ASX Release

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Sydney Airport 2020 Full Year Results

Highlights

- Traffic fell by 74.7% on the prior corresponding period (pcp) to 11.2 million passengers for the year.
- Total passengers in 1Q 2020 were 9.0 million, down 18.0% on the pcp. Total passengers in 2Q to 4Q were 2.2 million, down 93.4% on the pcp.
- International passengers declined by 77.5% and domestic by 72.9% on the pcp.
- Full year loss after income tax expense of $107.5 million, down 150% on the pcp.
- Earnings before interest, tax, depreciation, and amortisation (EBITDA) of $627.8 million, down 45% on the pcp.
- Net operating receipts (NOR) of $45.5 million, down 95.0% on the pcp.
- Targeted cost savings delivered with operating costs for the year down 32.3%[1].
- Capital investment reduced to $237.5[2] million for the year, with $152.8 million invested in the first half and $84.7 million in the second half.
- Strong balance sheet with $3.5 billion of liquidity as at 31 December 2020.
- No distribution for 2020

Sydney Airport Chief Executive Officer, Geoff Culbert said, “The COVID-19 pandemic delivered a crisis of unprecedented magnitude to the global aviation industry, and Sydney Airport has been right on the frontline, both operationally and financially.

“As difficult as the crisis has been, I’m proud of the way we kept the airport open as an essential service and protected the business and everyone who works across the airport precinct.

“We moved quickly to control the things that were in our control and put ourselves in a position to manage the unpredictability and volatility that became our ‘new normal’. The actions we took, combined with the COVID-19 vaccines rolling out, mean we have laid the foundation for our recovery through 2021 and beyond.

“Unfortunately, the severe impact of COVID-19 on passenger numbers and revenue means we are not able to pay a distribution for the 2020 year.”

[1] Excluding the impact of expected credit loss expense and security recoverable expenditure
[2] Excluding the acquisition of Jet Fuel Infrastructure

Sydney Airport

Sydney Airport Limited ACN 165 056 360 (SAL) and The Trust Company (Sydney Airport) Limited (ACN 115 967 087) (AFSL 301162) (TTCSAL) as responsible entity for Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1) (together “SYD”)
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Financial results

Sydney Airport delivered revenue of $803.7 million, a decrease of 51.0% compared to the pcp:

- **Aeronautical revenue**: full year adjusted revenue[3] of $228.7[4] million, down 69.1% on the pcp, reflective of a 74.7% passenger decline.
- **Retail revenue**: full year adjusted revenue[3] of $136.9 million, down 63.5% on the pcp, inclusive of provisions for doubtful debts and rental abatements, reflective of fair and equitable concessions for our retail tenants.
- **Property and car rental revenue**: full year adjusted revenue[3] of $157.6 million, down 37.3% on the pcp, inclusive of abatements and provisions for doubtful debts.
- **Car parking and ground transport revenue**: full year adjusted revenue[3] of $47.5 million, down 70.7% on the pcp.

COVID-19 impacts to the full year financial results include the following:

- **Expected credit loss**: temporary relief (between the period of April 2020 to December 2020) in the form of rental abatements of $142.8 million. In addition, a $41.4 million doubtful debts provision was recognised as at 31 December 2020.
- **Capital projects impairment**: impairment charge of $28.2 million, recognised in respect of certain capital projects that are expected to be significantly impacted and are not progressing.
- **Government assistance**: $13.0 million in JobKeeper for employees, recognised over the nine months April 2020 to December 2020 as an offset to employee benefits expense.

Further notable items included in the full year results were:

- **Sydney Gateway:** further to the September 2018 agreement with the NSW Government on Sydney Gateway, delivery of 9.8 hectares of easement sites to the project during 2020 resulted in a gain of $115.7 million.
- **Danish tax:** A refund of overcharged interest by the Danish Tax Authority resulted in the recognition of a $39.7 million credit against previously recognised provisions and charges in respect of certain Danish tax legacy matters previously disclosed.

Response through the recovery

During 2020, Sydney Airport moved quickly to protect people, protect the business, and keep the airport open as an essential service. This was underpinned by the following actions:

- **A focus on operational flexibility**: Sydney Airport has implemented significant operational changes both to ensure the safety of our customers and airports teams, and to respond to frequently changing government requirements. These responses have allowed us to keep the airport open, facilitating essential travel, medical supplies, exports, and repatriated Australians.
- **Tightly controlled costs**: Operating expenditure for the full year was $138.8[5] million, a decrease of 32.3% on the pcp. This decrease reflects the implementation of a wide range of cost reductions across every aspect of the controllable cost base,

[3] Statutory revenue adjusted for abatements and provisions on debts not considered recoverable
[4] Excluding security recoverable revenue
[5] Excluding the expected credit loss provision and security recoverable expenditure

including an organisational restructure in the second half of the year representing a reduction of ~22% of the total workforce.

- **Re-prioritisation of capital expenditure**: Our modular capital expenditure program provided significant flexibility and enabled a rapid and prudent scale back of investment. Capital expenditure of $237.5 million included critical projects targeting asset resilience, safety and security and a limited number of opportunistic projects.
- **Creation of a recovery taskforce:** Sydney Airport remains committed to collaborating with Australian and overseas airline partners, airports, industry, and Government to develop a safe and sustainable pathway for the resumption of domestic and international travel.
- **A fair and equitable sharing of pain with Airport tenants**: Sydney Airport has worked closely with all tenants on a case-by-case basis to provide fair and equitable temporary relief in the form of rental deferrals and abatements. Relief ranged from 0% to 100% of the relevant rental amount. Sydney Airport believes that an equitable sharing of the pain with tenants during this challenging time will deliver the best long-term outcome.
- **A focus on cash collection**: A strong focus on collecting outstanding receivables yielded positive results in 2020 and continues to remain a focus.

Balance sheet

Sydney Airport had a robust balance sheet heading into 2020 and took proactive steps in 2020 to continue to strengthen its liquidity position. Available liquidity at 31 December 2020 was $3.5 billion, comprising of $1.1 billion in available cash and $2.4 billion of undrawn debt facilities. Sydney Airport continues to expect to remain compliant with its covenant requirements.

Proactive steps saw the successful $2.0 billion equity raising via a renounceable entitlement offer, issuance of a market leading sustainability linked $A600 million US private placement bond and adding bilateral bank facilities totalling $A850 million.

Sydney Airport's credit rating remains BBB+/Baa1 by S&P/Moody's respectively, each with a negative outlook.

Airline engagement

Sydney Airport has worked through numerous expiring or expired aeronautical agreements and reached the following agreements in 2020:

- An extension of current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021.
- New twelve-month agreements until 30 June 2021 extending Qantas' use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.
- International airline agreements have been extended by twelve months to 30 June 2021 under materially the same pricing and contractual provisions.
- Virgin Australia's domestic and international aeronautical agreements were extended until 30 June 2021 with certain variations reflecting changes to Virgin's operations post administration.

Further extensions to agreements may arise during 2021 as Sydney Airport and its airline partners gain greater clarity on our shared future.

Jet Fuel Infrastructure acquisition and transition

At the end of September 2020, Sydney Airport acquired and took operational control of the jet fuel infrastructure for $85.0 million. Skytanking, a global leader in aviation fuelling services, was selected to operate these facilities following a competitive tender process.

The acquisition increases Sydney Airport's strategic flexibility, with greater control over infrastructure investment decisions to support future airport growth, with an improved open access regime to increase competition amongst existing and new fuel suppliers, and an enhanced ability to influence the use of sustainable aviation fuels.

Sustainability

Throughout 2020, Sydney Airport continued to be a leader in sustainability and our dedication in this area was globally recognised. This included being in a number of leading sustainability indices, ranked 3rd globally in the airports sub-industry sector and having an 'AAA' and 'Leading' rating with MSCI and ACSI respectively. Our 2020 Sustainability Report also published today provides a clear account of our performance against our sustainability strategy.

Community investment and contribution

In 2020, the airport continued to deliver value and positive social impact to the communities in which we live and work. In total the airport contributed $2.7 million in value to the community[6], supporting 30 organisations and delivering over 1,980 volunteer hours during the year.

Outlook

Given the uncertainty that remains with respect to the recovery in 2021, no distribution guidance will be provided at this point in time. The Boards will update the market on the outlook for future distributions as more clarity emerges around the timing and strength of recovery from the COVID-19 pandemic.

Sydney Airport Chief Executive Officer, Geoff Culbert said, "The recovery won't be linear, but our experience shows that when restrictions are eased and borders come down, people are keen to travel. With the vaccine rolling out, we are cautiously optimistic that 2021 will see the industry begin to recover. We take great confidence from our financial and operational response to COVID-19, which puts us in a strong position to manage through to the recovery and make the most of it when it arrives."

Authorised for release by the SAL and TTCSAL Boards

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[6] Verified by Business for Societal Impact, formerly the London Benchmarking Group (LBG) Australia and New Zealand