assigned to one of five noise categories, each of which has a different charge rate for take-off and landing. This gives airlines a financial incentive to operate the quietest possible aircraft on their Zurich routes. In addition, the rates for night-time flights vary according to noise category and the specific take-off or landing time. In 2019, at around 53% (2018: 54%), noise category 4 accounted for the highest percentage of flights during the night (10 p.m.–6 a.m.).

New [noise charges](#) for the shoulder periods and at night came into force at Zurich Airport on 11 September 2019. These are intended to ensure efficient – and consequently more punctual – handling of air traffic during the evening and so reduce the number of flights after 11 p.m.

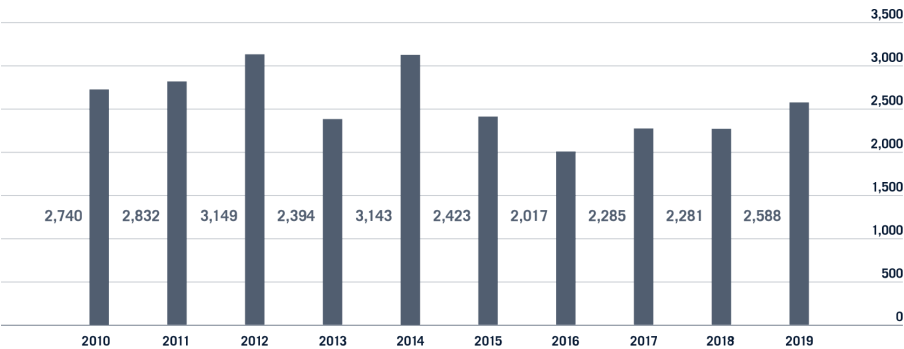
USE OF THE NOISE PROTECTION HANGAR

In 2019, a total of 487 aircraft engine tests (2018: 567) were performed in the noise protection hangar. The majority (88%) of engine tests carried out at night were for short-haul and medium-haul aircraft. Most aircraft engine tests for long-haul aircraft such as the A343, A333 and B777 and all other aircraft types were performed during the day.

The permitted noise level was exceeded three times in 2019. This is significantly less than the 25 instances permitted per year in accordance with the operating regulations. According to figures provided by the aircraft maintenance companies, 973 additional idle tests were performed on the apron and on the stands. A total of 690 idle tests were carried out during the day between the hours of 6 a.m. and 10 p.m., and 283 were run at night between 10 p.m. and 6 a.m.

COMMUNICATION WITH LOCAL RESIDENTS

Communicating with people in neighbouring communities is important to Flughafen Zürich AG. Local residents affected by aircraft noise can call or e-mail Flughafen Zürich AG directly with questions or complaints and staff from the Noise Management department will respond to specific questions. In 2019, landings on runway 34 constituted the most frequent cause for complaint. The number of complaints and queries received was around 10% higher than the previous year.



■ Number of aircraft noise complaints and inquiries per year

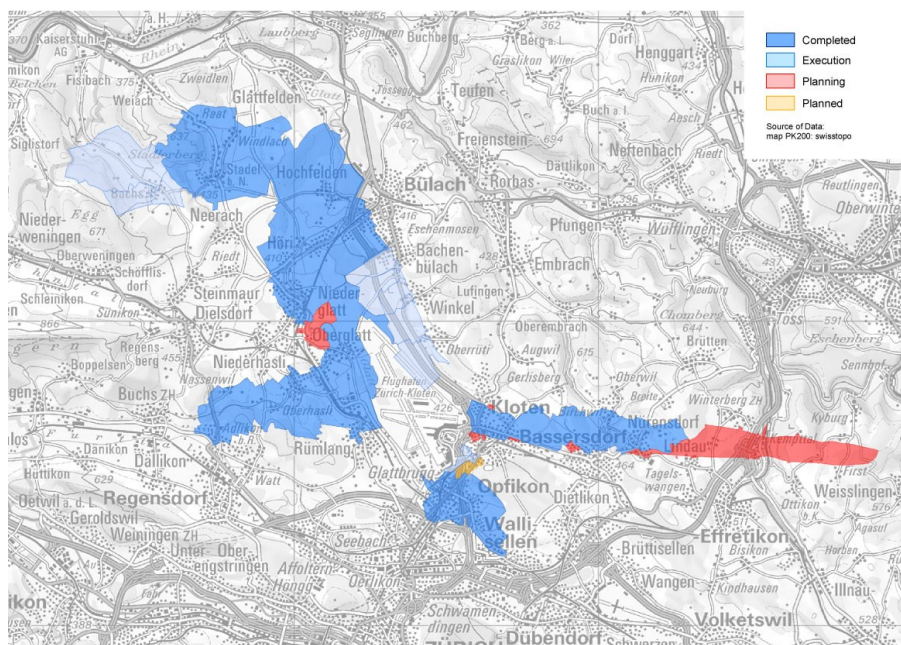
SOUND INSULATION

With its sound insulation programme, Zurich Airport protects residents in the vicinity of the airport from excessive aircraft noise.

SOUND INSULATION MEASURES AND REIMBURSEMENT

In addition to reducing engine noise, the [sound insulation programme](#) is a key element of the airport's efforts to minimise aircraft noise exposure. The programme includes the funding of passive sound insulation measures in buildings of the neighbouring municipalities, primarily the installation of sound-insulating windows. As the airport's operator, Flughafen Zürich AG is obliged by law to finance these noise mitigation measures. Owners of properties with noise-sensitive rooms which are located within a clearly defined perimeter, and which were not subject to any obligation to install sound insulation during building or conversion, are entitled to benefit from the programme. Property owners who have already taken the initiative of fitting sound-insulating windows themselves are reimbursed by Flughafen Zürich AG.

From 1999 through 2019, approximately CHF 260 million has been spent on sound insulation measures in around 6,400 buildings. Of CHF 11.5 million expenditure in 2019, CHF 0.8 million was spent on project planning, CHF 8.9 million on window upgrades and CHF 1.8 million on reimbursements.



Overview of sound insulation measures in 2019 (Programme 2010, as of 2019).

SOUTH-SIDE SOUND INSULATION CONCEPT

As part of phase 1 of its [south-side sound insulation concept](#), Flughafen Zürich AG installed window-closing systems or sound-absorbing ventilators free of charge in the bedrooms of numerous properties in Zurich, Opfikon, Wallisellen and Dübendorf.

Flughafen Zürich AG submitted a revised concept for phase 2 on 5 September 2019. The proceedings are still ongoing at the Federal Office of Civil Aviation (FOCA).

KEY NOISE-RELATED FIGURES FOR ZURICH AIRPORT

	2019	2018	2017
Number of residents ¹⁾ above alarm value for SL II ²⁾	not available ³⁾	6,535	5,215
Number of residents above immission limit for SL II	not available ³⁾	63,427	61,080
Number of residents above the planning value for SL II	not available ³⁾	154,165	164,115
Daytime aircraft noise levels ⁴⁾ at NMT 1/3/6/10 (dB[A]) ⁵⁾	66/59/66/59	66/58/66/58	66/59/66/59
Number of engine ground tests in the noise protection hangar during the day / night	273/214	334/233	338/312 ⁶⁾
Number of exceedances of the permissible noise exposure level	3	1	5
Number of registered flight path deviations / investigated	4,144/136	4,558/178	4,721/167
Number of night flight movements (10 p.m. – 6 a.m.)	12,968	13,655	12,476
Proportion in the first hour (10–11 p.m.)	10,342	10,569	9,802
Number of special authorisations for night flights issued ⁷⁾	272	312	311
of which emergency, relief and rescue flights	65	61	46
of which police, military and government flights	20	28	18
of which various other types of flight	187	223	247
2010 Sound Insulation Programme: number of properties fitted ⁸⁾	6,400	6,200	6,000
Number of complaints and queries relating to noise ⁹⁾	2,588	2,281	2,285

1) Encompassing noise contours of the day and night noise limits.

2) Sensitivity level II (SL II) in accordance with Art. 43 of the Federal Noise Abatement Ordinance.

3) Figures will be calculated by Empa and published only after this report is printed.

4) Energy-equivalent continuous sound level of daytime aircraft noise (6 a.m. – 10 p.m.).

5) NMT = Noise Monitoring Terminal, 1 = Rümlang, 3 = Oberglatt, 6 = Glattbrugg, 10 = Nürensdorf.

6) Corrected number compared to the previous year's report.

7) Special authorisations can be granted for urgent flights operating during the night-time curfew.

8) Number of buildings and properties which have been renovated to date incl. reimbursements.

9) Includes complaints and enquiries relating to noise levels, flight paths, development of the air traffic, etc.

ENVIRONMENTAL RESPONSIBILITY

Flughafen Zürich AG has been committed to the responsible use of natural resources for many years. As the holder of the operating licence for Zurich Airport, it ensures the airport can be operated and developed in an environmentally responsible way.



ENVIRONMENTAL POLICY AND REDUCTION TARGETS

Flughafen Zürich AG's [environmental policy](#) sets out the company's position on environmental protection and identifies key priority areas. Its efforts are focused on the areas of aircraft noise, air quality, climate protection, energy consumption and the preservation of natural habitats for animals and plants. In the areas of climate protection and energy the company has set itself voluntary [reduction and efficiency improvement targets](#).

ENVIRONMENTAL MANAGEMENT SYSTEM

Since 2001, Flughafen Zürich AG has used an environmental management system (EMS) certified to international standard ISO 14001 to control all its own environmentally relevant processes and systematically reduce environmental impacts. Compliance and the effectiveness of the EMS are verified by annual external audits and supplementary internal audits.



DIALOGUE

Engaging in open dialogue is very important to Flughafen Zürich AG. As well as the public at large, its stakeholders in relation to environmental issues include in particular local residents, administrative authorities, associations and interest groups, industry partners and technical bodies at a national and international level.

Flughafen Zürich AG also communicates transparently on environmental issues via a variety of channels, including for instance its interactive [environmental exhibition](#), publications on specific topics, corporate publications, information events, social media and – by no means least – personal contact.

SCOPE

Environmental reporting relates generally to the overall Zurich Airport complex and encompasses all the activities of Flughafen Zürich AG and its partners within the airport perimeter as defined in the [Sectoral Aviation Infrastructure Plan \(SAIP\)](#) for Zurich Airport. However, the targets mentioned in the individual sections relate solely to areas that Flughafen Zürich AG is able to influence directly.

GLOBAL CLIMATE

Flughafen Zürich AG has been committed to climate protection for many years. Over the past 28 years, the company has succeeded in cutting its annual CO₂ emissions by over 40%.



REDUCTION TARGET

Flughafen Zürich AG considers itself a pioneer in matters of climate protection at airports. In April of the reporting year it consequently stepped up its CO₂ targets, extending its previous goal of cutting CO₂ emissions down to just 20,000 tonnes per year by 2030. Flughafen Zürich AG has now additionally set itself the goal of achieving zero CO₂ emissions by 2050.

During the annual congress of the association of European airports in June, Flughafen Zürich AG's CEO Stephan Widrig also signed ACI Europe's resolution to cut airport carbon emissions to net zero by 2050 at the latest. This resolution affirms European airports' commitment to playing their part in achieving the Paris Climate Accord goal of limiting global warming to well below 2 degrees.

CO₂ SOURCES

Of the known greenhouse gases, only carbon dioxide (CO₂) is produced in relevant quantities at Zurich Airport. Each year the quantities emitted are recorded in a CO₂ inventory.

In accordance with the Greenhouse Gas Protocol ([GHG protocol](#)), the CO₂ sources are allocated to different spheres of influence known as "scopes". Scope 1 comprises airport-owned or controlled sources. These mainly include heating systems, own electricity production, and Flughafen Zürich AG's vehicle fleet. Scope 2 relates to CO₂ emissions resulting from energy generated off-site, primarily electricity. Finally, scope 3 covers all other airport-related sources. This includes all ground handling systems, feeder traffic, and the actual aircraft.

MEASURES TO REDUCE CONSUMPTION

Flughafen Zürich AG has taken a number of steps to reduce its use of fossil fuels as these are almost entirely responsible for the company's CO₂ emissions. One such measure with a major impact is the refurbishment of its buildings to reduce heat demand.

Moreover, Flughafen Zürich AG is continuing to invest in electrifying the ground vehicles and equipment required for aircraft handling and airport maintenance. This includes not only its own vehicle fleet, but those of its partner companies operating at the airport. Flughafen Zürich AG provides these firms with the necessary charging infrastructure.

Numerous measures have been put in place to reduce the number of hours aircraft engines need to run. As well as efficiently designed take-off and landing procedures, these include the use of fixed ground power systems.

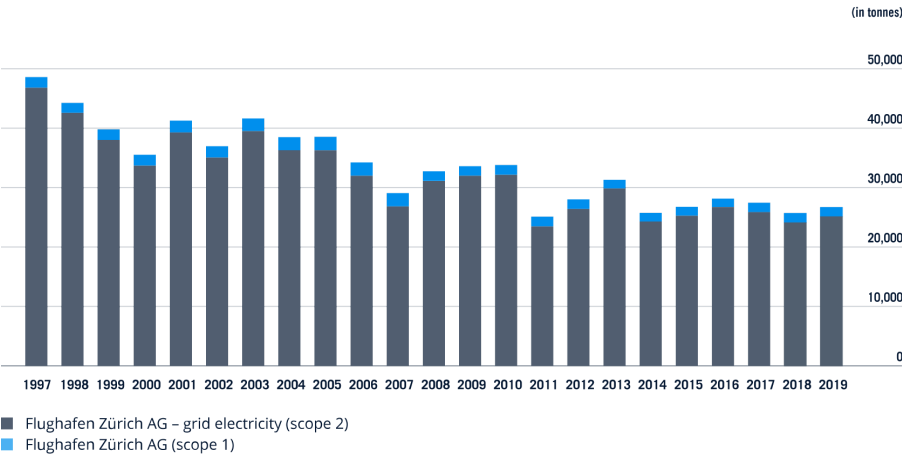
AIRPORT CARBON ACCREDITATION

The [Airport Carbon Accreditation \(ACA\)](#) scheme was launched in 2009 as an initiative of ACI Europe, the association of European airports. This accreditation programme recognises airports all over the world which draw up an inventory of their CO₂ emissions and then take steps to reduce them. Flughafen Zürich AG has been accredited at the second-highest level since it joined the scheme in 2010. This means Flughafen Zürich AG is continually reducing its own CO₂ emissions and is helping its partners lower their emissions too. The highest level would signify the achievement of full carbon neutrality.



SITUATION IN 2019

In the reporting period, CO₂ emissions amounted to 26,218 tonnes for scope 1, 1,632 tonnes for scope 2 and 4'230'902 tonnes for scope 3. Emissions in scope 1 were 4% higher than in the previous year. This is due to higher heating requirements resulting from below-average temperatures in May as well as higher electricity production at the heating plant with a combined heat and power generation system.



CO₂ emissions at Zurich Airport by scope since 1997.

AIR QUALITY

Zurich Airport's operations produce some emissions that affect air quality. However, the impact of these is essentially local.

EMISSIONS

Various pollutants are monitored in order to assess the air quality at Zurich Airport. The most important of these are nitrogen oxide (NO_x) and particulate matter (PM). Flughafen Zürich AG maintains an emissions inventory which records how much of each individual pollutant is emitted annually. Zurich Airport complies with the applicable official nitrogen oxide emission limits.

At Zurich Airport, air pollutants arise from the following four source categories: aircraft, handling operations, the airport's infrastructure and landside traffic. Air pollutants are primarily produced by the combustion of fossil fuels such as kerosene, diesel or petrol, so aircraft account for the majority of emissions and around 90% of nitrogen oxides.

POLLUTION

Once discharged into the atmosphere, emissions do not remain in the same state – their composition changes, and they are diluted and dispersed before actively becoming pollutants. These pollutants are measured at certain points and are also modelled over the area as a whole.

This mathematical modelling is based on the emissions inventory and additional information about the time and location of emissions. Combined with meteorological data, it is then possible to calculate the distribution of the pollutants using special software.

A network of monitoring equipment which measures actual concentrations has been set up across the airport and the surrounding region. Both fully automatic monitoring stations as well as passive collectors that measure the amount of the indicator pollutant nitrogen dioxide in the air are used. The automatic monitoring stations are operated on behalf of the airport by the Office of Waste, Water, Energy and Air (AWEL) of the Canton of Zurich.

Flughafen Zürich AG regularly conducts additional studies on individual pollutants and issues in order to gain a better understanding of the situation. For example, a study on ultra-fine particulates on the approach path to runway 14, the main landing runway, was carried out during the reporting year.

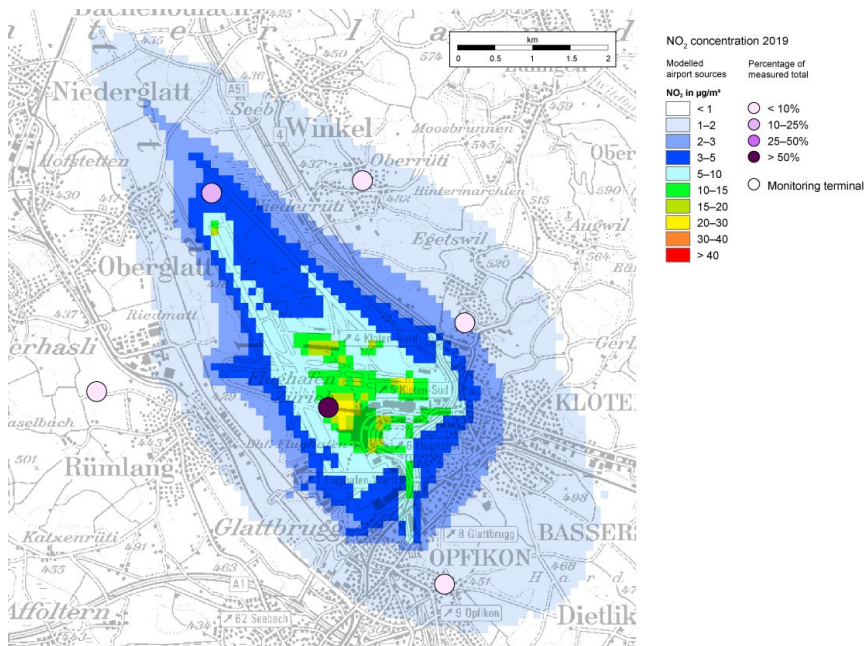


Automatic monitoring station on the roof of Dock A.

SITUATION IN 2019

The reduction in the number of flight movements led to a 3.3% drop in the emission of nitrogen oxides (NO_x) at the airport during the reporting period.

Measured pollutant values at and around the airport were on a par with the previous year's level. Although the limits were exceeded on the apron and along the main roads in the region at certain times, levels of pollution from the airport fall rapidly, the further away one gets from the airport. Outside its perimeter, emissions from the airport account for a maximum of 10% of the total air pollution measured there.



Impact of the airport on local air quality.

MEASURES TO REDUCE POLLUTANT EMISSIONS

Flughafen Zürich AG has already taken a number of steps to help reduce air pollutant emissions. It has levied emission-based landing charges since 1997: the more pollutants an engine emits, the higher the charge. Flughafen Zürich AG is also investing heavily in optimising its operational processes in order to streamline aircraft movements and consequently cut down the amount of time engines are running.

Another important measure is the provision of fixed ground power systems. Thanks to these, on-board auxiliary power units for electricity and air conditioning can remain switched off while more energy-efficient sources are used instead.

The use of ground vehicles powered by electric motors rather than internal combustion engines is a further measure to help avoid emissions. The number of electric-powered

vehicles and equipment used for aircraft servicing and ground handling at Zurich Airport is steadily rising.



The design of the engines (here one of the Airbus A220) plays a decisive role in the composition of the pollutants.

INTERNATIONAL COOPERATION

Internationally, Flughafen Zürich AG is among the world's leading pioneers in matters of air quality. It offers its expertise in various international organisations and technical bodies, sharing know-how and new ideas with other airports around the world. It is also involved in the further development of models, regulations and technology.

ENERGY

Flughafen Zürich AG provides the entire airport with a reliable and efficient supply of electricity, heating and cooling.

STRATEGIC OBJECTIVES

With its “Energy Strategy 2030” Flughafen Zürich AG is seeking to ensure a secure, economic and environmentally responsible energy supply for the whole airport in the future. The strategy aims to reduce primary energy consumption, smooth out peak demand and increase the airport’s energy autonomy.

As over 90% of Flughafen Zürich AG’s CO₂ emissions stem from supplying heat and electricity, the sources of energy used are closely linked to climate protection.



The addition of photovoltaic systems is in full swing.

ENERGY PRODUCTION

Flughafen Zürich AG uses a number of different technologies and sources of energy to provide reliable and efficient heating, air conditioning and electrical power. Using a combined heat and power generation system, the airport's own heating plant provides both electricity and heat, which is distributed over an extensive district heating network. The main fuel is natural gas, and a small amount of fuel oil is used. Three centres equipped with cooling units with an output of over 20 MW meet the majority of the airport's cooling needs. A high proportion of free cooling and the utilisation of waste heat recovery in some cases make these systems highly efficient. Shallow geothermal energy extracted with heat exchangers is utilised for heating and cooling some buildings.

In addition to generating electricity in its own heating plant, the percentage of electricity generated by photovoltaic systems at the airport is steadily increasing. Arrays are currently being installed on the new fire brigade building and on THE CIRCLE, with further projects also being planned.

PHOTOVOLTAIC ENERGY

1,679 MWh

The annual output of all photovoltaic systems was higher than ever in 2019.

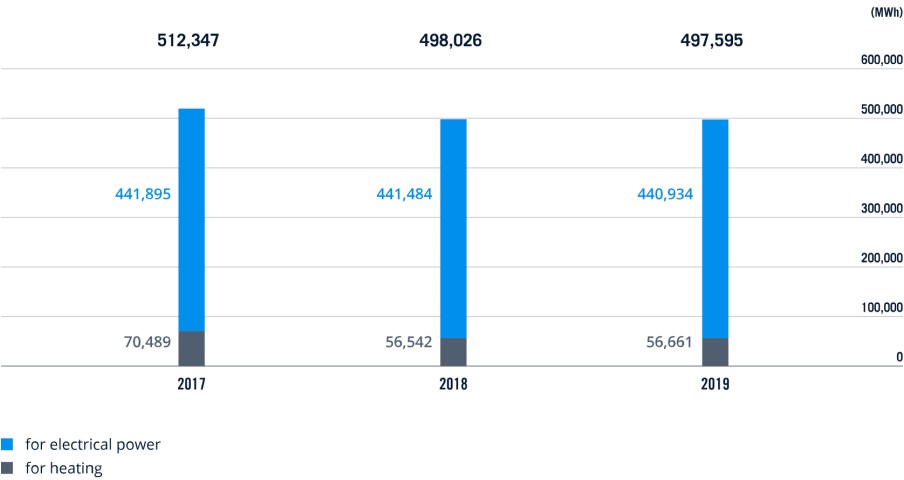
THE CIRCLE

The new complex currently under construction and set to open in 2020 boasts exemplary energy efficiency and will be certified both to MINERGIE and LEED Platinum standards. 736 foundation piles are designed as "energy piles", similar to the ones under Dock E at the airport since 2002. This will enable most of the energy demand for heating and cooling to be met by these geothermal structures. Thanks to the sophisticated heat recovery systems also incorporated in the building, only around a quarter of the energy required will need to be externally supplied. Finally, photovoltaic arrays that produce solar power are installed on the roofs, although these can only meet a fraction of the demand.

SITUATION IN 2019

Heat demand rose by 5% in the year under review to 98,844 MWh. The main reason for this was the cold month of May, when temperatures were well below the multi-year average. On the other hand, the electricity requirement remained on the same level as in the previous year at 162,240 MWh.

Expressed in primary energy, overall demand came to 497,595 MWh, which is virtually the same as the previous year's level. Primary energy also includes the energy necessary for generation and transmission which is required before an energy vector can be used as final energy (electricity, heating).



Spent primary energy for electricity and heat.

LARGE-SCALE CONSUMERS AGREEMENT

As a large-scale consumer, Flughafen Zürich AG has signed an agreement with the Building Department of the Canton of Zurich. This obliges the company to make average annual efficiency improvements of 2% until 2030, measured on the basis of the number of user units and the heated area of the airport. The target for specific energy consumption was also met in the reporting period.

ANNUAL INCREASE IN EFFICIENCY

2%

The annual increase in efficiency must amount to at least 2% by 2030.

ENERGY EFFICIENCY MEASURES

Flughafen Zürich AG constantly strives to reduce its energy demand and improve the efficiency of its buildings and systems. As well as its building renovation programme, such measures also include optimising existing systems. For instance, replacing conventional lighting with LED lights is well underway. Another example is an audit of HVAC systems which resulted in a list of over 50 systems offering scope for using less energy without compromising on comfort levels. Many other measures contribute to reducing energy consumption and improving efficiency in minor ways.

NATURE AND LANDSCAPE

Extensive natural spaces are also to be found on the airport's grounds. Flughafen Zürich AG bears a great responsibility for protecting and preserving the ecological value of these areas as a habitat for animals and plants.

VALUABLE HABITATS

Of approximately 953 hectares within the airport perimeter, around half comprise green spaces. As Zurich Airport was sited in the middle of reed meadows when it was planned in the 1940s, it also encompasses extensive areas of high ecological value. 53 hectares are designated nature conservation areas.

The site comprises a varied mosaic of different habitats where rare plants and animals can thrive as the fence protects them from being disturbed.

PREVENTION OF BIRD STRIKES

With its wooded areas, watercourses and large open spaces, the airport also attracts a large number of bird species. However, large birds and flocking birds in particular can present a safety risk for aircraft. Collisions between birds and aircraft (known as bird strikes) can have serious consequences and so must be avoided at all costs.

Management of the green spaces is therefore designed to make the airfield less attractive to birds. Most of the open spaces are managed as extensively used high-grass meadows. This is both environmentally friendly and also helps to reduce the risk of bird strikes. The high grass makes it difficult for birds of prey to spot their prey on the ground and it also discourages flocking birds from settling there.

Specific steps have also been taken to reduce the birds' food supply – for instance weasels are encouraged because they compete with birds of prey in hunting small mammals.



Piles of branches encourage weasels, which in turn help to prevent bird strikes.

ENVIRONMENTAL OFFSETTING

Preserving the ecological value of natural spaces also requires action to protect these green spaces from the impact of building projects. Flughafen Zürich AG is obliged to establish in advance the ecological value of the green spaces that it intends to build on and to offset this with measures of equivalent value. This can be done for example by upgrading areas elsewhere.

WASTE

Flughafen Zürich AG's systematic waste management ensures that almost all waste is recycled or disposed of thermally.

SUSTAINABLE USE OF MATERIALS

As a major transport hub handling cargo and tens of thousands of people every day with constantly expanding infrastructure, Zurich Airport generates a considerable volume of waste. Flughafen Zürich AG therefore prioritises avoiding waste from the outset. Where this is not feasible, it collects recyclables separately and disposes of residual waste in an environmentally responsible manner.

MATERIAL RECYCLING AND ENERGY RECOVERY

Flughafen Zürich AG handles the disposal of its own waste as well as the majority of waste from other companies at the airport. It has implemented a range of measures to collect recyclables separately and send them for recycling wherever possible and expedient. Normal waste is burned in a waste incineration plant and the heat produced is used to generate electricity and supply a district heating network.

SITUATION IN 2019

The quantity of waste in the reporting period declined compared with the previous year: in 2019 18,439 tonnes of waste were collected, corresponding to a fall of 12%. This was because extraordinarily high quantities of metal and bulky goods waste accumulated in the previous year. In the reporting period, the quantities were in line with the long-term average.

This has a direct impact on the proportion of waste sent for recycling, which declined from 48.9% in 2018 to 45.9%. By contrast, the proportion of mixed waste rose to 53%. The quantity of collected paper/cardboard – at 2,846 tonnes – was on a par with the previous year.

The quantity of PET waste collected that was sent for recycling increased sharply by 28% over the previous year to 358 tonnes. The decline in the quantity of confiscated liquids at the security check (202 tonnes) is also encouraging.

To enable a comparison with other airports to be made, the quantities indicated were defined by the German airports association (ADV).

WATER AND WATER PROTECTION

Flughafen Zürich AG uses fresh water frugally. Waste water is cleaned in different ways depending on its origin.

FRESH WATER

The fresh water used at Zurich Airport comes from three different sources: firstly, drinking water comes from the municipal water supply for the town of Kloten. During the year under review, consumption of this was 7.2% less than in the previous year. Secondly, groundwater is pumped away from under the main airport complex to keep dry older buildings that cannot be adequately sealed. Some of this water is used in technical processes and the remainder is channelled into the river Glatt. Thirdly, rainwater is used for flushing some toilets.

Consumption of fresh water at Zurich Airport	2019	2018	2017
Drinking water (m ³)	649,997	700,375	664,129
Groundwater (m ³)	188,230	124,119	123,591
Rainwater (m ³)	13,180	12,332	13,005
Total fresh water (m³)	851,407	836,826	800,725

GENERAL DRAINAGE PLAN

In line with its “avoid-separate-treat” approach, Flughafen Zürich AG aims to produce as little waste water as possible. Along with measures to ensure drainage systems comply with the law, its general drainage plan includes stipulations relating to the operation and maintenance of the existing sewage and pump systems.

DOMESTIC AND INDUSTRIAL WASTE WATER

The various types of waste water that arise at Zurich Airport are treated in different ways. All domestic waste water, from toilets or restaurant kitchens for example, is channelled into the local [sewage treatment plant at Kloten-Opfikon](#) where it is treated. The sewage plant, which is a joint venture between Flughafen Zürich AG and the municipalities of Kloten and Opfikon, is currently being renovated and extended (while operations continue uninterrupted). The contents of grease separators are sent to a biogas plant. Special waste water, from workshops or from aircraft toilets for example, requires pre-treatment on the airport premises before it can likewise be sent to the sewage plant.

AIRCRAFT AND RUNWAY DE-ICING

In order to ensure safe flight operations, in winter it is essential to keep both aircraft and operational areas free of ice. During the winter of 2018/19, 2,113 m³ of de-icing agents (propylene glycol) were used for aircraft de-icing (2% less than the previous year). 1,364 m³ of liquid de-icing agents (–14%) were required for runways, taxiways and aprons. 349 tonnes of conventional de-icing salts were additionally used on service roads, in the car parks and around the maintenance area. The total amount of de-icing agents applied was higher than the long-term average. However, the quantity of de-icing agents used can vary considerably from one winter to another depending on the amount of precipitation and ambient temperatures.

Consumption of de-icing agents at Zurich Airport	2018/19	2017/18	2016/17
Aircraft de-icing agents (m ³)	2,113	2,152	1,921
Runway and road de-icing agents, formiate solution (m ³)	1,364	1,580	1,301
Surface de-icing agents, solid (tonnes)	0	21	0
De-icing salts for other surfaces (tonnes)	349	329	492
Untreated carbon washed away (aprons, runway and taxiways, %)	94	92	94

TREATMENT OF WASTE WATER FROM DE-ICING OPERATIONS

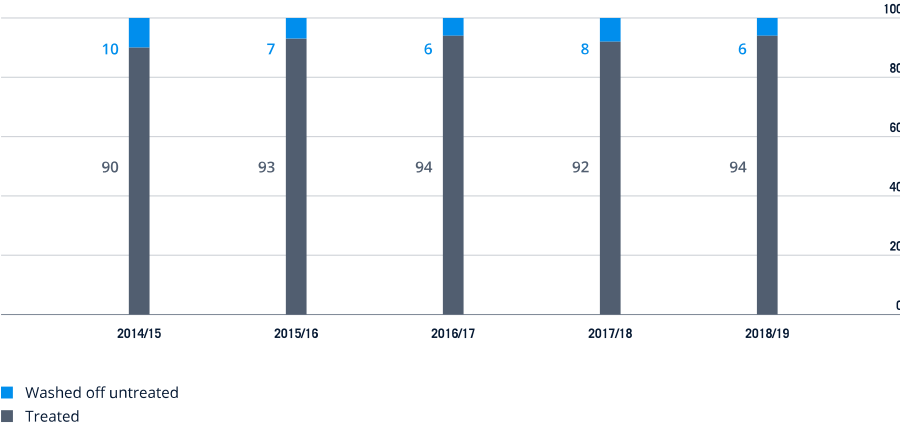


Highly concentrated de-icer runoff is collected in a basin then distilled in the airport's own plant.

De-icing aircraft with hot water and propylene glycol as well as spraying potassium formate-based de-icing agents on operating surfaces results in waste water contaminated with carbon compounds. If waste water were to enter natural watercourses untreated, it would remove oxygen from the water and therefore cause problems for aquatic organisms. To prevent this, the waste water is collected and is then treated depending on the level of carbon concentration. Water that is only slightly polluted is first channelled through retention filter basins and then into the Glatt. Medium-contaminated waste water is sprayed over grassed areas using a special sprinkler system. As the water filters down through the soil,

the glycol it contains biodegrades completely. Heavily contaminated waste water is treated in the airport's two distillation plants, where the glycol is concentrated and then supplied as a raw material to industrial companies.

Over the winter of 2018/19, at 94% the amount of run-off collected was slightly higher than the previous year. Of the 512 tonnes of carbon captured, 30 tonnes (2018: 40 tonnes) or 6% flowed untreated into the Glatt. Flughafen Zürich AG is continually investing in further optimisation measures and adding new airside operating areas to the treatment system.



Amount of collected run-off from de-icing operations.

KEY ENVIRONMENTAL DATA FOR ZURICH AIRPORT

	2019	2018	2017
NO _x emissions in tonnes	1,434	1,484	1,351
Proportion from aircraft (tonnes) ¹⁾	1,332	1,376	1,244
VOC emissions in tonnes	274	290	325
Proportion from aircraft (tonnes)	191	210	233
CO emissions in tonnes	1,296	1,400	1,511
Proportion from aircraft (tonnes)	1,209	1,307	1,418
PM emissions in tonnes	19	21	22
Proportion from aircraft (tonnes)	15	17	17
CO ₂ emissions in tonnes at Zurich Airport, scope 1 ²⁾	26,218	25,143	27,917
CO ₂ emissions in tonnes at Zurich Airport, scope 2 ³⁾	1,632	1,657	1,665
CO ₂ emissions in tonnes at Zurich Airport, scope 3 ⁴⁾	4,230,902	4,113,904	4,039,010
Overall consumption primary energy (MWh)	497,595	498,026	512,347
Annual water consumption (in m ³)	851,407	836,826	800,725
Overall waste amount (tonnes)	18,439	20,960	18,153
of which recyclable material (e.g. paper, cardboard, glass, wood) (%)	45.9	48.9	44.9
Confiscated liquids from security checks (t)	202	219	213

1) Flight operations in LTO cycle (up to 915 metres), taking into account actual engine power, APU, engine start-up and airframe

2) In accordance with the GHG Protocol: Flughafen Zürich AG's own sources (vehicles, machinery, heating)

3) In accordance with the GHG Protocol: Electricity sourced by Flughafen Zürich AG externally

4) In accordance with the GHG Protocol: Aircraft in LTO cycle and complete route (outbound flight only), calculated by Eurocontrol, other emissions sources at the airport (handling, other heating) and all landside traffic in the vicinity of the airport (approx. 3 kilometres) for all modes of transport

ECONOMIC IMPORTANCE

In addition to being a transport hub, Zurich Airport is also a major economic driver. With around 280 companies supporting over 27,000 jobs, it directly and indirectly generates value added of some CHF 5 billion. Moreover, the operation of Zurich Airport indirectly boosts the attractiveness of Switzerland as a business location and as a tourist destination in a variety of ways. Today 69 airlines fly directly to 203 destinations and consequently serve to connect Switzerland to the most important business centres, promising tourist destinations and key export markets for Switzerland's tourism and export industries. These were the findings of a study conducted by BAK Economics and INFRAS on behalf of Flughafen Zürich AG in 2017.

ACCESSIBILITY AS A KEY LOCATIONAL FACTOR

Accessibility is an important locational factor and a key determinant when multinational companies are choosing where to set up a business. It also affects whether local companies are able to grow and access new markets. High global and continental accessibility enhances the attractiveness of a region and drives strong economic growth, which in turn creates more jobs and boosts prosperity. Air travel is and will remain a key factor of this accessibility. Zurich Airport and the airlines operating there are already ensuring above-average accessibility. However, the ongoing rising demand for air travel, greater capacity constraints and the minimal remaining scope for growth available to Zurich Airport today are increasingly jeopardising this advantageous position. If it is to continue to underpin the region's attractiveness as a place to live and do business in future, a more favourable political environment is essential.

EXPORTERS RELY ON EFFICIENT AIR CARGO

Switzerland is a strong export nation. Swiss companies sell their high-quality products all over the world. Zurich Airport plays a pivotal role here. As well as carrying passengers, direct intercontinental flights also enable the fast, direct and very safe transport of Swiss products to key export markets. Over 40% of Switzerland's exports by value are transported by air freight.

FURTHER INFORMATION

CONTACTS

Investor Relations

investor.relations@zurich-airport.com

Corporate Communication

medien@zurich-airport.com

RESULTS AND FINANCIAL INFORMATION

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

2019 ANNUAL REPORT

The 2019 Annual Report of Flughafen Zürich AG is available in English and German and is published online: <https://report.flughafen-zuerich.ch/2019/en>.

The German version is binding.