“I am truly proud of the continued success of SFO, a world class airport serving our internationally renowned City.”

- Mayor Edwin M. Lee

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Letter from the Director

I am pleased to report that San Francisco International Airport (SFO) had another successful year. The Airport has completed its five-year strategic plan and has determined its mission, vision, goals and standard operation procedures. Seven goals were established in support of its vision and the strategic plan provides a foundation for the entire organization. For the first time, SFO’s strategic plan was prepared by its greatest resource – its employees.

This year’s most notable achievement is the complete renovation and opening of domestic Terminal 2 (T2). The Terminal is modern, comfortable, intuitive and better suited to meet the needs of today’s travelers. T2 is also setting new standards for sustainability and is the nation’s first LEED® Gold certified terminal. T2 continues to receive numerous accolades both nationally and internationally.

Other accomplishments include welcoming our first daily Airbus 380 services, a successful execution of our airline lease and use agreement and an upgrade of our bond rating from “A” to “A+” by Standard and Poor. Despite a difficult and uncertain economy, I am pleased to report that traffic and concession revenues continue to show healthy growth.

I am thankful for the guidance provided by the Airport Commission and the support by San Francisco Mayor Edwin M. Lee. I am also proud of my staff and thank them for their dedication and hard work. Everyone who works at SFO does not take this success lightly nor for granted and we remain committed to enhancing the travel experience.

Letter from Commission President

San Francisco International Airport (SFO) continues to be a vital and integral part of the Bay Area’s economy and once again has realized solid growth in a volatile economy. SFO has reduced operating costs, increased non-aviation revenue and attracted several new international carriers such as Air Berlin, Swiss International and LAN. Concession sales increased by 13% and far exceeded expectations over the prior fiscal year. SFO also continues to provide unparalleled safety and security and world-class customer service.

This year, SFO opened Terminal 2 (T2), which has elevated the travel experience by providing passengers the services and amenities that they want the most in a beautiful and contemporary terminal. Originally constructed in 1954, T2 served as the Central Terminal, showcasing the first jet bridge to the world and ushering in the modern Jet Age. In 1984, T2 underwent its first renovation which transformed the Terminal into SFO’s International Terminal and the Bay Area’s gateway to the world. Appropriately, T2 is the home to one of its original tenants, American Airlines and San Francisco based Virgin America.

On behalf of the entire Commission, I congratulate SFO on receiving numerous awards including Best Airport in North America from Business Traveller Germany, Best Overall Concessions Program (three way tie) and Best Airport Concession Design Program (tie) from Airport Revenue News and the Airport Safety Award from the Federal Aviation Administration. These well-deserved awards demonstrate the fine work by Airport staff under the visionary leadership of Director John L. Martin.
Reaching for #1

In May, 2010, SFO launched the Reaching for #1 initiative in a time when the Airport was in a strong position. For two years in a row, SFO was one of the three fastest growing airports in the world. The Airport’s finances were strong, SFO had just welcomed four new international carriers and San Francisco based Virgin America was growing. The Airport was also in the process of remodeling Terminal 2. SFO’s goal was not be satisfied with where we were, but to make ourselves even better.

The program involved 180 employees from senior, management and other levels. Those employees were divided into twenty-three task forces which were divided into two groups: fifteen in a strategic planning group and eight in an organizational performance group. Each task force was given an assignment that covered a broad spectrum, from best customer service practices to enhancing the SFO workplace, to changing the way we look at technology. Each task force was asked to research its topic and report back on its findings.

From this comprehensive initiative, Airport employees developed our five-year strategic plan with a new mission statement, vision, overall goals, objectives, strategic initiatives and workplace enhancements. The Airport also developed opportunities for employees, core values and standard operating procedures with the goal of literally changing the culture of our workplace – to make it more inclusive, more open to change, more ready for the future and to empower workers and reach down into the ranks for great ideas and great initiatives among employees.
Our mission is to provide an exceptional Airport in service to our communities.

VISION
Reaching for #1

OVERALL GOALS
1. Be ranked #1 by passengers
2. Practice smart traffic growth
3. Control cost per enplaned passenger
4. Be one of the best Bay Area employers
5. Be an environmentally sustainable airport
6. Provide a safe, secure, and efficient operation
7. Provide a clean, well maintained airport
The Airport has established the following key objectives and strategic initiatives for 2011 through 2016.

CUSTOMER/PASSENGER
1. Be ranked #1 by passengers in customer satisfaction as a U.S. international gateway airport by two industry specific surveys.
2. Be considered a world-class airport by customers.
3. Be nimble about meeting passenger demands and needs for services.
4. Be the airport of choice for premium passengers.
5. Have the most efficient airport ground transportation system in the country.

AIRLINES/AIRCRAFT/ROUTES
1. Ensure SFO can meet passenger traffic growth in the next five years and improve airlines’ on time arrival performance.
2. Ensure competitive air service.
3. Increase current international passenger traffic.
4. Maintain average cost per enplaned passenger below $18.90 in constant fiscal year 07-08 dollars in order to maintain and attract airline service.

NON-AIRLINE REVENUE
1. As part of maintaining average cost per enplaned passenger below $18.90, increase non-airline revenues and per passenger spending.
EMPLOYEES AND ORGANIZATION
1. Be ranked one of the Bay Area’s best employers in San Francisco Business Times’ annual list.
2. Be known for innovation, expertise, and management excellence in the aviation industry.

ENVIRONMENTAL SUSTAINABILITY
1. Be one of the first airports to mitigate its carbon footprint and maintain it thereafter.
2. Continue to reduce baseline Greenhouse Gas emissions from SFO–controlled operations.
3. Increase solid waste recycling rate.
4. Achieve LEED® Gold certification in all new buildings.

SAFETY/ SECURITY
1. To be an airport innovative leader in safety & security and implement at least two new industry leading security programs in the next five years.
2. Maintain SFO’s airfield in as safe as possible condition through the use of technology, procedures, inspection and continual evaluation of airfield best practices.
3. Be the least vulnerable US airport to terrorist activity and possess the best integrated response capability.
4. Coordinate the sharing of information and planning among all federal and local law enforcement agencies to ensure all the dots are continually connected.
INFRASTRUCTURE
1. As part of maintaining average cost per enplaned passenger below $18.90, invest in capital projects strategically.
2. Minimize overall life cycle costs of facilities.
3. Maintain the airport’s infrastructure in optimal condition.
4. Continue to invest in capital projects that make the airport environmentally sustainable.
5. Implement projects that will generate net revenue to the extent possible, while meeting the airport’s mission.

EXTERNAL RELATIONS
1. Support awareness among government entities of SFO as a successful enterprise, that is well managed and a valuable asset to San Francisco and the Bay Area communities.
2. Develop and maintain productive relationships with government agencies and local cities and counties.
3. Increase local business participation with SFO.
4. Develop and maintain a model employment development program for the benefit of the communities that SFO serves.
Terminal 2

On April 14, 2011, SFO opened Terminal 2 (T2). Originally constructed in 1954 and first renovated in 1984, T2 underwent a $383 million renovation, to make it one of the most sustainable, traveler-focused and modern airport terminals in the United States. The Terminal is home to American Airlines and Virgin America. The 640,000 square feet T2 is a major departure from the typical airport terminal, with a focus on sustainability and traveler convenience and comfort. T2 comprises of 14 gates, comfortable, club-like seating, a local food marketplace with offerings from celebrity chefs, dozens of works of art from local and international artists made available through SFO’s world-renowned public art program presented in partnership with SFO Museum and the San Francisco Arts Commission, a children’s play area, and a “recomposure” area just past security for passengers to reassemble clothing and belongings.

T2 is the nation’s first airport terminal to achieve LEED® Gold certification and proves that sustainability can co-exist with traveler comfort and convenience. T2’s sustainable features include the use of sustainable building materials, paperless ticketing, energy efficient lighting, natural light, cleaner air, zero-waste, water conservation, hydration stations, eco-friendly places for children, car-free connection and locally sourced, natural and organic offerings in its restaurants. T2 continues to receive praise from the aviation industry and travelers alike and set the standard for airport terminals.
Awards/Recognition

Best Airport in North America
— Business Traveller Germany

Best Overall Concession Program, Large Airport (three-way tie)
— Airport Revenue News

Best Concessions Design, Large Airport (tie)
— Airport Revenue News

Airport Safety Award
— Federal Aviation Administration

Public Managerial Excellence Award to Cheryl Nashir
SFO Associate Deputy Airport Director for Revenue Development and Management
— Municipal Fiscal Advisory Council

Looking Ahead (upcoming construction projects)

Terminal 3 Boarding Area E Renovation
Air Traffic Control Tower
West Field Cargo Building
Runway Safety Areas
Industrial Waste Water Treatment Plant Improvements
Top 15 Domestic Destinations
(by average flights per week)

Top 15 International Destinations
(by average seat capacity per week)
Facts & Figures

Passengers

Total Airport Passengers: 39,980,029
Total Bay Area Market Share: 69%
(9th in North America, 23rd in the world in 2010)
Domestic Enplaned and Deplaned Passengers: (77%) 30,725,774
Domestic Bay Area Market Share: 64%
International Enplaned and Deplaned Passengers: (23%) 9,000,697
International Bay Area Market Share 96%
Through (In-transit) 253,558

Cargo

Total Cargo\(^2\) (metric tons) 358,357
Domestic 115,003
International 243,354

Airline Market Share - Top 5

United Airlines/Continental Airlines 45%
Delta Airlines 9%
American Airlines 8%
Southwest Airlines 8%
Virgin America 7%

\(^1\) Source: Airports Council International
\(^2\) Excludes mail
Air Carriers

PASSENGER AIRLINES
AeroMexico
Air Berlin
Air Canada
Air China
Air France
Air New Zealand
AirTran Airways
Alaska Airlines
American Airlines
ANA (All Nippon Airways)
Asiana Airlines
British Airways
Cathay Pacific Airways
China Airlines
Continental Airlines
Delta Air Lines
Emirates
EVA Airways
Frontier Airlines
Hawaiian Airlines
Horizon Air
Japan Airlines
JetBlue Airways
KLM Royal Dutch Airlines
Korean Air
LACSA
LAN Peru
Lufthansa German Airlines
Mexicana Airlines
Philippine Airlines
Qantas Airways
Singapore Airlines
Southwest Airlines
Sun Country Airlines
Swiss International Air Lines
TACA International
United Airlines
United Express
US Airways
Virgin America
Virgin Atlantic Airlines
WestJet Airlines

CARGO AIRLINES
ABX Air Inc.
Air Cargo Carriers
Ameriflight
FedEx
Nippon Cargo Airlines
Southern Air
Volga-Dnepr
Financial Summary

Highlights of Airline Operations at the Airport

SFO passenger traffic continued to grow in fiscal year 2011 with the post-recession return of business and international travel. The fiscal year 2011 ended with 19.8 million enplanements, an increase of 3.9% or 735,611 from the prior year.

New services, in both the domestic and international sectors, and travel demand that kept pace with capacity growth on an overall basis were the primary drivers of enplanement growth. Domestic growth was from all low cost carriers (LCC) and most legacy airlines. International growth was from a number of new services and increased passenger demand to Asia earlier in the year, and Europe and Canada later in the year. Continued airline capacity management drove load factors (the ratio of passengers to airline seat capacity) slightly higher to an average of 81.9%.

The 3.9% fiscal year-over-year enplanement increase at SFO compares to a decline of 1.9% at Oakland International Airport and an increase of 2.0% at Mineta San Jose International Airport, resulting in a Bay Area passenger market share increase of 0.8 percentage point for SFO to 69.1%. SFO’s fiscal year-over-year enplanements also fared better than the U.S. carrier national average increase of 3.0% compared to the prior fiscal year. ¹

¹ Source: U.S. Department of Transportation, Bureau of Transportation Statistics.

Net Asset Summary (in thousands)

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2010</th>
<th>FY 2011 increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted current assets</td>
<td>$374,666</td>
<td>361,370</td>
</tr>
<tr>
<td>Restricted assets available for current outlay</td>
<td>106,323</td>
<td>125,689</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Noncurrent restricted assets</td>
<td>438,705</td>
<td>679,654</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>3,814,264</td>
<td>3,711,791</td>
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<tr>
<td>Unamortized bond issuance costs</td>
<td>38,070</td>
<td>36,827</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>4,772,028</td>
<td>4,915,331</td>
</tr>
<tr>
<td><strong>Deferred outflows on derivative instruments</strong></td>
<td>63,382</td>
<td>89,505</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows</strong></td>
<td>4,835,410</td>
<td>5,004,836</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities payable from unrestricted assets</td>
<td>218,923</td>
<td>262,551</td>
</tr>
<tr>
<td>Current liabilities payable from restricted assets</td>
<td>78,803</td>
<td>242,554</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>4,178,410</td>
<td>4,116,361</td>
</tr>
<tr>
<td>Noncurrent derivative instrument liabilities</td>
<td>68,304</td>
<td>94,838</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,544,440</td>
<td>4,716,304</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>18,280</td>
<td>(34,377)</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>27,226</td>
<td>54,170</td>
</tr>
<tr>
<td>Restricted for capital projects</td>
<td>56,981</td>
<td>81,471</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>188,483</td>
<td>187,268</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>290,070</td>
<td>288,532</td>
</tr>
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</table>
### Operating Revenues (in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2010</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales &amp; Services</td>
<td>$65.3</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Parking &amp; Transportation</td>
<td>$91.6</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Concessions</td>
<td>$109.6</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Aviation</td>
<td>$340.8</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Services by Other City Departments</td>
<td>$11.8</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>$20.7</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>$12.4</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>General &amp; Administrative Expenses</td>
<td>$4.5</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Amortization of Bond Issuance Costs</td>
<td>$3.5</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Environmental Remediation Costs</td>
<td>$0.3</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

### Operating Expenses (in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2010</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$210.2</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$160.1</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$51.9</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Light, Heat &amp; Power</td>
<td>$19.5</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Services by Other City Departments</td>
<td>$11.8</td>
<td>2%</td>
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Independent Auditor’s Report

The Honorable Mayor and Board of Supervisors
City and County of San Francisco:

We have audited the accompanying financial statements of the Airport Commission, City and County of San Francisco, San Francisco International Airport (the Airport), an enterprise fund of the City and County of San Francisco, California (the City), as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Airport’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Airport are intended to present the financial position and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2011 and 2010, the changes in its financial position, or, where applicable, the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Commission, City and County of San Francisco, San Francisco International Airport as of June 30, 2011 and 2010, and changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2011, on our consideration of the Airport’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis on pages 3 through 31 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Airport Commission, City and County of San Francisco, San Francisco International Airport. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures is presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in note 2(b) to the financial statements, the Airport adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as of July 1, 2009. The financial statements for the year ended June 30, 2009 were restated to reflect the impact of adoption.

October 28, 2011

KPMG LLP

October 28, 2011