

A photograph of a woman with short grey hair and glasses hugging a man from behind. She is smiling broadly, showing her teeth. The man is wearing a dark suit jacket. The background is blurred, suggesting an indoor setting with large windows.

Heathrow (SP) Limited

Results for the year ended 31 December 2018

Heathrow



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2018 Highlights

Continued strong performance in 2018

Operational highlights

- 1 • Record 80.1 million passengers, up 2.7%
- Strong service standards maintained
- New domestic and international routes

Financial performance

- 2 • Revenue up 3.0% to £2,970 million; Adjusted EBITDA up 4.4% to £1,837 million
- Strong cost control
- Building a financing war chest for expansion, with £2.3 billion raised globally

Strategic priorities

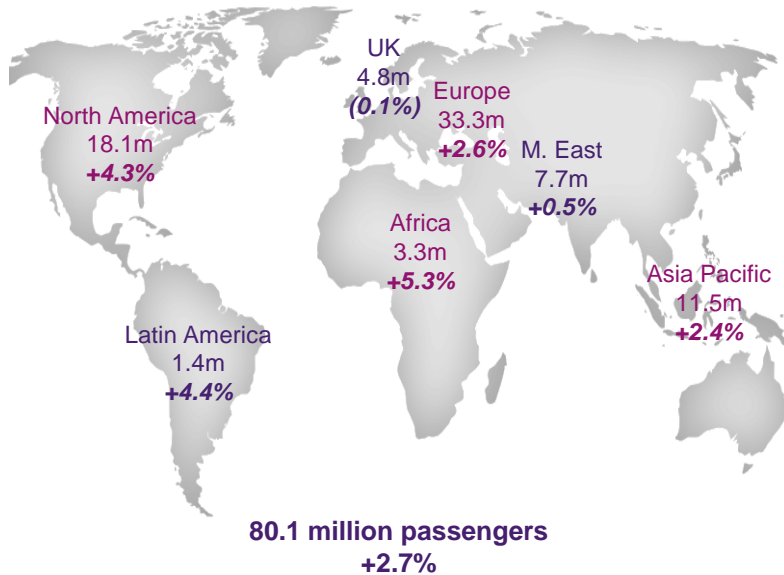
- 3 • Better service at a lower cost
- On track for a sustainable, affordable and financeable expanded Heathrow
- Robust contingencies for Brexit transition



Business Highlights

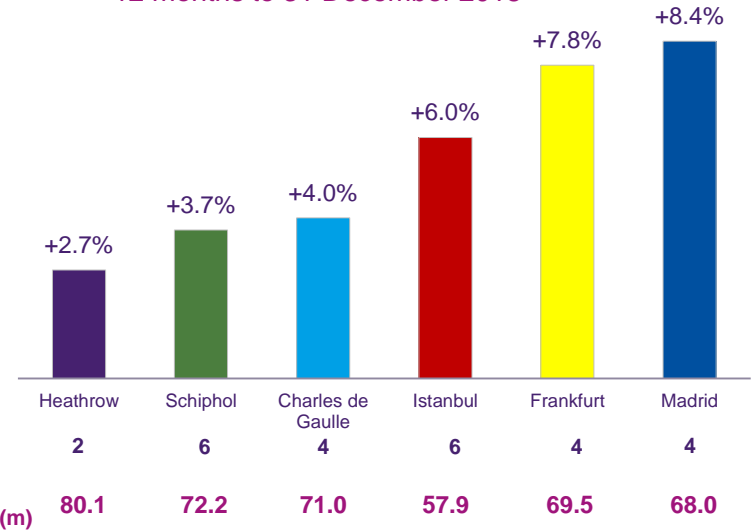
80.1 million passengers, 26 consecutive months of record growth

Passenger traffic by market – 2018 vs. 2017



Passenger traffic at European hubs






Year on year growth in traffic for 12 months to 31 December 2018



	2017	2018
Passengers ATM	471,082	472,744
Seats per ATM	212.3	213.4
Load factors (%)	78.0	79.4
Cargo tonnage ('000) ⁽¹⁾	1,698	1,685

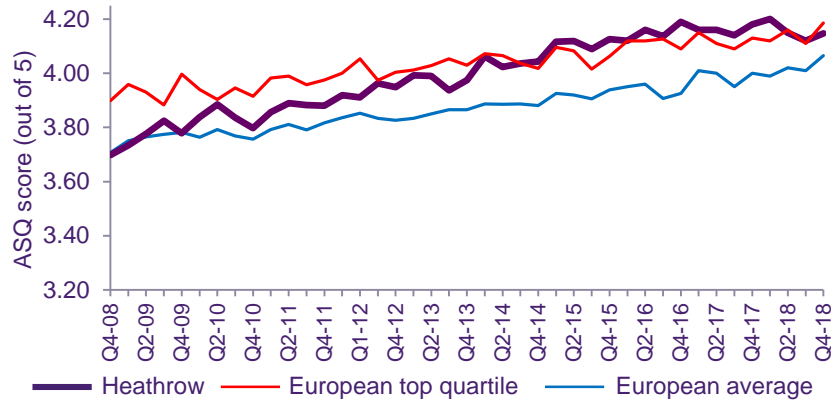
(1) Subject to revision

	2017	2018
Long-haul traffic growth	3.6%	3.1%
Short-haul traffic growth	2.5%	2.2%

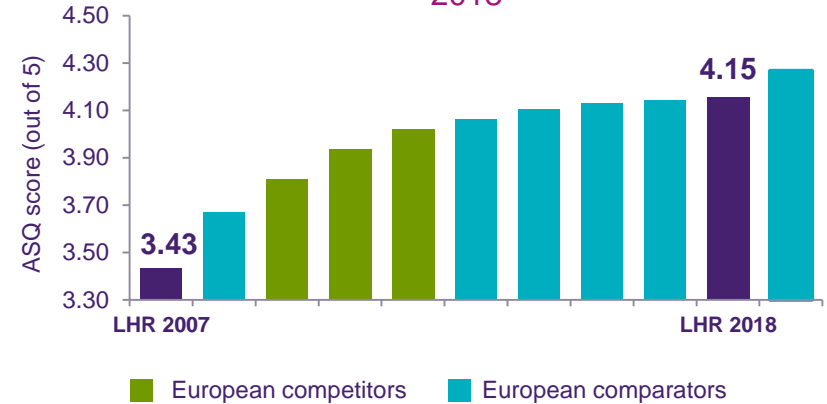
- New routes
-  Qantas: direct flight to Perth
 -  Hainan: services to Changsha
 -  China Southern: services to Sanya and Wuhan
 -  Tianjin: services to Chongqing and Xi'an, Tianjin
 -  Shenzhen Airlines: services to Shenzhen

Maintaining strong service standards and robust operations

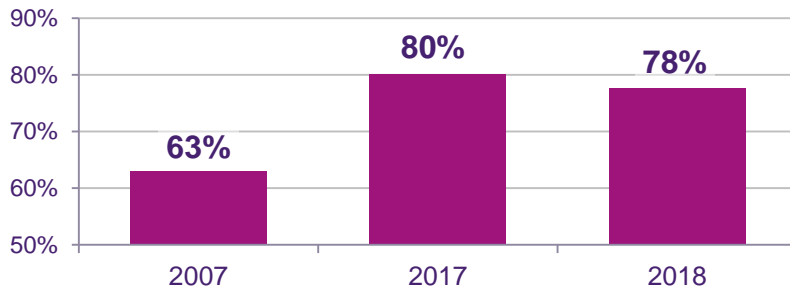
Quarterly passenger satisfaction
Q4 2008 – Q4 2018



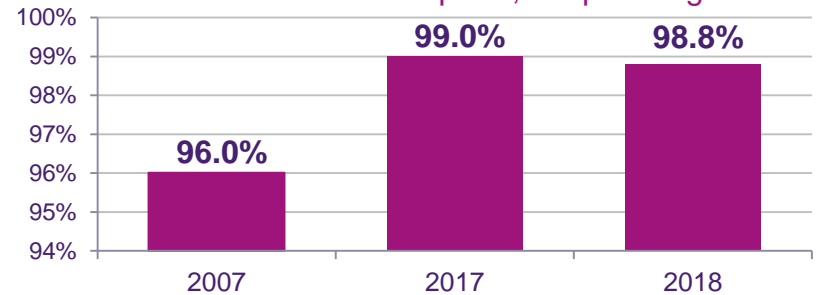
Passenger satisfaction European ranking
2018



Departures
within 15 minutes of schedule

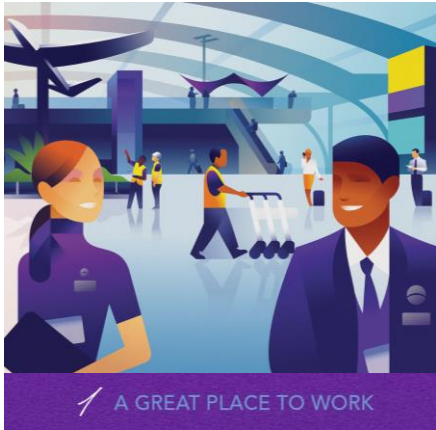


Baggage performance
connection rate per 1,000 passengers

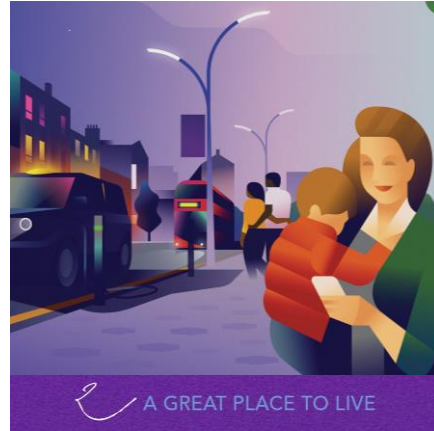


Terminal 2 - World's Best Airport Terminal
Best Airport in Western Europe
World's Best Airport Shopping

Progressing on all Heathrow 2.0 flagship goals



- 10,000 apprenticeships by 2030
- Reflect local diversity at every level by 2025



- We will seek to at least halve the number of late running flights on non-disrupted days
- Airside ultra-low emissions zone by 2025
- 50% airport passenger journeys made by public and sustainable transport by 2030



- Largest 100 towns and cities in the UK connected to Heathrow by 2033
- Direct supply chain colleagues working at Heathrow will be transitioned to be paid the London Living Wage by the end of 2020



- An aspiration to make growth from our new runway carbon neutral
- Establishing the Heathrow Centre of Excellence
- Carbon neutral airport by 2020 supported by tangible actions

Heathrow expansion on track

- CAA consultations and policy updates

Heathrow consultation 1 launched

CAA consultation and final report to Secretary of State on airline engagement

Airspace and Future Operations consultation



Completed To come

Heathrow
Government
CAA

2017 2018 2019 2020 2021

- Government consultation on draft National Policy Statement ('NPS')
- NPS consultation 2
- Parliamentary scrutiny

NPS 'designated' by Government

Heathrow innovation Partners short list

Heathrow statutory consultation

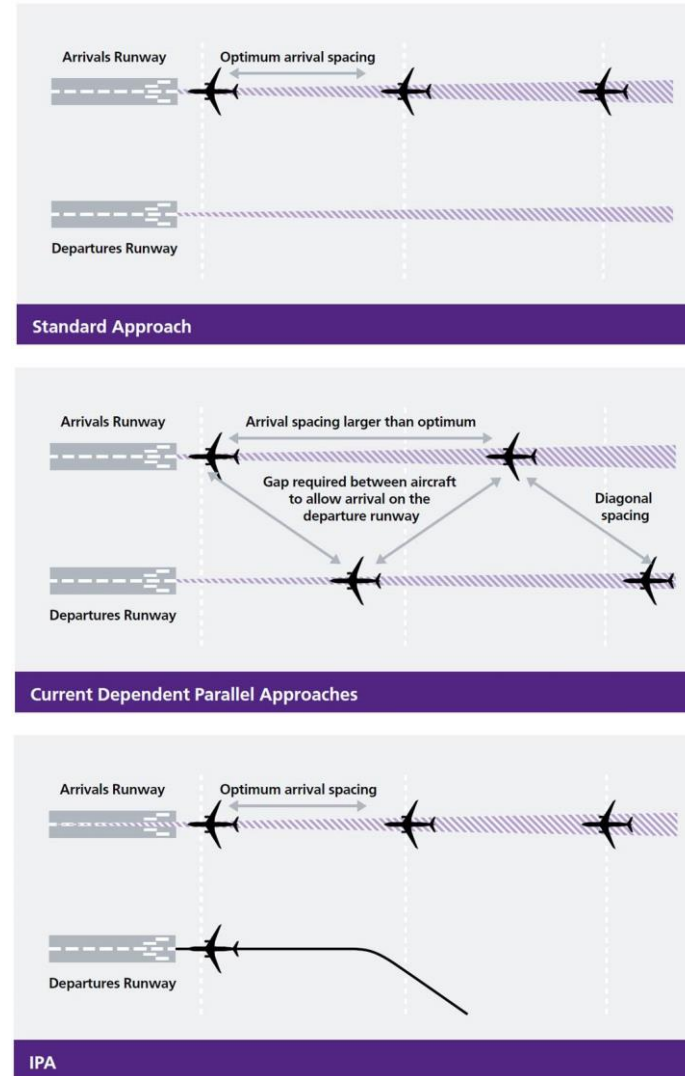
Heathrow Initial Business Plan ('IBP')

Heathrow submits Development Consent Order (DCO) application

Government decision to grant DCO

Expansion – Airspace & Future Operations Consultation

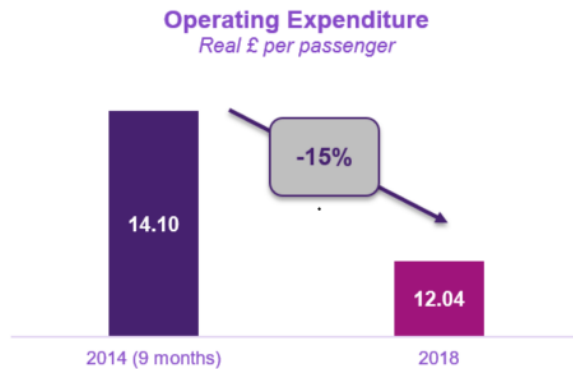
- Consultation launched on 8 January 2019
- Seeking feedback on
 - How we will operate our three runways in the future
 - Local factors impacting the design of future flight paths
 - Airspace change using Independent Parallel Approaches (IPA)
- Benefits include:
 - Planned respite for all communities
 - Improved punctuality and resilience
 - End of routine “stacking”
 - Additional capacity



Brexit update

- Governments are listening to the needs of business
 - Aviation Contingency Plan safeguards reciprocal air connectivity and access for 2019 (subject to EC Ministers approval)
 - new Airline Service Agreements being agreed
- Advocating to maintain efficient flows of people and goods
 - efficient immigration and cargo processing, access to skills
- Heathrow is in an extremely strong position
 - proven track record managing operational change
 - financial resilience in place; liquidity horizon extends to March 2021
- ~£100 million EBITDA contingency incorporated in our 2019 forecast to allow for robust operations in all circumstances
 - prudent approach given uncertainty

Q6 achievements





Financial Review

Financial highlights

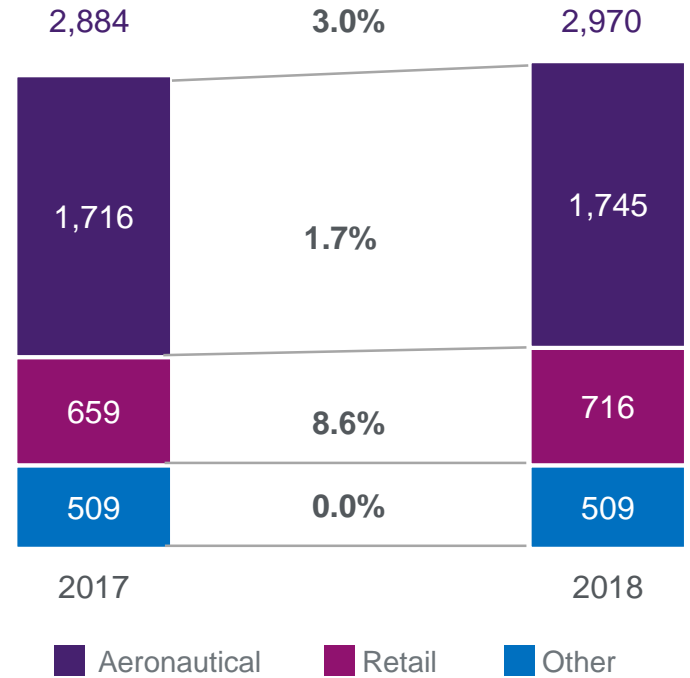
(£ million)	2017	2018	Versus 2017
Revenue	2,884	2,970	+3.0%
Operating costs	1,124	1,133	+0.8%
Adjusted EBITDA	1,760	1,837	+4.4%
Capital expenditure	687	793	+15.4%

	Dec 2017	Dec 2018	Change from 31 Dec 17
Consolidated nominal net debt			
Heathrow (SP)	12,372	12,407	+0.3%
Heathrow Finance	13,674	13,980	+2.2%
RAB	15,786	16,200	+2.6%

Record number of passengers, choosing to spend more

- Aeronautical: delivering better value to passengers
 - up: strong growth in passenger numbers
 - down: recoverable yield dilution due to cleaner and quieter aircraft
- Continued momentum of retail growth rates
 - digital initiatives and luxury proposition
 - catering outlet redevelopment and ‘grab and go’ offerings
 - strong growth in advertising
- Other revenue stands flat
 - higher baggage volumes
 - lower rail revenue as services transfer to TfL

Analysis of revenue (£m)

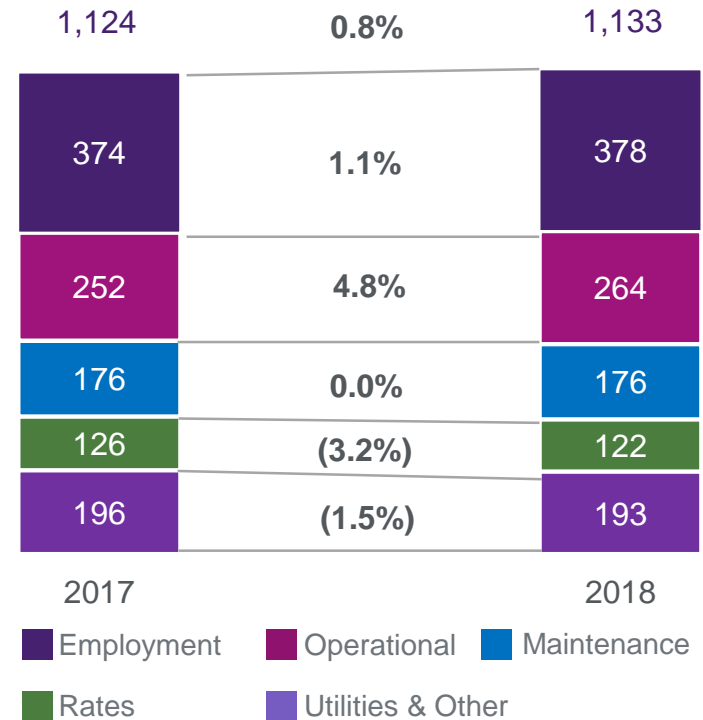


Per passenger (£)	2017	2018	Change %
Aeronautical revenue	22.00	21.78	(1.0)
Retail revenue	8.45	8.94	5.8

Strong cost control while investing service and resilience

- Increased investment in resilience, security, passenger experience and expansion
 - higher pension charges of over £5m
 - higher expansion, security and accessibility costs
 - over £5m winter resilience costs
- Efficiencies broadly offset additional pressure from record traffic and inflation
- Continuing to drive down cost per passenger

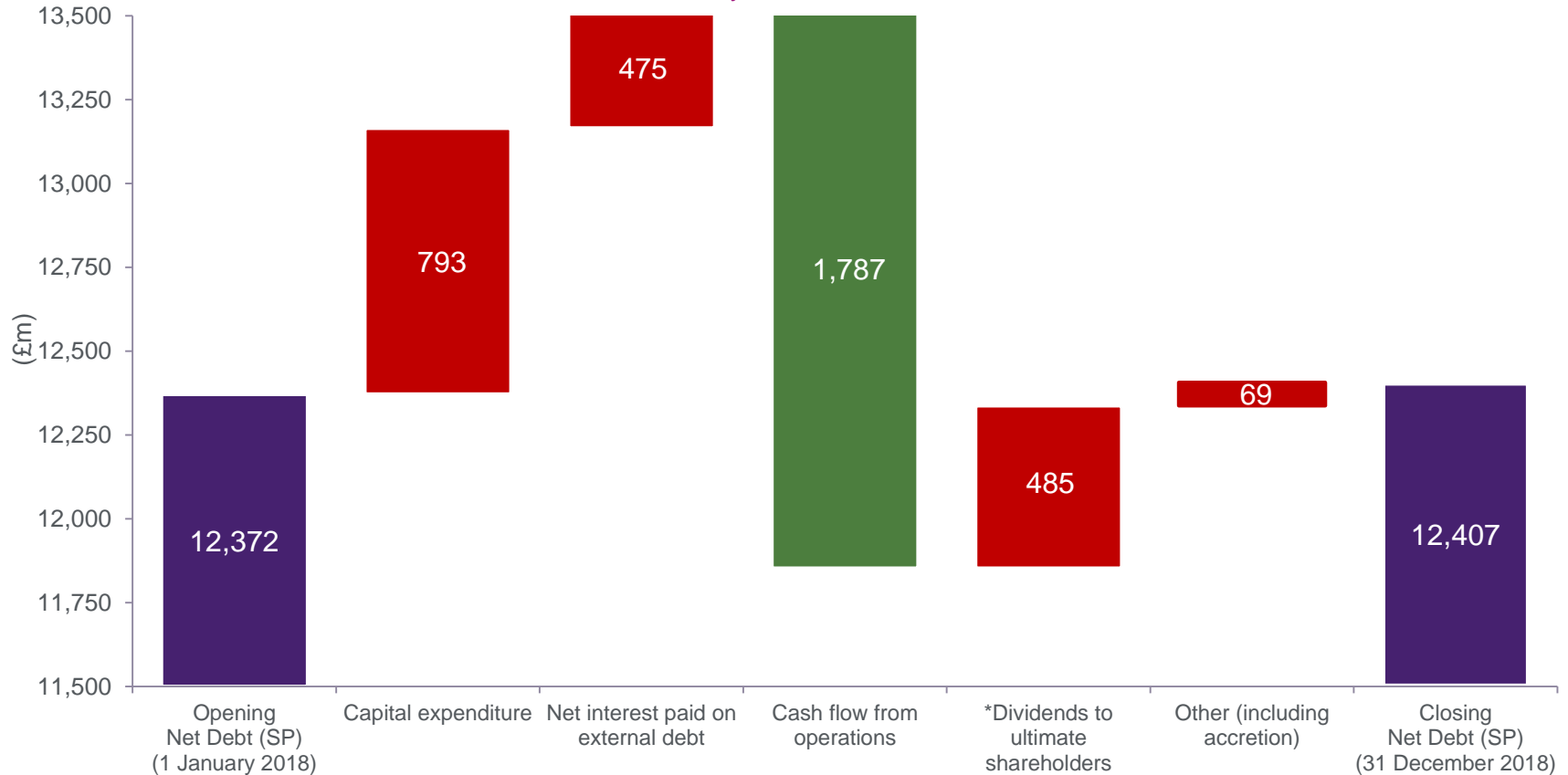
Analysis of operating costs (£m)



Per passenger (£)	2017	2018	Change %
Operating costs	14.41	14.14	(1.9)

Strong operating cash flow exceeds capital expenditure and interest payments

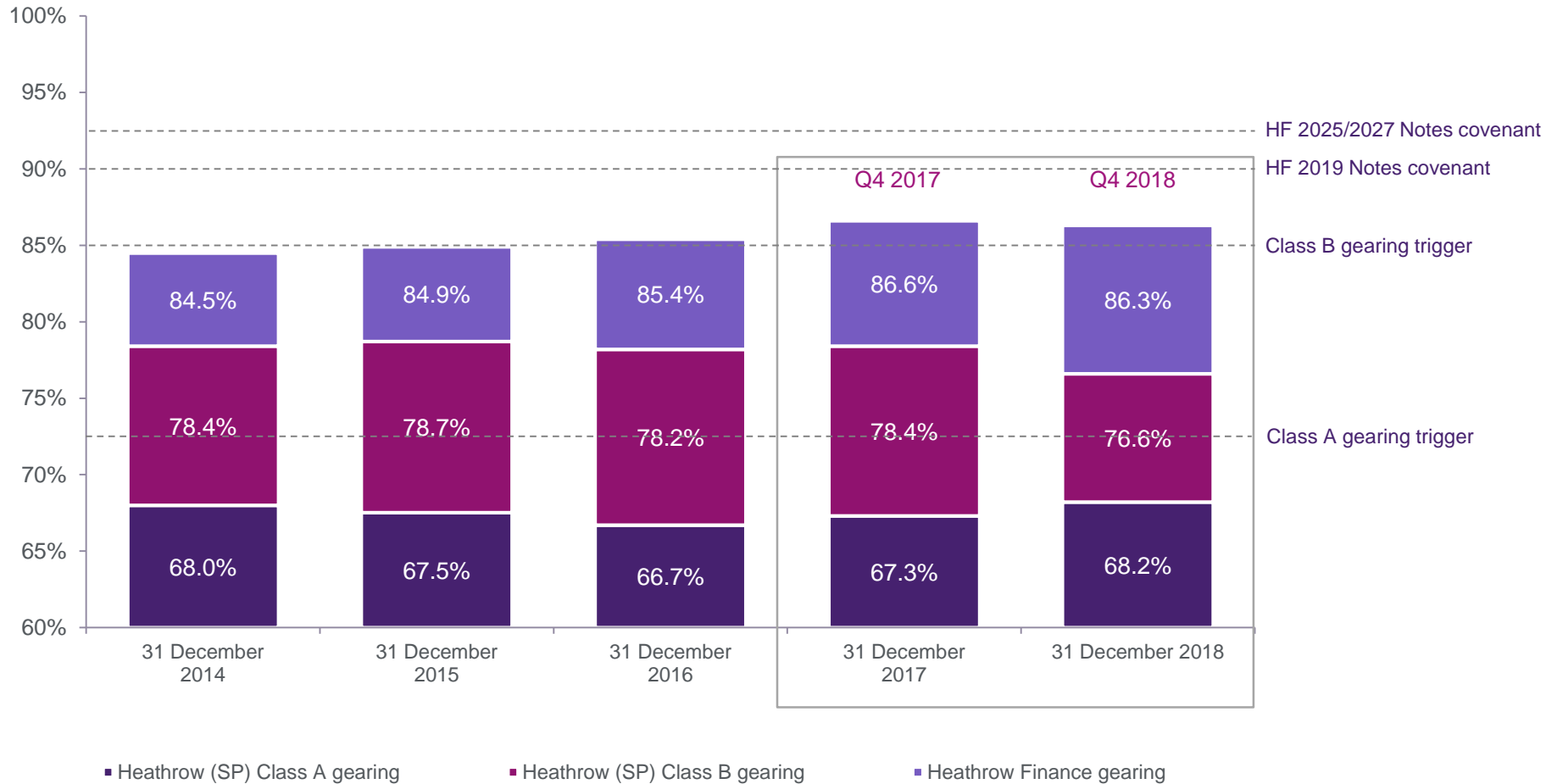
Heathrow (SP) nominal net debt
January 2018 – December 2018



*Funded the majority of £500 million dividends to ultimate shareholders

Substantial gearing headroom retained

Evolution of gearing ratios



Robust platform for growth

LIQUIDITY

- nearly £2.3bn raised globally
- liquidity horizon extended to March 2021
- £2.9bn in undrawn facilities & cash resources

DIVERSIFICATION

- debut AUD transaction
- Multiple new private investors
- Further strengthened CAD presence

DURATION

- 12 year average life of debt for Heathrow SP
- longest CAD transaction issued by a UK corporate
- longest AUD transaction by a UK corporate in EMTN format

Outlook

- 2019 forecast remains in line with December investor report:
 - expected traffic : 80.6 million passengers
 - expected Adjusted EBITDA: £1,885 million
 - Adjusted EBITDA including BREXIT contingency: £1,771 million
 - projected headroom to covenant remains significant
- Our focus remains in investing for growth for an expanded Heathrow



Strategic Update

To give passengers the best airport service in the world

We delivered...

...and we will do more



Mojo

- Closed gender pay gap
- Top 10 LGBT+ employer
- >£1m raised for DofE

- #worksafehomesafe campaign
- Share in Success Saver 2019
- Race to respond - Care International fundraising



Transform customer service

- Customer research panel
- Heathrow Access Advisory Group
- Service Signatures

- Heathrow Express contactless
- High care security service
- Immigration e-gates for non-EU passengers
- Preparing for Brexit



Beat the plan

- Christmas campaign and new advert
- Retail openings - Anya Hindmarsh (Terminal 5), Pink and Mulberry (Terminal 4)
- 6 new Chinese routes

- CT scanners in security
- Back office systems replacement
- Newquay connection



Sustainable growth

- Local community "rangers"
- Skills Taskforce recommendations
- Care international fund raising Carbon roadmap

- Airspace and Future Operations Consultation
- Single preferred masterplan
- Colleague travel pilot

Questions?



Appendices

Heathrow nominal net debt at 31 December 2018

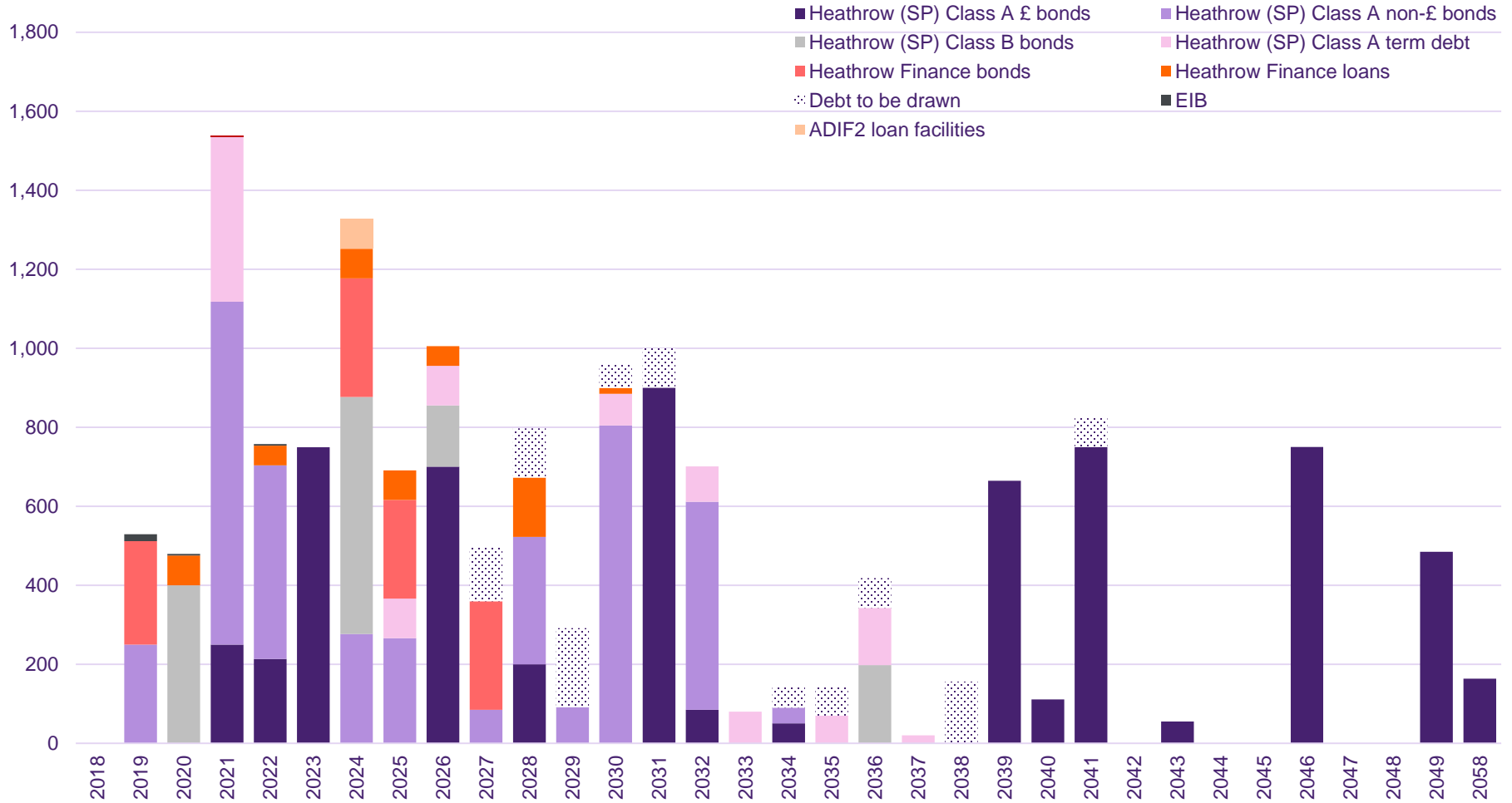
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
C\$400m 4%	250	250	2019
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	213	213	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
£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
AS\$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%	85	85	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	57	57	2039
£460m RPI +3.334%	607	607	2039
£100m RPI +1.238%	111	111	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	85	85	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	164	164	2058
Total senior bonds	10,145	10,145	
Term debt	1,132	1,332	Various
Index-linked derivative accretion	488	488	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	1,620	2,720	
Total senior debt	11,765	12,865	
Heathrow (SP) Limited cash	(711)		
Senior net debt	11,054		

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%	198	198	2036
£51m RPI + 0.419%	0	51	2038
£105m 3.460%	0	105	2038
£75m RPI + 0.362%	0	75	2041
Total junior bonds	1,353	1,734	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,353	1,984	
Heathrow (SP) Limited group net debt	12,407		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£275m 5.375%	262	262	2019
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
Total bonds	1,087	1,087	
£75m	75	75	2020
£50m	50	50	2022
£75m	75	75	2024
£75m	75	75	2025
£50m	50	50	2026
£135m	0	135	2027
£150m	150	150	2028
£75m	15	75	2030
£100m	0	100	2031
£52m	0	52	2034
Total loans	490	962	
Total Heathrow Finance plc debt	1,577	2,049	
Heathrow Finance plc cash	(4)		
Heathrow Finance plc net debt	1,573		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,765	12,865
Heathrow (SP) Limited junior debt	1,353	1,984
Heathrow Finance plc debt	1,577	2,049
Heathrow Finance plc group debt	14,695	16,898
Heathrow Finance plc group cash	(715)	
Heathrow Finance plc group net debt	13,980	

Debt maturity profile at 31 December 2018



Notes, sources and defined terms

- Page 4
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation
- Page 7
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5
- Page 12
 - Operating expenditure in 2011/12 prices
- Page 14
 - Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation
 - Capital expenditure excludes 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 16
 - Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation
- Page 17
 - Opening and closing nominal net debt includes index-linked accretion
 - 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 18
 - Gearing ratio: external nominal net debt (including index-linked accretion) to RAB (regulatory asset base)
 - The more restrictive 90% Group RAR covenant in relation to the Heathrow Finance 2019 Notes applies as long as these notes remain outstanding
- Page 20
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation
- Page 25 and 26
 - 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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