

Half Year Results 2020

Presentation to Investors & Analysts

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Lukas Brosi, Chief Financial Officer

August 21, 2020

Zurich Airport



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02 Financial Update

03 Outlook

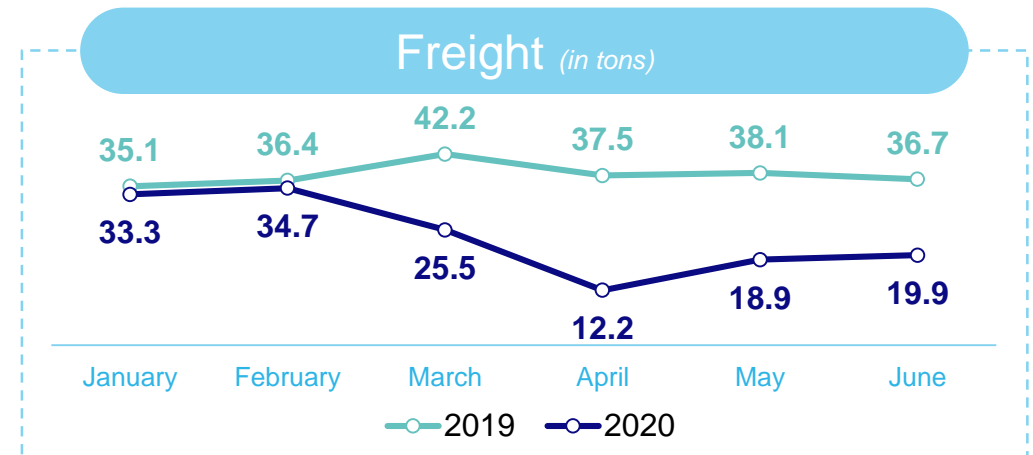
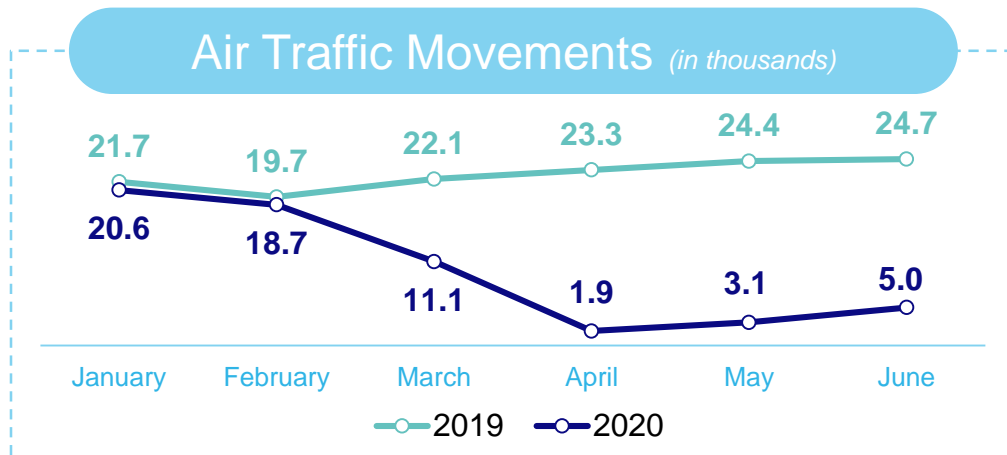
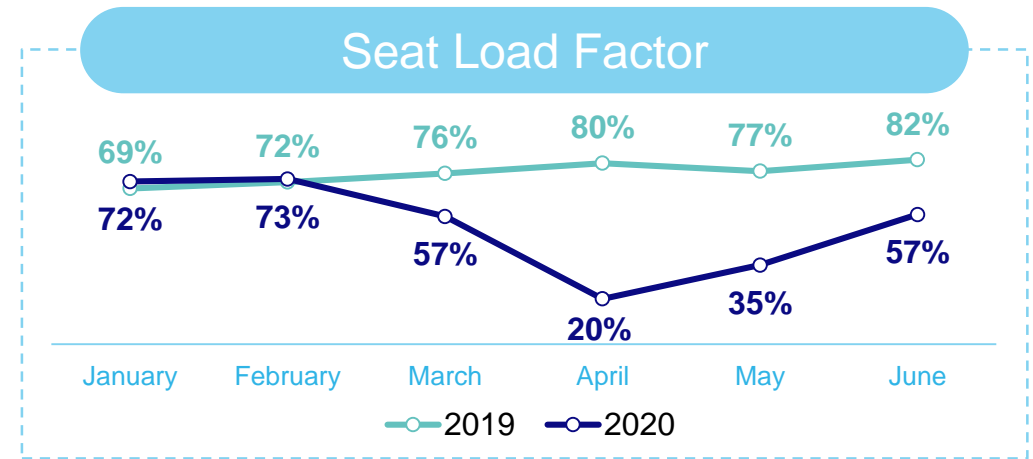
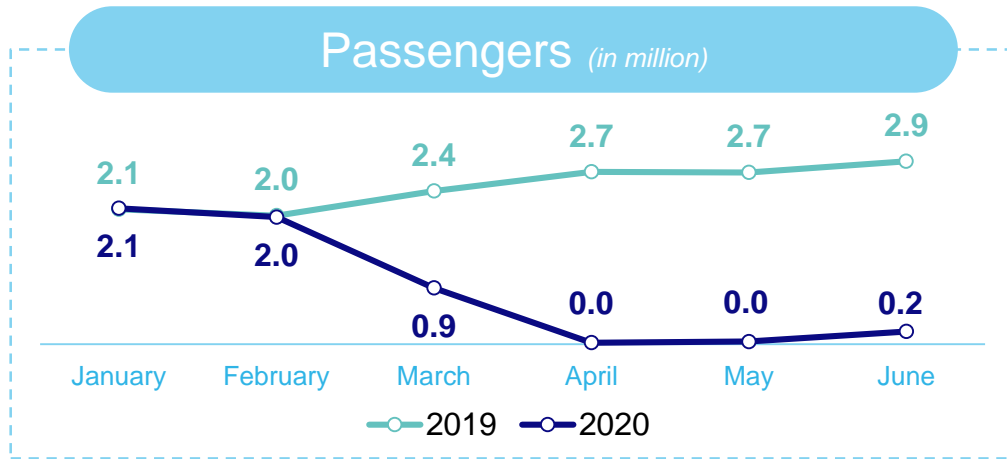
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Traffic Development ZRH

Significant drop due to COVID-19



Actions Taken

Response to COVID-19

Zurich



- **Operations:** Temporarily closed parts of the airport (i.e. Dock A and E); enhanced safety and hygiene protocols to protect well-being of passengers, visitors and employees
- **Operating Costs:** Reduced personnel expenses through short time work and other cost reductions, such as maintenance or utility, due to closure of infrastructure; total ZRH cost saving vs. FY2019 of 10 to 15% anticipated (excl. concession accounting)
- **Investments:** Initial guidance for 2020 of CHF ~350m reduced by CHF ~100m; only projects where no or only minimal restart cost will incur were postponed; mid-term ZRH CAPEX outlook below CHF 300m p.a.
- **Going forward:** CAPEX and costs in line with traffic recovery, phased reopening of infrastructure, aim to realize sustainable cost reductions where possible

International



- **Operating Costs:** OPEX wherever possible reduced until recovery well advanced, mainly in terms of personnel expenses
- **Investments:** CAPEX for running concession where possible postponed; concession agreement for Delhi Noida International Airport will also be signed with delay
- **Going forward:** Negotiations with governments ongoing to restore the financial re-equilibrium due to COVID-19

Cash



- **Bonds:** Raised two bonds of CHF 400m (February) and CHF 300m (April)
- **Credit facility:** Drew credit line fully in March, already partially repaid in June
- **Dividend:** Suspended dividend payments for FY2019
- **Liquidity:** Liquidity at end of June above CHF 800m

Milestones



Milestones

Half Year 2020

Airport Charges	<ul style="list-style-type: none">• Extension of charges period: Agreement with airports users reached at current levels• Duration: Flexible mechanism, depending on cumulated return of regulated business• Regulated return: New regulatory WACC_s of 5.0% starting in 2021 (5.9% for 2016-2020)
Aviation	<ul style="list-style-type: none">• SWISS and Edelweiss: Liquidity support by Swiss government helps to resume full operations as soon as borders open and markets recover• Government aid: Further support for aviation-related businesses, if necessary
Commercial Activities	<ul style="list-style-type: none">• Minimum Annual Guarantees (MAG): Waiving of MAG during governmental imposed lockdown• Store reopening: Most stores and restaurants on air- and landside are open again
Real Estate	<ul style="list-style-type: none">• The Circle: Revenue contribution started in HY2020; pre-letting above 80%; public opening in November• Priora assets: CHF ~10m contribution in HY2020 to facility management revenues according to plan
International	<ul style="list-style-type: none">• Brazil: Operational take over of the two new airports Vitória and Macaé at the beginning of 2020• India: Preparation work progresses well; signing of concession agreement delayed due to COVID-19

Aviation





Aviation Business

Heavily impacted by COVID-19

The outbreak of the pandemic depicted unprecedented times in Zurich. Traffic came almost to a standstill; however, Zurich Airport always facilitated cargo services for continuity of supply chains, enabled repatriation flights and transportation of medical staff.

PASSENGERS

- **-64.3%** reduction in passenger volumes to **5.3m**
 - Local passengers of **3.8m** (-64.0%)
 - Transfer passengers of **1.5m** (-65.3%)
 - Transfer share of **28.6%**

AIR TRAFFIC MOVEMENTS

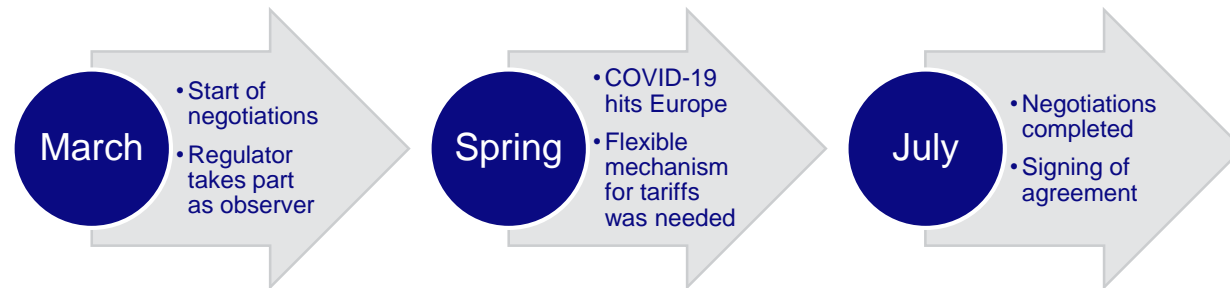
- Decrease in air traffic movements to **60,417** (-55.5%)
 - whereof line & charter movements **47,689**

CARGO

- Cargo -36.1% to **144,526 tons**

Flight Operations Charges

Agreement reached with Airport Users



Key Points of Agreement

- Extension of current regulatory period which started in September 2016
- Airport charges unchanged except for minor structural changes
- 10% 'ramp-up discount' in 2021
- The regulated WACC_s will be set at 5.0% starting in January 2021 (previously 5.9%)
- Goal is to implement adjustments of the extension on January 1, 2021
- Negotiation process will start again:
 - when cumulated regulated EVA² since 2016 will be ≥ 0 ; or
 - in January 2025

¹FOCA = Federal Office of Civil Aviation

²EVA = Economic Added Value

Commercial Business and Real Estate





Commercial Business and Real Estate

Resilient Real Estate Business

Fixed contract real estate business is performing in line with expectations and shows only minor shortfalls in rent.

The commercial business, which is typically structured as a revenue share with a Minimum Annual Guarantee (MAG), shows lower rental income. Negotiations are held on a case-by-case basis to find a mutual agreement in terms of MAG.

COMMERCIAL BUSINESS

- Commercial turnover **-55.5%** to **CHF 127.3m**
 - Airside **-65.7%**
 - Landside **-40.8%**

REAL ESTATE

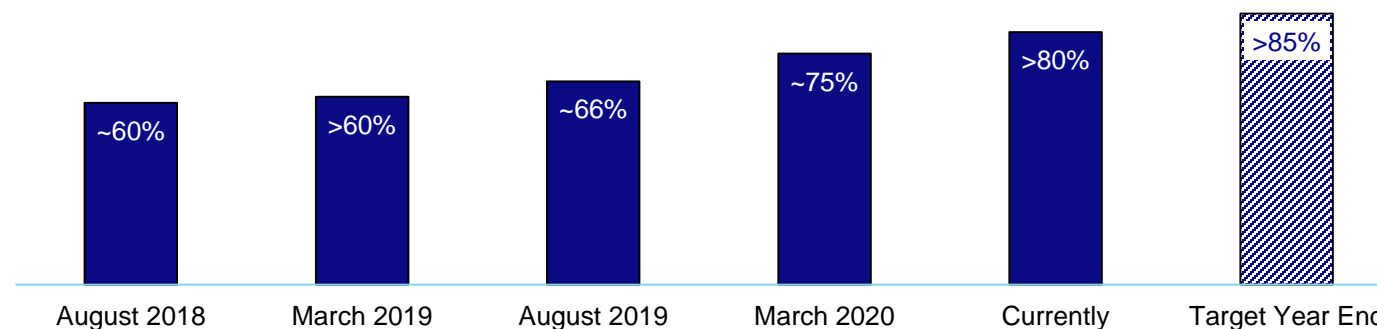
- Real estate revenues increasing due to acquisition of Priora real estate portfolio in December 2019



The Circle

Tenants are moving in

Pre-letting Development



New Tenants signed this year

ORACLE

MSD
INVENTING FOR LIFE

itelligence
NTT DATA Business Solutions

novo nordisk

SINGAPORE AIRLINES

unispace

svrestaurant

URO

International





International

Concessions also impacted by COVID-19

Significant reduction of traffic starting in mid March due to COVID-19. All majority owned international concessions remained open and operated on minimal capacity.

BRAZIL

- Florianópolis
 - Reduction of workforce by around 30%, hiring freeze
 - Process to request financial re-equilibrium (force majeure) initiated with regulator
- Vitória/Macaé
 - Postponement of capital investment obligation to 2021; successfully secured long-term financing without corporate guarantee; operating on minimum capacity, hiring freeze
 - Process to request financial re-equilibrium (force majeure) initiated with regulator

CHILE

- Terminal expansion in Iquique as planned; completion at end of 2021
- Possible extension of concessions due to variable concession duration

INDIA

- Preparation works ongoing for Delhi Noida International Airport; concession agreement not signed yet

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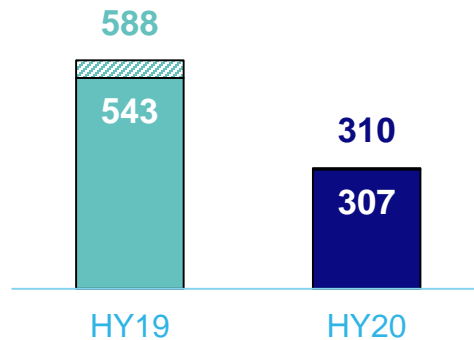


Declining Revenue and Profit

Half Year 2020

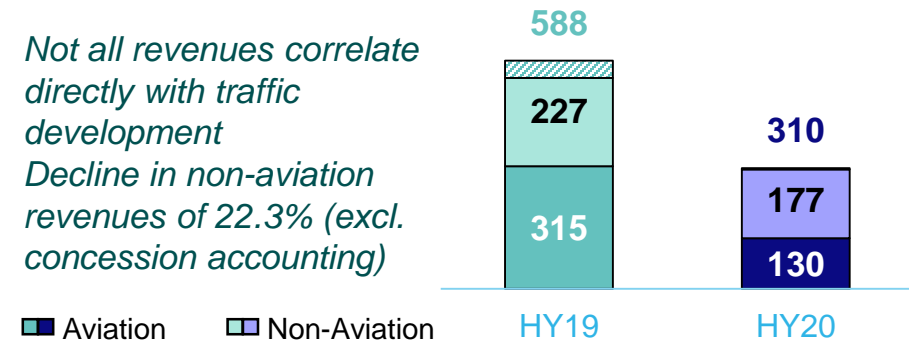
Revenue (in million CHF)

- Declining revenue numbers as a result of COVID-19
- Further lowered by less international CAPEX (concession accounting)



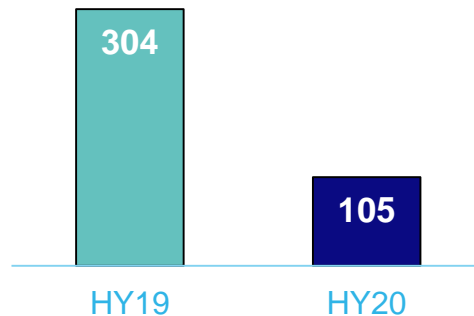
Revenue Split (in million CHF)

- Not all revenues correlate directly with traffic development
- Decline in non-aviation revenues of 22.3% (excl. concession accounting)



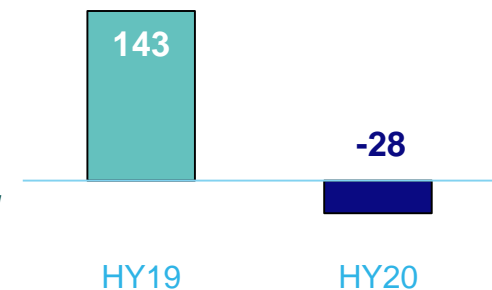
EBITDA (in million CHF)

- Reduction in EBITDA of 65.5% due to significant less revenues
- Cost reductions did not offset lower revenue figures due to high portion of fixed costs



Consolidated Result (in million CHF)

- Higher depreciation and amortization coming mainly from additional real estate
- High operating leverage with large amount of fixed costs led to a net loss



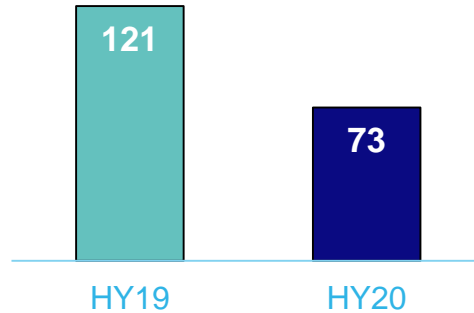
Concession accounting

Lower Non-Aviation Figures

Half Year 2020

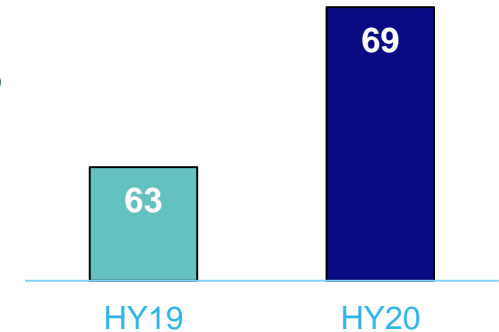
Commercial & Parking (in million CHF)

- As a result of the lockdown, all commercial revenues are lower
- Due to the MAG, drop in commercial revenue was less significant than traffic numbers



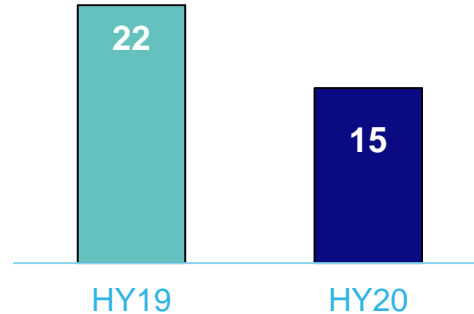
Facility Management (in million CHF)

- Higher fixed rental income due to acquisition of additional real estate in December 2019
- Initial contribution of The Circle



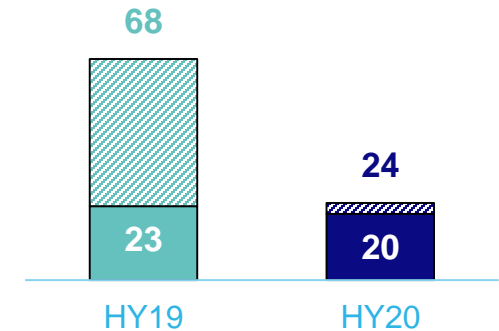
Revenue from Services (in million CHF)

- While communication services were almost flat, the catering and fuel charges business dropped because of COVID-19



International Revenue (in million CHF)

- Concession accounting considerably lower since international CAPEX postponed
- Revenue decline mitigated from new airports in Brazil



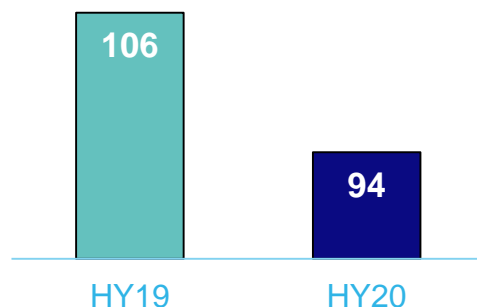
Concession accounting

Cost-Cutting Initiatives Working

Half Year 2020

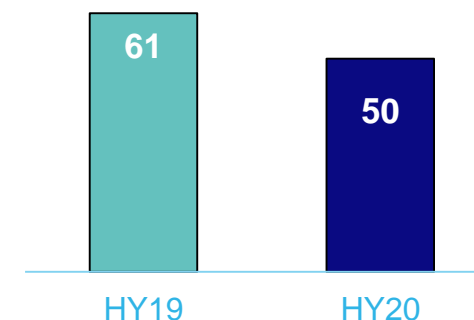
Personnel Expenses (in million CHF)

- Implementation of short-time working hours in mid March to receive partial unemployment insurance compensation helped to reduce salary costs



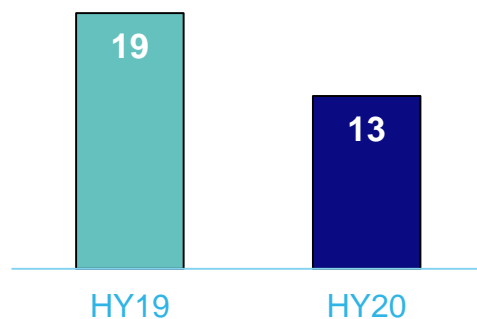
Police & Security (in million CHF)

- Reduced orders for the Canton of Zurich police force resulted in lower costs
- Other security costs could be reduced as well



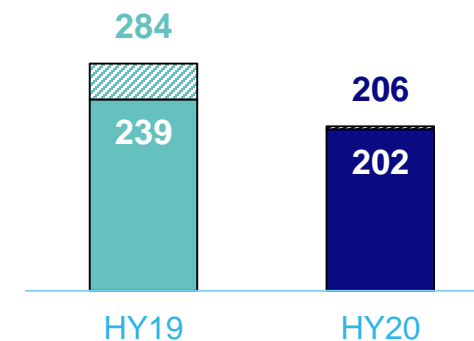
Maintenance & Material (in million CHF)

- Because of closure of parts of the airport, maintenance and material costs have decreased by 32%



Total Operating Expenses (in million CHF)

- Large decrease of total OPEX due to less concession accounting and cost-cutting initiatives taken in ZRH as well as internationally



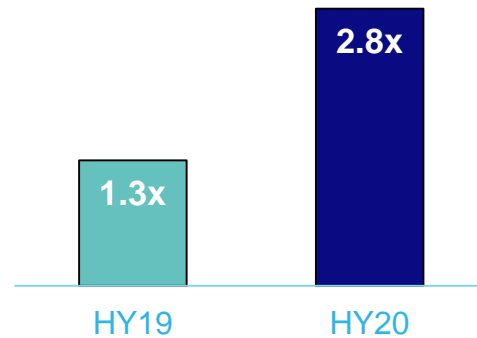
Concession accounting

Financial Key Ratios

Half Year 2020

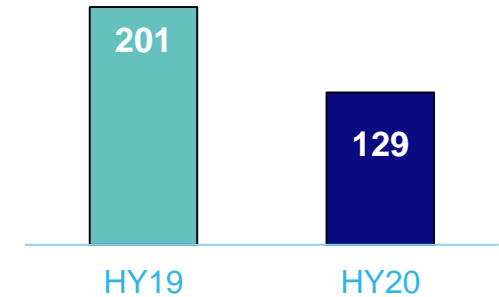
Net Financial Debt / EBITDA *(excl. noise)*

- *Net Financial Debt stands at CHF 1,225m*



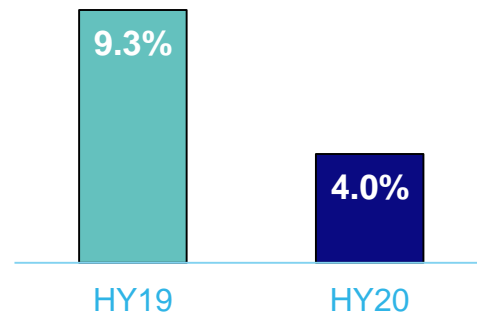
Operating Cash Flow *(incl. noise, in million CHF)*

- *Significantly lower net profit led to a reduction in operating cash flow of around 36%*



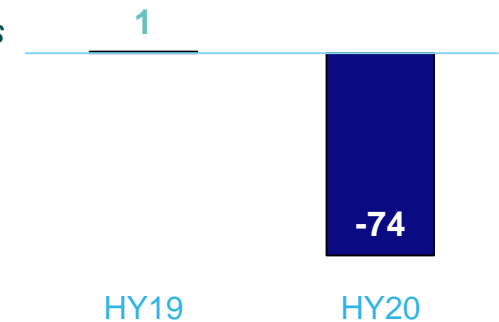
ROIC *(incl. noise, in %)*

- *Lower profit numbers led to a drop in LTM* ROIC from 9.3% to 4.0%*
- *Invested capital higher mainly from purchase of real estate*



Free Cash Flow *(incl. noise, in million CHF)*

- *Lower cash flow numbers coupled with high investments in ZRH (i.e. The Circle) reduced free cash flow generation in the first half year*



* LTM = Last twelve months

Group CAPEX

Half Year 2020



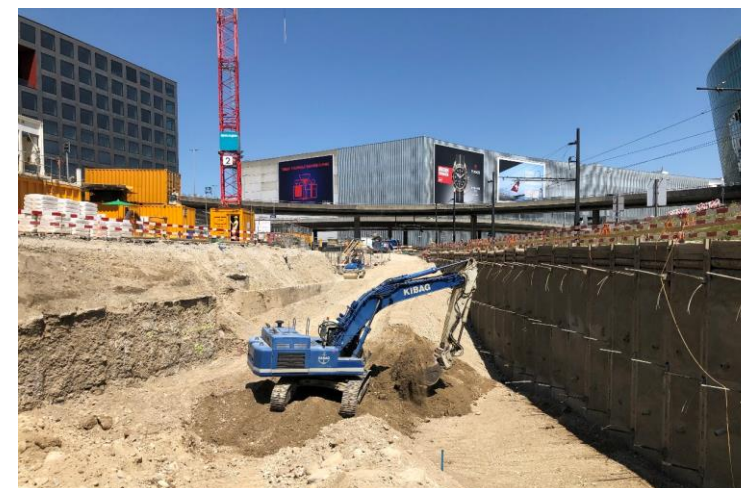
The Circle ~CHF 72 million



New Baggage Sorting System ~CHF 30 million



Restoration Maintenance Area ~CHF 14 million



Expansion of Landside Area ~CHF 13 million

Total Group CAPEX of
CHF 211 million

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Outlook





Guidance 2020

2019 Actual		2020 Guidance
Passengers ZRH	31.5 million	<ul style="list-style-type: none">• Approximately 10 million passengers assuming a recovery mainly in Q4 2020
Revenues	CHF 1,210 million	<ul style="list-style-type: none">• Flat tariffs in 2020• Commercial revenue based on Minimum Annual Guarantee (MAG), no rents collected during lockdown and individual agreements with partners on airside for time with low passenger volumes• Increasing revenue from facility management• Lower car parking and international revenues expected
Operating expenses	CHF 568 million	<ul style="list-style-type: none">• Reduction of 10–15% (excl. concession accounting)
Consolidated Result	CHF 309 million	<ul style="list-style-type: none">• Expected to be negative
CAPEX ZRH	CHF 360 million	<ul style="list-style-type: none">• CHF 250–300m (incl. The Circle)

Guidance reflects a slow but steady recovery and does not take into consideration new border closures, additional travel restrictions, new quarantine requirements or lockdowns

Mid-Term CAPEX Roadmap Outlook

Zurich and International

Zurich 	<ul style="list-style-type: none">• Total CAPEX of CHF 250m to 300m p.a. expected in Zurich going forward• Maintenance CAPEX accounts for around CHF 100m to 150m p.a.• Regulated CAPEX estimated to account for roughly 60%• Mid-term CAPEX is subject to traffic development and economic conditions
Brazil 	<ul style="list-style-type: none">• Florianópolis: New terminal was opened on October 1, 2019; limited CAPEX expected going forward• Vitória and Macaé: Total CAPEX of roughly CHF 80m expected from 2020 to 2024
Chile 	<ul style="list-style-type: none">• Antofagasta: No notable infrastructure investments are anticipated through to the end of the concession• Iquique: Total expected investments in airport infrastructure of approximately CHF 40m in 2020 to 2021
India 	<ul style="list-style-type: none">• Delhi Noida: Total investments of roughly CHF 650m expected until 2024; peak in 2022 and 2023

Compared to pre-Corona, mid-term CAPEX has been postponed or reduced in Zurich as well as internationally

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Corporate Calendar

Contact Information

- **August 25, 2020**
MainFirst Transportation Conference (Virtual)
- **September 29/30, 2020**
Santander Infra Conference (Virtual)
- **November 24, 2020**
Deutsche Bank BLT Conference (Virtual)
- **November 25, 2020**
Kempen Conference (Virtual)
- **March 12, 2021**
Publication of full year results 2020

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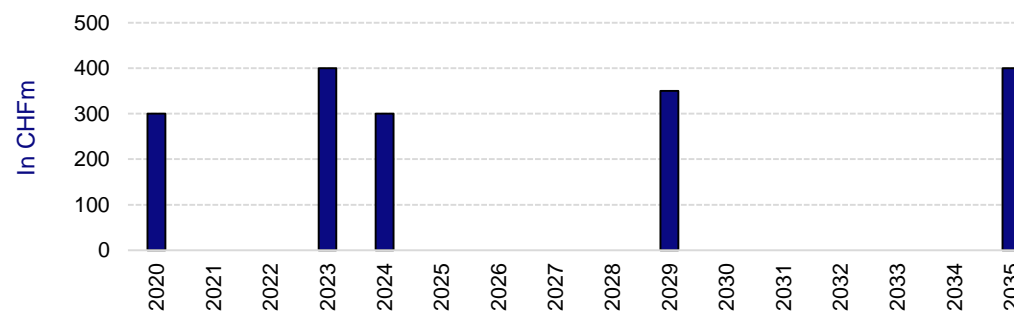
Liquidity and Debt Overview

As of June 30, 2020

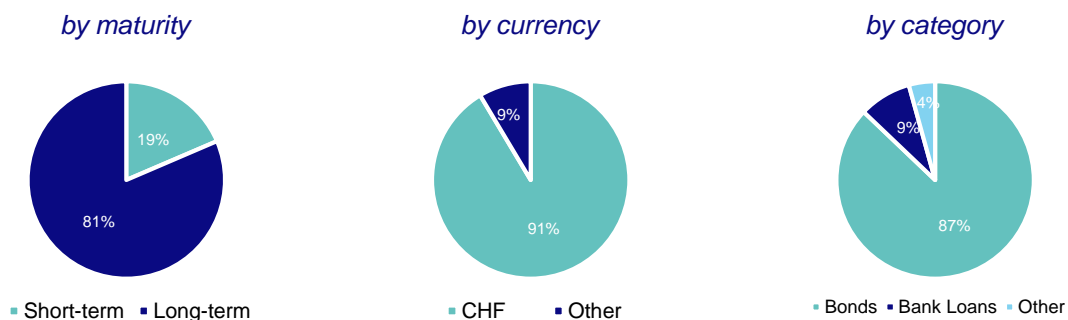
Liquidity (in CHFm)

Committed Credit Facilities	CHF 160m
Total utilization (incl. guarantees)	CHF 75m
Available short-term credit facilities	CHF 85m
Cash balance (excl. AZNF) at June 30, 2020	CHF 810m
Total liquidity (excl. AZNF) at June 30, 2020	CHF 895m

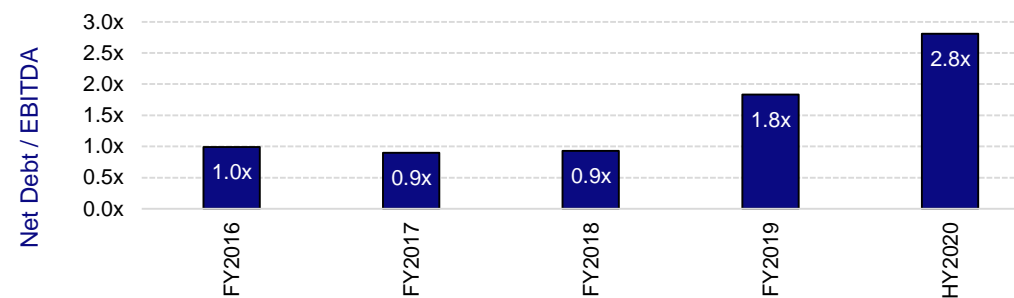
Bond Maturity Profile (in CHFm)*



Debt Composition (in CHFm)



Net Debt / LTM EBITDA (excl. noise)



Aim to reduce debt to levels prevailing before COVID-19

* Only shows bonds denominated in CHF

Zurich Airport at a Glance

Diversified Airport Operator

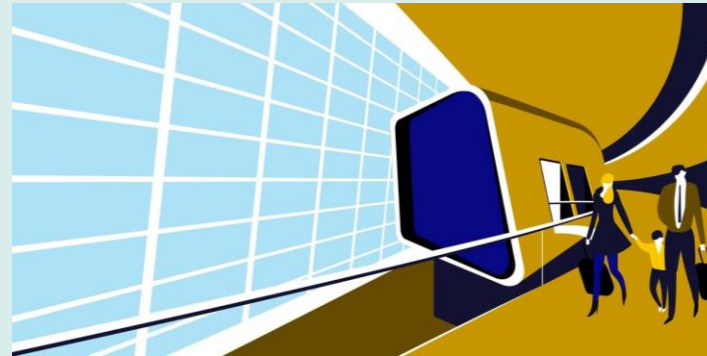
AVIATION / REGULATED

2019 revenue of CHF 661 million

- “To satisfy the demand for direct connections to the world’s major cities”
- Regulated business with profitability restrictions; not subsidized
- Premium mid-sized hub with operating license until 2051
- Land and infrastructure wholly-owned by Zurich Airport
- Service to 203 airports in 69 countries
- Economic importance: 275,329 air traffic movements and 451,827t freight
- Passengers: ~31 million/year
- Revenue contribution ~60%



NON-AVIATION / UNREGULATED



Commercial, Real Estate & Services

2019 revenue of CHF 422 million

- Leading commercial center
- Average concession rate of >22% of total commercial turnover
- Commercial revenues driven by passenger numbers (airside) and commuters, employees, shoppers etc. (landside)
- Revenue contribution ~40%

STRATEGIC GROWTH PROJECTS / UNREGULATED

The Circle

2019 investments of CHF 126 million

- Business and lifestyle center
- Overall CHF 1.2 billion investment, 180,000m² lettable area and 6,500 jobs
- Co-owned with Swiss Life AG (49%)
- Expect knock-on effect on existing commercial business from additional commuters and visitors
- Construction completed; opening of main area in November 2020

International Business

2019 revenue of CHF 127 million

- Long-term growth potential in international markets as airport developer and operator
- Diversification of revenues to strengthen future profitability
- Financial capacity for investments with focus on airports in Latin America and Asia
- Profit target contribution ~15%

Group Key Figures YTD

Income Statement

in million CHF	<i>Including noise</i>		<i>Excluding noise</i>	
	Jan – Jun 2020	Jan – Jun 2019	Jan – Jun 2020	Jan – Jun 2019
Aviation revenue	130.4	315.4	126.9	309.9
Non-aviation revenue	180.0	272.6	180.0	272.6
Revenue	310.4	588.0	306.9	582.5
EBITDA	104.9	303.7	103.3	299.8
<i>EBITDA margin (in %)</i>	33.8	51.6	33.7	51.5
Depreciation and amortization	(123.3)	(115.9)	(121.5)	(113.8)
EBIT	(18.4)	187.7	(18.2)	186.0
<i>EBIT margin (in %)</i>	(5.9)	31.9	(5.9)	31.9
Finance result (net)	(12.9)	(3.7)	(11.6)	(8.1)
Associated companies	(1.6)	(1.8)	(1.6)	(1.8)
Income tax expense	5.3	(38.8)	5.1	(37.6)
CONSOLIDATED RESULT	(27.5)	143.4	(26.3)	138.5

Revenue Breakdown

Aviation Business

in million CHF

	Jan – Jun 2020	Jan – Jun 2019
Passenger-related operations charges	73.5	209.1
Landing charges	18.8	42.4
Aircraft-related noise charges	3.5	5.5
Emission charges	0.9	2.0
Parking charges	12.3	13.2
Freight revenue	3.3	4.2
Total flight operations charges	112.4	276.5
Baggage sorting and handling system	8.6	21.2
De-icing	3.2	7.4
Check-In	1.4	2.8
Aircraft energy supply system	1.0	1.8
Other fees	2.2	3.1
Total aviation fees	16.4	36.4
Total other aviation revenue	1.7	2.5
TOTAL AVIATION REVENUE	130.4	315.4
Avg. landing charge / movement (in CHF)	623.7	624.4

Revenue Breakdown

Non-Aviation Business

in million CHF

	Jan – Jun 2020	Jan – Jun 2019
Retail, tax & duty-free	33.9	54.7
Food & beverage operations	5.5	9.1
Revenue from multi-story car parks	21.4	39.2
Other commercial revenue	11.7	17.5
Total commercial revenue	72.5	120.5
Revenue from rental and leasing agreements	54.8	45.8
Energy and utility cost allocation	10.8	12.0
Cleaning and other service revenue	3.5	4.8
Revenue from facility management	69.1	62.6
Revenue from services	14.8	21.8
Revenues international	20.2	22.6
Revenues from construction projects	3.3	45.1
Total revenues international	23.6	67.7
TOTAL NON-AVIATION REVENUE	180.0	272.6

Cost Overview

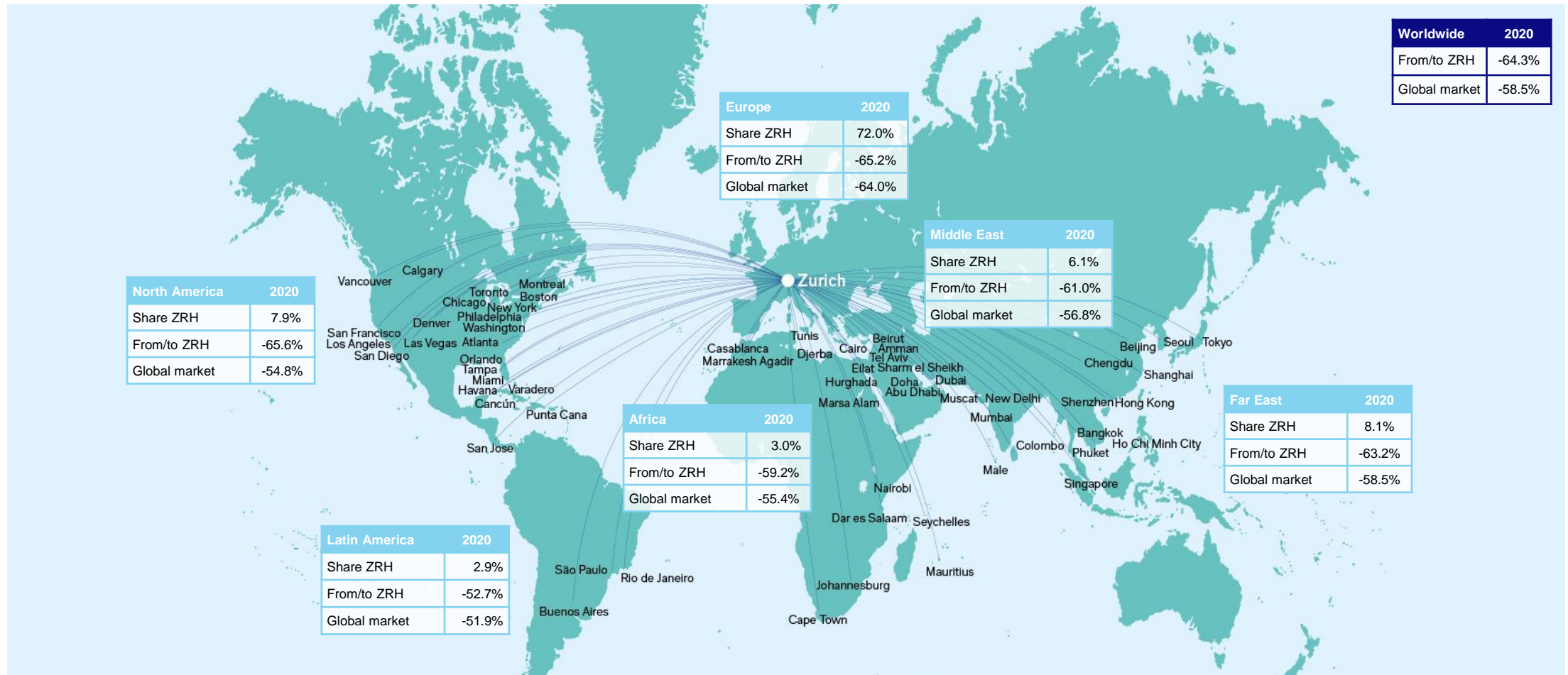
Operating Expenses Breakdown

in million CHF

	Jan – Jun 2020	Jan – Jun 2019
Personnel expenses	94.0	105.8
Police and security	50.4	61.2
Energy and waste	9.5	10.3
Maintenance and material	12.7	18.8
Other operating expenses	22.1	27.7
Sales, marketing, administration	19.4	20.9
Expenses from construction projects	3.3	45.1
Capitalized expenditure & other income/expenses*	(5.9)	(5.5)
TOTAL OPERATING EXPENSES	205.5	284.3
Whereof ZRH	185.9	224.6
Whereof international	19.6	59.7

Passenger Development

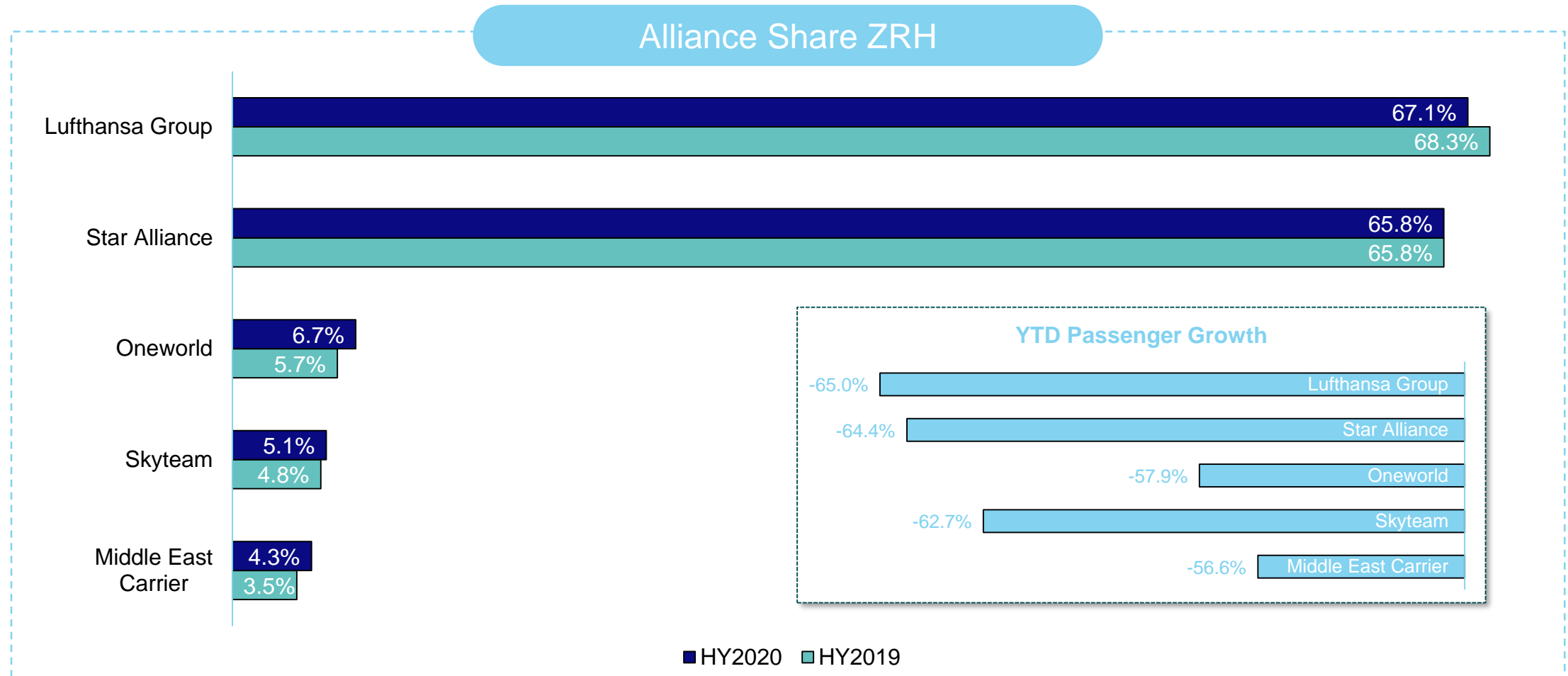
Global Market Figures (Jan – Jun 2020)



Source: ACI & ZRH data warehouse, 2020

HY2020 Alliance Share ZRH

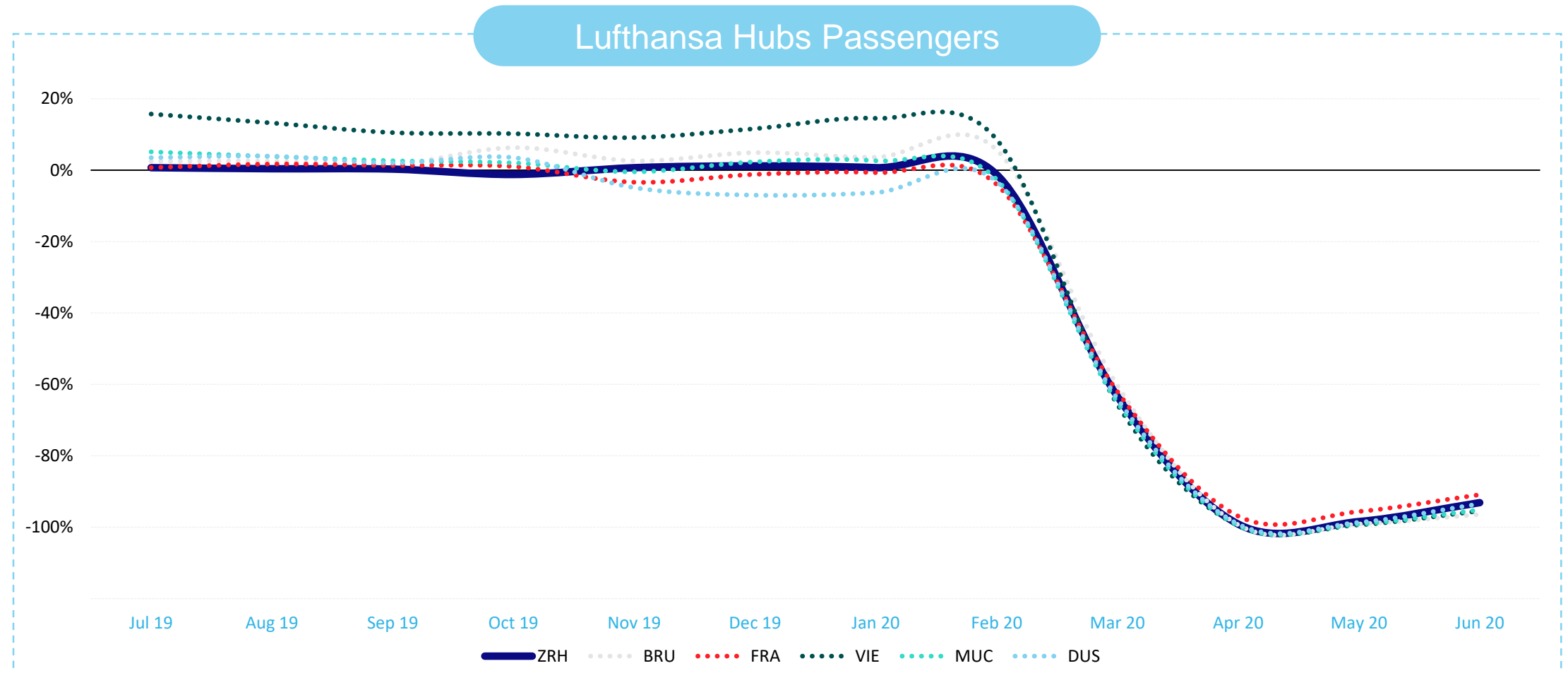
Largest Alliances in ZRH



Source: ZRH data warehouse, 2020

Lufthansa Hubs Passenger Development

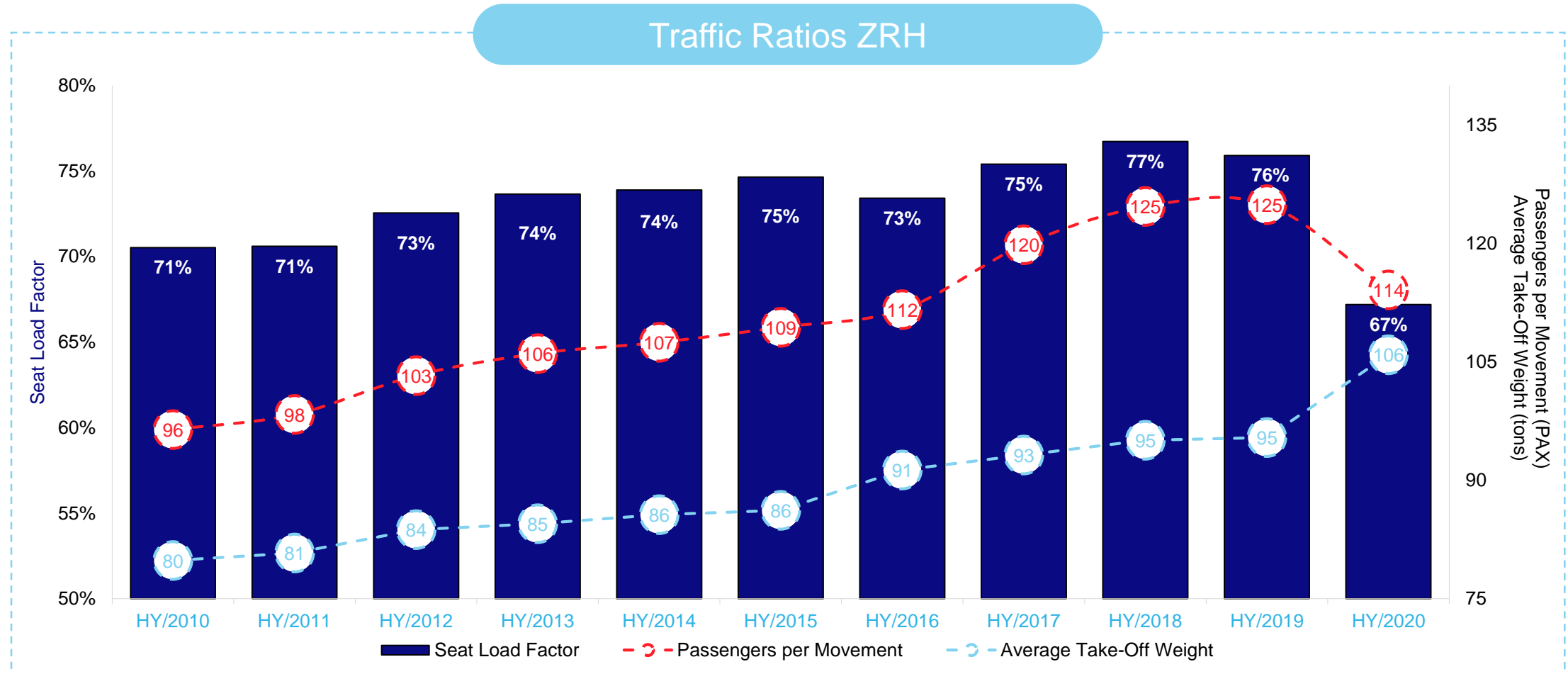
One Year Hub Comparison (Jul 2019 – Jun 2020)



Source: ACI & ZRH data warehouse, 2020

Traffic Ratios

Seat Load Factor, Passengers per Movement and Take-Off Weight

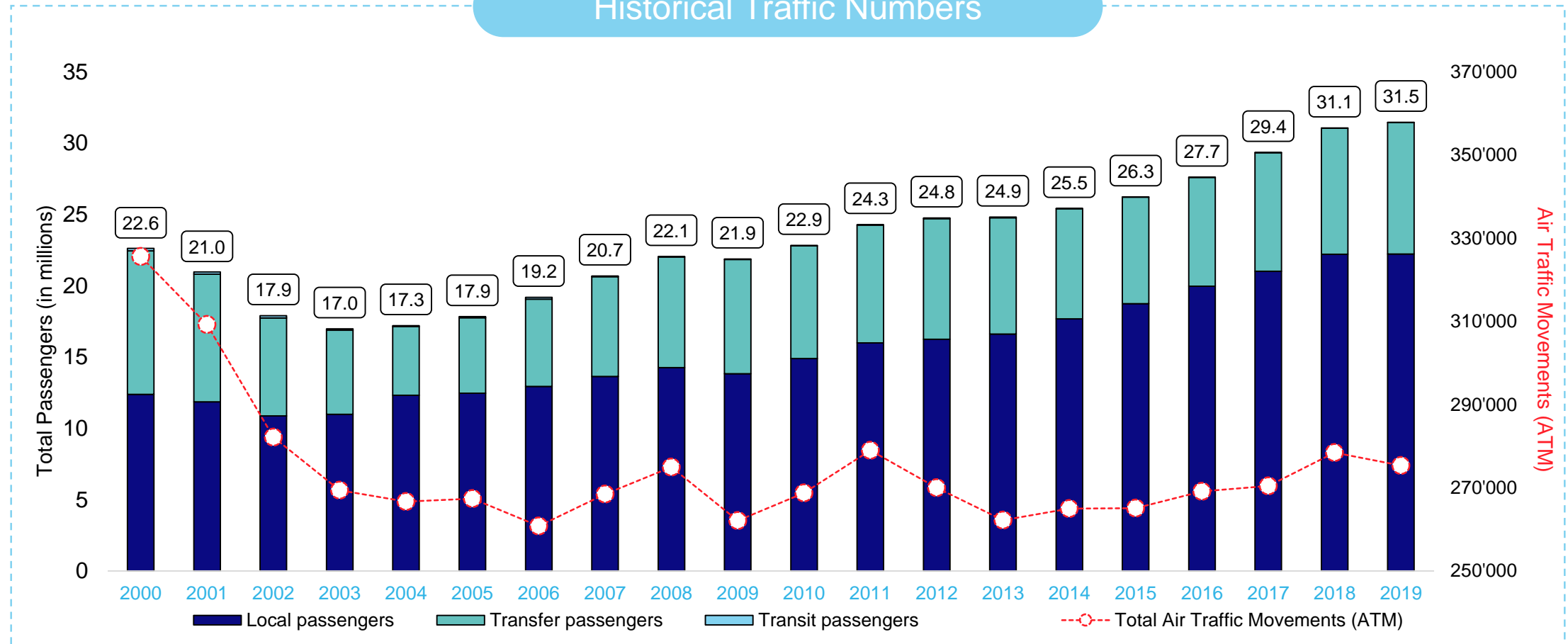


Source: ZRH data warehouse, 2020

Passengers and Movements Development

Since ZRH Privatization

Historical Traffic Numbers



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Forward-Looking Statements

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