

# HEATHROW (SP) LIMITED

RESULTS FOR THE YEAR ENDED  
31<sup>st</sup> DECEMBER 2019



Heathrow

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# REVIEW OF THE DECADE

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# DECADE OF DELIVERY



Where we were	<ul style="list-style-type: none"> <li>0.67 lost time injuries*</li> </ul>	<ul style="list-style-type: none"> <li>Bottom 10 airport service in the world</li> <li>71% departure punctuality</li> </ul>	<ul style="list-style-type: none"> <li>66 million passengers in 2010</li> <li>Underperformed Q5 settlement</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory uncertainty</li> <li>Expansion blocked</li> </ul>
Today	<ul style="list-style-type: none"> <li>0.34 lost time injuries*</li> <li>London Living Wage employer</li> <li>Sunday Times Top 30 Large Employer</li> </ul>	<ul style="list-style-type: none"> <li>Top 10 airport service in the world</li> <li>Terminal 2 on time and on budget</li> <li>79% departure punctuality</li> </ul>	<ul style="list-style-type: none"> <li>81 million passengers in 2019</li> <li>Operating cost per passenger 24% lower</li> <li>Highest retail income per passenger in the world</li> </ul>	<ul style="list-style-type: none"> <li>Edie “responsible business of the year” award</li> <li>Carbon-neutral airport operations</li> <li>Overwhelming parliamentary vote for expansion</li> </ul>
Our future plans	<ul style="list-style-type: none"> <li>Best in class safety</li> <li>Up to 40,000 new local jobs</li> <li>10,000 apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>Best airport service in the world</li> <li>Integrated transport hub</li> <li>Best connected airport globally</li> </ul>	<ul style="list-style-type: none"> <li>At least 142 million passengers</li> <li>Increased airline competition and lower airfares</li> <li>2x current cargo capacity for British exporters</li> </ul>	<ul style="list-style-type: none"> <li>Connecting all of the UK to global growth</li> <li>Zero-carbon airport operations</li> <li>Accelerating the era of sustainable flight</li> </ul>

\*Lost time injuries is a moving annual frequency rate of the number of incidents in the last 12 months per 100,000 working hours.

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# 2019 HIGHLIGHTS

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# STRONG PERFORMANCE IN 2019

## Operational highlights

- Record 80.9 million passengers up 1.0%
- Best airport in Western Europe for 5th year running
- Strong service standards with more people travelling on time with their luggage

## Financial performance

- Adjusted EBITDA (pre IFRS16) up 1.7% to £1,869 million
- Investing for future growth
- Strong global appetite to invest in Heathrow with £2.1 billion raised

## Strategic priorities

- Greater resilience, better service, lower cost
- Net zero-carbon aviation
- Sustainable, affordable, financeable and deliverable expanded Heathrow



# BUSINESS HIGHLIGHTS

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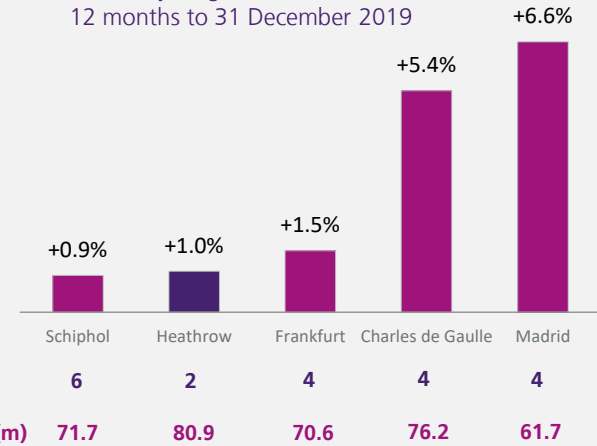
# RECORD 80.9 MILLION PASSENGERS UP 1.0%

## Passenger traffic by market – 2019 vs 2018



## Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 31 December 2019



Runways  
Annual  
passengers (m)

	2018	2019
Runways	6	2
Annual passengers (m)	71.7	80.9
Long-haul traffic growth (%)	3.1	2.2
Short-haul traffic growth (%)	2.2	(0.3)

New routes to date:



Garuda Indonesia: Bali



British Airways: Charleston, Pittsburgh, Kansai, Dammam, Valencia



Pakistan International Airline: Sialkot

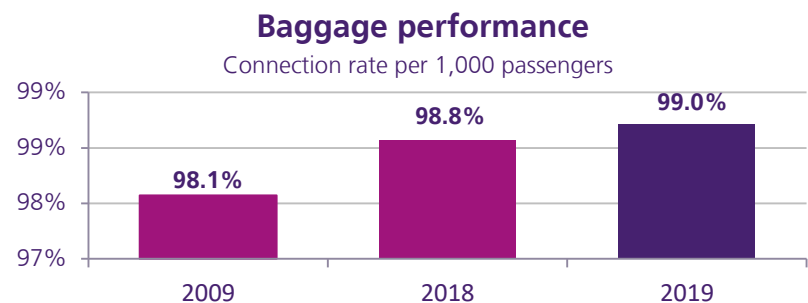
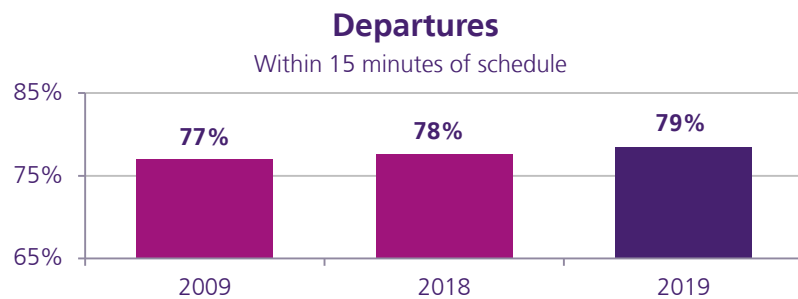
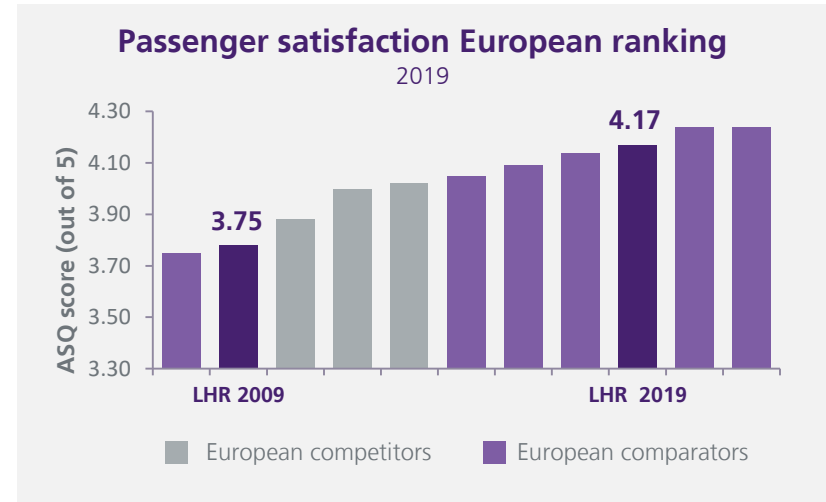
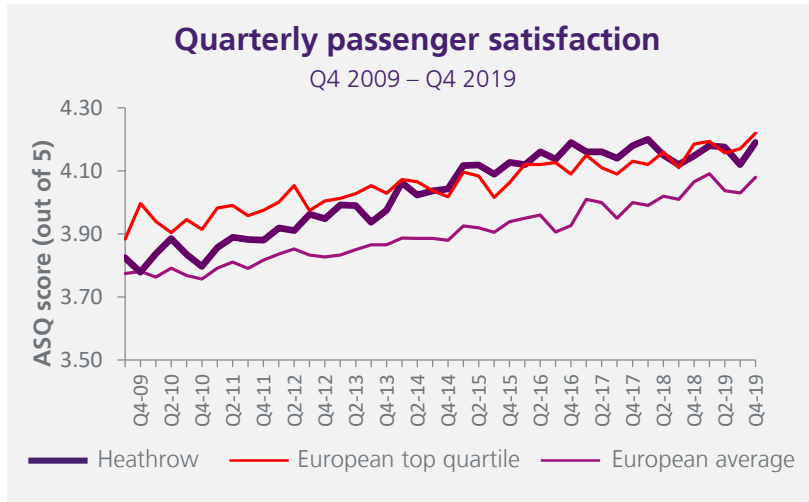


Flybe: Newquay, Guernsey, Isle of Man

	2018	2019
Passengers ATM	472,744	473,233
Load factors (%)	79.4	80.0
Seats per ATM	213.4	213.7
Cargo tonnage ('000)	1,700	1,587

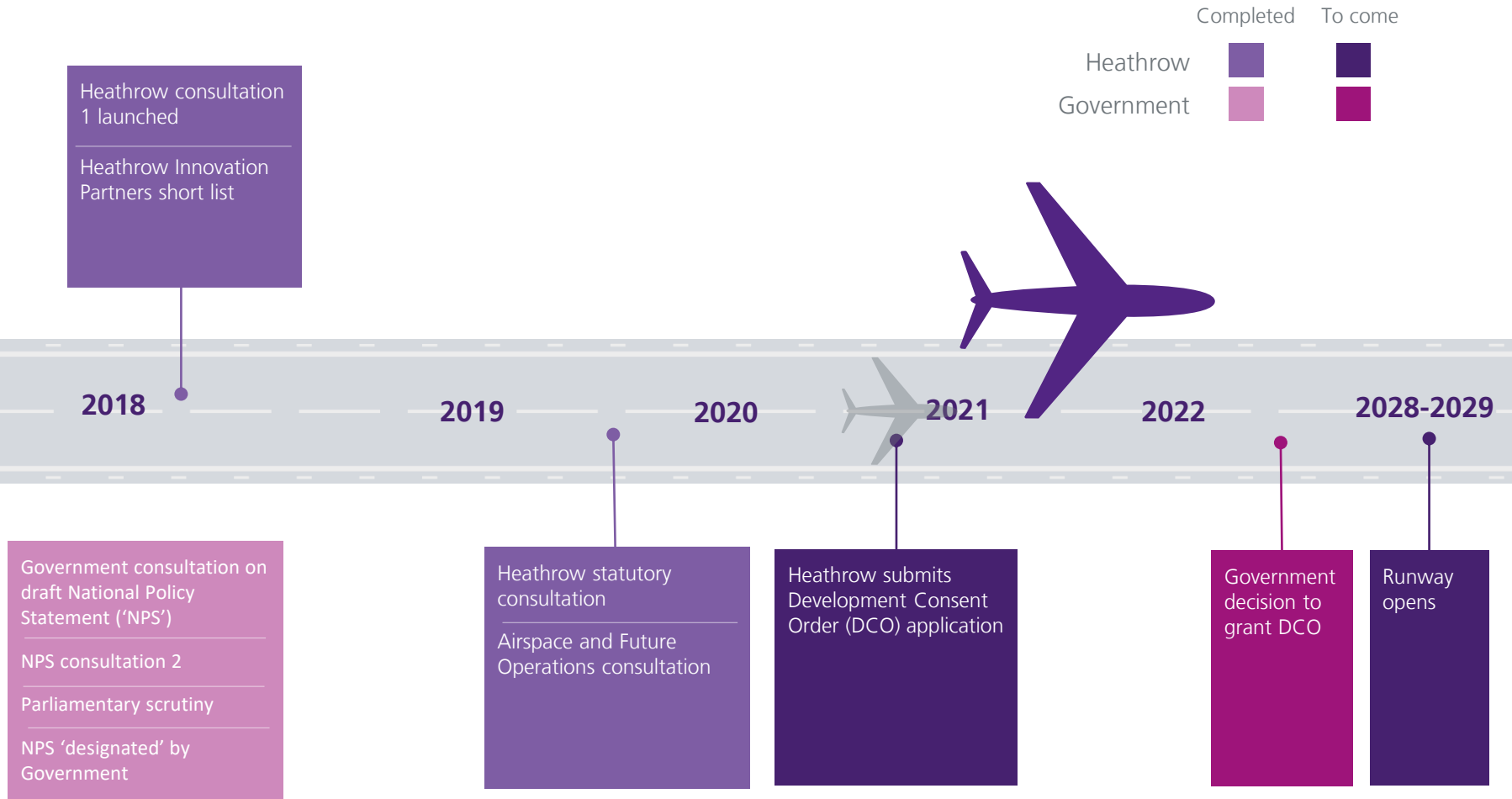


# MAINTAINING STRONG SERVICE STANDARDS & ROBUST OPERATIONS



Terminal 5 - World's Best Airport Terminal  
 Best Airport in Western Europe  
 World's Best Airport Shopping

# HEATHROW EXPANSION PLAN ON TRACK



# ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

HEATHROW 2.0 PILLAR	SUSTAINABLE DEVELOPMENT GOALS
A GREAT PLACE TO WORK	      
A GREAT PLACE TO LIVE	   
A THRIVING SUSTAINABLE ECONOMY	     
A WORLD WORTH TRAVELLING	            





# SUSTAINABLE – EXPANDING HEATHROW IN THE RIGHT WAY

## Our Environmentally Managed Growth framework

Mitigating the environmental impact of construction.

Capacity to be released based on legally binding, strict environmental limits.

Limits based around:

- Noise and Air Quality;
- Surface Access; and
- Carbon.

Independent Scrutiny Panel to validate monitoring and ensure compliance.

### AIRCRAFT NOISE

6.5 hour ban on scheduled night flights.

Fewer people impacted by noise contour than in 2013.

Greatly expanded noise insulation programme for eligible properties.

### AIR QUALITY

Heathrow Ultra Low Emissions Zone by 2022.

Expanded infrastructure for charging electric and hybrid vehicles.

Vehicle access charge.

Surface Access Strategy implementation.

### SURFACE ACCESS

25% reduction in colleague car trips by 2030 and 50% by 2040.

At least 50% of journeys made to the airport by public transport by 2030 and at least 55% by 2040.

Improving bus and rail connectivity.

### CARBON

Delivered Carbon-neutral airport operations.

Zero-carbon airport operations by 2050.

Aspire for Carbon-neutral growth from the new runway.



# NET-ZERO CARBON FOR UK'S AVIATION INDUSTRY

Our carbon plan brings together partners in the industry, Government and passengers to get aviation to net zero emissions by 2050

## Get our own house in order

- Airport infrastructure and vehicles

## Eliminate carbon on the ground

- Vehicles to meet ultra-low emissions standards by 2025
- Make it easier for all that travel in the local area to reduce emissions from travel on the ground
- We will become a world-leader on low carbon construction

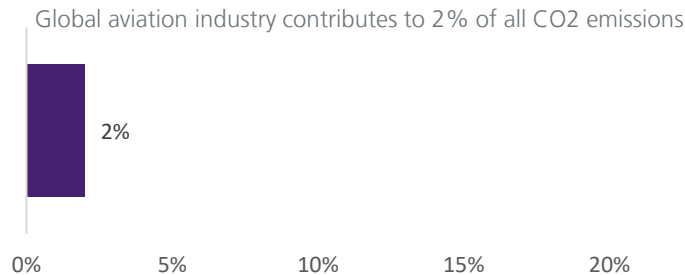
## Decarbonise flight

- Global aviation 'high ambition coalition' to agree industry net-zero emissions target
- Accelerate production and use of Sustainable Alternative Fuels
- Support development of new aircraft technologies

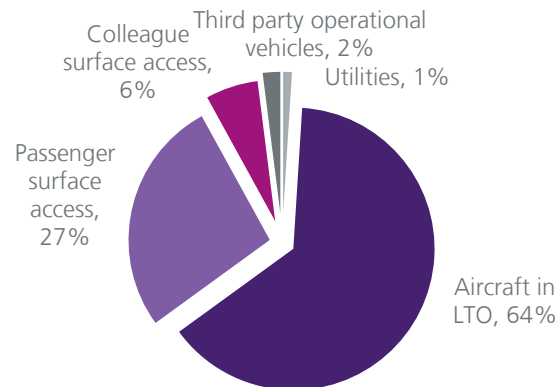
## Removing carbon from the atmosphere

- Help passengers to offset their flights and up our own investment in natural and technological solutions

Aviation and global emissions



Heathrow's 2018 carbon emissions



# AFFORDABLE - EXPANSION WILL UNLOCK MATERIAL REDUCTIONS IN AIRFARES

Our Initial Business Plan includes two strategic bookend options contrasting cost and service

	Prioritising Savings	Prioritising Service
<b>Airfare saving*</b>	<ul style="list-style-type: none"> <li>• Short haul; £37</li> <li>• Long haul; £142</li> </ul>	<ul style="list-style-type: none"> <li>• Short haul; £21</li> <li>• Long haul; £81</li> </ul>
<b>Growth schedule</b>	<ul style="list-style-type: none"> <li>• Runway opens in 2028</li> <li>• Quicker terminal expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Runway opens in 2029</li> <li>• Slower terminal expansion</li> </ul>
<b>Capacity and passenger growth</b>	<ul style="list-style-type: none"> <li>• Faster release of slots and ATMs</li> <li>• Faster passenger growth</li> </ul>	<ul style="list-style-type: none"> <li>• Slower release of slots and ATMs</li> <li>• Slower passenger growth</li> </ul>
<b>Service</b>	<ul style="list-style-type: none"> <li>• Current service levels to be maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Target higher service quality levels with additional investment</li> </ul>
<b>Other developments</b>	<ul style="list-style-type: none"> <li>• Minimal investment in Western Rail and no investment in Southern Rail</li> <li>• No commercial property development</li> </ul>	<ul style="list-style-type: none"> <li>• Additional contribution to both Western Rail and Southern Rail</li> <li>• Commercial property development</li> </ul>
<b>Airport charge (2022-2036)</b>	<ul style="list-style-type: none"> <li>• £23.81 (2014p)</li> <li>• £26.20 (2018p)</li> </ul>	<ul style="list-style-type: none"> <li>• £27.19 (2014p)</li> <li>• £29.91 (2018p)</li> </ul>

*\*Savings versus no new capacity*



# FINANCEABLE – ENABLING THE CAA TO FULFIL DUTIES

Maintaining confidence from rating agencies, debt markets and equity investors.

## Outcomes

**Investment grade credit rating**  
Commitment to maintain existing A- investment grade credit rating.

**Fair return**  
Fair return taking risks into account.

**Stable regulatory framework**  
Long-term stable regulatory framework.

Evolution to the current regulatory framework balancing predictability, flexibility and risk.

## 15-year price control period to 2036

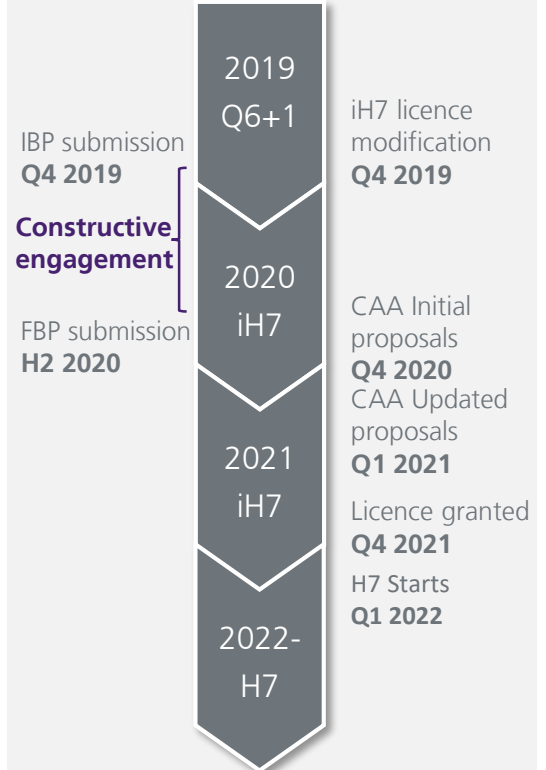
**Fixed elements to give greater stability to Equity:**

- Cost of equity
- Notional debt to equity structure

**Performance based or periodic resets to maintain existing credit risk:**

- Passenger traffic
- Commercial Revenue
- Operating costs

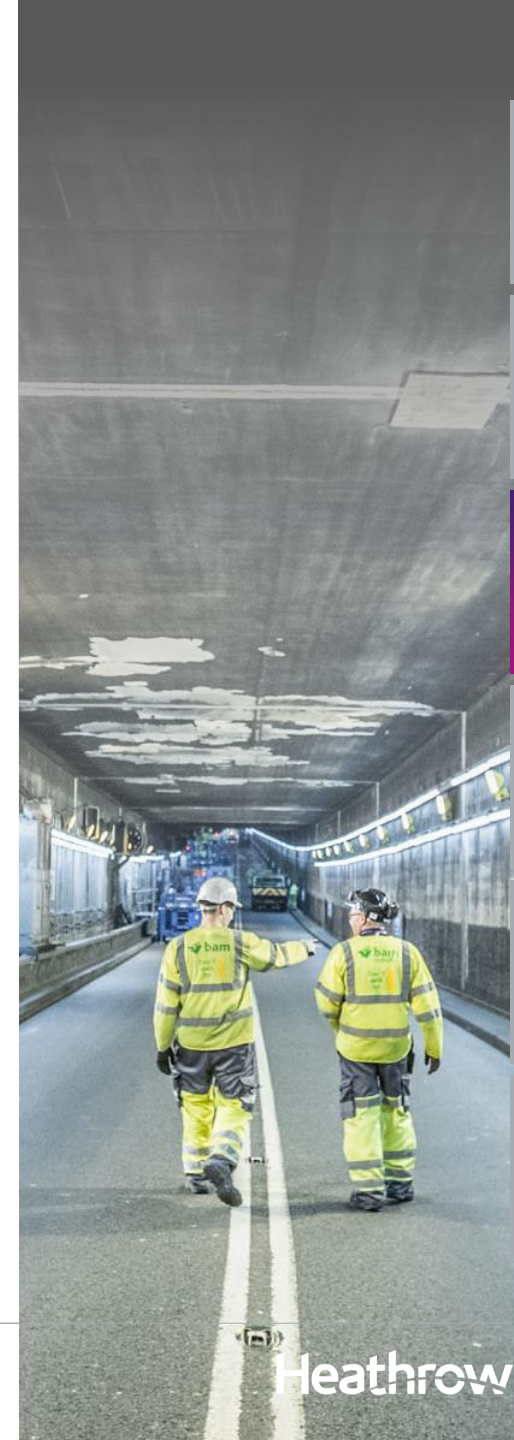
## Key dates:



# DELIVERABLE – PROGRESSING CONSTRUCTION PLANS

Four Logistics Hubs will participate in the offsite construction of the third runway, bringing benefits to every corner of the UK

Shortlist of potential locations



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# FINANCIAL REVIEW



# FINANCIAL HIGHLIGHTS



(£ million)	2018	2019	Versus 2018 %
Revenue	2,970	3,070	<b>3.4</b>
Adjusted operating costs (pre IFRS16)*	(1,133)	(1,201)	<b>6.0</b>
Adjusted EBITDA (pre IFRS16)*	1,837	1,869	<b>1.7</b>
Capital expenditure	793	855	<b>7.8</b>

(£ million)	Dec 2018	Dec 2019	Versus 2018 %
Consolidated nominal net debt			
Heathrow (SP)	12,407	12,412	<b>0.0</b>
Heathrow Finance	13,981	14,361	<b>2.7</b>
Regulatory Asset Base	16,200	16,598	<b>2.5</b>

*\*Excluding impact of IFRS16 to ease comparability (£52million of operating costs reclassified to below EBITDA in 2019)*

# RECORD NUMBER OF PASSENGERS DRIVING STRONG RETAIL INCOME

## Strong growth in aeronautical revenue

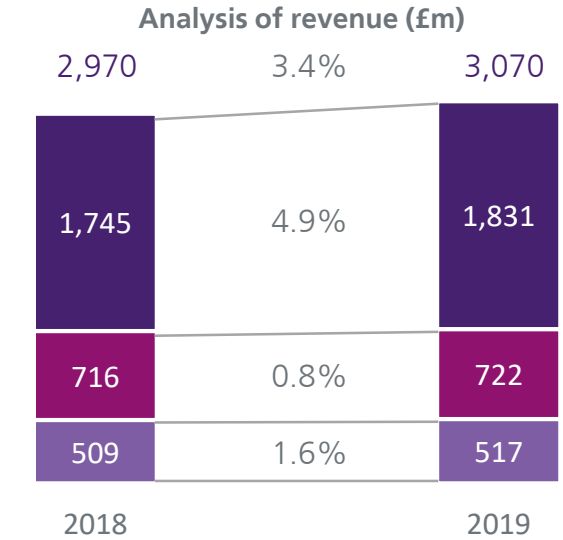
- benefit from prior under recovery
- favourable passenger mix
- partially offset by rebates from commercial airline deal at £0.55 per passenger

## Retail remained in line

- more passengers participating, choosing to spend more
- pound weakening
- less demand for bureaux de change

## Other revenue growth

- track access charges



	2018	2019	Change %
Per passenger (£)			
Aeronautical revenue	21.78	22.64	3.9%
Retail revenue*	8.83	8.93	1.0%

\*Excluding contractual one off in Bureaux revenue



# CONTINUED FOCUS ON COST EFFICIENCY WHILE PRIORITISING SERVICE, RESILIENCE & GROWTH

Operational costs reflect a shift towards investment in growth

- expansion costs
- operational resilience
- drone defence capabilities

Utilities costs up

- rise in government levies on usage whilst overall consumption declined

Operating costs are presented excluding the application of IFRS 16

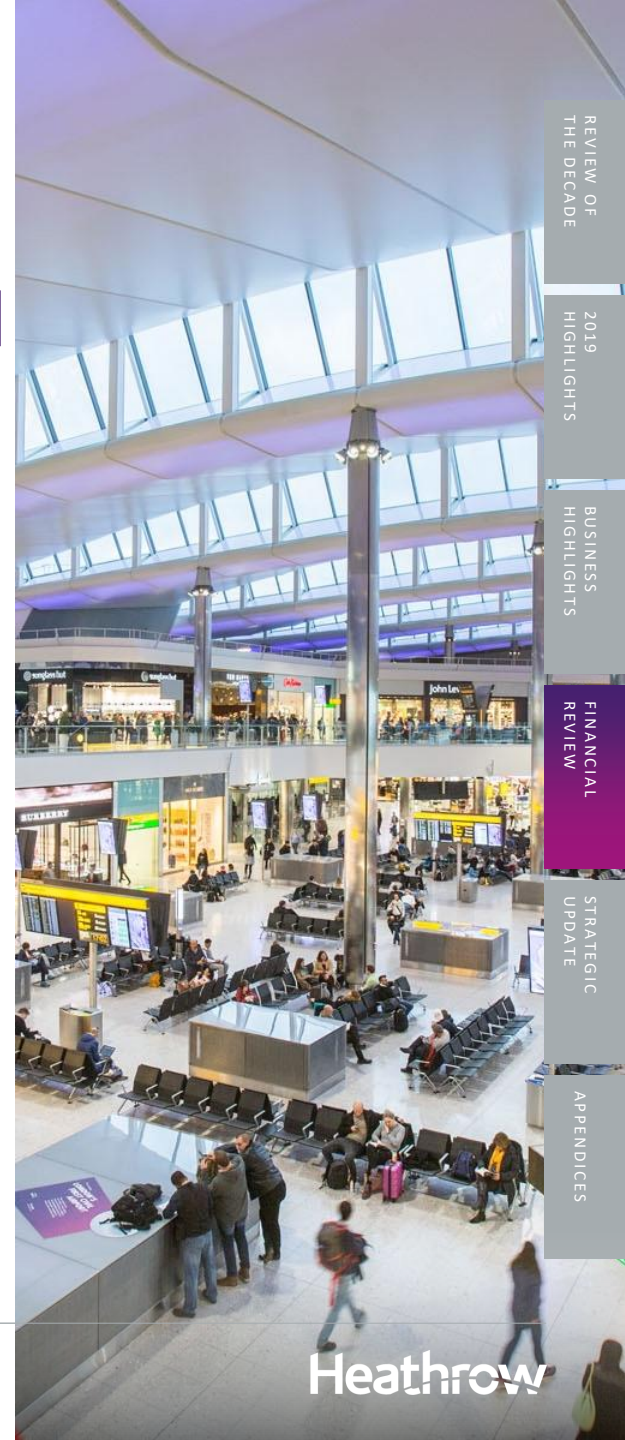
Analysis of adjusted operating costs (£m)\*

	2018	2019	Change %
<b>Total</b>	<b>1,133</b>	<b>1,201</b>	<b>6.0%</b>
Employment	378	378	0.0%
Operational	264	303	14.8%
Maintenance	176	175	(0.6%)
Rates	122	117	(4.1%)
Utilities & Other	193	228	18.1%

■ Employment 
 ■ Operational 
 ■ Maintenance  
■ Rates 
 ■ Utilities & Other

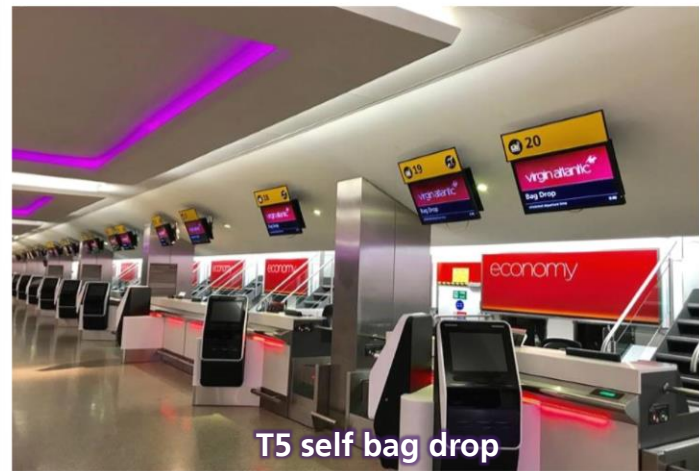
Per passenger (£)	2018	2019	Change %
Adjusted operating costs*	14.14	14.85	5.0%

\*Excluding impact of IFRS16 to ease comparability (£52million of operating costs reclassified to below EBITDA in 2019)

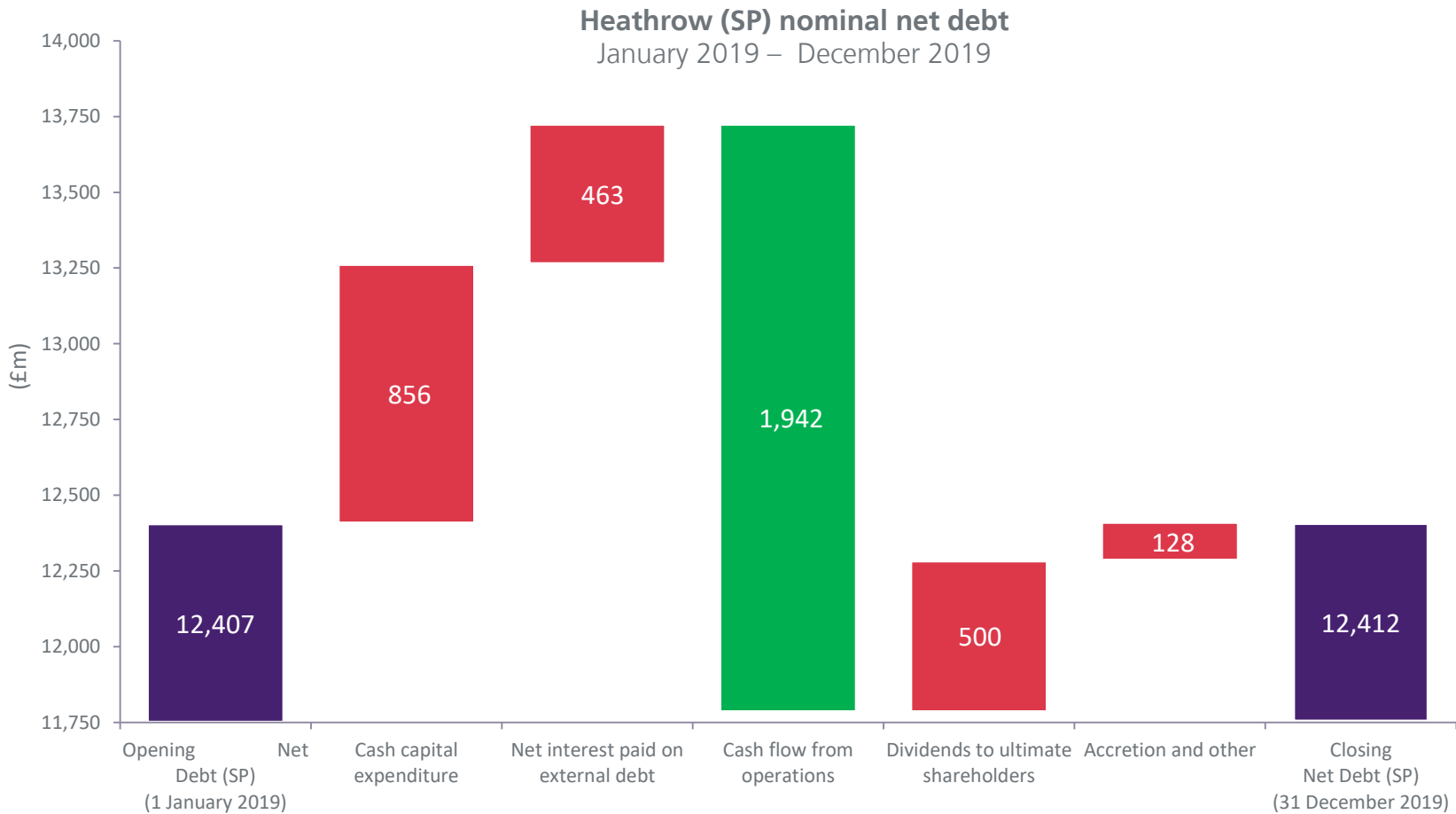




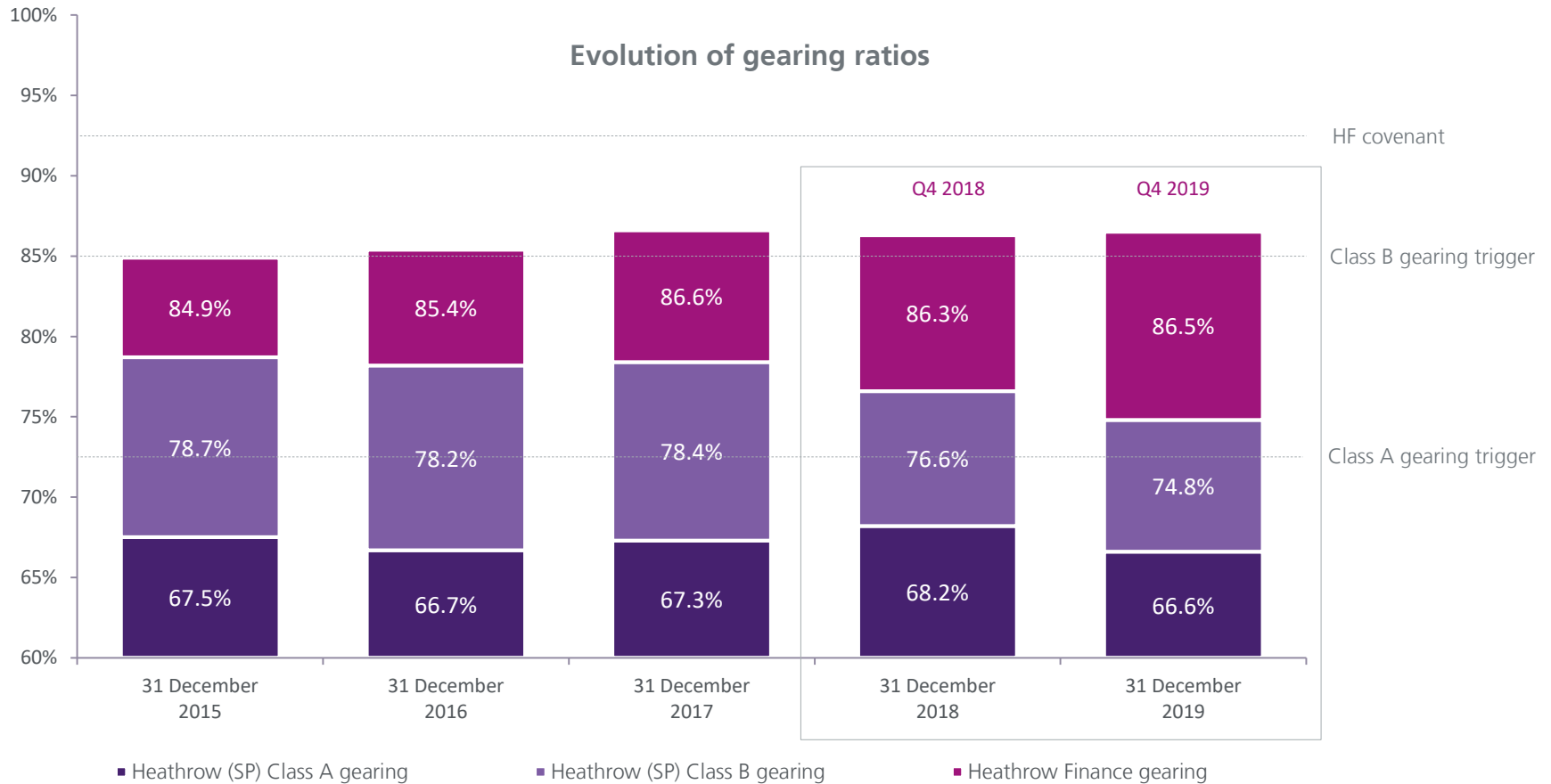
# CAPITAL EXPENDITURE GEARING UP FOR GROWTH



# HEATHROW REMAINS HIGHLY CASH GENERATIVE



# SUBSTANTIAL GEARING HEADROOM RETAINED WHILE STARTING DELEVERAGE OF SENIOR DEBT





# SETTING THE FOUNDATIONS TO FINANCE EXPANSION

## Liquidity

- £2.1bn raised globally
- Liquidity horizon to October 2021
- £3.7bn in undrawn facilities & cash resources

## Diversification

- Focus on new private global investors
- Successful return to the Euro and CHF markets after a year
- JPY presence with inaugural 20-year Class A note

## Duration

- 11.5 year average life of debt for Heathrow SP
- 56% of debt matures post the 3rd runway opening
- Successfully maximising duration in each active market

# OUTLOOK

Adjusted EBITDA performance materially consistent with Investor Report published on 20 December 2019

Monitoring closely impact of the COVID-19 virus

Retain comfortable covenant headroom







# STRATEGIC UPDATE

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# TO GIVE PASSENGERS THE BEST AIRPORT SERVICE IN THE WORLD

	WE DELIVERED...	...WE WILL DO MORE
	<ul style="list-style-type: none"> <li>➤ 59% transitioned to London Living Wage</li> <li>➤ Disability Confident Leader status</li> <li>➤ Pay deal agreed until 2022</li> </ul>	<ul style="list-style-type: none"> <li>➤ 100% transition to London Living Wage</li> <li>➤ Invest in our future workforce through apprenticeships</li> <li>➤ Promote social mobility by employing those that are facing multiple barriers</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Upgraded superfast WiFi</li> <li>➤ Anti-drone system</li> <li>➤ New routes increasing domestic and international connectivity</li> </ul>	<ul style="list-style-type: none"> <li>➤ Roll-out of end-to-end biometrics</li> <li>➤ Wider roll-out of advanced CT security scanners</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Commercial airline deal agreed</li> <li>➤ Submitted Initial Business Plan to CAA</li> <li>➤ Re-launch of Heathrow.com</li> </ul>	<ul style="list-style-type: none"> <li>➤ Submit our Final Business Plan</li> <li>➤ Prepare the business for growth 'Project Magenta'</li> <li>➤ Seek further cost efficiencies and benefit from the economies of scale which come from growth</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Achieved carbon-neutral airport infrastructure</li> <li>➤ Released our carbon plan: Target Net Zero</li> <li>➤ Carbon offsetting partnership</li> </ul>	<ul style="list-style-type: none"> <li>➤ World's first airport Ultra Low Emission Zone plans.</li> <li>➤ 2019 Sustainability Report to be published.</li> <li>➤ Investment in UK natural climate solutions.</li> <li>➤ DCO submission.</li> </ul>

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# HEATHROW NOMINAL NET DEBT AT 31 DEC 2019

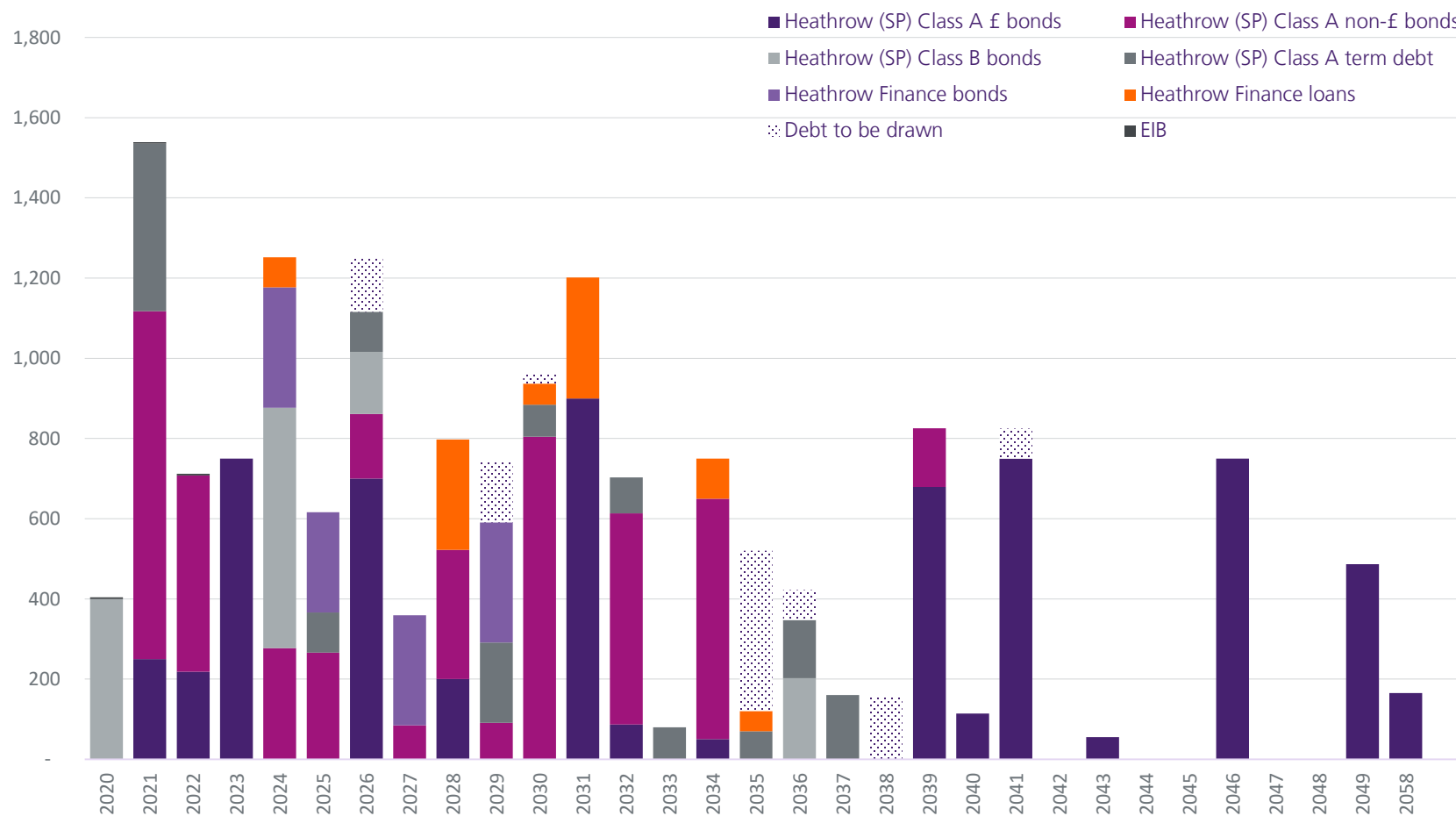
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	218	218	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
CHF210 0.46%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	87	87	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	57	57	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	622	622	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	114	114	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	87	87	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	166	166	2058
<b>Total senior bonds</b>	<b>10,790</b>	<b>10,790</b>	
Term debt	1,455	1,455	Various
Index-linked derivative accretion	345	345	Various
Revolving/working capital facilities	0	900	2023
Lease liability	5	5	
<b>Total other senior debt</b>	<b>1,805</b>	<b>2,705</b>	
<b>Total senior debt</b>	<b>12,595</b>	<b>13,495</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(1,540)</b>		
<b>Senior net debt</b>	<b>11,055</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	0	75	2035
£75m RPI + 0.337%	0	75	2036
£180m RPI +1.061%	202	202	2036
£51m RPI + 0.419%	0	51	2038
£105m 3.460%	0	105	2038
£75m RPI + 0.362%	0	75	2041
<b>Total junior bonds</b>	<b>1,357</b>	<b>1,738</b>	
Junior revolving credit facilities	0	325	2021
<b>Total junior debt</b>	<b>1,357</b>	<b>2,063</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>12,412</b>		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
£300m 4.125%	300	300	2035
<b>Total bonds</b>	<b>1,125</b>	<b>1,125</b>	
£75m	75	75	2024
£135m	0	135	2026
£275m	0	275	2028
£150m	0	150	2029
£75m	23	75	2030
£302m	302	302	2031
£100m	0	100	2034
£300m	250	300	2035
<b>Total loans</b>	<b>854</b>	<b>1,412</b>	
<b>Total Heathrow Finance plc debt</b>	<b>1,979</b>	<b>2,537</b>	
<b>Heathrow Finance plc cash</b>	<b>(30)</b>		
<b>Heathrow Finance plc net debt</b>	<b>1,949</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
<b>Heathrow (SP) Limited senior debt</b>	<b>12,595</b>	<b>13,495</b>
<b>Heathrow (SP) Limited junior debt</b>	<b>1,357</b>	<b>2,063</b>
<b>Heathrow Finance plc debt</b>	<b>1,979</b>	<b>2,537</b>
<b>Heathrow Finance plc group debt</b>	<b>15,931</b>	<b>18,095</b>
<b>Heathrow Finance plc group cash</b>	<b>(1,570)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>14,361</b>	

# DEBT MATURITY PROFILE AT 31 DECEMBER 2019



# NOTES, SOURCES AND DEFINED TERMS

## Page 4

Lost time injuries are injuries sustained by colleagues whilst conducting work related duties, resulting in absence from work for at least a day. The measure is calculated as a moving annual frequency rate of the number of incidents in the last 12 months per 100,000 working hours.

## Page 6

Adjusted EBITDA: Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value adjustments on investment properties and excludes the impact of IFRS16.

## Page 9

Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

## Page 13

Aviation's CO2 contribution sourced from ATAG website.

LTO stands for landing and take off cycle.

## Page 18

Operating costs exclude depreciation amortisation and fair value adjustments on investment properties and exclude the impact of IFRS16.

Adjusted EBITDA: Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value adjustments on investment properties and excludes the impact of IFRS16.

Capital expenditure includes capital creditors.

Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion.

RAB: Regulatory Asset Base.

## Page 20

Operating costs refer to adjusted operating costs which excludes depreciation and amortization and excludes the impact of IFRS16.

## Page 22

Opening and closing nominal net debt includes index-linked accretion.

Cash capital expenditure for the period.

Other comprises index-linked accretion, other restricted payments, external tax payments and fees paid in relation to financing transactions.

The financing arrangements of the Group and Heathrow Finance restrict certain payments unless specified conditions are satisfied. These restricted payments include, among other things, payments of dividends, distributions and other returns on share capital, any redemptions or repurchases of share capital and payments of fees, interest or principal on any intercompany loans involving entities outside the Group or Heathrow Finance, as appropriate.

## Page 23

Gearing ratio: external nominal net debt (including index-linked accretion and additional lease liabilities) to RAB (regulatory asset base).

## Page 25

Adjusted EBITDA: Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value adjustments on investment properties and excludes the impact of IFRS16.

## Page 30 and 31

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing.

Maturity is defined as the Scheduled Redemption Date for Class A bonds.



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**Heathrow**