Covid19 - Impact on Airports

Half-Year Financial Results Review

SEPTEMBER 2020

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aena

GROUPE ADP

Fraport

Heathrow

VIE Vienna International Airport

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INTRODUCTION

- Most sector observers and investors will be familiar with the operating model at the larger airports, which in more normal circumstances feature annual incremental traffic growth with revenues closely linked to volume, and operating costs generally more fixed. EBITDA and EBITDA margin typically improve accordingly.
- However, in these far from normal times caused by the Covid-19 pandemic the typical relationships between an airport's volume, revenue and operating costs are fractured, certainly in the short-term.
- In Q2 2020, airport passenger volumes dropped more sharply than at any time in living memory. The outlook for the return of air traffic remains very uncertain with business and leisure air travel still highly vulnerable to national and local rates of Covid-19 infection.
- Aeronautical revenue at the larger airports is typically subject to economic regulation (e.g. price caps) which are linked to capital investment plans and volume projections. In the near-term this relationship is also broken, with most regulators deferring regulatory pricing resets until some degree of market stability returns.
- Equally challenging is how airports can manage their operating cost base in the short term given the precipitous fall in traffic and the absence of visibility as to how the aviation market will recover in the coming months and years. There are also significant one-off cash costs associated with re-structuring an airport business at a time when airports are seeking to preserve liquidity.
- A number of listed European airport groups have published 2020 half year results in the past month. Whilst at first glance the half-year passenger volume and EBITDA results do not appear too alarming, the quarter-on-quarter results illustrate just how much of a challenge these airports are facing as we move into Q3 2020. In this bulletin we present and compare the latest financial results from the following airport groups:

AENA	Operator of all Spanish airports and 23 international airports. 51% state-owned (ENAIRE).
Groupe ADP	Operator of the Paris airports and investments in 125 airports including 24 airports under management contracts or concessions. 50.6% state-owned.
Fraport	Operator of Frankfurt Airport and investments in multiple international airports including Greece, Turkey and Brazil. 51.6% state-owned.
Heathrow	100% private ownership.
FHWG	Operator of Vienna Airport and Malta Airport with investment in Košice Airport. 40% state-owned, 10% employee-owned

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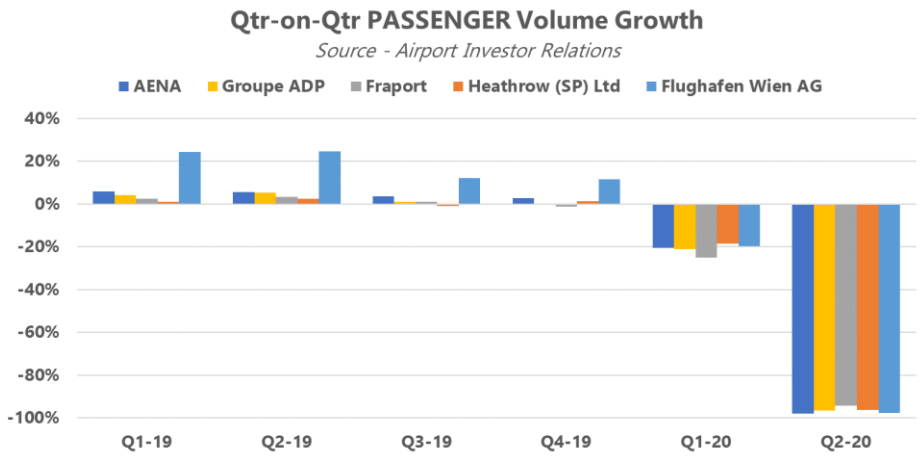
PASSENGER TRAFFIC

- In 2019, all of the airport groups reviewed here had positive annual traffic growth. In Q1-2020, there was a progressively sharp decline in traffic as airlines withdrew capacity due to falling demand or because international flight restrictions were introduced.
- The aggregate decline in traffic in Q2-2020 was over 95% as the withdrawal of most airline services led to an extreme decline in passenger volumes and airport operations were refined accordingly. Heathrow for example closed Terminals 3 and 4, whilst Orly Airport in Paris closed for almost 3 months, along with terminal closures at Charles de Gaulle Airport and Frankfurt Airport.
- Q3-2020 traffic performance is likely to show a marginal improvement on Q2-2020. Across July and August 2020, the aggregate decline in traffic was 76%. On the following page the 2020 monthly airport traffic trends are shown with variance to the previous year. What is striking, though perhaps not surprising, is the similarity of the volume curves in 2020.

Does the traffic up-turn in Q3 (-76% to date) versus Q2 (-95%) indicate the start of a recovery?

- Assuming Q3-2020 traffic is c. -75% versus last year, the airports are all expecting a further recovery in Q4-2020 (c. -50%) to achieve the full year guidance (see back page of this bulletin).
- Winter 2020/21 is very difficult to predict, especially with the recent up-turn in Covid-19 infection rates and on-going (and changing) quarantine restrictions. Slot restrictions have been waived for the Winter season which means slots will not be lost if they are not used.
- Business traffic has a higher share of volume in Q4 and this segment is returning more slowly than the leisure market, which will result in further changes to airline networks and schedules.
- Therefore we expect Q4 traffic to be marginally ahead of Q3 (c. -70%), though behind the expectation of the airports.

Passengers (Millions)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
AENA *(Spanish Airports)*	49.9	71.2	83.0	59.7	52.8	75.1	86.0	61.3	42.0	1.5
Groupe ADP *(Paris Airports)*	22.8	27.1	30.0	25.4	23.7	28.6	30.4	25.3	18.8	1.0
Fraport *(Frankfurt Airport)*	14.4	18.2	20.3	16.5	14.8	18.8	20.5	16.4	11.1	1.1
Heathrow (SP) Ltd *(Heathrow Airport)*	17.7	20.4	22.4	19.6	17.9	20.9	22.2	19.9	14.6	0.8
Flughafen Wien AG *(Vienna Airport)*	4.9	6.9	8.3	6.9	6.1	8.6	9.3	7.7	4.9	0.2
Qtr-on-Qtr Growth										
AENA					5.9%	5.5%	3.6%	2.7%	-20.4%	-98.1%
Groupe ADP					4.1%	5.4%	1.1%	-0.3%	-21.0%	-96.4%
Fraport					2.5%	3.3%	1.2%	-1.1%	-24.9%	-94.4%
Heathrow (SP) Ltd					1.1%	2.5%	-0.9%	1.5%	-18.4%	-96.2%
Flughafen Wien AG					24.5%	24.6%	12.0%	11.6%	-19.7%	-97.7%



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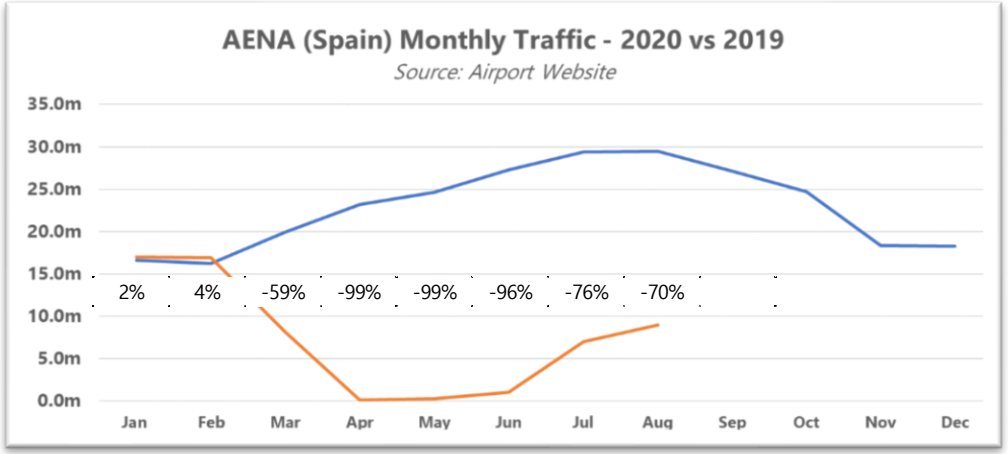
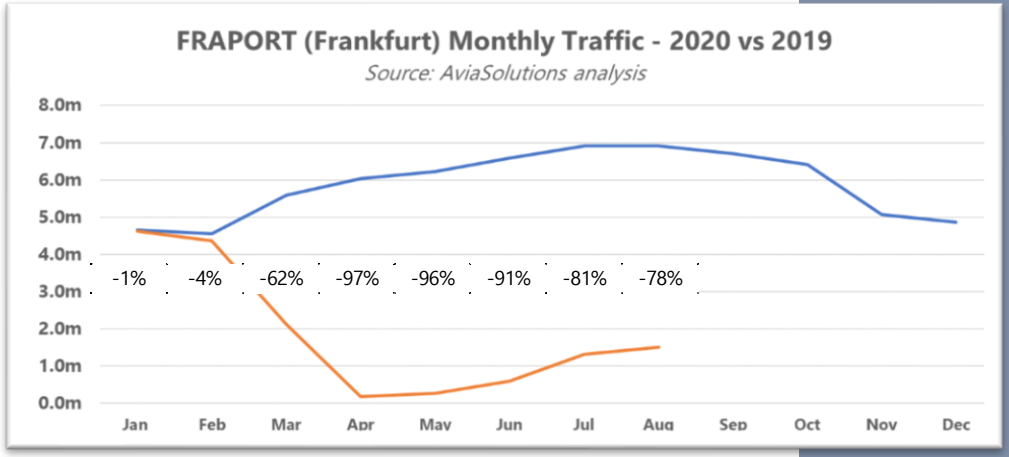
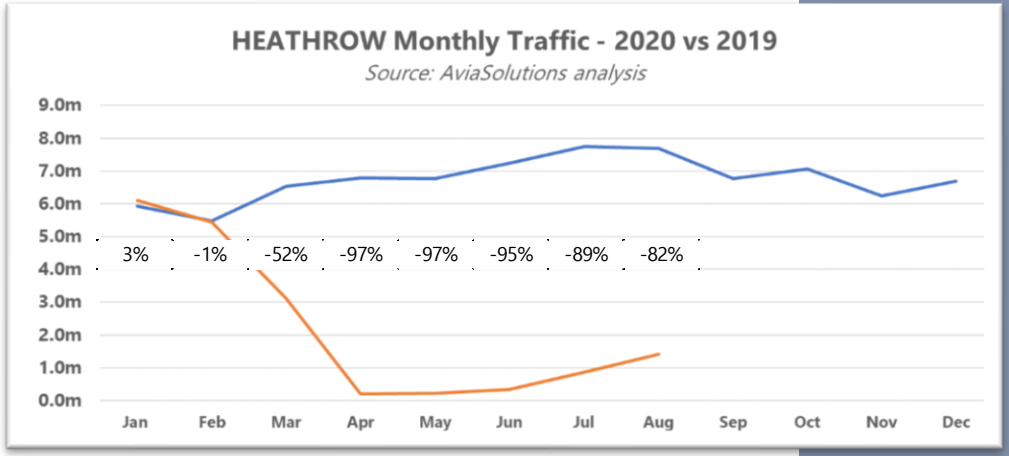
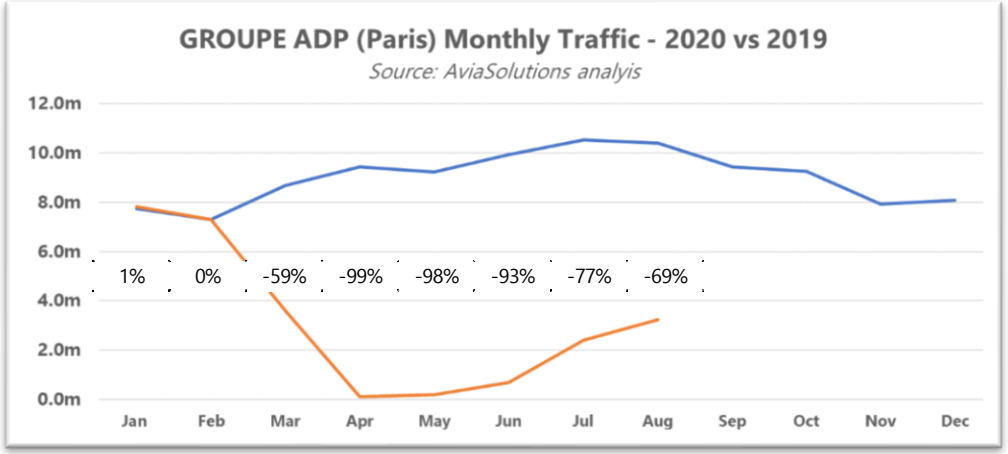
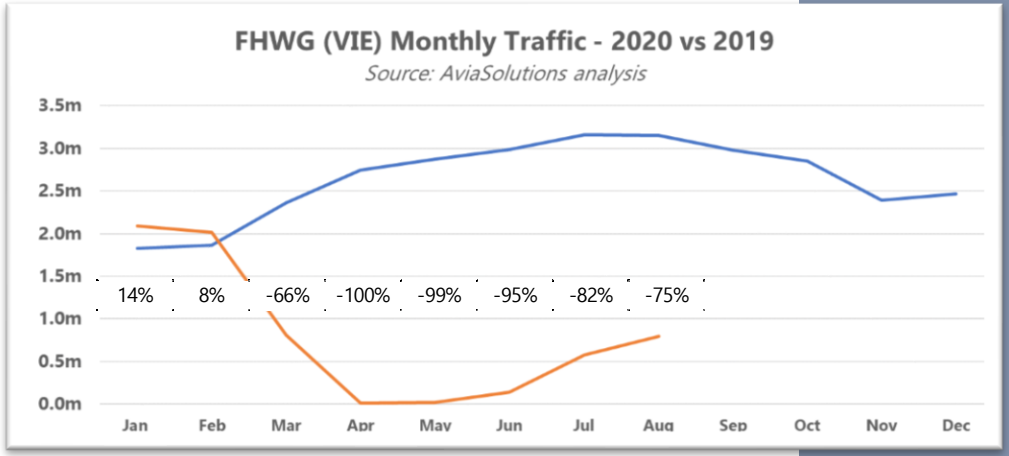
MONTHLY PASSENGER TRAFFIC – 2020 vs 2019











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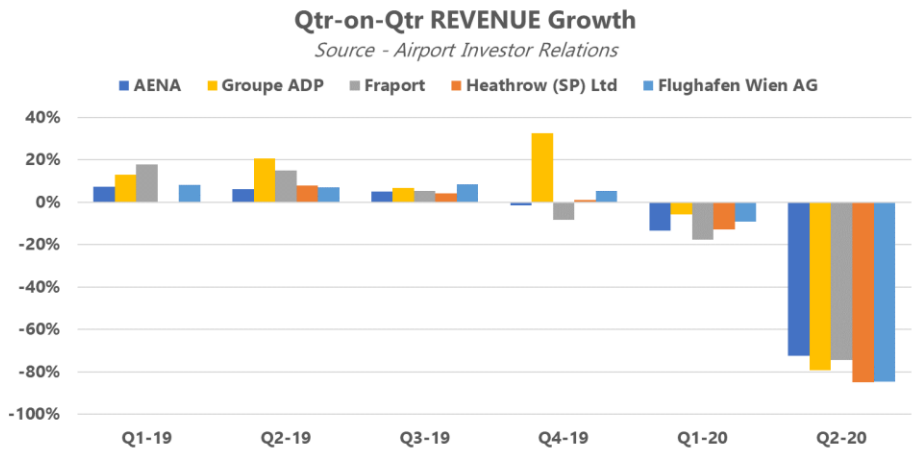
REVENUE

- In 2019, all of the airports showed strong revenue growth, although this does include International operations and the impact of new consolidations (e.g. SDA retail at Groupe ADP).
- As with passenger volume, Q1-2020 revenue at each of the airports was in decline followed by a rapid further loss of volume in Q2-2020 resulting in a steeper reduction in aeronautical and non-aeronautical revenue.
- However, in Q2-2020, the year-on-year reduction in revenue was 10% to 25% fewer percentage points than the loss of traffic.
- Later we will look at the trends in revenue by airport to highlight the short-term changes in aeronautical and non-aeronautical revenue relative to volume (elasticity) by activity. However, in Q2-2020, across the 5 airport groups, revenue declined on average by around 0.8 times the corresponding fall in passenger volume.

What is the likely impact on revenue in Q3 / Q4 given the outlook for traffic?

- Revenue declined by c. 0.8 times the reduction in traffic during Q2-2020 across the airport groups. We wouldn't expect a significant change in this relationship in the second half of the year.
- Aeronautical revenue will continue to be closely linked to traffic, but non-aeronautical revenues will have a higher level of fixed income in Q3. However, there are likely to be contract re-negotiations affecting commercial revenues.

Revenue (Millions)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
AENA (€) *(Spanish Airports)*	842	1,124	1,285	1,070	904	1,195	1,350	1,055	783	331
Groupe ADP (€) *(Paris Airports)*	855	1,011	1,254	886	966	1,219	1,339	1,175	912	254
Fraport (€) *(Frankfurt Airport)*	682	851	1,015	931	804	979	1,069	854	661	250
Heathrow (SP) Ltd (£) *(Heathrow Airport)*	680	725	806	759	679	782	841	768	593	119
Flughafen Wien AG (€) *(Vienna Airport)*	164	210	223	204	177	224	241	215	161	34
Qtr-on-Qtr Growth										
AENA					7%	6%	5%	-1%	-13%	-72%
Groupe ADP					13%	21%	7%	33%	-6%	-79%
Fraport					18%	15%	5%	-8%	-18%	-75%
Heathrow (SP) Ltd					0%	8%	4%	1%	-13%	-85%
Flughafen Wien AG					8%	7%	8%	5%	-9%	-85%



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OPERATING COSTS (excl. Groupe ADP)

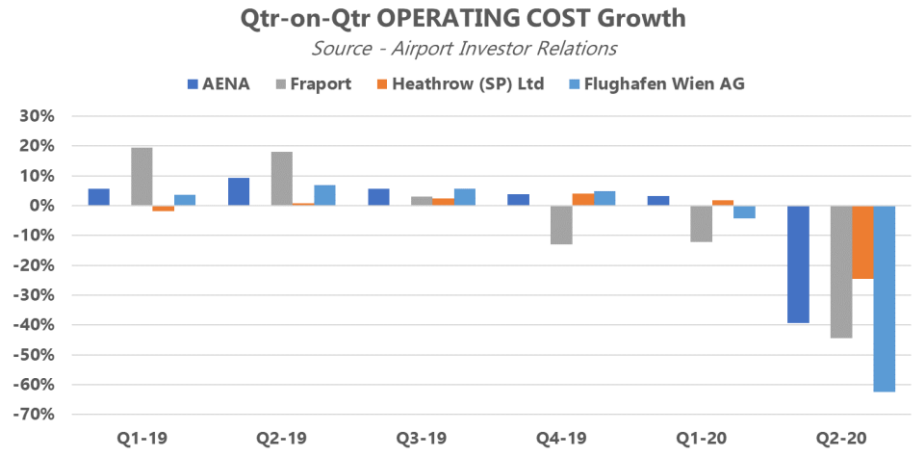
- Airport operating costs reflect the fixed or semi-fixed scale of airport activities irrespective of volume.
- In Q1-2020, the quarterly operating cost trend was broadly consistent with previous years, despite the decline in passenger traffic. As the impact of Covid-19 became more severe, airports have begun to reduce the cost of operations in Q2-2020. This results from the temporary closure of terminal facilities (where possible), the cancellation of non-essential maintenance and re-scaling of out-sourced activities (where possible).
- Operating costs have declined at a slower rate than passenger volume in 2020, which illustrates the difficulty in managing down short-term operating costs despite wide ranging efforts by airport management to down-scale activity in line with volumes but also the success of the various Government job protection schemes.
- In Q2-2020, across the 4 airport groups, operating costs declined on average by 0.5 times the corresponding fall in passenger volume (Groupe ADP only report revenue on a quarterly basis).

What is the likely impact on operating costs in Q3 / Q4 given the outlook for traffic?

- Operating costs declined by c. 0.5 times the reduction in traffic during Q2-2020 across the airport groups. As traffic improves (marginally) in H2 the airports will be continuing with their cost-reductions programmes, which should increase the elasticity of costs to volume.
- That said, during H2 many of the government job-retention schemes are likely to end or be scaled back compared with Q2 and Q3, which may adversely impact the elasticity.

Opex (Millions)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
AENA (€) *(Spanish Airports)*	-480.7	-362	-375	-386	-508	-396	-397	-401	-524	-241
Groupe ADP (€) *(Paris Airports)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fraport (€) *(Frankfurt Airport)*	-527.4	-579	-634	-734	-630	-684	-653	-639	-553	-380
Heathrow (SP) Ltd (£) *(Heathrow Airport)*	-278.0	-279	-282	-294	-273	-281	-289	-306	-278	-212
Flughafen Wien AG (€) *(Vienna Airport)*	-105.3	-111	-110	-139	-109	-118	-117	-146	-105	-44

Qtr-on-Qtr Growth						
AENA	5.8%	9.3%	5.8%	3.8%	3.2%	-39.3%
Groupe ADP	n/a	n/a	n/a	n/a	n/a	n/a
Fraport	19.4%	18.1%	3.0%	-12.9%	-12.2%	-44.5%
Heathrow (SP) Ltd	-1.8%	0.7%	2.5%	4.1%	1.8%	-24.6%
Flughafen Wien AG	3.7%	6.9%	5.6%	4.9%	-4.3%	-62.4%



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EBITDA (excl. Groupe ADP)

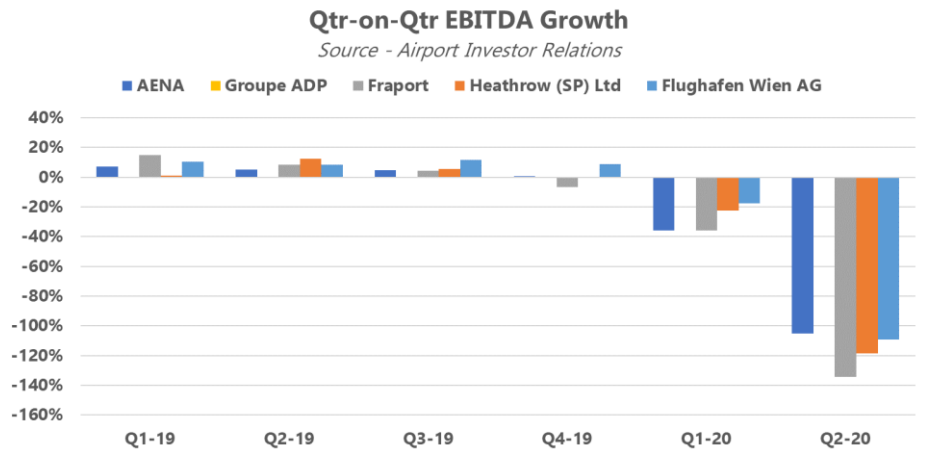
- In 2019, all of the airports reported EBITDA growth (revenue less operating cost, excluding asset depreciation and amortization, financing costs and taxation).
- Q1-2020 EBITDA was positive, though markedly lower than in 2019. In Q2-2020, EBITDA was negative at all 4 airports. Although revenue has declined at a lower rate than passenger volume, this illustrates the difficulty in managing down short-term operating costs during this unprecedented shock to the aviation market.
- Q3-2020 is a pivotal period when most airports were expecting some sort of recovery of the traffic during their busiest quarter. Given that the winter season is more challenging for airlines (capacity, yields and load factors are generally lower) it is unlikely that airports can become EBITDA positive in 2020 without a more supportive and coordinated response from national governments.

What is the 2020 EBITDA outlook, given expected volume, revenue and operating cost trends?

- We expect continuing negative EBITDA at all of the airports in Q3-2020, though reduced from the levels seen in Q2.
- Full year (2020) EBITDA is also likely to be fairly flat or negative, well behind the performance achieved in 2019. Obviously, much will depend on the recovery of traffic in Q4 and the extent to which initiatives to reduce operating costs are successfully implemented during the current year.

EBITDA (Millions)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
AENA (€) *(Spanish Airports)*	364.2	762	906	624	390	799	948	629	251	-40
Groupe ADP (€) *(Paris Airports)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fraport (€) *(Frankfurt Airport)*	174.7	287	419	249	201	311	437	232	129	-107
Heathrow (SP) Ltd (£) *(Heathrow Airport)*	402.0	446	524	465	406	501	552	462	315	-93
Flughafen Wien AG (€) *(Vienna Airport)*	64.8	103	117	66	72	111	130	72	59	-10

Qtr-on-Qtr Growth						
AENA	7.1%	4.9%	4.5%	0.8%	-35.6%	-105.0%
Groupe ADP	n/a	n/a	n/a	n/a	n/a	n/a
Fraport	14.8%	8.5%	4.2%	-6.6%	-35.6%	-134.3%
Heathrow (SP) Ltd	1.0%	12.3%	5.3%	-0.6%	-22.4%	-118.6%
Flughafen Wien AG	10.6%	8.4%	11.5%	8.6%	-17.7%	-109.0%



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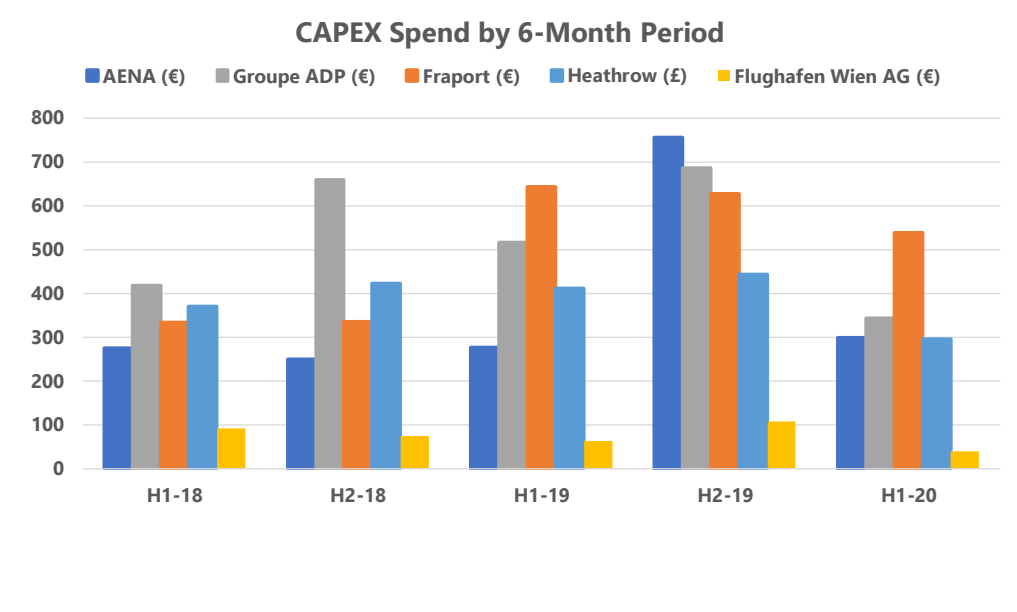
CAPEX & NET DEBT / EBITDA

- Given the uncertain outlook, airports are reducing all but essential capex. The chart opposite illustrates the decline in H1-2020 capex versus previous periods (includes all investments excluding cash deposits and securities). We would expect even more significant reductions in capex during Q3.

- Another feature of the current crisis is the extent to which airports need to secure liquidity despite sharp reductions in profitability and operating cashflows. Using half-yearly EBITDA, the previously stable trend of Net Debt / EBITDA by airport has also fractured during the current crisis. This will inevitably break various debt covenants which a number of airports are in the process of re-negotiating.

- The H2-2020 investor guidance highlights the extent to which airports are planning to make continued cuts to capital expenditure except for essential maintenance, regulatory and security purposes. This will accelerate if volumes remain significantly below 2019 levels.

- In much the same way that the usual airport KPIs such as aeronautical and non-aeronautical revenue per passenger have been rendered meaningless in Q2-2020, the same applies to the Net Debt / EBITDA ratios in H1-2020 – a simple function of the depressed EBITDA. Arguably this is less of an issue for airports with a higher EBITDA margin (such as Heathrow) that have a greater 'cushion' to absorb the impact of lower traffic volumes, but only in the short-term.



		H1-18	H2-18	H1-19	H2-19	H1-20
AENA (€m)	Net Debt	7,200	6,335	6,481	6,183	6,200
	EBITDA	1,126	1,531	1,189	1,577	211
	Net Debt / EBITDA	6x	4x	5x	4x	29x
Groupe ADP (€m)	Net Debt	5,029	4,942	5,442	5,254	6,576
	EBITDA	815	865	764	1,008	39
	Net Debt / EBITDA	6x	6x	7x	5x	169x
Fraport (€m)	Net Debt	3,698	3,545	4,103	4,147	4,765
	EBITDA	461	668	512	669	23
	Net Debt / EBITDA	8x	5x	8x	6x	211x
Heathrow (£m)	Net Debt	12,453	12,407	12,520	12,412	12,860
	EBITDA	848	989	907	1,014	222
	Net Debt / EBITDA	15x	13x	14x	12x	58x
FHWG (€m)	Net Debt	190	198	191	81	149
	EBITDA	168	217	183	202	49
	Net Debt / EBITDA	1x	1x	1x	0x	3x

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AIRPORT FINANCIAL TRENDS - AENA

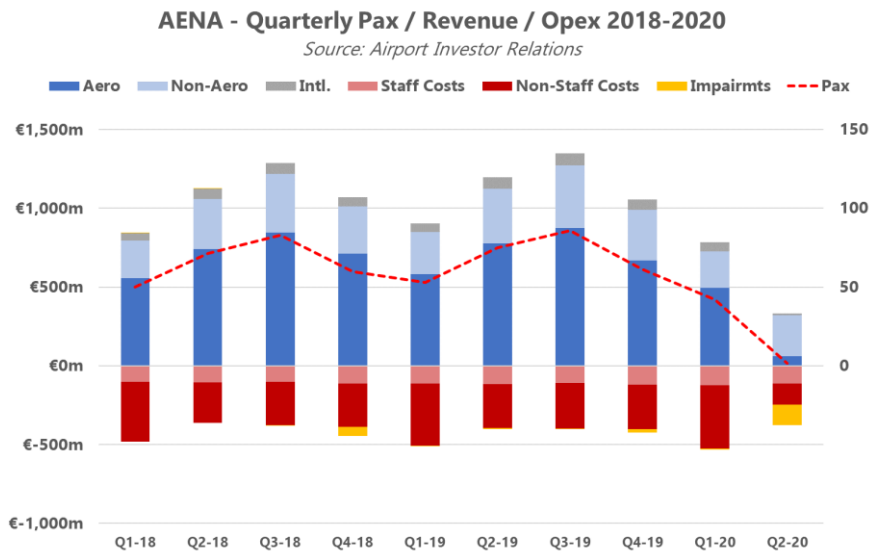
- Aeronautical charges are the major source of revenue at AENA throughout 2018 and 2019 (65% of total revenue) and strongly linked to volume. In 2018 and 2019 AENA achieved aeronautical revenue per passenger of €10.8 and €10.5 respectively. In H1-2020 this increased to €12.8 due to the increase in cargo movements and low load factors (charges are split between passengers and movements). The decline in aeronautical revenue in Q2-2020 closely matches the fall in traffic. AENA has a large exposure to domestic travel, we would expect a faster recovery of traffic and corresponding aeronautical revenue compared with similar airport groups discussed in this Bulletin.

- Non-aeronautical revenue includes commercial activities, such as shops and car parks, and rental income from airport real estate. AENA also report impairments (non-operating costs) in their EBITDA calculation. In 2018 and 2019 AENA achieved non-aeronautical revenue per passenger of €4.7 and €4.8 respectively (excl. International). In H1-2020 this increased to €11.3, which is likely to result from minimum guaranteed payments from commercial operators and real estate rental income being fixed in the short term. Whether these activities are sustainable at the current level of payment will depend largely on the recovery in traffic.

- AENA operating costs are split between staff (33% of total costs in 2018-19) and non-staff costs. In Q1-2020 operating costs were broadly in line with previous trends, though scaling back operations in Q2-2020 has resulted in significant savings in non-staff costs (though partially offset by impairments on investments). In Q2-2020 staff costs were similar to those in the corresponding period in 2018 and 2019. For reasons noted earlier this is not unexpected as the state-owned operator ENAIRE will endeavour to retain levels of employment at their airports, at least until there is more visibility of future passenger demand.

AENA (€m)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Aero Revenue	556	742	844	711	580	777	876	669	496	61
Non-Aeronautical Revenue	238	318	372	303	268	346	397	321	229	261
International	48	64	69	57	56	72	77	65	57	9
TOTAL	*842*	*1,124*	*1,285*	*1,070*	*904*	*1,195*	*1,350*	*1,055*	*783*	*331*
Staff Costs	-103	-107	-102	-111	-112	-117	-108	-119	-123	-114
Non-staff Costs	-378	-254	-273	-275	-396	-279	-289	-282	-402	-132
TOTAL	*-481*	*-361*	*-375*	*-386*	*-508*	*-396*	*-397*	*-401*	*-525*	*-246*
EBITDA*	364	762	906	624	390	799	948	629	251	-40
Qtr-on-Qtr Growth										
Revenue					7.3%	6.4%	5.0%	-1.4%	-13.4%	-72.3%
Operating Costs					5.7%	9.7%	5.9%	3.9%	3.3%	-37.9%
EBITDA					7.1%	4.9%	4.5%	0.8%	-35.6%	-105.0%

**EBITDA includes impairments and other non-operating revenue and costs*



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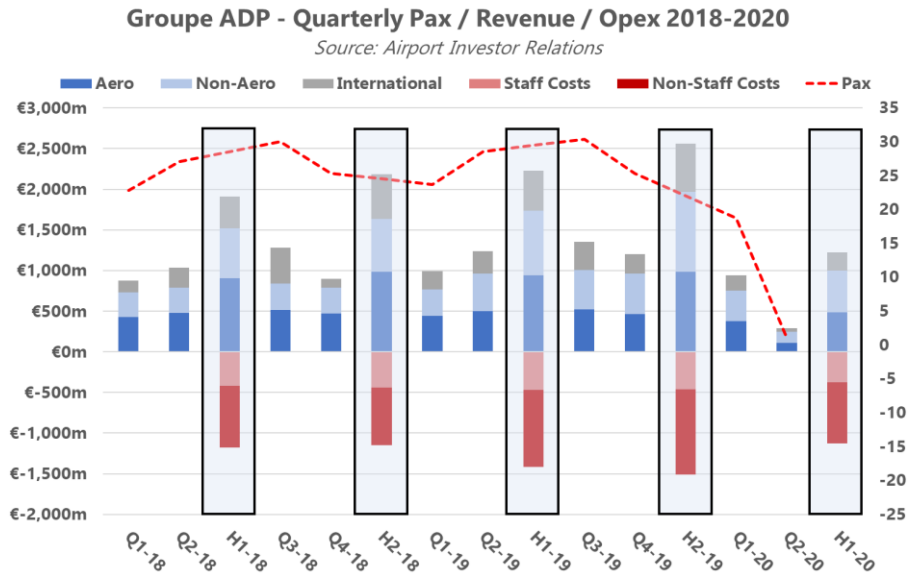
AIRPORT FINANCIAL TRENDS – Groupe ADP

- As noted earlier, Groupe ADP only report revenue on a quarterly basis. Aeronautical revenue from the Paris airports contributed 47% and 41% of total revenue in 2018 and 2019 respectively, with the change in share mainly resulting from new consolidations (SDA & Relay@ADP) from April 2019. Aeronautical revenue per passenger at Paris airports was €16.9 in both years. In Q1-2020, aeronautical revenue declined by 15% and by 79% in Q2-2020. Aeronautical yields showed a significant increase in H1-2020 (+35%) for the reasons stated on the previous page. Aeronautical charges at the Paris airports are regulated and ADP has requested an early termination of ERA3 (2016-20) and withdrawn its proposal / assumptions for ERA4 (2021-25) due to the obsolescence of the financial and capital investment plans. ADP has proposed an annual tariff reset based on dialogue with airport users which require approval by the French Regulatory Transport Body (ART).

- Non-aeronautical revenue at the Paris airports increased significantly to €1,800m in 2019 (41%). This was largely due to the consolidations of the retail businesses which increased revenue by €445m (net of eliminations). Retail & Services increased by 51% to €1,500m (€13.9 per passenger), with Real Estate increasing by 3% to €274m (€2.5 per passenger). As passenger volumes declined by 21% and 96% respectively in Q1 and Q2 2020, there has been a sharp decline in non-aeronautical revenue. Retail & Services revenue increased to €297m (20%) in Q1-2020 including the first quarter consolidation benefit of €90m after eliminations (-16.5% excl. consolidation) and declined by 82% in Q2-2020 (no consolidation impact). In H1-2020, Real Estate revenues have remained in line with the prior year.

- International revenue grew by 15% in 2019, largely due to strong performance at TAV airports and the full year consolidation of AIG. There has been a sharp drop in revenue during H1-2020 (-55%), with a rapid deterioration in Q2-2020 (-85%) compared with Q1-2020 (-17%) as passenger volumes dropped sharply.

Groupe ADP (€m)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Aero Revenue	426	480	516	468	443	501	521	464	376	106
Non-Aeronautical Revenue	305	310	325	324	328	465	488	498	380	139
International	145	247	440	109	218	275	344	243	182	42
TOTAL	*876*	*1,037*	*1,281*	*901*	*989*	*1,241*	*1,353*	*1,205*	*938*	*287*
Qtr-on-Qtr Growth										
Revenue					12.9%	19.7%	5.6%	33.7%	-5.2%	-76.9%



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AIRPORT FINANCIAL TRENDS - FRAPORT

- Aeronautical charges at Frankfurt Airport contributed 28% of total Fraport revenue across 2018 and 2019. This is partly due to the scale of contribution from Fraport's international operations. In 2018 and 2019 Fraport achieved aeronautical revenue per passenger of €14.5 and €14.6 respectively. In H1-2020 this increased to €20.7 and reached €59.3 in Q2-2020 for much the same reasons as AENA's aeronautical yield improved (increased cargo traffic and low load factors on commercial flights).

- Non-aeronautical revenue includes commercial activities, such as shops and car parks at Frankfurt Airport, and rental income from airport real estate. In 2018 and 2019 Fraport achieved non-aeronautical revenue per passenger of €17.0 and €17.2 respectively. In H1-2020 this increased to €27.9 which (as with AENA) is likely to result from minimum guaranteed payments from commercial operators and rental income being fixed in the short term which again, may not be sustainable at the current level without significant recovery in traffic at the airport.

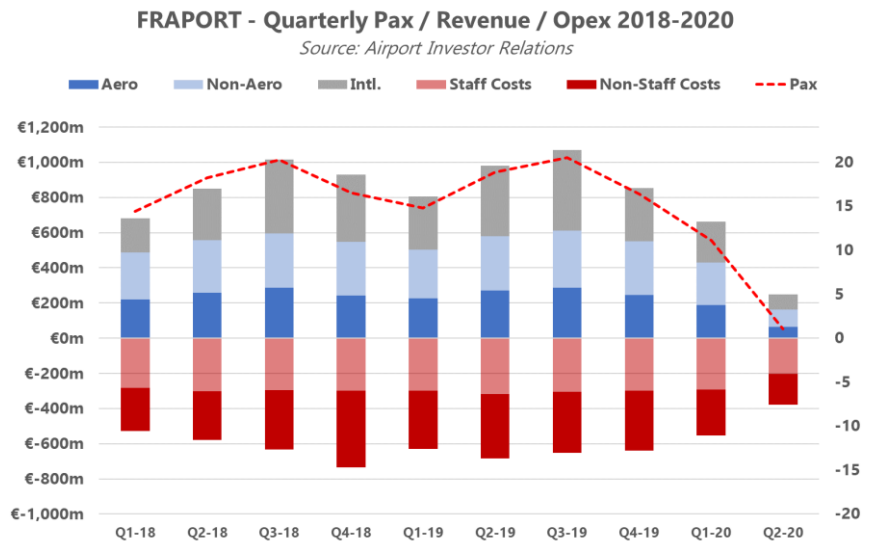
- Income from international operations is a major contributor to Fraport revenue (40% of total revenue in 2019). In line with all airports in 2020, Covid-19 has impacted revenue performance at Fraport's international investments, notably from the regional airports' concession in Greece. In Q2-2020, revenue fell by 80% to €87m versus the corresponding period in 2019 (€400m).

- Fraport operating costs are split between staff (47% of total costs in 2018-19) and non-staff costs. In Q1-2020 operating costs were broadly in line with corresponding quarter in 2019,though scaling back operations in Q2-2020 (such as consolidating operations into Terminal 1 from 7th April) has resulted in significant savings in non-staff costs. In Q2-2020 staff costs had reduced by 64% versus the prior year largely due to a significant scaling back of ground handling operations. Ground handling costs reduced by €50m versus Q1-2020, though the divisional EBITDA losses increased from -€7m in Q1-2020 to -€54m in Q2-2020.

FRAPORT (€m)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Aero Revenue	219	259	285	243	225	270	288	244	189	63
Non-Aeronautical Revenue	269	298	310	305	277	310	323	306	240	100
International	194	294	420	383	302	400	458	304	232	87
TOTAL	*682*	*851*	*1,015*	*931*	*804*	*979*	*1,069*	*854*	*661*	*250*
Staff Costs	-284	-302	-297	-300	-300	-318	-306	-298	-293	-205
Non-staff Costs	-243	-277	-337	-434	-330	-365	-347	-341	-260	-175
TOTAL	*-527*	*-579*	*-634*	*-734*	*-630*	*-684*	*-653*	*-639*	*-553*	*-380*
EBITDA*	175	287	419	249	201	311	437	232	129	-107

Qtr-on-Qtr Growth						
Revenue	17.9%	15.1%	5.3%	-8.3%	-17.8%	-74.5%
Operating Costs	19.4%	18.1%	3.0%	-12.9%	-12.2%	-44.5%
EBITDA	14.8%	8.5%	4.2%	-6.6%	-35.6%	-134.3%

**EBITDA includes impairments and other non-operating revenue and costs*



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AIRPORT FINANCIAL TRENDS - HEATHROW

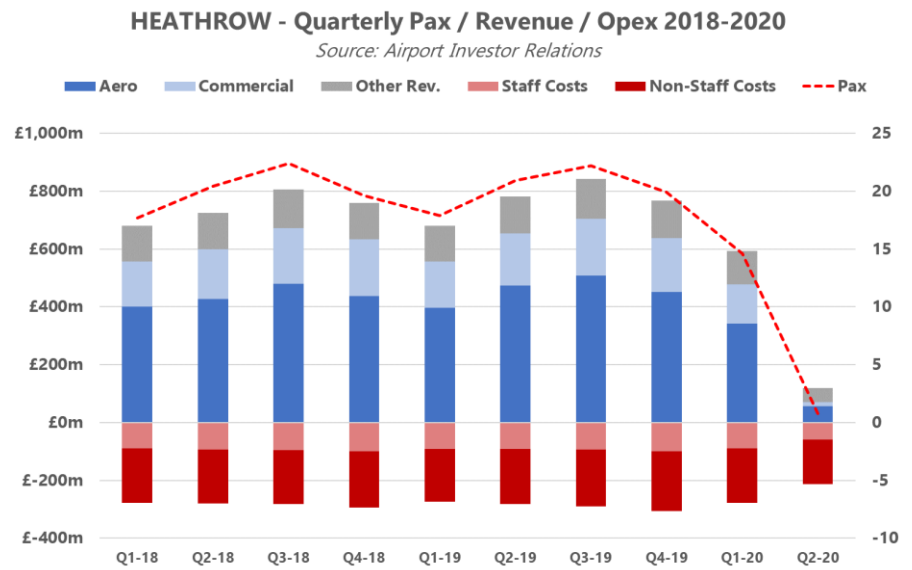
- Aeronautical revenue contributed c. 60% of total revenue at Heathrow in 2018 and 2019. In 2018 aeronautical revenue per passenger was £21.8, which increased to £22.6 in 2019 based on the annual regulatory pricing formula. The 96% decline in passenger volume in Q2-2020 led to a fall in aeronautical revenue of 88%. The difference is accounted for by Heathrow being the major air freight airport in the UK, due to its extensive network served by widebody aircraft. Aeronautical revenues benefitted from freight only or predominantly bellyhold cargo on commercial flights in Q2-2020, which increased the aeronautical yield to £70.0. In April and June 2020, the UK CAA published its thinking on the approach to price setting in H7 (the next regulatory period) given that there is "…no regulatory or commercial precedent to guide how pricing matters should be resolved". The focus is on constructive engagement between the airport and airlines.

- Non-aeronautical revenue comprises; i) Retail and F&B concession, car parking and other commercial revenue, ii) Other revenue which includes real estate and income from Heathrow Express. In 2018 and 2019 Commercial revenue and Other revenue contributed 24% and 17% of total revenue respectively. In 2018 and 2019 Commercial yields were £8.93, and Other revenue just below £6.40 in both years. In Q1-2020 Commercial revenue fell by 15% and by 92% in Q2-2020. Other revenue reduced by 6% and 62% respectively, compared with passenger volumes which were down by 18% and 96% in the first two quarters of 2020.

- Heathrow's cost-base is predominantly non-staff costs, which accounted for 67% of total operating costs in 2018 and 2019. Non-staff costs increased by 4% in Q1-2020 in compared with the prior year, though operational changes in Q2-2020 resulted in a reduction of non-staff costs by -19%. We expect further operational changes to reduce these costs in Q3-2020 given the on-going uncertainty of demand for international air travel. Staff costs were reduced in Q1-2020 (-2%), with further reductions in Q2-2020 (-36%). The reduced demand over the Q3-2020 and fragile recovery will inevitably lead to further reductions in staff costs to reduce cash outflow.

HEATHROW (£m)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Aero Revenue	401	427	479	438	397	474	508	452	342	56
Non-Aeronautical Revenue	156	172	192	196	160	179	197	186	136	14
Other Revenue	123	126	135	125	122	129	136	130	115	49
TOTAL	*680*	*725*	*806*	*759*	*679*	*782*	*841*	*768*	*593*	*119*
Staff Costs	-90	-93	-95	-100	-92	-92	-94	-100	-90	-59
Non-staff Costs	-188	-186	-187	-194	-181	-189	-195	-206	-188	-153
TOTAL	*-278*	*-279*	*-282*	*-294*	*-273*	*-281*	*-289*	*-306*	*-278*	*-212*
EBITDA*	402	446	524	465	406	501	552	462	315	-93
Qtr-on-Qtr Growth										
Revenue					-0.1%	7.9%	4.3%	1.2%	-12.7%	-84.8%
Operating Costs					-1.8%	0.7%	2.5%	4.1%	1.8%	-24.6%
EBITDA					1.0%	12.3%	5.3%	-0.6%	-22.4%	-118.6%

**EBITDA includes impairments and other non-operating revenue and costs*



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AIRPORT FINANCIAL TRENDS - FHWG

- Aeronautical revenue contributed 48% of total revenue at Vienna Airport in 2018 and 2019. In 2019 aeronautical revenue per passenger declined by 8% from €14.1 to €13.0 in 2018, in large part due to additional LCC capacity introduced by Lauda (subsidiary of Ryanair) and Wizz Air at discounted rates. In Q1-2020, aeronautical revenue declined by 9% versus the 20% decline in passenger traffic. In Q2-2020, there was a significant deterioration with revenue falling by 93% as a consequence of the 98% decline in traffic.

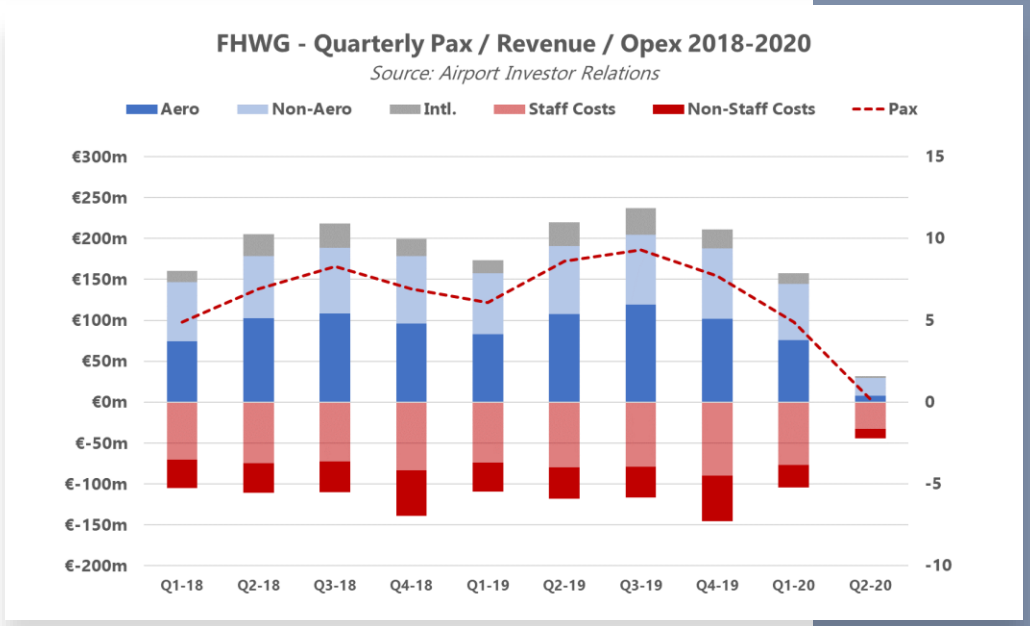
- Non-aeronautical revenue at Vienna Airport includes Handling & Security and Retail & Properties. In 2018 and 2019, these activities accounted for 20% and 18% of total revenue respectively, though with significantly different operating margins (10% and 64% respectively in 2019). Handling & Security generated revenue per passenger of €6.1 and €5.2 in 2018 and 2019. The contribution from Retail & Properties was €5.4 and €5.1 over the two years. Non-aeronautical revenue declined by 8% and 74% respectively in Q1-2020 and Q2-2020, with a sharper reduction in the revenue from Retail & Property (11% and 76%) compared with the decline in Handling & Security over the two quarters (5% and 72%).

- The international business is relatively small at FHWG compared with others in this bulletin. In Q2-2020 the divisional revenue contribution declined to €2m (-93% versus Q2-2019).

- Staff costs accounted for around 65% of total costs at Vienna Airport in 2018 and 2019. Staff costs increased by 7% in 2019 to €323m, with non-staff cost increasing over the same period to €167m (2%). There has been a significant cost reduction programme which started in Q1-2020 and resulted in a 62% fall in operating costs in Q2-2020 versus the same period in 2019. Reduced working hours (despite a stable number of FTEs, excl. new consolidations) and a sharp drop in maintenance expenditure.

FHWG (€m)	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
Aero Revenue	74	103	108	96	83	108	119	102	76	8
Non-Aeronautical Revenue	72	76	80	82	75	83	85	86	69	22
International	14	27	30	21	16	29	33	23	13	2
TOTAL	*160*	*205*	*218*	*200*	*173*	*220*	*237*	*211*	*157*	*31*
Staff Costs	-70	-75	-73	-84	-74	-80	-79	-90	-77	-33
Non-staff Costs	-35	-36	-38	-55	-35	-38	-37	-56	-28	-12
TOTAL	*-105*	*-111*	*-110*	*-139*	*-109*	*-118*	*-117*	*-146*	*-105*	*-44*
EBITDA*	65	103	117	66	72	111	130	72	59	-10
Qtr-on-Qtr Growth										
Revenue					8.3%	7.0%	8.6%	5.5%	-9.3%	-85.7%
Operating Costs					3.7%	6.9%	5.6%	4.9%	-4.3%	-62.4%
EBITDA					10.6%	8.4%	11.5%	8.6%	-17.7%	-109.0%

**EBITDA includes impairments and other non-operating revenue and costs*



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AIRPORT FINANCIAL OUTLOOK - SUMMARY

- Understandably, there is a reluctance on the part of airport executives to commit to full-year expectations given the on-going impact of Covid-19 on air travel. The upper table opposite condenses the 'Outlook' statements that accompanied the H2-2020 financial results. The consensus view is the full year 2020 traffic is likely to be around 65% down on 2019, with a range of +/- 5%, which seems a reasonable assumption given the market uncertainty.

- Adopting the guidance, we have summarized the expected H2-2020 volume (lower table) which indicates that expectations are broadly consistent with the trends of H1-2020, though quarterly trends are reversed; namely that Q1 was much stronger than Q2 performance and Q4 is expected to be much stronger than Q3 (based on July traffic results).

- Full year EBITDA is dependent primarily on traffic volume, and as noted earlier much will depend on the ability of airports to manage operations (and operating costs) in line with volume, especially given that the beneficiaries of government-backed credit facilities are expected to minimize redundancies.

- The government's role in the restoring confidence in the air travel market can not be over-estimated. Ever-changing quarantine responses to changing national rates of Covid-19 infection drain many would-be passenger's enthusiasm for leisure travel. Business travel is likely to take far longer to recover in any case as the 'duty of care' to their employees means that company-sponsored international air travel is restricted at best. IATA has called for governments to grasp the seriousness of the crisis facing the aviation industry and its consequences for their citizens; and IATA urges governments to focus their attention on these key issues. More details can be found at https://www.iata.org/en/pressroom/pr/2020-09-01-03/
    - Re-opening borders
    - Continuing relief measures
    - Global leadership

Airport Group	Traffic Outlook	Financial Outlook
AENA	57% to 67% decline in the low and high case scenarios	No guidance for revenue or EBITDA. Focus on financial ratio which are likely to breach covenants by Dec 2020
Groupe ADP	Decline of around 63% versus 2019	Consolidated revenue decline of €2.0bn – €2.5bn
Heathrow	29.2m passengers, 63.9% down versus 2019	Adj. EBITDA £357m, 81.4% down on 2019
Fraport	FRA – Down in high double-digit % range versus 2019	Revenue – Clear negative development versus 2019 EBITDA - Very clear negative development versus 2019
FHWG	Unable to issue guidance	Unable to issue revenue or EBITDA guidance. Savings planned equivalent to €220m, 25% of planned revenue

Passenger Volumes (m) Guidance 2020	H1 2019A	H2 2019A	*2019A*	H1 2020A	H2 2020F	*2020F*	H1%	H2%	*2020%*
AENA (Spain)	127.9	147.3	**275.2**	43.5	61.1	**104.6**	-66%	-59%	**-62%**
Groupe ADP (CDG & ORY)	52.3	55.7	**108.0**	19.8	20.2	**40.0**	-62%	-64%	**-63%**
Heathrow (LHR)	38.8	42.1	**80.9**	15.4	13.8	**29.2**	-60%	-67%	**-64%**
Fraport (FRA)	33.6	36.9	**70.6**	12.2	12.5	**24.7**	-64%	-66%	**-65%**
FHWG (VIE)	14.7	17.0	**31.7**	5.1	6.0	**11.1**	-65%	-65%	**-65%**