

## NEWS FLASH

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### Flughafen Zürich AG: Interim Results 2020

**The first half of 2020 was largely dominated by the coronavirus crisis: compared with a profit of CHF 143.4 million in the first six months of 2019, the first half of 2020 will reflect a loss of CHF 27.5 million. It is currently difficult to make a forecast for the second half of the year, even if there has been an increase in air traffic in recent weeks.**

#### **Assessment of the exceptional situation**

The coronavirus crisis has had a severe economic impact on the entire aviation industry and on Flughafen Zürich AG. At times, there was a near-total collapse in revenues, which is reflected in first-half business performance. In response, the airport operator very quickly introduced short-time working and took various measures to secure liquidity. There will be further substantial cuts in capital expenditure and costs over the coming months and years.

Despite air traffic coming to an almost complete standstill in the spring, Zurich Airport always remained open. Even in these challenging times, it was therefore able to fulfil its mandate to provide a basic service and maintain Switzerland's aviation links to the world so that repatriation, air freight and ambulance flights could continue to operate along with a few passenger flights.

We have seen signs of a slow recovery since the gradual reopening of borders in June. The revival of the travel sector is expected to begin in Europe initially, but it is likely to be several years before the intercontinental market fully recovers. In the meantime, a "new normal" is becoming established at Zurich Airport as far as travel behaviour and passenger processes are concerned. One key element is Zurich Airport's protection concept, which is designed to ensure the safety of all passengers, visitors and airport staff.

#### **Trend in traffic volume**

Between January and June 2020, 5.3 million passengers used Zurich Airport as their departure, transfer or destination airport, a decrease of 64.3% compared with the prior-year period. The number of local passengers dropped by 64.0% and the number of transfer passengers by 65.3%.

The number of flight movements declined by 55.5% to 60,417 take-offs and landings in the first half of 2020. Flight movements declined at a slower pace than passenger numbers due in particular to a year-on-year increase in the number of freight flights. Despite this, the volume of freight handled at Zurich Airport decreased by 36.1% compared with the first half of 2019 to 144,526 tonnes.

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## **Trend in revenue**

Total revenue slumped by almost 50% compared with the first half of 2019 to CHF 310.4 million. Revenue from aviation operations was down by 58.6% to CHF 130.4 million. Aviation revenue declined at a slower pace than passenger numbers due to the fact that not all charges depend on passenger volumes. For example, the number of flight movements determines the landing charges. Non-aviation revenue was down by 34.0% in the same period to CHF 180.0 million. In the case of commercial revenue, Flughafen Zürich AG was unable to charge rent during the lockdown period of roughly two months ordered by the authorities. While parking revenue and revenue from international business also suffered as a result of the crisis, revenue from facility management was up by 10.4% to CHF 69.1 million. This rise is due mainly to the purchase of a total of 36 buildings and plots of land from Piora Suisse AG at the end of 2019, although the first rental income from the Circle also contributed to the positive trend. The crisis shows that the increasingly important real estate business has a stabilising effect on total revenue.

## **Operating expenses**

Operating expenses decreased by 27.7% year on year to CHF 205.5 million, although last year's cost base was negatively impacted in particular by an amount of CHF 45.1 million for the development of the infrastructure in Florianópolis. After adjusting for expenses from construction projects, operating expenses were down by 15.5% or CHF 37.0 million. The savings are mainly attributable to lower personnel expenses as a result of short-time working, lower police and security expenses and other general cost reductions.

## **Operating and consolidated result**

Earnings before interest, tax, depreciation and amortisation (EBITDA) fell by 65.5% to CHF 104.9 million. The bottom-line result for the first half of 2020 was a loss of CHF 27.5 million. In the prior-year period, Flughafen Zürich AG was able to post a profit of CHF 143.4 million.

## **Outlook**

It is difficult to issue a reliable forecast for the current financial year, owing to considerable uncertainty over the further course of the coronavirus crisis. Provided that international passenger travel picks up in the fourth quarter, passenger volumes for the 2020 financial year are expected to be around 10 million. Any developments in the other direction, such as renewed border closures, changed quarantine rules or sustained or additional travel restrictions would result in lower passenger volumes.

Flughafen Zürich AG introduced measures to reduce costs at an early stage. In the case of operating expenses, the cost base can be cut by 10–15% year on year due to short-time working and other savings (excluding expenses from construction projects). Because a large part of the costs of Flughafen Zurich AG is directly related to the infrastructure which was available also during the period of minimal operations, the expected drop in sales in the current year can only be offset by cost reductions up to a limited extent.

A loss is therefore anticipated for the current financial year.

Investments at the Zurich site will amount to around CHF 250–300 million with around CHF 20 million at the subsidiaries abroad in addition.

The 2020 Interim Report of Flughafen Zürich AG is available under <https://report.flughafen-zuerich.ch/2020/hyr/en>.