

INTERIM REPORT OF
FLUGHAFEN ZÜRICH AG

2017



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KEY DATA

In the first half of 2017, Flughafen Zürich AG's total revenue increased by CHF 8.1 million or 1.7 % year on year to CHF 488.8 million.

KEY DATA FOR THE FIRST HALF OF 2017 ¹⁾

(CHF 1,000)	First half 2017	First half 2016	Change in %
Total revenue	488,793	480,741	1.7
of which aviation revenue	292,409	292,218	0.1
of which non-aviation revenue	196,384	188,523	4.2
Operating expenses	-217,196	-214,872	1.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	271,597	265,869	2.2
EBITDA margin (in %)	55.6	55.3	
Earnings before interest and tax (EBIT)	151,205	150,478	0.5
EBIT margin (in %)	30.9	31.3	
Profit	143,175	103,810	37.9
Cash flow from operating activities	193,843	175,367	10.5
Cash flow from investing activities	-241,077	-86,998	177.1
Invested capital as at end of reporting period	3,304,751	3,062,921	7.9
Return on invested capital (in %) ²⁾	8.4	9.1	
Equity as at end of reporting period	2,228,611	2,095,431	6.4
Return on equity (in %) ²⁾	13.3	11.7	
Equity ratio (in %)	54.8	53.6	
Interest-bearing liabilities (net)	206,293	302,577	-31.8
Interest-bearing liabilities (net) / EBITDA ²⁾	0.35x	0.52x	
Key operational data			
Number of passengers	13,706,322	12,619,216	8.6
Number of flight movements	131,401	129,587	1.4
Freight in tonnes	231,916	206,215	12.5
Number of full-time positions as at end of reporting period	1,565	1,502	4.2
Number of employees as at end of reporting period	1,819	1,750	3.9
Key data for shareholders of Flughafen Zürich AG			
Number of issued shares	30,701,875	30,701,875	
Equity per share (CHF)	72.59	68.25	6.4
Basic earnings per share (CHF)	4.66	3.38	37.9
Diluted earnings per share (CHF)	4.66	3.38	37.9
Flughafen Zürich AG (registered share)	Security number	SIX symbol	Reuters
	31941693	FHZN	FHZN.S
Share price as at 30.06. (CHF)	235.00	172.20	36.5

1) All cited key financial data are unaudited.

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

KEY DATA FOR THE FIRST HALF OF 2017 (EXCLUDING THE INFLUENCE OF AIRCRAFT NOISE) ¹⁾

Flughafen Zürich AG refinances all costs relating to aircraft noise through noise charges based on the “costs-by-cause” principle. 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 following adjusted key figures exclude all significant noise-related items in the income statement and balance sheet:

(CHF 1,000)	First half 2017	First half 2016	Change in %
Total revenue	483,327	475,196	1.7
of which aviation revenue	286,943	286,673	0.1
of which non-aviation revenue	196,384	188,523	4.2
Operating expenses	-215,635	-213,146	1.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	267,692	262,050	2.2
EBITDA margin (in %)	55.4	55.1	
Earnings before interest and tax (EBIT)	149,957	149,592	0.2
EBIT margin (in %)	31.0	31.5	
Profit	140,889	108,303	30.1
Cash flow from operating activities	195,605	176,085	11.1
Cash flow from investing activities	-301,064	-102,500	193.7
Invested capital as at end of reporting period	3,154,482	2,922,683	7.9
Return on invested capital (in %) ²⁾	8.8	9.5	
Equity as at end of reporting period	2,094,786	1,963,893	6.7
Return on equity (in %) ²⁾	13.7	13.1	
Equity ratio (in %)	60.4	60.0	
Interest-bearing liabilities (net)	661,731	777,642	-14.9
Interest-bearing liabilities (net) / EBITDA ²⁾	1.15x	1.36x	

Key data for shareholders of Flughafen Zürich AG

	First half 2017	First half 2016	Change in %
Number of issued shares	30,701,875	30,701,875	
Equity per share (CHF)	68.23	63.97	6.7
Basic earnings per share (CHF)	4.58	3.52	30.1
Diluted earnings per share (CHF)	4.58	3.52	30.1

Please see previous page for an explanation of the footnotes.

RESULT FOR THE FIRST HALF OF 2017 INCLUDING AND EXCLUDING NOISE-RELATED ITEMS

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

(CHF 1,000)	First half 2017			First half 2016		
	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise	Including aircraft noise	Elimination of aircraft noise	Excluding aircraft noise
Revenue	488,793	-5,466	483,327	480,741	-5,545	475,196
Operating expenses	-217,196	1,561	-215,635	-214,872	1,726	-213,146
EBITDA	271,597	-3,905	267,692	265,869	-3,819	262,050
Depreciation and amortisation	-120,392	2,657	-117,735	-115,391	2,933	-112,458
EBIT	151,205	-1,248	149,957	150,478	-886	149,592
Profit	143,175	-2,286	140,889	103,810	4,493	108,303

9 cranes

ONE OF SWITZERLAND'S LARGEST CONSTRUCTION SITES

There are currently nine cranes on the construction site of THE CIRCLE, the largest construction project in Switzerland. This figure is set to double in the months to come. THE CIRCLE is thus becoming more and more visible and tangible.



2017 INTERIM REPORT

Flughafen Zürich AG looks back on a successful first half of 2017, reporting a profit of CHF 143.2 million on revenue of CHF 488.8 million.

Dear Shareholders,
Dear Sir or Madam

Flughafen Zürich AG reported a profit of CHF 143.2 million for the first half of 2017, a year-on-year increase of CHF 39.4 million due primarily to the sale of the interest in Bangalore Airport.

BUSINESS REVIEW

Trend in traffic volume

Between January and June 2017, 13.7 million passengers used Zurich Airport as their departure, transfer or destination airport, representing an increase of 8.6% compared with the prior-year period. The number of local passengers rose by 6.1%, while there was an increase of 15.7% in transfer passengers. The proportion of transfer passengers was up from 26.9% to 28.7% over the prior-year period. Broken down by region, passenger volumes in the largest market - Europe - made the biggest contribution to growth, having increased by 8.1%. All the other markets also performed well, led by the Far East region with +14.8%, Africa with +21.6%, Latin America with +36.8%, North America with +4.5% and the Middle East with +5.8%.

The number of flight movements climbed by 1.4% to 131,401 take-offs and landings in the first half of 2017. The seat load factor per flight movement rose from 73.4% to 75.4% and the average number of passengers per flight movement (scheduled and charter) from 112 to 120 passengers. The volume of freight handled at Zurich Airport increased by 12.5% compared with the prior-year period to a total of 231,916 tonnes.

Trend in total revenue

Revenue increased by 1.7% year on year to CHF 488.8 million. The growth is mainly attributable to non-aviation business.

Due to the lower airport charges in force since September 2016 and the higher proportion of transfer passengers, aviation revenue rose by just CHF 0.2 million (+0.1%) to CHF 292.4 million despite strong passenger growth. This equates to 59.8%

of total revenue. Revenue from passenger-related airport charges declined from CHF 198.0 million to CHF 193.4 million (-2.3%). The lower charges were partly offset by the passenger growth. The other flight operations charges rose by CHF 3.0 million to CHF 63.5 million.

Non-aviation revenue increased by CHF 7.9 million to CHF 196.4 million (+4.2%). In particular, commercial revenue climbed by 8.2% to CHF 56.3 million. The passenger growth in the first half of 2017 had a particularly positive impact on airside commercial revenue. The growth in local passenger numbers also resulted in higher parking revenue, which rose by 5.5% to CHF 38.1 million.

**“While revenue was increased by 1.7%,
the corresponding operating expenses
rose by just 1.1% in the reporting period.”**

Operating expenses

Operating expenses rose by 1.1% year on year to CHF 217.2 million. Personnel expenses were up by 2.1% to CHF 97.6 million due, firstly, to a higher average headcount and, secondly, to higher employer contributions to the pension fund.

In the first half of 2017, expenses for police and security increased by 1.2% and therefore at a far slower pace than the growth in passenger numbers. Costs for energy and waste rose to CHF 10.4 million due to higher procurement prices, larger purchasing quantities and higher consumption. The larger quantities of heating oil purchased related to periodic tank cleaning operations, while the higher consumption of heating oil is attributable to temporary supply bottlenecks in the gas grid. By contrast, sales, marketing and administration expenses were reduced by 5.0% thanks to rigorous cost discipline.

Operating result and profit

Earnings before interest, tax, depreciation and amortisation (EBITDA) were up on the prior-year figure of CHF 265.9 million to CHF 271.6 million. The EBITDA margin improved from 55.3% in the prior-year period to 55.6%.

Profit in the first half of 2017 amounts to CHF 143.2 million and is thus CHF 39.4 million higher than the prior-year period result. The result was positively impacted in particular by the sale of the remaining 5% interest in Bangalore International Airport Ltd., which contributed a post-tax gain of CHF 31.4 million.

Segment reporting

The CHF 5.1 million deterioration in earnings in the regulated business segment is mainly attributable to the lower charges introduced with effect from 1 September 2016. In addition, depreciation expense in the regulated business segment increased by CHF 3.1 million. Capital invested for the regulated business amounted to CHF 1.9 billion as at the reporting date (unchanged versus 31 December 2016).

The CHF 5.5 million improvement in the non-regulated business segment is attributable to the increase in commercial revenue. The "Noise" segment posted a slightly higher result of CHF 1.2 million.

Assets and financial position

At CHF 3.4 billion, non-current assets were up slightly on the 2016 year-end figure. Besides THE CIRCLE, the biggest ongoing projects in the first half of 2017 were the upgrading and extension of the baggage sorting system and the work on the aircraft stands on the south side of the airport.

The average invested capital as at mid-2017 – adjusted for the noise component – was CHF 3.0 billion (2016: CHF 2.9 billion), and return on invested capital (ROIC) was 8.8% (prior-year period: 9.5%).

Capital management

Alongside capital expenditure on property, plant and equipment, Flughafen Zürich AG's solid financial position also enables value-enhancing investments to be made in the company's growth areas. The award of the concession for the operation of the airport in Florianópolis and the renewal of the concession for the airport in Iquique in the first half of 2017 marked important steps in that direction.

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

2017 refinancing

In early May, Flughafen Zürich AG successfully obtained refinancing on the Swiss capital market. After a debenture for CHF 250.0 million matured on 5 May 2017 (coupon of 2.25%), the company issued a twelve-year debenture for CHF 350.0 million on 8 May 2017, consequently benefiting from the prevailing low interest rates. The new debenture has a coupon of 0.625%. Refinancing will therefore have a positive impact on the airport operator's interest costs.

Standard & Poor's rating

Thanks to the company's continuing solid financial position, Standard & Poor's confirmed its A+ rating at the end of April this year, while at the same time underlining the favourable prospects by adjusting its outlook to "positive".

AVIATION

Unabated demand

The Federal Council's aviation policy report cites the limited infrastructure for civil aviation as the greatest challenge facing the industry in future as the demand for air travel continues to grow unabated.

"At peak periods Zurich Airport is operating at the limits of its capacity."

In the short term, Flughafen Zürich AG is implementing a range of measures in conjunction with its partner companies to mitigate capacity constraints and improve punctuality. Nevertheless, various long-term measures to ensure the airport can handle capacities in line with the forecast demand must also be put in place. This is also in the interests of ensuring that it remains a competitive and successful business location and economic driver for the region.

SAIP2

The Confederation's Sectoral Aviation Infrastructure Plan (SAIP) plays a crucial role in the long-term development of Zurich Airport, and proposals for revised operating regulations were submitted on the basis of this plan. At the end of September 2016, the Federal Office of Civil Aviation (FOCA) consulted on a revised version of the SAIP detailed plan for Zurich Airport (SAIP2). Flughafen Zürich AG welcomes the proposed revisions as they include important improvements which will reduce operational complexity. In particular the revisions include the definition of new take-off routes and the option of extending runways 28 and 32. The Federal Council approved the revised SAIP draft for Zurich Airport of close to 60 pages on 23 August 2017. The approved SAIP draft constitutes the basis for the future operating regulations.

Summer flight timetable

On 7 June 2017, Star Alliance member Air China returned to Zurich Airport. The airline offers four flights a week on the Zurich-Beijing route. Hub carrier Swiss International Air Lines has introduced new services to Bergen, Cork, Westerland, Figari and Niš. Edelweiss Air is now flying twice a week to Cancún, San José and San Diego. easyJet and the Spanish airline Vueling also expanded their services. easyJet offers several flights a week to the Mediterranean cities of Naples, Nice and Venice, while Vueling has added Prague and Palma de Mallorca to its network. Germania Flug AG expanded its route network this summer to include flights to Jerez de la Frontera, Marsa Alam, Rostock, Niš and Ankara.

“The summer timetable sees an increase in the number of destinations both in Europe and overseas.”

Awards and quality of experience

Zurich Airport currently ranks third among European airports in the Airport Service Quality (ASQ) Awards. These awards are presented annually by the leading international umbrella association of airport operators. The association carries out around 600,000 individual passenger surveys to measure customer satisfaction at more than 280 airports around the world.

“Fresh air” is one criteria associated with a pleasant airport experience that passengers say they have missed to date at Zurich Airport. To coincide with the beginning of the summer holidays, Flughafen Zürich AG therefore launched a number of new offerings. Since May, the Dock E observation deck has been open during certain hours to passengers travelling from Dock E. On 15 July, the Sports Bar in the middle of the Airside Center likewise opened an outdoor terrace which offers seating for 90, table service, a lounge and the best view of airport operations between Docks A and B.

The airport as excursion destination and a look behind the scenes

Continuing its long tradition stretching back over sixty years of providing experiences for interested members of the public, since the end of April Zurich Airport can boast yet a further attraction: the popular spot for aviation fans in Zone West, one of the largest remaining development areas at Zurich Airport, has been enhanced by “plane spotters’ hill”, a four-metre high viewing platform directly beside the relocated airport fence and with an almost unimpeded view of the airfield.

Since May, passengers with some time to spare have been able to book a guided tour especially for passengers which offers a view behind the scenes – a privilege hitherto reserved for airport visitors.

RETAIL

Good revenue growth

Thanks to high passenger volumes – especially in the transfer segment – airside revenues were generally good, both in restaurants and retail stores. The shopping experience was enhanced by the opening of a Hanro boutique starring this long-established Swiss lingerie brand in March 2017. Duty-free partner Dufry AG is set to revamp the look of its airside and arrival duty-free stores, further boosting the attractiveness of the airport shopping experience.

Retail transformation

Despite a generally difficult trading climate in the Swiss retail sector, the airport operator managed to maintain stable landside revenues. Food performed better than the non-food segment, as the latter was greatly impacted by online competition. E-commerce generally is having a lasting impact on landside retail business.

Nevertheless, boosted by campaigns and sales promotions, the first half of 2017 saw solid revenue growth in the Airport Center.

Various stores will be modernised, and the Airport Center is set for a general upgrade over the course of the year.

INFRASTRUCTURE AND PROJECTS

Expanded baggage sorting system

The present baggage sorting system will need to be replaced in a few years’ time. The planned multi-year project has become necessary because of the steady increase in the number of passengers and the new security checks prescribed by the European Union. In addition, some key parts of the baggage sorting system will shortly be reaching the end of their service life and will need to be replaced. The project is expected to last until 2022. Currently underway are various relocation activities, involving moving several partner companies and service areas for instance, before the initial construction work can commence in autumn 2017.

Alterations to passport control hall

The “Passport Control Hall Development” project is being carried out in close cooperation with the Zurich cantonal police. The renovation of the passport control hall is intended to modernise the border control process and also improve capacity. To achieve this, the existing desks will be moved, and new staffed desks and automated border control gates will be installed. This will also free up more space for waiting passengers. The installation of the automated gates is scheduled for autumn 2017.

Oberhau car park

Flughafen Zürich AG is planning a new car park directly adjacent to the Glattalbahn tram line, targeting in particular travellers in need of long-stay parking as well as airport personnel. The planning application for the new car park was submitted on 23 October 2015, and eighteen months later the decision has now been announced. Around 3,000 parking spaces are planned. Objections to the project have been submitted to the Swiss Federal Administrative Court, so the date on which construction will commence has not yet been fixed.

THE CIRCLE

Foundation stone ceremony and construction progress

The foundation stone laying ceremony on 24 March 2017 marked an important milestone in the realisation of the major project THE CIRCLE.

“Work on the foundations has largely been completed. The above-ground work is now proceeding apace.”

In some areas the concrete for the second storey has already been poured, while in others the piles are in place. Work on phase 2 began in July 2017 and will be completed around the same time as phase 1.

Once work above-ground had started, tours of the construction site were offered to the general public from May onwards.

Occupancy progress

News on the marketing front is encouraging. The “Stores for Stories” concept elevates retail to a whole new level and is being well received against the backdrop of major changes in the retail industry. Marketing aimed at the culinary sector and other formats is also making good progress. The letting of office spaces continues under challenging market conditions. However, many conversations with potential tenants are showing that the combination of an excellent location, attractive usage mix, plus the quality of the bright and flexible rental spaces does meet the demands of the market.

The park design planning team was chosen in an ideas competition. The transformation of the hill directly adjacent to THE CIRCLE which covers 80,000 square metres of wooded and green space is being realised in parallel with construction of the buildings. By the date of opening, an attractive nature experience will be created here which will be open to everyone visiting THE CIRCLE and Zurich Airport.

INTERNATIONAL ACTIVITIES

New concessions in Latin America

Flughafen Zürich AG was awarded two operating licences in the first half of 2017. The first one is for the expansion and operation of Hercílio Luz International Airport in the southern Brazilian city of Florianópolis. With 3.6 million passengers and revenues of CHF 26.0 million in the past year, of the four airports privatised this year, Hercílio Luz airport recorded the most stable traffic volumes during the Brazilian recession. After it takes over the reins at the beginning of 2018, Flughafen Zürich AG will hold 100% of the airport with a licence to operate it until 2047.

A-port Chile S.A., in which Flughafen Zürich AG has had a 100% stake since spring 2017 (previously: 49%), won the concession for the Diego Aracena International Airport in Iquique. With 1.2 million passengers a year, it is the fifth-largest airport in Chile and is especially important for tourism and the local mining industry. Being awarded the concession gives A-port Chile S.A. the right to expand and operate the airport beyond the end of the current operating licence. From 2018, the new concession will have a variable, traffic-dependent term, from the expected 18 years up to a maximum of 25 years.

Greater presence in Latin America

In addition to Iquique, via A-port Chile S.A. Flughafen Zürich AG currently holds the concession to operate Cerro Moreno International Airport serving the city of Antofagasta. Along with these two regional airports in Chile and the Brazilian airports in Belo Horizonte and Florianópolis, the Zurich airport operator is also actively involved in two further airports in Bogotá and Curaçao. To support its activities in Latin America, Flughafen Zürich AG is boosting its management presence there.

Bangalore

In March 2017, Flughafen Zürich AG completed the deal to sell its remaining 5% stake in Bangalore International Airport Ltd. in India. The disposal resulted in a gain of CHF 31.4 million (after tax).

MANAGEMENT

Change of Chief Operation Officer

In mid-April 2017 it was announced that Stefan Conrad, currently Chief Operation Officer, would assume the role of Chief Executive Officer Latin America for Flughafen Zürich AG to head up its activities in Latin America. Owing to this move, Stefan Conrad will step down from the Management Board of Flughafen Zürich AG at the end of September 2017.

He will be succeeded by Stefan Tschudin with effect from 1 October 2017. Stefan Tschudin has worked for the company since 2007, among other things with responsibility for all matters concerning Zurich Airport's operating regulations and for the aviation-related sections of the SAIP. Stefan Tschudin is currently Head of the Regulatory Affairs & Noise department which, in addition to flight operation procedures, also covers the sound insulation programme and noise protection for residents.

Changes on the Board of Directors

At this year's general meeting, the Board of Directors expressed their thanks to Kaspar Schiller, who was standing down for age-related reasons, and Ulrik Svensson, who had resigned his seat on the Board of Directors at the end of 2016. Josef Felder and Stephan Gemkow were elected as new members of the Board of Directors. From 1989 to 1998, Josef Felder held various posts at Crossair AG, latterly as Deputy Director. From 1998 to 2000 he was CEO of Flughafen-Immobilien-Gesellschaft (FIG) and then designated general manager for the new company Flughafen Zürich AG. Following the merger and initial public offering, he was CEO of Flughafen Zürich AG from 2000 to 2008. Stephan Gemkow held various management positions at Deutsche Lufthansa AG from 1990, latterly as the member of the management board responsible for finance. From 2012 he was Chairman of the Managing Board at Franz Haniel & Cie. GmbH in Duisburg, one of the largest family-owned investment holding companies in Europe.

Serving members standing for re-election Corine Mauch, Guglielmo Brentel and Andreas Schmid (Chairman) were voted in for a further term of one year. Eveline Saupper, Carmen Walker Späh and Vincent Albers are also all members of the Board of Directors.

OUTLOOK

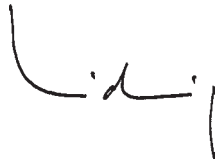
Flughafen Zürich AG expects growth in passenger numbers of around 6% for 2017, boosted by the impact of the larger SWISS aircraft Bombardier C series 100 and 300 and the Boeing B-777. Moreover, the steadily rising number of local passengers and a slight increase in flight movements contribute to the higher traffic

volume. Excluding the one-off effects in financial years 2016 and 2017 and any further extraordinary factors, earnings before interest, tax, depreciation and amortisation (EBITDA) and profit in the 2017 financial year are expected to be in line with the previous year. Investments for 2017 will amount to between CHF 250 million and CHF 300 million.

Zurich Airport, 25 August 2017



Andreas Schmid
Chairman of the
Board of Directors



Stephan Widrig
Chief Executive Officer

A photograph of the Läderach chocolate shop interior. The shop is located in a modern building with a perforated metal ceiling. A large white sign above the entrance reads "Läderach" in a large, bold, black font, with "chocolatier suisse" in a smaller font below it. The shop floor is made of light-colored wood. A customer in a blue jacket is standing near a counter, and a staff member in a white apron is visible behind the counter. The counter is filled with various chocolate products. In the background, there are shelves stocked with more chocolate products. The overall atmosphere is clean and modern.

Läderach
chocolatier suisse

57 m²

CHOCOLATE PARADISE AT CHECK-IN 1

Since 2015, passengers at Zurich Airport have been enjoying the 57 square-metre Läderach shop at Check-in 1. Particularly popular among passengers is the handmade Swiss "fresh chocolate", available in 22 different sorts.

FINANCIAL REPORT

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INTERIM CONSOLIDATED INCOME STATEMENT ¹⁾

(CHF 1,000)	Notes	First half 2017	First half 2016
Aviation revenue	(2)	292,409	292,218
Non-aviation revenue	(2)	196,384	188,523
Total revenue		488,793	480,741
Personnel expenses		-97,587	-95,535
Police and security		-59,689	-58,955
Energy and waste		-10,397	-8,686
Maintenance and material		-15,751	-15,589
Other operating expenses		-25,450	-25,725
Sales, marketing and administration		-15,315	-16,113
Capitalised expenditure and other income	(3)	7,945	6,023
Other expenses	(3)	-952	-292
Earnings before interest, tax, depreciation and amortisation (EBITDA)		271,597	265,869
Depreciation and amortisation	(5, 6, 7)	-120,392	-115,391
Earnings before interest and tax (EBIT)		151,205	150,478
Finance costs	(4)	-9,835	-16,567
Finance income	(4)	2,566	1,596
Share of profit or loss of associates		-1,307	-2,791
Gain on disposal of associates		36,293	0
Profit before tax		178,922	132,716
Income tax expense	(13)	-35,747	-28,906
Profit		143,175	103,810
Profit attributable to shareholders of Flughafen Zürich AG		142,980	103,625
Profit attributable to non-controlling interests		195	185
Basic earnings per share (CHF)		4.66	3.38
Diluted earnings per share (CHF)		4.66	3.38

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ¹⁾

(CHF 1,000)	Notes	First half 2017	First half 2016
Profit		143,175	103,810
Other comprehensive income			
Available-for-sale securities			
Adjustments to fair value		-1,100	4,196
Transfer to income statement		0	0
Transfer to income statement of cumulative foreign exchange differences relating to the disposal of associates		2,875	0
Foreign exchange differences		-2,155	1,429
Items that are or may be reclassified subsequently to profit or loss		-380	5,625
Remeasurement of defined benefit liability, net of income tax		22,014	-36,114
Items that will never be reclassified to profit or loss		22,014	-36,114
Other comprehensive income, net of income tax		21,634	-30,489
Total comprehensive income		164,809	73,321
Comprehensive income attributable to shareholders of Flughafen Zürich AG		164,614	73,129
Comprehensive income attributable to non-controlling interests		195	192

1) All financial data presented here are unaudited.

INTERIM CONSOLIDATED BALANCE SHEET ¹⁾

(CHF 1,000)	Notes	30.06.2017	31.12.2016
Assets			
Property, plant and equipment	(5)	2,665,227	2,756,113
Investment properties	(6)	167,585	120,136
Intangible asset from right of formal expropriation	(7)	133,653	135,623
Other intangible assets	(7)	10,767	10,406
Investments in airport operator projects	(8)	23,643	0
Investments in associates		12,748	14,771
Non-current financial assets of Airport of Zurich Noise Fund	(12)	272,990	308,594
Non-current fixed-term deposits	(9)	111,667	0
Other financial assets		6,409	3,497
Non-current assets		3,404,689	3,349,140
Inventories		10,069	11,013
Current financial assets of Airport of Zurich Noise Fund	(12)	71,250	47,136
Trade receivables		120,650	110,865
Other receivables and prepaid expenses		46,023	40,070
Current tax assets		1,364	0
Current fixed-term deposits	(9)	126,667	50,000
Cash and cash equivalents	(9)	289,460	447,778
Non-current assets held for sale		0	9,362
Current assets		665,483	716,224
Total assets		4,070,172	4,065,364
Equity and liabilities			
Share capital		307,019	307,019
Treasury shares		-369	-856
Capital reserves		395,819	494,408
Fair value reserve		3,504	4,604
Translation reserve		-7,663	-8,383
Other retained earnings		1,528,445	1,461,696
Equity attributable to shareholders of Flughafen Zürich AG		2,226,755	2,258,488
Equity attributable to non-controlling interests		1,856	1,661
Total equity		2,228,611	2,260,149
Non-current financial liabilities	(10)	1,073,837	704,036
Non-current provisions for formal expropriations plus sound insulation and resident protection	(11)	384,869	405,926
Deferred tax liabilities	(13)	53,681	49,409
Employee benefit obligations		168,548	193,796
Non-current liabilities		1,680,935	1,353,167
Current financial liabilities	(10)	4,490	251,492
Trade payables		49,580	32,349
Other current liabilities, accruals and deferrals		59,483	104,136
Current provisions for formal expropriations plus sound insulation and resident protection	(11)	47,073	33,948
Current tax liabilities		0	30,123
Current liabilities		160,626	452,048
Total liabilities		1,841,561	1,805,215
Total equity and liabilities		4,070,172	4,065,364

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ¹⁾

(CHF 1,000)	Share capital	Treasury shares	Capital reserves	Fair value reserve	Translation reserve	Other retained earnings	Equity attributable to shareholders of Flughafen Zürich AG	Equity attributable to non-controlling interests	Total equity
Balance as at 1 January 2017	307,019	-856	494,408	4,604	-8,383	1,461,696	2,258,488	1,661	2,260,149
Profit, first half 2017						142,980	142,980	195	143,175
Available-for-sale securities									
Adjustments to fair value				-1,100			-1,100		-1,100
Transfer to income statement							0		0
Transfer to income statement of cumulative foreign exchange differences relating to the disposal of associates					2,875		2,875		2,875
Foreign exchange differences					-2,155		-2,155		-2,155
Remeasurement of defined benefit liability, net of income tax						22,014	22,014		22,014
Other comprehensive income, net of income tax	0	0	0	-1,100	720	22,014	21,634		21,634
Total comprehensive income	0	0	0	-1,100	720	164,994	164,614	195	164,809
Ordinary dividend for the 2016 financial year						-98,245	-98,245		-98,245
Additional distribution from the capital contribution reserves for the 2016 financial year			-98,245				-98,245		-98,245
Purchase of treasury shares		-418					-418		-418
Share-based payments		905	-344				561		561
Balance as at 30 June 2017	307,019	-369	395,819	3,504	-7,663	1,528,445	2,226,755	1,856	2,228,611
Balance as at 1 January 2016	307,019	-642	592,090	3,072	-10,554	1,319,932	2,210,917	1,520	2,212,437
Profit, first half 2016						103,625	103,625	185	103,810
Available-for-sale securities									
Adjustments to fair value				4,196			4,196		4,196
Transfer to income statement							0		0
Foreign exchange differences					1,422		1,422	7	1,429
Remeasurement of defined benefit liability, net of income tax						-36,114	-36,114		-36,114
Other comprehensive income, net of income tax	0	0	0	4,196	1,422	-36,114	-30,496	7	-30,489
Total comprehensive income	0	0	0	4,196	1,422	67,511	73,129	192	73,321
Ordinary dividend for the 2015 financial year						-92,096	-92,096		-92,096
Additional distribution from the capital contribution reserves for the 2015 financial year			-98,236				-98,236		-98,236
Purchase of treasury shares		-519					-519		-519
Share-based payments		684	-160				524		524
Balance as at 30 June 2016	307,019	-477	493,694	7,268	-9,132	1,295,347	2,093,719	1,712	2,095,431

1) All financial data presented here are unaudited, with the exception of figures as at 1 January 2017 and 2016.

INTERIM CONSOLIDATED CASH FLOW STATEMENT ¹⁾

(CHF 1,000)	Notes	First half 2017	First half 2016
Profit		143,175	103,810
Finance result	(4)	7,268	14,971
Share of profit or loss of associates		1,307	2,791
Gain on disposal of associates		-36,293	0
Income tax expense		35,747	28,906
Depreciation/ amortisation of			
Property, plant and equipment	(5)	116,522	111,518
Intangible asset from right of formal expropriation	(7)	1,970	2,278
Other intangible assets	(7)	2,399	2,026
Recognition of government subsidies and grants on buildings and engineering structures in the income statement			
Property, plant and equipment	(5)	-498	-431
Gains (-)/ losses (+) on disposal of property, plant and equipment (net)		935	-38
Share-based payments		560	524
Increase (-)/ decrease (+) in inventories, trade receivables and other receivables and prepaid expenses		-16,001	-35,014
Increase (+)/ decrease (-) in current liabilities, excluding current financial liabilities		7,926	17,250
Increase (+)/ decrease (-) in employee benefit obligations		1,902	3,198
Increase (+)/ decrease (-) in provision for formal expropriations plus sound insulation and resident protection	(11)	-6,817	-5,200
Income tax paid		-66,259	-71,222
Cash flow from operating activities		193,843	175,367
of which related to aircraft noise (Airport of Zurich Noise Fund)		-1,762	-718
Income from noise charges	(12)	5,259	4,829
Expenses for formal expropriations plus sound insulation and resident protection	(12)	-7,021	-5,547
Investments in property, plant and equipment (projects in progress)		-70,854	-64,021
Investments in investment property (incl. advance payments)		-33,571	-30,878
Investments in airport operator projects		-605	0
Proceeds from disposal of property, plant and equipment		87	123
Acquisition of subsidiaries less cash and cash equivalents acquired		-3,495	0
Investments in associates		-3,795	-9,194
Proceeds from disposal of associates		48,537	0
Investments in financial assets of Airport of Zurich Noise Fund		-10,013	-68,698
Investments in fixed-term deposits due > 90 days		-238,333	0
Repayment of current financial assets of Airport of Zurich Noise Fund		20,000	34,200
Repayment of fixed-term deposits of Airport of Zurich Noise Fund due > 90 days	(9)	50,000	50,000
Interest received		965	1,470
Cash flow from investing activities		-241,077	-86,998
of which related to aircraft noise (Airport of Zurich Noise Fund)		59,987	15,502
Investments in financial assets Airport of Zurich Noise Fund		-10,013	-68,698
Repayment of current financial assets Airport of Zurich Noise Fund		70,000	84,200
Repayment of loan		-250,000	0
Issue of new loan		350,731	0
Repayment of other financial liabilities		-701	0
Repayment of lease liabilities	(10)	-839	-6,862
Payment of dividend for the 2016/ 2015 financial years		-196,483	-190,326
Purchase of treasury shares		-418	-519
Interest paid		-12,850	-13,142
Cash flow from financing activities		-110,560	-210,849
Increase(+)/ decrease(-) in cash and cash equivalents		-157,794	-122,480
Balance at 1 January	(9)	447,778	371,970
Effect of foreign exchange differences on cash and cash equivalents held		-524	127
Balance as at end of reporting period	(9)	289,460	249,617
of which included in Airport of Zurich Noise Fund	(9)	111,198	59,769

1) All financial data presented here are unaudited.

I ACCOUNTING POLICIES

Statement of compliance

The unaudited interim consolidated financial statements for the six months ended 30 June 2017 were prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". They do not contain all the information included in the consolidated financial statements for the year ended 31 December 2016 and should therefore be read in conjunction with the latter.

Changes in accounting policies

The company adopted the following amended International Financial Reporting Standards which are mandatory for the first time for the financial year beginning 1 January 2017:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs (2014–2016 Cycle)

The application of the amended Standards does not have a significant impact on these interim consolidated financial statements. Moreover, these interim consolidated financial statements were prepared in accordance with the accounting policies described in the 2016 consolidated financial statements.

Changes in the consolidated group

The acquisition in mid-April 2017 of a controlling interest in A-port Chile S.A. based in Santiago de Chile extended the consolidated group in Latin America. Through its subsidiary Zurich Airport Latin America S.A., Flughafen Zürich AG had for several years held a 49% interest in this company, which primarily holds the concessions for the Chilean airports in Antofagasta and Iquique (see note 15.1, Additional disclosures, Service concession arrangements). The first-time consolidation of A-port Chile S.A. has only a minor financial impact on the consolidated financial statements of Flughafen Zürich AG.

In connection with the plan to take over the operation and expansion of Hercílio Luz Airport in Florianópolis (Brazil), Flughafen Zürich AG also established Concessionária do Aeroporto Internacional de Florianópolis S.A. (see note 15.1, Additional disclosures, Service concession arrangements and 15.3, Events after the reporting date).

Application of accounting policies to new transactions and events

In connection with the acquisition of a controlling interest in A-port Chile S.A. and the related concessions for the airports in Antofagasta and Iquique as well as the concession in connection with the future operation and upgrade of Hercílio Luz Airport in the Brazilian city of Florianópolis, the following accounting policy was applied for the first time:

Service concession arrangements

IFRIC 12 Service Concession Arrangements governs the accounting for rights created by contracts under which the public sector (the grantor) grants a private sector entity (the operator) the licence to provide public services such as the construction, operation and maintenance of infrastructure and the public sector retains certain rights to exercise control. The operator must recognise the right granted by the grantor as a financial asset to the extent that the operator obtains an unconditional right to receive a specified amount of consideration from the public sector entity (financial asset model). If the operator is granted a right to consideration that is contingent on the extent to which the infrastructure is used, the operator recognises an intangible asset (intangible asset model).

Seasonal factors

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

II NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Current developments relating to the reporting of noise-related costs in the financial statements

With respect to compensation for formal expropriations, there were no further final-instance rulings in the first half of 2017. Therefore, based on the Swiss Federal Supreme Court rulings to date, the estimated costs for formal expropriations still amounted to CHF 385.0 million as at the reporting date, of which CHF 62.9 million had already been paid out at that date. In addition, the estimated costs for sound insulation and resident protection measures were unchanged at CHF 340.0 million as at the reporting date, of which CHF 222.5 million had been paid out (see note 11, Provision for formal expropriations plus sound insulation and resident protection).

Sale of the interest in Bangalore International Airport Ltd.

On 15 April 2016, Flughafen Zürich AG had signed an agreement for the sale of its 5% interest in Bangalore International Airport Ltd. (BIAL), the owner and operator of the international airport in the Indian city of Bengaluru, at a price of USD 48.9 million. At that date, the interest in BIAL was for the last time measured using the equity method applied up until then and presented as a "Non-current asset held for sale" within current assets on Flughafen Zürich AG's consolidated balance sheet. The sale transaction was completed on 24 March 2017. The disposal resulted in a gain of CHF 31.4 million (after tax).

Service concession arrangements

To improve transparency, the rights arising from investments in airport operator projects (service concessions) are presented separately. They comprise the service concession arrangements for the airports in Antofagasta and Iquique (Chile), which originate from the acquisition of a controlling interest in A-port Chile S.A., and the concession in connection with the future operation and upgrade of Hercílio Luz Airport in Florianópolis (Brazil).

The concession arrangements for the operation of these 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. Under IFRIC 12.14, revenues and costs relating to upgrade services are generally recognised in accordance with IAS 11. 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.

1 SEGMENT REPORTING

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

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

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

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

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

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

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

(CHF million)	Regulated business	Noise	Non-regulated business	Eliminations	Consolidated
First half 2016					
Revenue from third parties	286.7	5.5	188.5	0.0	480.7
Inter-segment revenue	10.3	0.0	43.9	-54.2	0.0
Total revenue	297.0	5.5	232.4	-54.2	480.7
Operating expenses	-170.1	-1.7	-97.2	54.2	-214.8
Segment result (EBITDA)	126.9	3.8	135.2	0.0	265.9
Depreciation and amortisation	-65.6	-2.9	-46.9		-115.4
Segment result (EBIT)	61.3	0.9	88.3	0.0	150.5
Finance result					-15.0
Share of profit or loss of associates					-2.8
Income tax expense					-28.9
Profit					103.8
ROIC (in %) ¹⁾	7.0	0.9	14.3		9.1
Invested capital as at 31 December 2016	1,887.5	149.8	1,178.4		3,215.7
Non-interest-bearing non-current liabilities ²⁾					649.1
Non-interest-bearing current liabilities ³⁾					200.6
Total assets as at 31 December 2016					4,065.4

(CHF million)	Aviation	PRM	User fees	Air security ⁴⁾	Access fees ⁴⁾	Eliminations	Total regulated business
First half 2016							
Revenue from third parties	169.2	5.6	27.8	83.6	0.5	0.0	286.7
Inter-segment revenue	10.7	0.0	2.4	6.8	0.9	-10.5	10.3
Total revenue	179.9	5.6	30.2	90.4	1.4	-10.5	297.0
Operating expenses	-85.7	-5.8	-13.9	-44.5	-30.7	10.5	-170.1
Segment result (EBITDA)	94.2	-0.2	16.3	45.9	-29.3	0.0	126.9
Depreciation and amortisation	-43.5	-0.1	-15.7	-4.0	-2.3		-65.6
Segment result (EBIT)	50.7	-0.3	0.6	41.9	-31.6	0.0	61.3
ROIC (in %) ¹⁾	7.0	-2.7	1.1	113.3	-111.1		7.0
Invested capital as at 31 December 2016	1,437.9	4.7	310.6	92.5	41.8		1,887.5

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

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

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

4) In accordance with the Swiss Ordinance on Airport Charges, the shortfall in the "Access fees" segment can be charged to the "Air security" segment. Taking the shortfall into account, the ROIC of the "Air security" segment amounts to 22.2%.

2 REVENUE

(CHF 1,000)	First half 2017	First half 2016
Flight operations charges	256,932	258,511
Aviation charges	33,907	32,077
Other aviation revenues	1,570	1,630
Total aviation revenue	292,409	292,218
Commercial and parking revenue	111,293	104,189
Revenue from facility management	60,017	61,196
Revenue from services	20,167	14,413
Revenues from international activities	4,907	8,725
Total non-aviation revenue	196,384	188,523
Total revenue	488,793	480,741

3 CAPITALISED EXPENDITURE AND OTHER INCOME / EXPENSES

(CHF 1,000)	First half 2017	First half 2016
Capitalised expenditure	7,703	5,964
Other income	242	59
Total capitalised expenditure and other income	7,945	6,023
Other expenses	-952	-292
Total other expenses	-952	-292
Total capitalised expenditure and other income / expenses	6,993	5,731

4 FINANCE RESULT

(CHF 1,000)	First half 2017	First half 2016
Net interest expenses on debentures and non-current loans	-7,047	-7,688
Unwinding of discount on provisions for formal expropriations plus sound insulation and resident protection	0	-5,565
Net interest expenses on defined benefit obligations	-542	-623
Other interest expenses	-817	-1,070
Loss on financial assets of Airport of Zurich Noise Fund	-594	-828
Other finance costs and foreign exchange losses	-835	-793
Total finance costs	-9,835	-16,567
Interest income on financial assets of Airport of Zurich Noise Fund	1,171	1,230
Unwinding of discount on provisions for formal expropriations plus sound insulation and resident protection	1,115	0
Other interest income	87	44
Other finance income and foreign exchange gains	193	322
Total finance income	2,566	1,596
Total finance result	-7,269	-14,971

5 PROPERTY, PLANT AND EQUIPMENT

(CHF million)	Land	Engineering structures	Buildings	Leased assets	Projects in progress	Movables	Total property, plant and equipment
Cost							
Balance as at 1 January 2017	108.7	1,689.2	4,288.6	21.8	147.4	275.7	6,531.4
Additions					28.4		28.4
Disposals		-3.2	-9.3			-0.9	-13.4
Transfers		5.6	63.6		-75.1	5.9	0.0
Reclassification					-2.4		-2.4
Balance as at 30 June 2017	108.7	1,691.6	4,342.9	21.8	98.3	280.7	6,544.0
Accumulated depreciation and impairment losses							
Balance as at 1 January 2017	0.0	-822.6	-2,728.8	-16.6	0.0	-194.8	-3,762.8
Additions		-30.3	-77.7	-0.8		-7.7	-116.5
Disposals		2.6	9.0	0.1		1.0	12.7
Balance as at 30 June 2017	0.0	-850.3	-2,797.5	-17.3	0.0	-201.5	-3,866.6
Government subsidies and grants							
Balance as at 1 January 2017	0.0	-10.2	-1.1	0.0	-1.1	-0.1	-12.5
Additions					-0.2		-0.2
Disposals		0.4	0.1				0.5
Transfers					0.8	-0.8	0.0
Balance as at 30 June 2017	0.0	-9.8	-1.0	0.0	-0.5	-0.9	-12.2
Net carrying amount as at 1 January 2017	108.7	856.4	1,558.7	5.2	146.3	80.8	2,756.1
Net carrying amount as at 30 June 2017	108.7	831.5	1,544.4	4.5	97.8	78.3	2,665.2

Projects in progress

In the first half of 2017, Flughafen Zürich AG invested a total of CHF 28.4 million in projects in progress (prior-year period: CHF 54.9 million). The biggest items comprise the following projects:

- Development of Zone A (CHF 7.3 million)
- Development of Zone West (CHF 3.3 million)
- Delta South stands (CHF 3.3 million)

Depreciation

Depreciation of property, plant and equipment totalling CHF 116.5 million was offset against government grants and subsidies recognised in the income statement in the amount of CHF 0.5 million.

6 INVESTMENT PROPERTY

(CHF 1,000)	Land	Project and construction costs	Total investment property
Cost			
Balance as at 1 January 2017	950	119,186	120,136
Additions	0	47,681	47,681
Balance as at 30 June 2017	950	166,867	167,817
Accumulated depreciation and impairment losses			
Balance as at 1 January 2017	0	0	0
Additions	0	-232	-232
Balance as at 30 June 2017	0	-232	-232
Net carrying amount as at 1 January 2017	950	119,186	120,136
Net carrying amount as at 30 June 2017	950	166,635	167,585

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

The share of THE CIRCLE 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 in the amount of CHF 1.0 million represents the purchase cost of the share of the plot of land on which the project will be implemented. The item "Project and construction costs" in the amount of CHF 166.6 million includes the share of the production costs capitalised to date less accumulated depreciation and impairment losses. The fair value of THE CIRCLE was CHF 208.7 million at the reporting date (31 December 2016: CHF 166.8 million).

7 INTANGIBLE ASSETS

(CHF 1,000)	Intangible asset from right of formal expropriation	Other intangible assets	Total intangible assets
Cost			
Balance as at 1 January 2017	188,558	76,357	264,915
Additions	0	362	362
Reclassification	0	2,398	2,398
Balance as at 30 June 2017	188,558	79,117	267,675
Accumulated depreciation and impairment losses			
Balance as at 1 January 2017	-52,935	-65,951	-118,886
Additions	-1,970	-2,399	-4,369
Balance as at 30 June 2017	-54,905	-68,350	-123,255
Net carrying amount as at 1 January 2017	135,623	10,406	146,029
Net carrying amount as at 30 June 2017	133,653	10,767	144,420

8 INVESTMENTS IN AIRPORT OPERATOR PROJECTS

The investments in airport operator projects in the amount of CHF 23.6 million (previous year: CHF 0.0 million) include concession rights which, due to the application of IFRIC 12, comprise minimum concession payments recognised as assets and investments made. They relate primarily to the upgrade and operation of the Chilean airports in Antofagasta and Iquique (CHF 23.1 million), in which Flughafen Zürich AG has held a controlling interest via its subsidiary A-port Chile S.A. since April 2017. The item also includes investments in connection with the future upgrade and operation of the airport in Florianópolis (Brazil) in the amount of CHF 0.5 million (see 15.3, Events after the reporting date).

9 CASH AND CASH EQUIVALENTS AND FIXED-TERM DEPOSITS

(CHF 1,000)	30.06.2017		31.12.2016	
	Total	of which AZNF	Total	of which AZNF
Cash on hand	217	0	219	0
Cash at banks and in postal accounts	235,910	111,198	312,559	58,605
Fixed-term deposits ¹⁾	53,333	0	135,000	0
Total cash and cash equivalents	289,460	111,198	447,778	58,605
Current fixed-term deposits ²⁾	126,667	0	50,000	50,000
Non-current fixed-term deposits ²⁾	111,667	0	0	0
Total fixed-term deposits	238,334	0	50,000	50,000

1) Due within 90 days from date of acquisition.

2) Due after 90 days from date of acquisition.

10 FINANCIAL LIABILITIES

(CHF 1,000)	30.06.2017	31.12.2016
Debentures	1,050,081	699,274
Non-current lease liabilities	3,894	4,762
Other non-current financial liabilities	19,862	0
Non-current financial liabilities	1,073,837	704,036
Debentures	0	249,800
Current lease liabilities	1,722	1,692
Other current financial liabilities	2,768	0
Current financial liabilities	4,490	251,492
Total financial liabilities	1,078,327	955,528

After a debenture of CHF 250.0 million (coupon 2.25 %) fell due for repayment on 5 May 2017, Flughafen Zürich AG placed a new debenture of CHF 350.0 million on 8 May 2017. This has a term of twelve years and carries a coupon of 0.625 %. Other current and non-current financial liabilities primarily include the obligations of the consolidated concession holders in Chile and Brazil towards their grantors and financial institutions.

11 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 2017	320,218	119,656	439,874
Provisions used ¹⁾	-3,563	-3,254	-6,817
Release of provision	0	0	0
Increase of provision	0	0	0
Unwinding of discount	-836	-279	-1,115
Balance as at 30 June 2017	315,819	116,123	431,942
of which current (planned payment within 1 year)	28,863	18,210	47,073
of which non-current (planned payment from 1 year on)	286,956	97,913	384,869

1) The amount paid for formal expropriations only includes effective payments of compensation, and excludes other associated external costs in accordance with the regulations of the Airport of Zurich Noise Fund.

Provision for formal expropriations

Based on the Swiss Federal Supreme Court rulings to date, Flughafen Zürich AG estimated the total cost of compensation for formal expropriations to be unchanged at CHF 385.0 million as at the reporting date, of which CHF 62.9 million had been paid out at that date. The estimated outstanding costs in the amount of CHF 322.1 million are stated at present value in the breakdown of provisions. The discount rate used to discount the nominal payment flows rose from 0.35 % at the last reporting date to 0.45 %, resulting in interest income of CHF 0.8 million. It is currently expected that the payments can be completed by the end of 2025.

Provision for sound insulation and resident protection

Flughafen Zürich AG has effectively undertaken to bear costs totalling a nominal amount of approximately CHF 340.0 million for sound insulation and resident protection measures, some of which have already been carried out and others which have been announced. As at the reporting date, a total of around CHF 222.5 million had been paid out. The estimated outstanding costs in the amount of CHF 117.5 million are stated at present value in the breakdown of provisions. The discount rate used to discount the nominal payment flows rose from 0.25 % at the last reporting date to 0.35 %, resulting in interest income of CHF 0.3 million. It is currently expected that the payments can be completed by the end of 2025.

12 AIRPORT OF ZURICH NOISE FUND

(CHF 1,000)	2017
Airport of Zurich Noise Fund as at 1 January	457,924
Revenue from noise charges	5,259
Costs for sound insulation and resident protection	-3,254
Costs for formal expropriations ¹⁾	-3,767
Net result before operating costs and finance result	456,162
Noise-related operating costs	-1,555
Interest income from financial assets of Airport of Zurich Noise Fund	680
Adjustments to fair value of financial assets (available-for-sale securities)	-1,100
Gains/losses on financial assets	-594
Airport of Zurich Noise Fund as at 30 June	453,593

1) In addition to compensation payments for formal expropriations, this amount includes other associated external costs (in accordance with the regulations of the Airport of Zurich Noise Fund).

Flughafen Zürich AG refinances all costs relating to aircraft noise through 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 liquidity-based fund statement for the Airport of Zurich Noise Fund.

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

(CHF 1,000)	30.06.2017	31.12.2016
Cash equivalents (see note 9, “Cash and cash equivalents”)	111,198	58,605
Fixed-term deposits (see note 9, “Cash and cash equivalents”)	0	50,000
Current available-for-sale securities	71,250	47,136
Non-current available-for-sale securities	272,990	308,594
Accrual/ deferral towards Flughafen Zürich AG ¹⁾	-1,845	-6,411
Total assets invested for Airport of Zurich Noise Fund	453,593	457,924

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.

Further information about the Airport of Zurich Noise Fund can be downloaded from the following website: www.zurich-airport.com/aznf.

13 INCOME TAX AND DEFERRED TAX LIABILITIES

In accordance with IAS 12.47, deferred tax assets and liabilities are calculated at the rate that is expected to apply when the asset is realised or the liability settled. Flughafen Zürich AG currently anticipates an applicable tax rate of 20.5% (31 December 2016: 20.5%).

The balance of deferred tax liabilities changed as follows:

(CHF 1,000)	2017
Deferred tax liability, net as at 1 January	49,409
Deferred taxes on remeasurement of defined benefit liability, recognised in OCI	5,677
Change according to income statement	-1,405
Deferred tax liability, net as at 30 June	53,681

14 FAIR VALUE DISCLOSURES

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

Financial assets in the Airport of Zurich Noise Fund: The fair value corresponds to the market price of the securities at the reporting date (level 1).

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

(CHF 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
	30.06.2017	30.06.2017	31.12.2016	31.12.2016
Debentures	1,050,081	1,097,549	949,074	996,967
Total	1,050,081	1,097,549	949,074	996,967

Financial assets and liabilities recognised 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. Flughafen Zürich AG does not have any assets or liabilities in this level.

Level 3 - Measurement based on unobservable inputs

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

Assets/liabilities	Available-for-sale securities Financial assets of Airport of Zurich Noise Fund	
	30.06.2017	31.12.2016
(CHF 1,000)		
Level 1	344,240	355,730
Level 2	0	0
Level 3	0	0
Total at fair value	344,240	355,730

15 ADDITIONAL DISCLOSURES

15.1 Service concession arrangements

On 16 March 2017, 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 2016, traffic volumes reached 3.6 million passengers. Following the signing of the concession arrangement on 28 July 2017 and with all suspensive conditions having been met, the wholly-owned subsidiary Concessionaria do Aeroporto Internacional de Florianópolis S.A. is the sole holder of the 30-year concession (see 15.3, Events after the reporting date).

Since January 2013, Sociedad Concesionaria Aeropuerto de Iquique S.A., a wholly-owned subsidiary of A-port Chile S.A., has held the concession for the operation and upgrade of Diego Aracena International Airport (IATA: IQQ) in Iquique in the north of Chile. With 1.2 million passengers a year, it is the country's fifth-largest airport. Since April 2017, Flughafen Zürich AG has held a 100% interest in the company. The concession arrangement in Iquique provides for a term of four years, which in December 2016 was extended by a further 15 months until March 2018. In May 2017, A-port Chile S.A. tendered successfully for the concession for the airport in Iquique. The new concession, which will commence in April 2018, has a variable term that is dependent upon traffic volumes and ranges from an anticipated 18 years up to a specified maximum of 25 years. As part of the concession arrangement, the company has undertaken to invest in measures to upgrade and extend the airport infrastructure, in particular to extend the existing terminal.

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 upgrade and operation of Andrés Sabella International Airport (IATA: ANF) in Antofagasta in the north of Chile. The concession has a term of up to 15 years that is dependent upon traffic volumes. It is currently expected to end in 2025.

15.2 Contingent liabilities

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

Depending on future and final-instance legal judgements, especially with respect to the southern approaches, noise-related liabilities may in future be subject to substantial adjustments, which would also require adjustments to the noise-related costs recognised as assets and liabilities in the balance sheet. At the present time, it is not possible to reliably estimate the total costs to capitalise as an intangible asset from the right of formal expropriation, the resulting amortisation or the corresponding provision. In this context, please refer to the notes to the 2016 consolidated financial statements, "Judgements and significant estimates and assumptions in the application of accounting policies".

As part of its involvement in the expansion and operation of Confins International Airport in Belo Horizonte, Flughafen Zürich AG provides a guarantee as credit protection 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 15.5 million (31 December 2016: CHF 14.9 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 11.8 million (31 December 2016: CHF 22.0 million).

In connection with the tender for Hercílio Luz Airport, Zurich Airport International AG submitted a bid bond to Brazil's National Civil Aviation Authority (ANAC). As at the reporting date, the amount arising from the bid bond was CHF 6.6 million (31 December 2016: CHF 0.0 million).

As part of the concession arrangements for the airports in Antofagasta and Iquique, the operators have entered into counterbonds for performance bonds issued to the Chilean Ministry of Public Works (Ministerio de Obras Públicas). As at the reporting date, the total amount arising from these counterbonds was CHF 2.7 million.

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

15.3 Events after the reporting date

Following the signing of the concession arrangement on 28 July 2017 and with all suspensive conditions having been met, the wholly-owned subsidiary Concessionaria do Aeroporto Internacional de Florianópolis S.A. is the sole holder of the 30-year concession. In addition to operating the airport, the company undertakes to invest in measures to upgrade and expand the airport infrastructure, and in particular to build a new terminal. It is expected to take over the operation of the airport in January 2018. A concession fee of BRL 241.5 million (CHF 71.4 million) is due as consideration for the right to operate the airport, of which BRL 83.3 million (CHF 24.3 million) was paid when the concession arrangement was signed. The concession arrangement also provides for a five percent service fee to be paid annually.

The Board of Directors authorised these interim financial statements for issue on 25 August 2017. No events occurred between 30 June 2017 and the date on which these interim consolidated financial statements were authorised for issue by the Board of Directors which would require an adjustment to the carrying amounts of the group's assets and liabilities or additional disclosures.

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