

A photograph of two young children walking away from the camera in an airport terminal. They are each pulling a small suitcase with a teddy bear on top. The child on the left is wearing a red long-sleeved shirt and purple pants. The child on the right is wearing a blue and white striped hoodie and dark pants. The floor is highly reflective, showing their silhouettes. In the background, a large airplane is visible through a glass window, and the airport's interior structure is visible. The lighting is soft, suggesting an evening or early morning setting.

# Heathrow (SP) Limited

## Results for the nine months ended 30 September 2019



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# Q3 2019 Highlights

# Remaining on track for another record year

## Operational highlights

1

- Record 61.0 million passengers up 0.7%
- Best airport in Western Europe for 5<sup>th</sup> year running
- Strong service standards with more people travelling on time with their luggage

## Financial performance

2

- Adjusted EBITDA (pre IFRS16) up 3.6% to £1,422 million
- Investing for future growth
- Strong global appetite to invest in Heathrow with £1.5 billion raised

## Strategic priorities

3

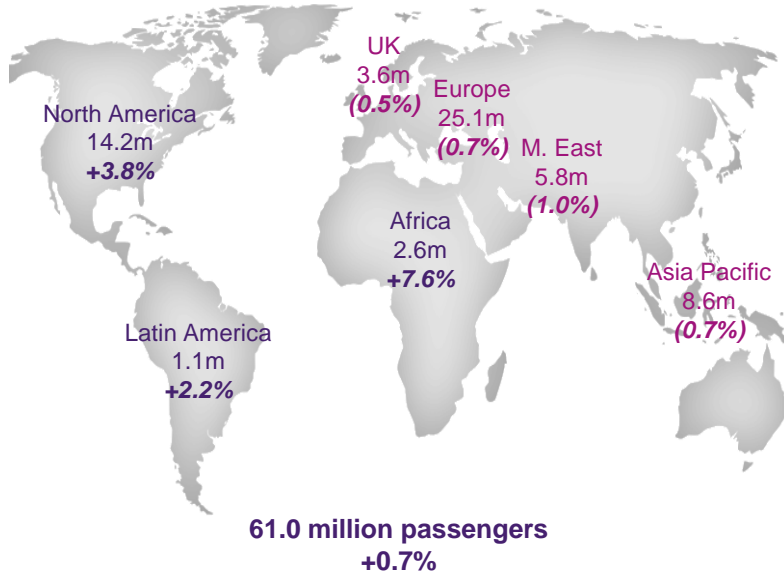
- Greater resilience, better service, lower cost
- Net zero carbon aviation
- Delivering a sustainable, affordable and financeable expanded Heathrow



# Business Highlights

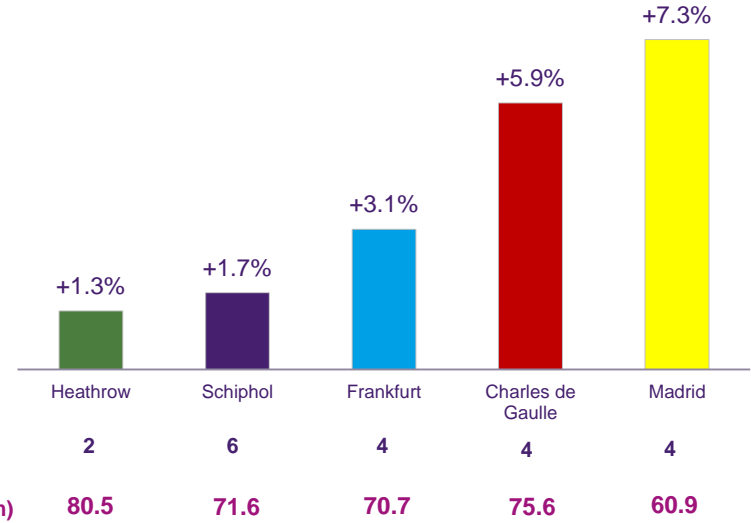
# Record 61.0 million passengers up 0.7%

## Passenger traffic by market – 2019 vs. 2018








## Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 30 September 2019



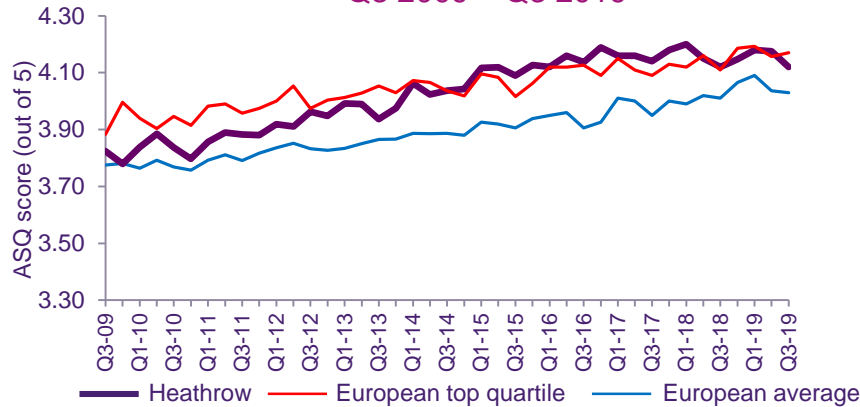
	Q3 2018	Q3 2019
Passengers ATM	355,425	<b>356,317</b>
Seats per ATM	213.4	<b>213.2</b>
Load factors (%)	79.8	<b>80.2</b>
Cargo tonnage ('000)	1,265	<b>1,189</b>

	Q3 2018	Q3 2019
Long-haul traffic growth (%)	2.9%	<b>1.9%</b>
Short-haul traffic growth (%)	2.0%	<b>(0.7%)</b>

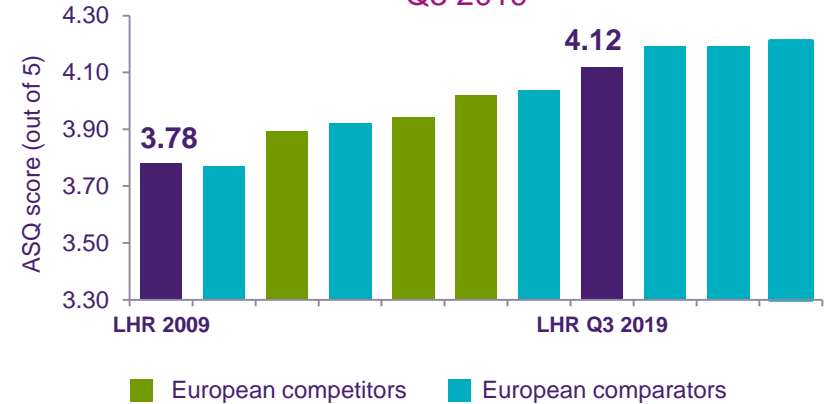
- New routes to date:
-  China Southern: Zhengzhou
  -  Air China: Chengdu
  -  British Airways: Marrakesh, Seychelles, Durban, Osaka, Charleston, Pittsburgh
  -  Flybe: Newquay, Guernsey, Isle of Man
  -  Virgin Atlantic: Las Vegas, Dallas

# Maintaining strong service standards and robust operations

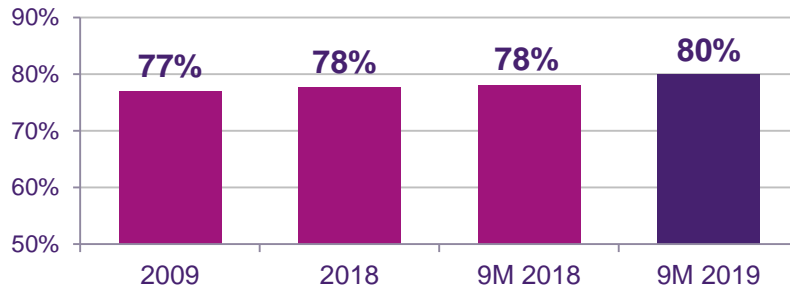
**Quarterly passenger satisfaction**  
Q3 2009 – Q3 2019



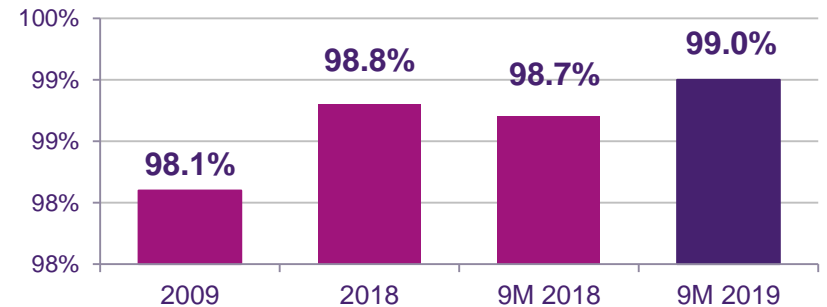
**Passenger satisfaction European ranking**  
Q3 2019



**Departures**  
within 15 minutes of schedule



**Baggage performance**  
connection rate per 1,000 passengers



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

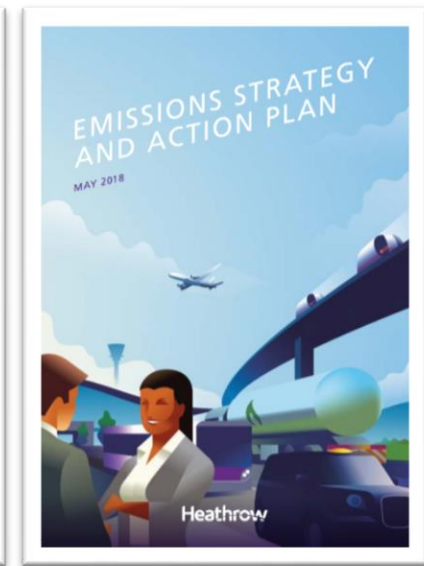
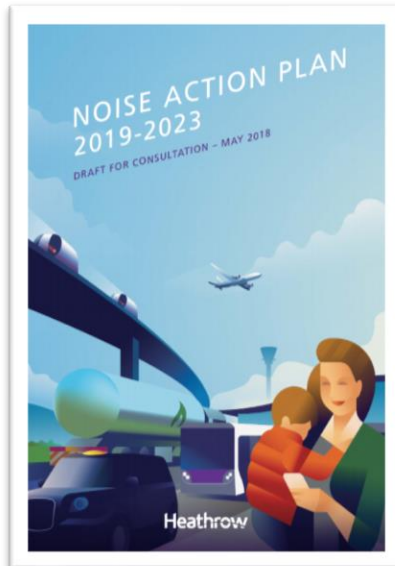
# Progressing on all Heathrow 2.0 flagship goals

A GREAT  
PLACE  
TO WORK

A GREAT  
PLACE  
TO LIVE

A THRIVING  
SUSTAINABLE  
ECONOMY

A WORLD  
WORTH  
TRAVELLING

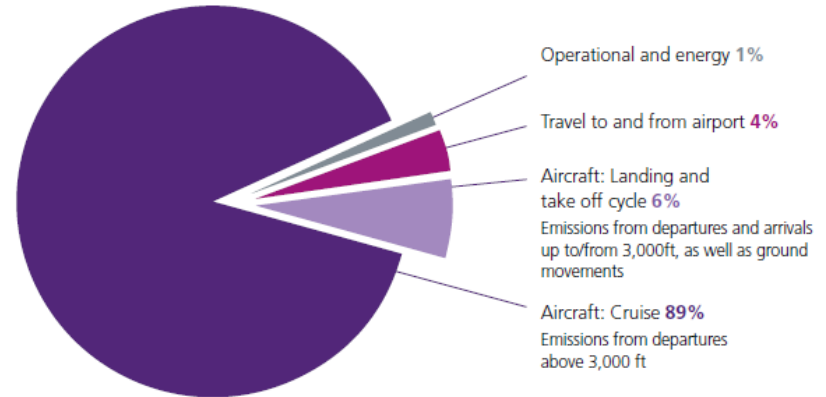




# Four-part plan to decarbonise aviation

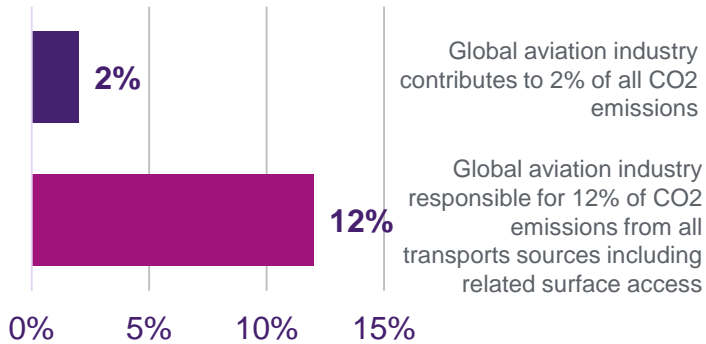
**Modernise airspace** and making ground operations more efficient

Promoting and investing in **best-practice offsetting** measures and carbon capture



Breakdown of carbon emissions from Heathrow in 2016

## Aviation and global emissions



Scale up the production of sustainable **alternative fuels**

Accelerate the arrival of **new aircraft technology**, including hybrid and electric aircraft

# Sustainability case study – the role of Finance



## Funding

**Financing** - engaging ESG debt investors and integrating Heathrow 2.0 KPI's in future financing plans

**Pensions** - trustee will be using ESG factors to select investment managers

## Reporting

**Budgeting** - embedding sustainability into our annual business planning and developing an investment appraisal tool

**TCFD** - developing scenario analysis and detailing key climate risks, mitigations and opportunities enabling leading disclosures

## Procurement

**London Living Wage 'LLW'** – by 2020 all direct supply chain colleagues working at Heathrow to paid LLW

**Carbon Reduction** – first airport in the world to have Carbon Trust level 3 certification

**Business summits** – giving SMEs opportunities to directly engage with top tier companies in our supply chain

**Circular economy** – working with Globechain to reuse equipment and materials



# Tangible benefits of Expansion materialising

## Sustainable

- Environmentally managed growth, with limits based on
  - Noise and Air Quality
  - Surface Access, and
  - Carbon
- New local jobs and further supply chain opportunities spread across the UK, including 4 Logistics Hubs
- Economic growth benefits for UK PLC



## Affordable

- Proposed ATM cap lifted by 25,000 once DCO is granted
- Promote competition between airlines and increase choice of routes
- Phased approach to new terminal capacity
- CAPEX plan out to 2050

## Financeable

- Finalise masterplan for summer 2020
- Engage with the CAA to confirm the regulatory framework
- Ongoing engagement with rating agencies to deliver on our investment grade credit rating commitments



# Financial Review

# Financial highlights

(£ million)	9M 2018	9M 2019	Versus Q3 2018 %
Revenue	2,211	<b>2,302</b>	4.1
Operating costs*	(839)	<b>(880)</b>	4.9
Adjusted EBITDA*	1,372	<b>1,422</b>	3.6
Capital expenditure	590	<b>649</b>	10.0

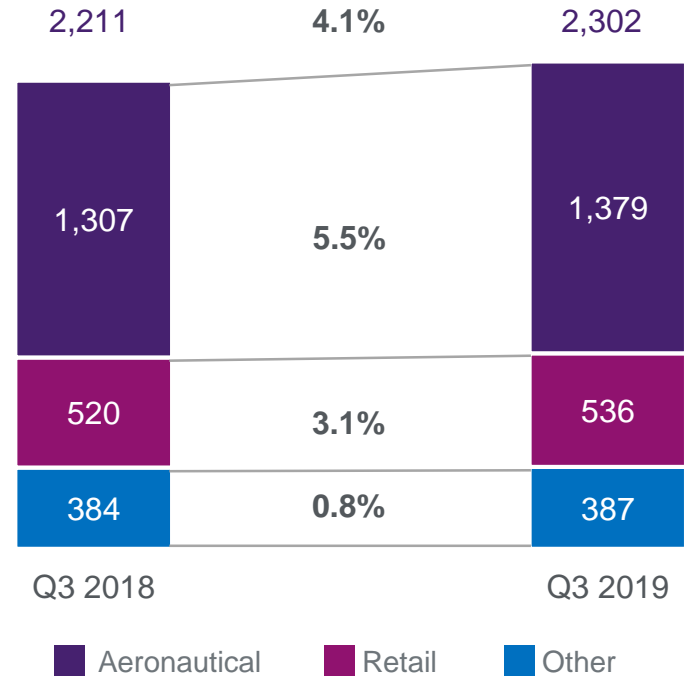
	Dec 2018	Sept 2019	Change from 31 Dec 18 %
Consolidated nominal net debt			
Heathrow (SP)	12,407	<b>12,844</b>	3.5
Heathrow Finance	13,980	<b>14,175</b>	1.4
RAB	16,200	<b>16,529</b>	2.0

\* Excluding impact of IFRS16 to ease comparability (£37million of operating costs reclassified to below EBITDA in 2019)

# Record number of passengers choosing to spend more in retail

- Strong growth in aeronautical revenue
  - 9 years of consecutive passenger growth
  - recovery of prior year yield dilution
  - yield concentration from favourable passenger mix
  - partially offset by the commercial airline deal
- Continued momentum of retail
  - higher proportion of passengers shopping at the airport
  - catering benefited from improved outlet offerings
  - pound weakening
- Other revenue consistent with last year

Analysis of revenue (£m)

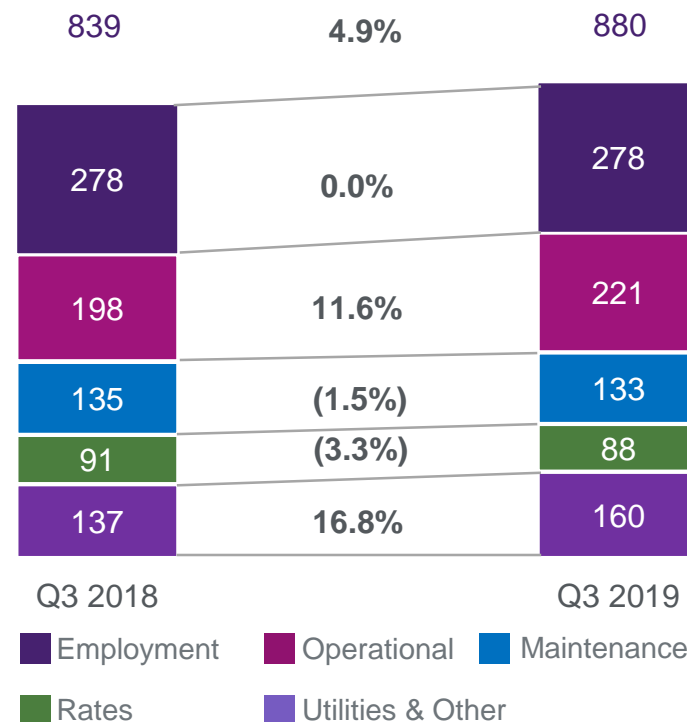


Per passenger (£)	9M 2018	9M 2019	Change %
Aeronautical revenue	21.59	<b>22.62</b>	4.8%
Retail revenue	8.59	<b>8.79</b>	2.3%

# Continued focus on cost efficiency while investing in service, resilience & growth

- Increased investment reflecting a shift towards growth
  - protecting passenger experience
  - drone defence capabilities
  - operational resilience
- Operating costs are presented excluding the application of IFRS 16

Analysis of operating costs (£m)\*



Per passenger (£)	9M 2018	9M 2019	Change %
Operating costs*	13.86	14.44	4.2%
Operating costs	13.86	13.83	(0.2%)

\* Excluding impact of IFRS16 to ease comparability (£37million of operating costs reclassified to below EBITDA in 2019)

# Capital expenditure transitioning for growth

- Maintenance capex programme
  - hold baggage screening ‘HBS’
  - self boarding
  - self bag drop
  - airfield development (kilo apron)
  - asset renewal
- Expansion capex doubling in 2019
  - consultation preparation



T3 self bag drop

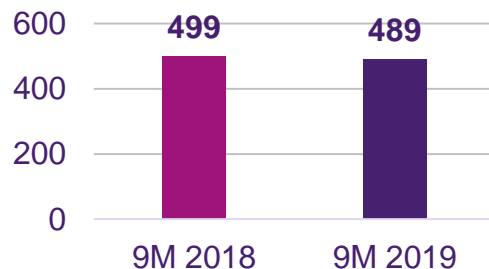


T5 HBS replacement

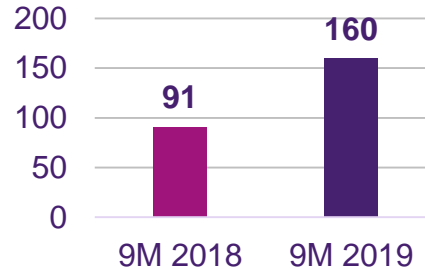


T5 self boarding

**Business As Usual**  
Capital Expenditure (£m)



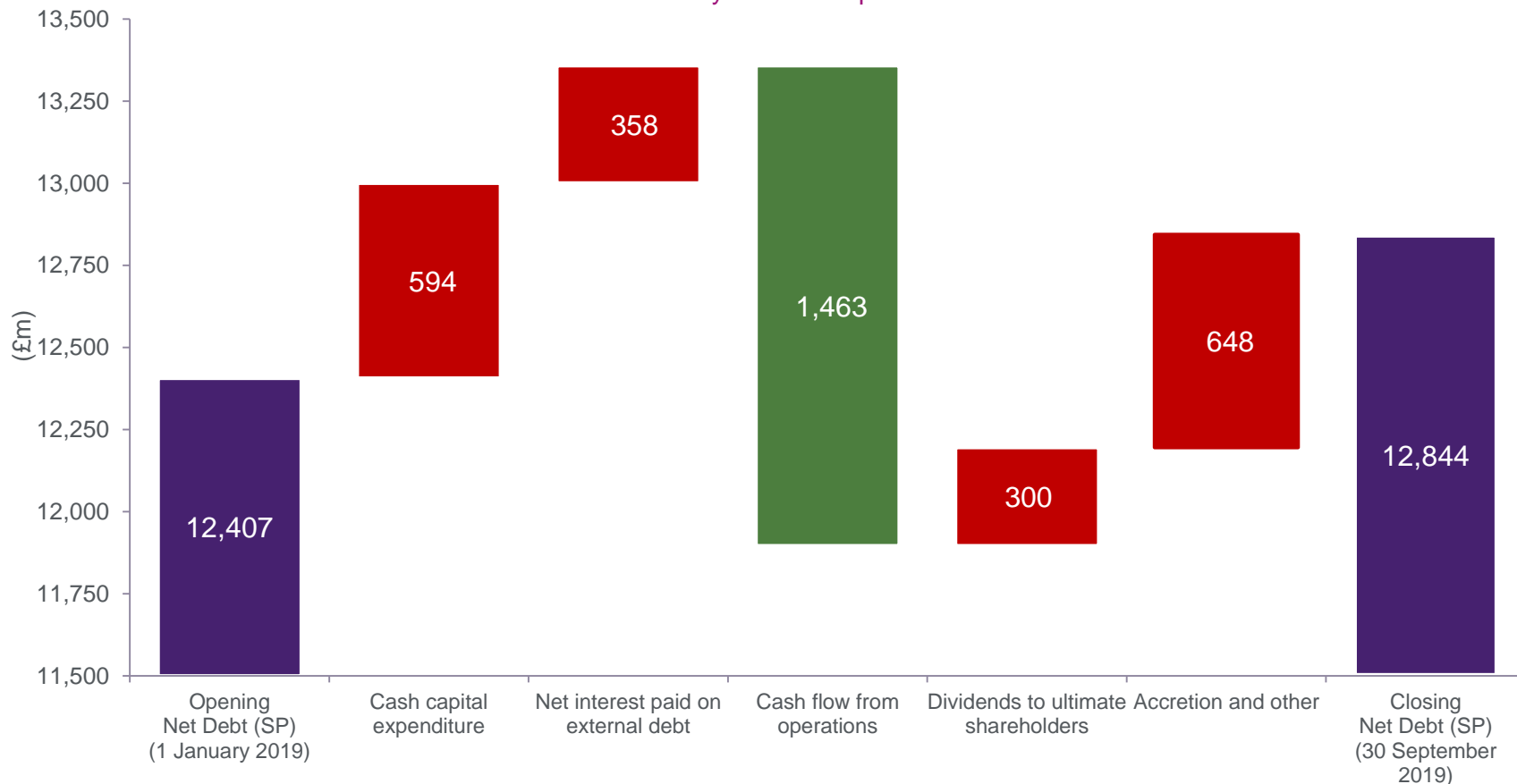
**Expansion**  
Capital Expenditure (£m)





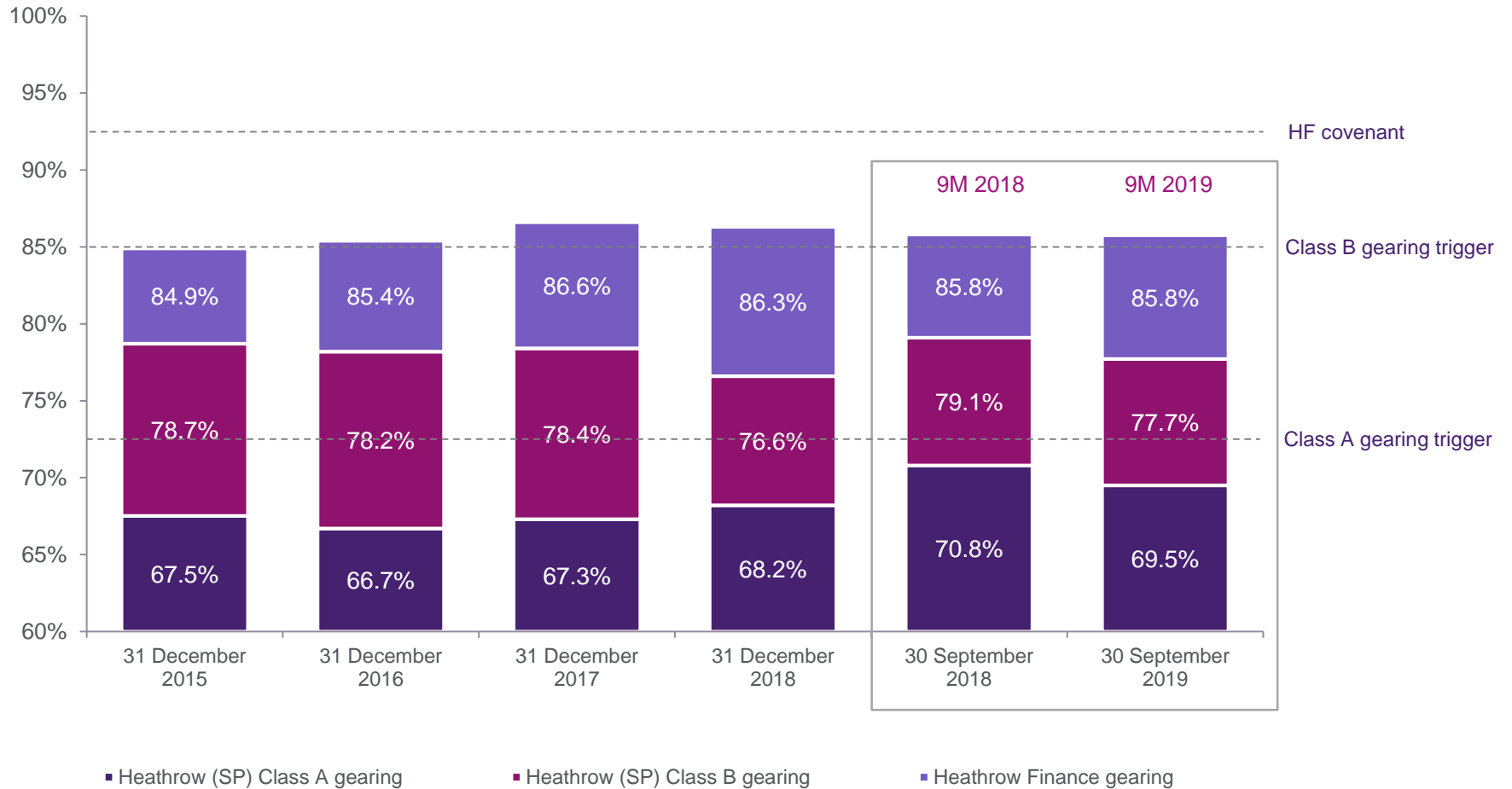
# Capital expenditure transitioning to gradually exceed cashflow from operations from 2021

Heathrow (SP) nominal net debt  
January 2019 – September 2019



# Substantial gearing headroom retained

Evolution of gearing ratios



# Preparing to finance expansion

## LIQUIDITY

- £1.5bn raised globally
- Liquidity horizon to May 2021
- £3.6bn in undrawn facilities & cash resources

## DIVERSIFICATION

- Recent focus on new private global investors
- Successful return to the Euro market after 2 years
- Swiss franc presence with 3<sup>rd</sup> bond issuance

## DURATION

- 11.7 year average life of debt for Heathrow SP
- 53% of debt matures post the 3<sup>rd</sup> runway becoming operational
- Successfully maximising duration in each active market

# Outlook

Our 2019 forecast for underlying performance remains in line with the June 2019 Investor Report.

Our next Investor Report will be released in December 2019 with our final forecast information for this year and details of our initial business plan for 2020



Heathrow  
Airside Safety

# Strategic Update

# To give passengers the best airport service in the world

## We delivered...

## ...and we will do more



- Pride in London
- Summer Superleague for frontline colleagues
- Cancer support network
- National Inclusion Week

- First Colleague Engagement Forum
- Implementing improvements from Colleague Experience review
- Launching mobile HRMS for operational colleagues
- Red card campaign



- Trial new security equipment
- Summer of sports
- New Heathrow Express Website and App
- Launch of Magenta Induction to colleagues

- Service Signature training – 2,000 colleagues
- Progressing pay deal to 'recommend' for ballot



- Brexit preparations
- New digital led shopping experiences

- New Autumn and Christmas campaign
- Relaunch of Heathrow.com
- Publication of Initial Business Plan
- Publication of Investor Report



- Masterplan consultation
- New bus and coach routes
- Commitment to net-zero carbon by 2050

- Surface Access colleague campaign launch
- Carbon consumer campaign
- Carbon Footprint report

Questions?



# Appendices



# 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

# Heathrow nominal net debt at 30 September 2019

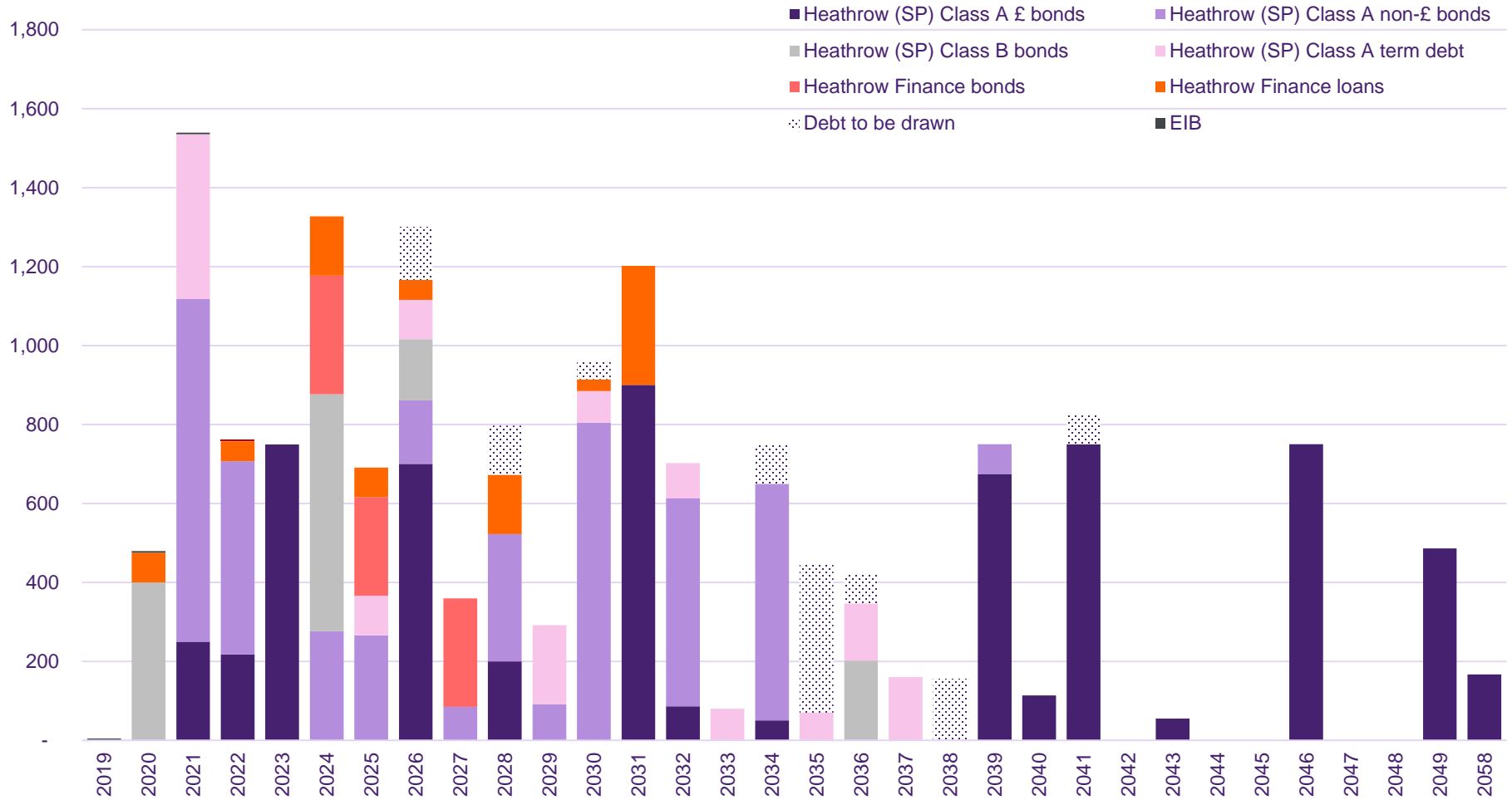
Heathrow (SP) Limited	Amount	Available	Maturity
<b>Senior debt</b>	<b>(£m)</b>	<b>(£m)</b>	
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	217	217	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	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%	239	239	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
€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%	617	617	2039
£100m RPI +1.238%	113	113	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	86	86	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	168	168	2058
<b>Total senior bonds</b>	<b>10,713</b>	<b>10,713</b>	
Term debt	1,459	1,459	Various
Index-linked derivative accretion	395	395	Various
Revolving/working capital facilities	0	900	2021
<b>Total other senior debt</b>	<b>1,854</b>	<b>2,754</b>	
<b>Total senior debt</b>	<b>12,567</b>	<b>13,467</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(1,080)</b>		
<b>Senior net debt</b>	<b>11,487</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
<b>Junior debt</b>	<b>(£m)</b>	<b>(£m)</b>	
£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	250	2021
<b>Total junior debt</b>	<b>1,357</b>	<b>1,988</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>12,844</b>		

Heathrow Finance plc	Amount	Available	Maturity
	<b>(£m)</b>	<b>(£m)</b>	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
<b>Total bonds</b>	<b>825</b>	<b>825</b>	
£75m	75	75	2020
£50m	50	50	2022
£150m	150	150	2024
£75m	75	75	2025
£185m	50	185	2026
£275m	150	275	2028
£75m	30	75	2030
£302m	302	302	2031
£100m	0	100	2034
£300m	0	300	2035
<b>Total loans</b>	<b>882</b>	<b>1,587</b>	
<b>Total Heathrow Finance plc debt</b>	<b>1,707</b>	<b>2,412</b>	
<b>Heathrow Finance plc cash</b>	<b>(376)</b>		
<b>Heathrow Finance plc net debt</b>	<b>1,331</b>		

Heathrow Finance plc group	Amount	Available
	<b>(£m)</b>	<b>(£m)</b>
Heathrow (SP) Limited senior debt	12,567	13,467
Heathrow (SP) Limited junior debt	1,357	1,988
Heathrow Finance plc debt	1,707	2,412
<b>Heathrow Finance plc group debt</b>	<b>15,631</b>	<b>17,867</b>
<b>Heathrow Finance plc group cash</b>	<b>(1,456)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>14,175</b>	

# Debt maturity profile at 30 September 2019



# Notes, sources and defined terms

- Page 4
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and certain re-measurements and exclude the impact of IFRS16
- Page 7
  - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5
- Page 9
  - Aviation's CO2 contribution sourced from ATAG website
- Page 10
  - TCFD stands for task force on climate related financial disclosures
- Page 13
  - Operating costs refer to adjusted operating costs which exclude depreciation and amortization and exclude the impact of IFRS16
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and certain re-measurements and exclude 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 15
  - Operating costs refer to adjusted operating costs which exclude depreciation and amortization and exclude the impact of IFRS16
- Page 16
  - Capital expenditure includes capital creditors
- Page 17
  - 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 18
  - Gearing ratio: external nominal net debt (including index-linked accretion) to RAB (regulatory asset base)
- Page 26 and 27
  - 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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