



# HEATHROW (SP) LTD RESULTS

# JANUARY – MARCH 2019

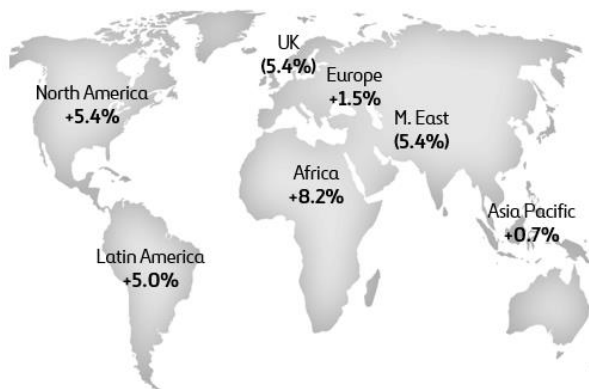
Heathrow Airport, London, UK. Ferrovial owns a 25%, equity accounted.

- **More passengers than ever before** - 29<sup>th</sup> consecutive month of growth, record 17.9mn passengers (+1.4%)
- **New routes boost UK connectivity** - Over 210 global destinations now connected via a direct flight.
- **Robust financial health** - Higher retail spending. Revenues £679mn & Adj EBITDA +1%, £406mn
- **Global appetite to invest in Heathrow outperformance** - recent €650mn bond more than 4x oversubscribed. Heathrow has raised £1bn in private finance at attractive rates in 2019 setting the groundwork to fund expansion entirely privately.
- **Ramping up for growth** - Heathrow set to invest c.£1bn into the airport over the coming year to prepare for the future growth from the expansion. Detailed preferred masterplan to be unveiled in June.
- **Award-winning service** - T5 Best Airport Terminal in the world by Skytrax.
- **Airport charges per passenger -2.4%** to £22.13 and **82.6% of passengers rate their experience “Excellent” or “Very Good”**.

## TRAFFIC

Million passengers	% of total	Mar-19	Mar-18	Var.
UK	6%	1.0	1.1	-5.4%
Europe	41%	7.3	7.2	1.5%
Long Haul	54%	9.6	9.4	2.1%
<b>Total</b>		<b>17.9</b>	<b>17.7</b>	<b>1.4%</b>

A record 17.9mn passengers travelled through Heathrow in 1Q 2019 (+1.4%). March 2019 was the 29<sup>th</sup> month of consecutive record passenger numbers. Aircraft continue to fly fuller with load factors increasing to 74.7% (74.1% in 1Q 2018). The average number of seats per passenger aircraft also increased to 214.3 (213.9 in 1Q 2018) driven by aircraft upgrades on long haul routes.



**Traffic breakdown** at Heathrow: Intercontinental routes are key drivers of growth (+2.1% vs 1Q 2018). North America: increased flight frequency & aircraft size to destinations such as Dallas, New York (JFK), Boston, Detroit, and a new route to Nashville. Africa: increased flight frequency to Johannesburg and new routes to Marrakesh, Seychelles and Durban. Short haul traffic grew +0.6% driven by larger aircraft.

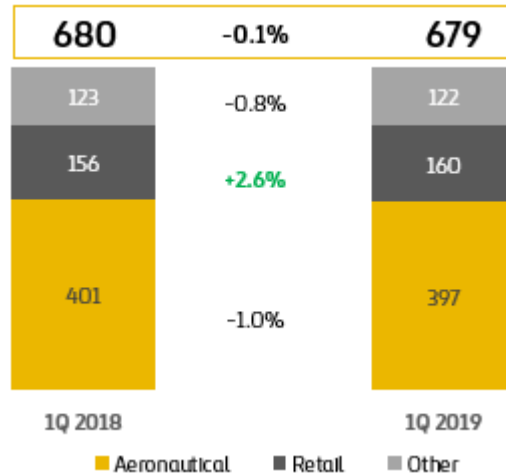
**New routes:** In March, Flybe operated an inaugural flight to Newquay in Cornwall, Heathrow’s 10<sup>th</sup> domestic route. Heathrow reached 12 direct connections to China with the new services to Chengdu. Over 210 global destinations are now connected via a direct flight from Heathrow after Newquay, Chengdu, Osaka, Phoenix, Pittsburg & Charleston routes.



## FINANCIAL RESULTS

(GBP million)	Mar-19	Mar-18	Var.
<b>Revenue</b>	<b>679</b>	<b>680</b>	<b>-0.1%</b>
<b>Adjusted EBITDA</b>	<b>406</b>	<b>402</b>	<b>1.0%</b>
Adj. EBITDA mgn %	59.8%	59.1%	

Revenues decreased by -0.1% in 1Q 2019 to £679mn.



- **Aeronautical:** has fallen by 1.0% vs. 2018. Heathrow now offers improved value for money for passengers as a result of the commercial aviation deal. The lower aeronautical charges are offset by record traffic growth & recoverable yield dilution as airlines employ cleaner and quieter aircraft as incentivised by our tariff structure.

**Average aeronautical revenue per passenger was down by -2.4% to £22.13 (£22.67 1Q 2018).**

- **Retail:** led by retail concessions, catering & other retail, reflected strong traffic and a higher percentage of participating passengers. Catering benefited from an improved outlet offering whilst other retail saw a significant increase in advertising income. Car parking declined due to less passengers travelling to domestic destinations. Retail revenue per passenger rose 1.1% to £8.92 (£8.82 in 1Q 2018).
- **Other revenues:** Other regulated charges declined due to lower consumption of utilities and fewer bags being processed. Property and Other increased due to new lounge offerings for our passengers.

**Operating costs:** Following the adoption of IFRS16, £13m of lease costs are now being reported below EBITDA. Prior to the adoption of IFRS16 these costs would have been presented under operating costs, above EBITDA.

Operating costs excluding the application of IFRS 16 have increased, which was primarily driven by investment in safety, security and resilience. We increased investment in our special assistance services, security costs to aid operational resilience while passenger numbers continue to increase and upgrading drone defence capabilities. Excluding the application of IFRS 16, operating costs have increased 2.9% to £286mn, and on a per passenger basis were up 1.5% to £15.95.

Per passenger (£)	1Q 2019	1Q 2018	VAR.
Operating costs	15.22	15.72	-3.2%
Operating costs*	15.95	15.72	1.5%

\*proforma basis excluding impact of IFRS 16

**Adjusted EBITDA** +1.0% to £406mn resulting in an Adjusted EBITDA margin of 59.8% (59.1% in 1Q 2018).

### DIVIDENDS

Heathrow paid £100mn to its shareholders in 1Q 2019, compared to the £113mn paid in 1Q 2018.

### 2019 OUTLOOK

2019 forecast for underlying performance, remains in line with December 2018 investor report:

- Expected traffic: 80.6mn passengers
- Projected headroom to covenant remains significant

### REGULATORY ASPECTS

**REGULATORY ASSET BASE (RAB):** At 31 March 2019, the RAB reached £16,149mn (£16,200mn in December 2018).

**HEATHROW EXPANSION:** Heathrow continues to make significant progress in expanding the airport following June’s overwhelming vote in Parliament in favour of the Airport’s National Policy Statement (‘NPS’).

The consultation on airspace and future runway operations started in early 2019, and will be followed by a consultation in June 2019 on our preferred masterplan. After reviewing and assessing feedback from the two consultations in 2019, Heathrow will prepare our final masterplan and submit a development consent order application to the Planning Inspectorate in 2020, commencing a consent process which will take 18 months from submission to decision. If Heathrow is granted development consent, the first flights will begin using the new runway in 2026.

Heathrow remains committed to deliver a sustainable, affordable and financeable expanded airport.

**H7 REGULATORY DEVELOPMENTS:** The CAA’s fundamental objective in developing the framework for the next regulatory period (H7) is to find a framework that facilitates affordable and financeable delivery of new capacity, driving competition and choice in the best interest of consumers

The CAA launched a new consultation titled ‘Economic regulation of capacity expansion at Heathrow: policy update and consultation’ at the end of March 2019. The CAA plans to provide additional clarity on the regulatory framework in October 2019 when it publishes its next consultation papers.

In addition to the work under way on the H7 framework, a Formal Agreement has been finalised between Heathrow and airlines on aeronautical charges to be applied prior to the start of H7.

The Formal Agreement has been signed by a number of key carriers from multiple alliances & groups representing a majority of Heathrow’s passenger traffic. The Formal Agreement offers a rebate to all airlines depending on actual passenger traffic volumes.

The rebate creates an incentive for airlines to make better use of our existing capacity by way of a volume discount while also providing protection in the event that passenger volumes were to fall below current levels prior to 2022. Another benefit of the Formal Agreement is that it will enable all parties to concentrate on the longer-term aim of securing a regulatory settlement for H7 which will support affordable & financeable expansion of Heathrow.

### HIGH SERVICE QUALITY

In 1Q 2019, Heathrow achieved a score of 4.18 out of 5.00 (4.20 in 1Q 2018) compared to 3.97 just five years ago.

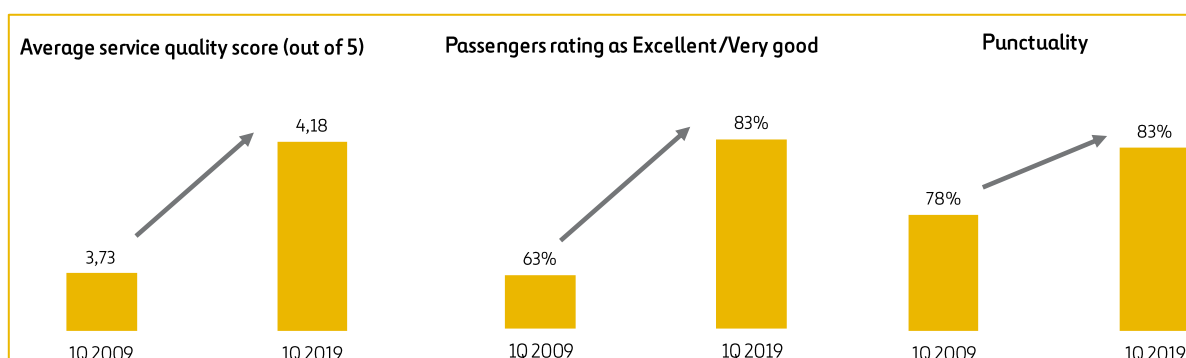
82.6% of passengers surveyed rated their Heathrow experience ‘Excellent’ or ‘Very good’ (2018: 83.6%) illustrating the strength and resilience of our operations.



- Terminal 5: World’s ‘Best Airport Terminal’ (1<sup>st</sup> time)
- Best Airport in Western Europe (5<sup>th</sup> consecutive year)
- Best Airport in the world for Shopping

	1Q 2019	1Q 2018
ASQ	4.18	4.20
Baggage connection	99.0%	98.7%
Departure punctuality	82.6%	80.4%
Security queuing	96.8%	97.8%

Heathrow’s service quality has shown a strong positive evolution throughout the years, as illustrated in the tables below



You can find further information on Heathrow’s 1Q 2019 results in the following [link](#).