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ASX Release

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Sydney Airport \$2 Billion Equity Raising and 2020 Half Year Results

Today, Sydney Airport announces a fully underwritten pro rata accelerated renounceable entitlement offer, with retail rights trading, to raise \$2.0 billion (Entitlement Offer), and its interim results for the half year ended 30 June 2020.

Equity raising rationale

Sydney Airport Chief Executive Officer, Geoff Culbert said, "The equity raising will position Sydney Airport for the future. Sydney Airport took pre-emptive action at the start of the COVID-19 pandemic, putting in place significant liquidity which gave us the flexibility to monitor how the situation evolved. Six months into the pandemic, there remains uncertainty as to how long it will take for aviation markets to return to pre-COVID-19 levels."

"Accordingly, Sydney Airport is taking further decisive action to strengthen its balance sheet and to help ensure it remains well capitalised to meet the challenges presented by an uncertain COVID-19 operating environment, and to ensure it is positioned for growth in the future."

"It is important to note that we chose to raise equity via a renounceable entitlement offer as that is the fairest structure for all securityholders, particularly retail securityholders. Securities will be offered on a pro-rata basis and securityholders who participate will not be diluted, which is important to us given many have been long term investors in Sydney Airport."

The Entitlement Offer announced today:

- Substantially reduces Sydney Airport's net debt;
- Is expected to enhance the financial resilience of Sydney Airport;
- Supports our commitment to maintaining a strong investment grade credit rating; and
- Further increases the liquidity available to Sydney Airport.

Combined with existing liquidity sources (cash and undrawn bank facilities), the Entitlement Offer proceeds will cover debt maturities, as well as be used for general corporate purposes, including but not limited to capital expenditure. It provides Sydney Airport with flexibility to respond to a range of recovery scenarios and pursue sensible growth opportunities as the recovery unfolds.

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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Following the Entitlement Offer, Sydney Airport's pro forma net debt position will be significantly reduced from \$9.1 billion to \$7.1 billion as at 30 June 2020. This pro forma net debt to FY19 EBITDA will be reduced from 6.8x to 5.3x. Combined with existing cash on hand and undrawn debt facilities, the Entitlement Offer will provide pro forma adjusted liquidity of \$4.6 billion as at 30 June 2020.

“We have been advised by corporate advisory firm Adara Partners. Profits made by Adara Partners are donated to Adara Development, a non-profit organisation supporting people and communities living in extreme poverty. At a time when so many people are struggling through the COVID-19 crisis, it's satisfying to know that some of the benefits of this equity raising will find its way to people in need.”

2020 interim results

- Loss after income tax expense was \$53.6 million for the half year
- Passenger volumes for the half year were materially impacted by the COVID-19 related traffic restrictions, implemented progressively from February 2020
- Sydney Airport welcomed 9.4 million passengers for the half year, a 56.6% decline on the prior corresponding period (pcp). Total passengers in 1Q 2020 was 9.0 million, down 18.0% on pcp. Total passengers in 2Q 2020 was 0.4 million, down 96.6% on pcp.
- International passengers declined by 57.3% and domestic by 56.1% on the pcp
- Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$300.4 million, down 35.4% on the pcp
- Net operating receipts (NOR) were \$90.4 million, down 79% on the pcp
- Operating costs for the first half decreased 20.5%¹, with savings tracking in line with the cost reduction plan
- Capital investment was \$152.8 million, delivering critical projects targeting asset resilience, safety and security
- Strong balance sheet, credit ratings at BBB+/Baa1 (negative outlook) and financial flexibility with over \$2.6 billion of liquidity. This will be increased to \$4.6 billion following the Entitlement Offer announced today

Sydney Airport Chief Executive Officer, Geoff Culbert said, “We announce our half year results today in a challenging environment. Whilst we delivered a solid start to 2020, the subsequent spread of COVID-19 saw the aviation industry deteriorate dramatically from late February.”

“As an organisation we have adapted rapidly to a new environment and worked hard to tightly manage our costs, strengthen our balance sheet, reach fair and equitable outcomes with our tenants and aviation partners, and implement COVID-safe protocols to protect our passengers and staff.”

Financial results

Total revenue of \$511.0 million, a decrease of 35.9% compared to the pcp, driven by the COVID-19 crisis.

- **Aeronautical revenue:** on an adjusted basis, down 58.0%² reflecting 56.6% passenger decline across international and domestic, and inclusive of provisions for doubtful debts

¹ Excluding the impact of expected credit loss expense, and security recoverable expenditure.

² Excluding security recoverable revenue.

- **Retail revenue:** on an adjusted basis, down 44.0% inclusive of abatements and provisions for doubtful debts, reflective of fair and equitable sharing of the pain with our tenants
- **Property and car rental revenue:** on an adjusted basis, down 31.3% inclusive of abatements and provisions for doubtful debts, reflecting decreased hotel occupancy, as well as fair and equitable sharing of the pain with property tenants
- **Car parking and ground transport revenue:** down 50.9% reflecting over three months of material disruption to passenger volumes

The COVID-19 pandemic has impacted the interim results in a number of ways including:

- **Expected credit loss:** \$40.9 million doubtful debt provision has been recognised as at 30 June 2020, including the full impairment of pre-administration Virgin Group debts
- **Capital projects impairment:** impairment charge of \$22.2 million, recognised in respect of certain capital projects in progress that are expected to be significantly impacted or delayed
- **Abatements:** temporary concessions (between the period of April 2020 to June 2020) in the form of rental abatements of \$52.9 million and rent deferrals of \$6.0 million, in aggregate across the retail and property portfolio

COVID-19 impact

The consequences of the COVID-19 pandemic for aviation and the airport community have been severe. In response, Sydney Airport has rapidly adapted to the current environment and has taken a number of steps that are designed to allow Sydney Airport to manage through a range of potential recovery scenarios.

- **A focus on cash collection:** A strong focus on collecting outstanding receivables has yielded positive results in the first half of 2020 and will continue to remain a focus
- **Tightly controlled costs:** Operating expenditure for the first half was \$80.5 million³, a decrease of 20.5% on the pcp
- **Re-prioritisation of capital expenditure:** A modular capex program has provided significant flexibility and enabled Sydney Airport to rapidly and sensibly scale back investment, with a focus on essential projects targeting resilience, safety and security
- **A fair and equitable sharing of pain with Airport tenants:** Sydney Airport has worked closely with all tenants to provide fair and equitable concessions to reflect the impact of the COVID-19 pandemic. Each concession offered was assessed on a case-by-case basis and the level of relief offered was dependent upon each tenant's individual circumstance. Sydney Airport believes that an equitable sharing of the pain with tenants at a time when they needed it the most will deliver the best long-term outcome for security holders
- **Creation of a recovery taskforce:** Sydney Airport's recovery taskforce is committed to collaborating with our airline partners, overseas airports, and Government agencies both in Australia and internationally, to develop a safe and sustainable pathway for the resumption of domestic and international travel

Balance sheet

Sydney Airport had a robust balance sheet heading into 2020. In the year to date, Sydney Airport has taken proactive steps to continue to strengthen its liquidity position. Available liquidity at 30 June 2020 was \$2.6 billion, comprising of \$1.0 billion in available cash and

³ Excluding the impact of expected credit loss provision, and security recoverable expenditure.

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\$1.6 billion of undrawn debt facilities. This will be increased to \$4.6 billion following the Entitlement Offer announced today. Sydney Airport continues to expect to remain compliant with its covenant requirements.

Prior to the Entitlement Offer, both S&P and Moody's had reaffirmed Sydney Airport's credit ratings of BBB+ and Baa1 respectively, each with a negative outlook.

Proactive capital management saw the successful issuance of a market leading sustainability linked \$A600 million US private placement bond. This bond included the first two-way sustainability linked bond in any market globally, a continuation of our commitment to a sustainable future for Sydney Airport. In addition, two and three-year bilateral bank facilities totalling \$A850 million were established in April 2020, providing significantly more liquidity.

Airline agreements

Sydney Airport has been working through numerous expiring or expired aeronautical agreements and has reached the following agreements:

- 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.
- The Board of Airline Representatives Australia (BARA) have endorsed Sydney Airport's proposal to its member airlines for international services. This extends the material pricing and contractual provisions under the previous five-year agreement for another twelve months.

It was deemed prudent to extend these agreements until such time as we have greater clarity on our shared future.

Jet fuel business

Sydney Airport has reached agreement with the incumbent Joint User Hydrant Infrastructure (JUHI) owners to purchase the jet fuel infrastructure in October 2020 for \$85.0 million. Skytanking, a global leader in aviation fuelling services, has been selected to operate the facilities following a competitive 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.

Outlook

It remains unclear how long the domestic and international travel restrictions will continue for, however while they are in place, Sydney Airport's operations are likely to remain adversely impacted. As a result, it is anticipated that Sydney Airport's financial performance will continue to be affected.

In relation to both operating costs and capital expenditure, Sydney Airport will maintain tight discipline and is currently pursuing additional reductions. Sydney Airport is targeting at least a 35% reduction in operating costs⁴ for the 12 months from 1 April 2020. The staff Job

⁴ Excluding security recoverable costs.

Guarantee will regretfully not be extended beyond 30 September 2020, and a review is currently underway to restructure the organisation.

Capital project expenditure will be further reduced, with a target range of \$100 to \$125 million for the calendar year 2021 predominantly relating to critical projects. In addition to this, Sydney Airport continues to evaluate commercial investment opportunities, with decisions subject to business case assessment.

At this time, no distribution is expected to be declared for 2020. The Boards will update the market on the outlook for the business, and future distributions, as more clarity emerges around the timing and strength of recovery from the COVID-19 pandemic.

Entitlement Offer overview

The Entitlement Offer will take the form of a fully underwritten pro rata accelerated renounceable entitlement offer, with retail rights trading, under which eligible securityholders will be entitled to acquire one new Sydney Airport stapled security (**New Security**) for every 5.15 securities held on the Record Date, at a price of \$4.56 per New Security (**Offer Price**). The offer price is the same for both institutional and retail securityholders.

The Offer Price represents a 13.2% discount to the theoretical ex-entitlement price of \$5.26 based on the \$5.39 closing price of Sydney Airport securities on the ASX on 10 August 2020.

New Securities issued under the Entitlement Offer will rank equally with existing Sydney Airport stapled securities.

The Entitlement Offer will raise \$2.0 billion and comprise

- **An Institutional Entitlement Offer:** eligible institutional securityholders will be invited to purchase a pro-rata number of New Securities. The Institutional Entitlement Offer will open on Tuesday, 11 August 2020 and close on Wednesday, 12 August 2020. Institutional entitlements not taken up, along with entitlements of ineligible institutional securityholders, will be sold under an institutional shortfall bookbuild, with any proceeds in excess of the Offer Price (net of any withholding tax and expenses) being paid to the relevant securityholders
- **A Retail Entitlement Offer:** eligible retail securityholders in Australia and New Zealand will be invited to purchase a pro-rata number of New Securities. Eligible retail securityholders who wish to participate in the Retail Entitlement Offer must do so by 5.00pm (AEST) on Wednesday, 2 September 2020. Eligible retail securityholders may also sell their entitlements on the ASX, with trading to commence on Friday, 14 August 2020 (on a deferred settlement basis), on Wednesday, 19 August 2020 (on a normal settlement basis), and conclude on Wednesday, 26 August 2020. Entitlements not taken up, along with entitlements of ineligible retail securityholders, will be sold under a retail shortfall bookbuild and any proceeds in excess of the Offer Price (net of any withholding tax and expenses) will be paid to the relevant securityholders

A Retail Offer Booklet containing information in respect of the Retail Entitlement Offer will be sent to eligible retail securityholders in Australia and New Zealand by Tuesday, 18 August 2020 and will be made available on the Entitlement Offer website www.sydooffer.com.au. The contents of Sydney Airport's website do not form part of the offer documents for the Entitlement Offer.

Eligible retail securityholders should read the Retail Offer Booklet in full before deciding whether to subscribe for New Securities or sell their entitlements.

Any eligible retail securityholders in Australia or New Zealand who wish to acquire New Securities under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with, the personalised entitlement and acceptance form, that will accompany the Retail Offer Booklet. Each of the directors intend to take up their full entitlement.

If you are an eligible retail securityholder in Australia or New Zealand and you do not receive a copy of the Retail Offer Booklet or you have any questions regarding the Entitlement Offer, please contact the Sydney Airport Securityholder Offer Information Line on:

- 1800 102 368 (from within Australia)
- +61 3 9415 4195 (from outside Australia)

between 8.30am to 5.00pm (AEST) Monday to Friday during the Entitlement Offer period.

Sydney Airport expects to announce the outcome of the Institutional Entitlement Offer to the market prior to the commencement of trading on Friday, 14 August 2020 and will remain in trading halt until this time.

Further details of the Entitlement Offer are set out in the investor presentation, also provided to the ASX today. The investor presentation contains important information including key risks, assumptions and foreign selling restrictions with respect to the Entitlement Offer.

Entitlement Offer timetable

Event	Timing (2020)
Trading halt, announcement of Entitlement Offer and institutional entitlement offer opens	Tuesday, 11 August
Institutional Entitlement Offer closes	Wednesday, 12 August
Institutional shortfall bookbuild opens	Wednesday, 12 August
Institutional shortfall bookbuild closes	Thursday, 13 August
Trading halt lifted	Friday, 14 August
Retail entitlements commence trading on ASX on a deferred settlement basis	Friday, 14 August
Record date for determining eligibility for the Entitlement Offer (7.00pm)	Friday, 14 August
Despatch of Retail Offer Booklet and entitlement and acceptance form	Tuesday, 18 August
Retail Entitlement Offer opens	Tuesday, 18 August
Retail entitlements commence trading on ASX on a normal settlement basis	Wednesday, 19 August
Initial Retail Closing Date — last day to apply for New Securities to be issued on the Initial Allotment Date (5.00pm)	Thursday, 20 August

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Initial Settlement Date – settlement of New Securities under the Institutional Entitlement Offer, institutional shortfall bookbuild and early retail acceptance	Friday, 21 August
Initial Allotment Date — allotment and commencement of trading of New Securities under the Institutional Entitlement Offer, institutional shortfall bookbuild and early retail acceptance	Monday, 24 August
Normal trading commences on ASX of New Securities issued under the initial allotment	Monday, 24 August
Retail entitlements conclude trading on ASX	Wednesday, 26 August
Remaining New Securities to be issued under the Retail Entitlement Offer to commence trading on a deferred settlement basis	Thursday, 2 September
Retail Entitlement Offer closes (5.00pm)	Wednesday, 2 September
Retail shortfall bookbuild	Monday, 7 September
Final Settlement – settlement of all remaining New Securities under the Retail Entitlement Offer	Thursday, 10 September
Final Allotment – allotment of all remaining New Securities under the Retail Entitlement Offer	Friday, 11 September
New Securities under the Final Allotment commence trading on the ASX on a normal settlement basis	Monday, 14 September
Despatch of holding statements	Tuesday, 15 September

Note: Dates and times are indicative only and subject to change. Sydney Airport and the underwriter reserve the right to vary the dates and times of the Entitlement Offer, which includes closing the Entitlement Offer early, without prior notice. All times and dates refer to Australian Eastern Standard Time (AEST).

Record Date

Eligible securityholders will be entitled to apply for one New Security for every 5.15 security held as at the Record Date (7.00pm (AEST) Friday, 14 August 2020). In the event a Sydney Airport securityholder has securities out on loan, the borrower will be regarded as the securityholder for the purposes of determining the entitlement (provided that those borrowed securities have not been on-sold).

Authorised for release by the SAL and TTCSAL Boards

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IMPORTANT INFORMATION

IMPORTANT NOTICES

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FINANCIAL INFORMATION

Sydney Airport prepares its financial information in accordance with the Corporations Act 2001 (Cth), Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

This announcement includes certain pro forma financial information to reflect the impact of the Entitlement Offer. The pro forma historical financial information provided in this announcement is for illustrative purposes only and is not represented as being indicative of Sydney Airport's views on its future financial position and/or performance. The pro forma historical financial information has been prepared by Sydney Airport in accordance with the measurement and recognition requirements, but not disclosure requirements, prescribed by AAS. The pro forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission (SEC).

Investors should be aware that certain financial measures included in this announcement are "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC and also "Non-GAAP financial measures" within the meaning of Regulation G under the US Securities Exchange Act of 1934 and are not recognised under the AAS or IFRS. Non-IFRS financial information / non-GAAP financial measures in this announcement include EBITDA, NOR, net debt, operating costs, project expenditure and liquidity. Sydney Airport believes the non-IFRS financial information and non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of Sydney Airport. However, investors should note that the non-IFRS financial information and non-GAAP financial measures do not have standardised meanings prescribed by AAS or IFRS. Therefore, the

non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, nor should the information be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this announcement.

FUTURE PERFORMANCE

This announcement may contain certain forward-looking statements. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “outlook”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position, distributions and performance are also forward-looking statements as are statements regarding Sydney Airport's future operations and projects, the aviation and general market outlook, domestic and international travel restrictions, the outcome of the Entitlement Offer and the use of proceeds. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks (including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19 and the risks set out in Appendix B (“Key Risks”) section of the investor presentation released on ASX on the same date as this announcement), uncertainties and other factors, many of which are beyond the control of Sydney Airport, its officers, employees, agents and advisors, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, including in respect of Sydney Airport's future financial performance and outlook, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Neither Sydney Airport, the underwriter, nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur.