



# Heathrow (SP) Limited

## Results for nine months ended 30 September 2015

28 October 2015

**Heathrow**  
Making every journey better



# 2015 nine month highlights

Michael Uzielli, CFO

**Heathrow**

*Making every journey better*

# Continued strong performance in 2015

1

## Operational highlights

- Busiest ever summer with over quarter of a million passengers on five separate days
- Service quality well ahead of European hubs

2

## Financial performance

- Revenue up 4.1% to £2.1 billion and EBITDA up 4.4% to £1.2 billion
- Robust results with good cost control
- Over £1.2 billion funding raised globally in 2015

3

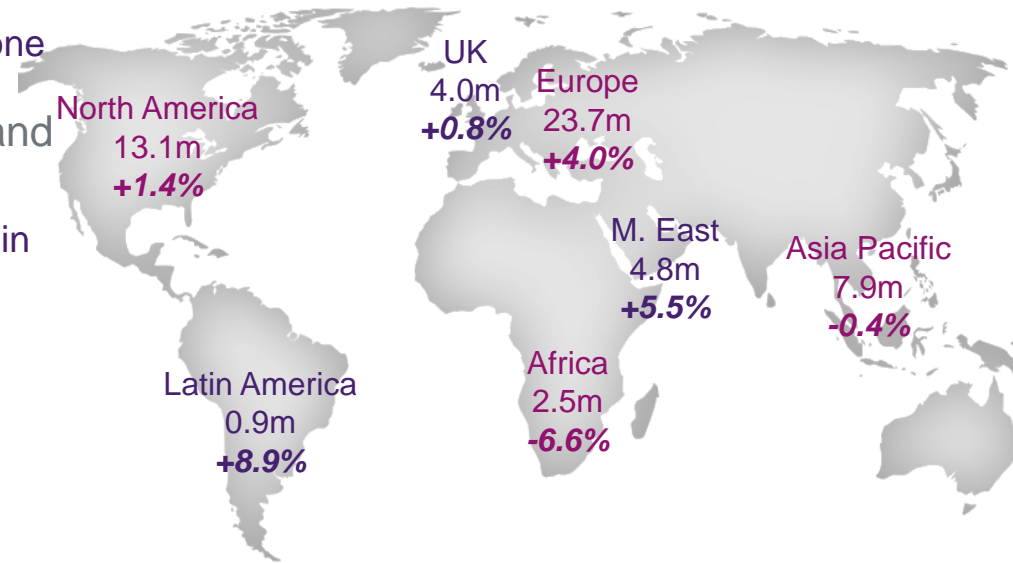
## Strategic aims

- Giving passengers the best airport service in the world
- Delivery of cost efficiency and revenue initiatives
- Strong momentum for expansion

# Traffic growth from increased seat capacity

- Significant European seat capacity growth
  - over one million more seats on European flights
  - nearly 0.6 million more passengers in Q3 alone
- Intercontinental traffic from more flights and larger planes
  - Middle East growth from continued increase in aircraft size
  - North America passenger growth stable
  - Latin America benefits from new Avianca service to Colombia
  - 8 airlines operating A380s at Heathrow with 24 daily flights
- Given strong summer performance, 2015 traffic forecast is around 75 million passengers

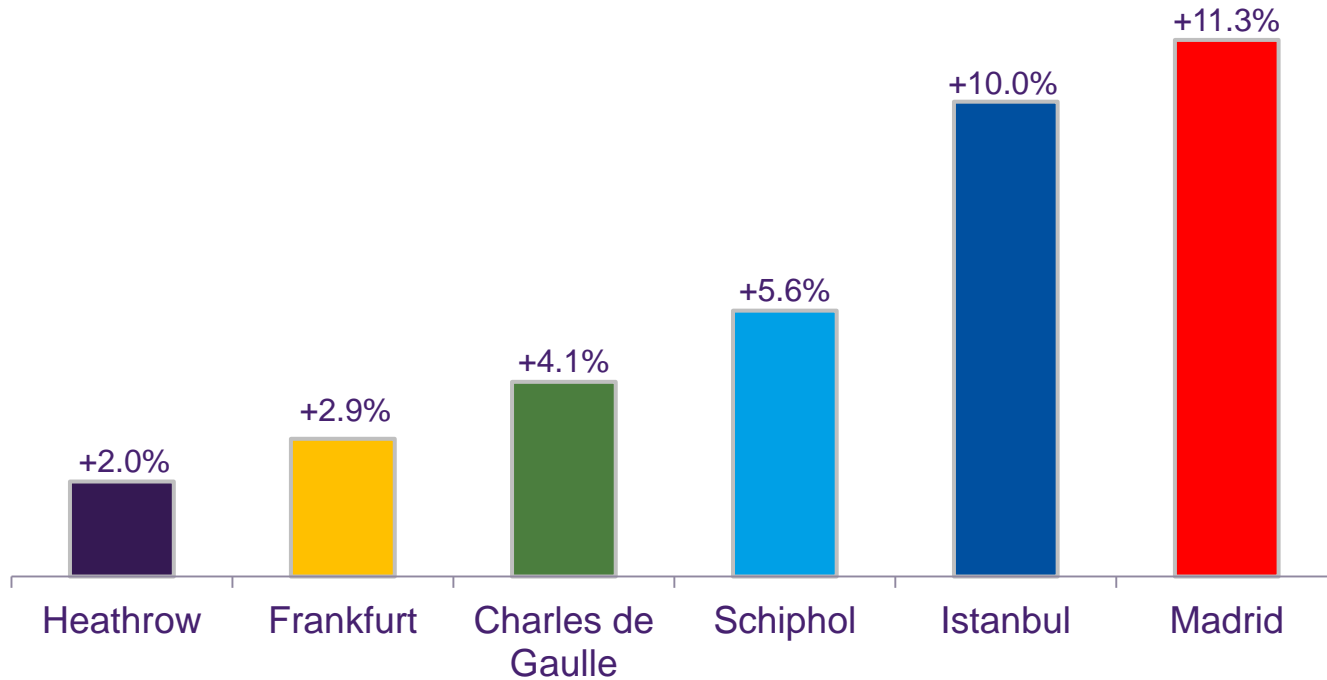
## Passenger traffic by market 9M 2015 versus 9M 2014



**56.9 million passengers**  
**+2.3%**

# Capacity constraints holding back UK growth

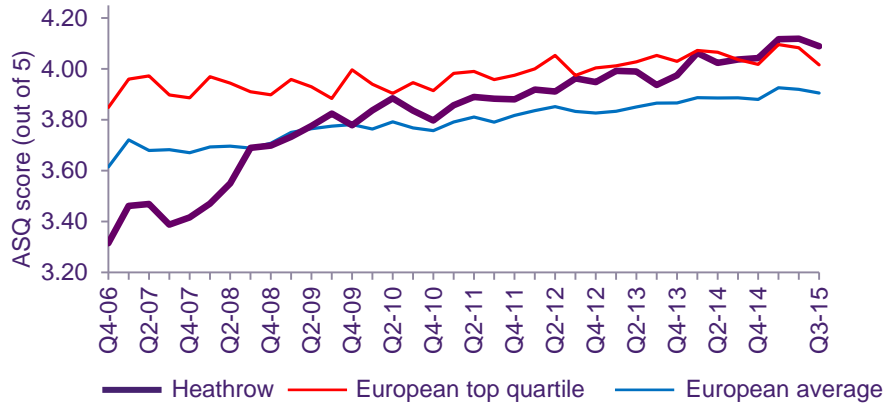
**Passenger traffic at European hubs**  
12 months to 30 September 2015



|                       |             |             |             |             |             |             |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Passengers (m)</b> | <b>74.6</b> | <b>61.2</b> | <b>65.8</b> | <b>57.3</b> | <b>60.9</b> | <b>45.6</b> |
| <b>Runways</b>        | <b>2</b>    | <b>4</b>    | <b>4</b>    | <b>6</b>    | <b>3</b>    | <b>4</b>    |

# Passenger satisfaction well ahead of European hubs

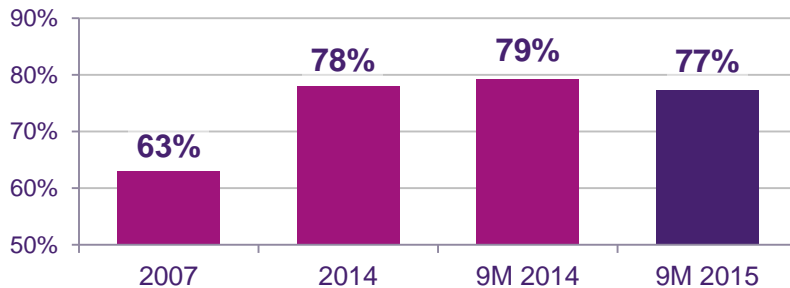
**Quarterly passenger satisfaction**  
Q4 2006 – Q3 2015



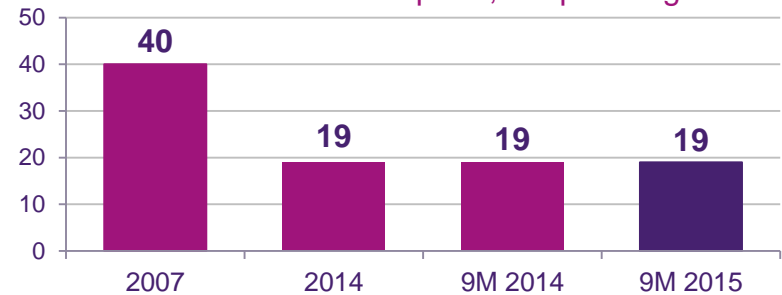
**Passenger satisfaction European ranking**  
Q3 2015



**Departures**  
within 15 minutes of schedule



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



**2015 Europe's Best Airport**  
(over 25 million passengers)

**2015 Eco-innovation award: Heathrow**



**Best Airport in Western Europe**

**World's Best Airport Shopping**

**Terminal 5 – World's Best Airport Terminal**

# Service transformation supported by long-term investment

- Faster journeys through Heathrow and improved passenger facilities
  - parallel loading security lanes in T4 and T5
  - Terminal 3 Integrated Baggage
  - new generation biometric eGates at Border Control
- Improving operational resilience and efficiency
  - 30x A380 stands for larger, quieter, cleaner planes
  - time-based separation
  - enhanced Instrument Landing System
- Innovation to reduce environmental impact
  - change operating procedures: single engine taxiing
  - increasingly quieter aircraft
  - steeper approach trials began in September 2015



Terminal 3 Integrated Baggage facility



Blueprints for a sustainable Heathrow

**Heathrow**  
Making every journey better



## Financial review



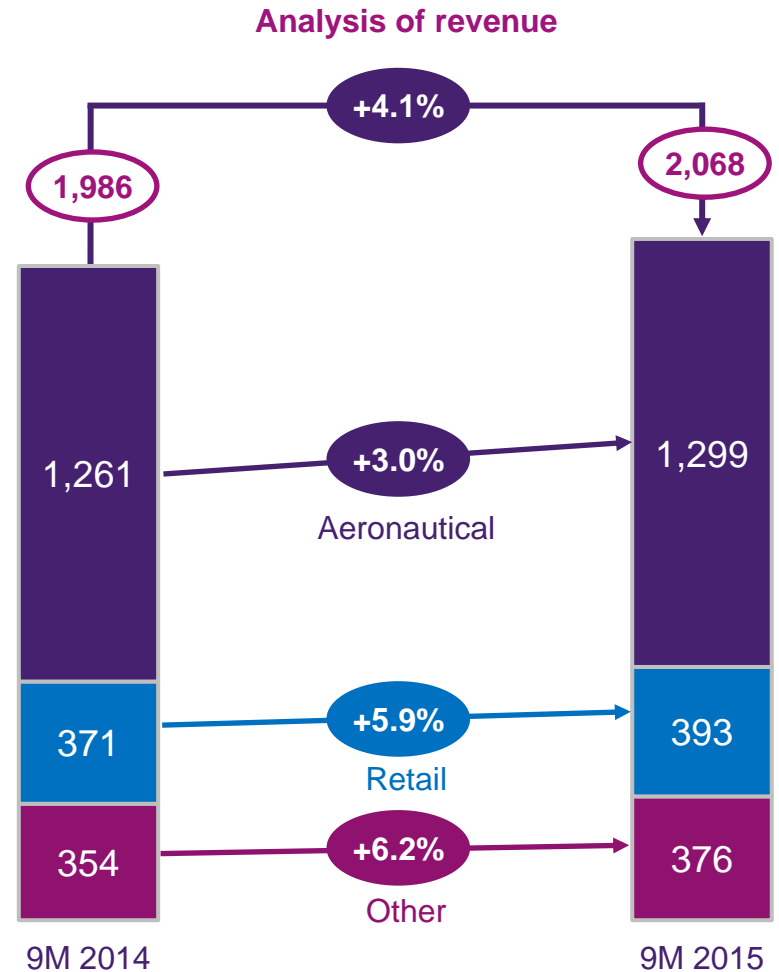
# Financial highlights

| (£ million)                   | 9M<br>2015  | 9M<br>2014  | Versus<br>9M 2014        |
|-------------------------------|-------------|-------------|--------------------------|
| Revenue                       | 2,068       | 1,986       | +4.1%                    |
| Operating costs <sup>1</sup>  | 844         | 814         | +3.7%                    |
| EBITDA <sup>1</sup>           | 1,224       | 1,172       | +4.4%                    |
| Capital expenditure           | 474         | 689         | -31.2%                   |
|                               | Sep<br>2015 | Dec<br>2014 | Change<br>from<br>Dec 14 |
| Consolidated nominal net debt |             |             |                          |
| Heathrow (SP)                 | 11,720      | 11,653      | +0.6%                    |
| Heathrow Finance              | 12,720      | 12,560      | +1.3%                    |
| RAB                           | 14,891      | 14,860      | +0.2%                    |

<sup>1</sup> Operating costs are pre-exceptional items and exclude depreciation & amortisation. EBITDA is pre-exceptional items and excludes interest, tax, depreciation, amortisation and certain re-measurements.

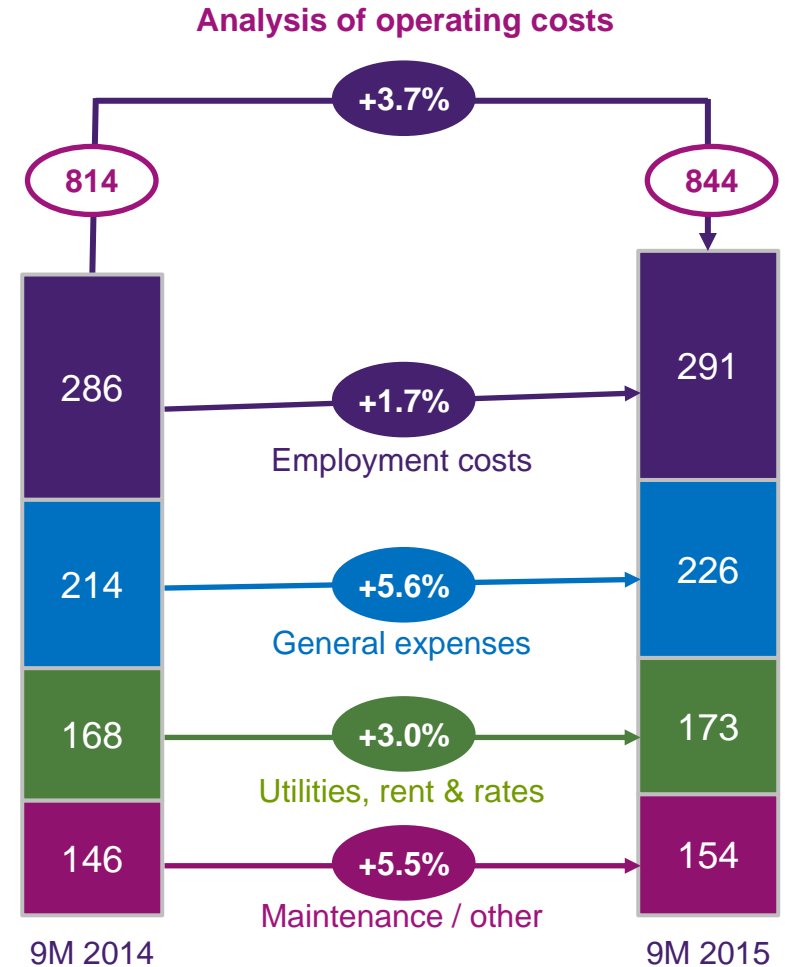
# Solid revenue performance

- Aeronautical revenue driven by volume
  - £45 million from traffic and tariff changes
  - absence of capital triggers partly largely offsets non-recurrence of substantial K factor
- Strong retail performance. Net retail income per passenger up 5.0%
  - car parking continues to grow with additional capacity and yield management
  - T5 luxury retail and World Duty Free expanded
  - higher catering income in Terminal 2 and Terminal 5 outlets
- Revenue growth moderating in second half
  - reflecting concentration of nine months tariff increase into final six months of 2014



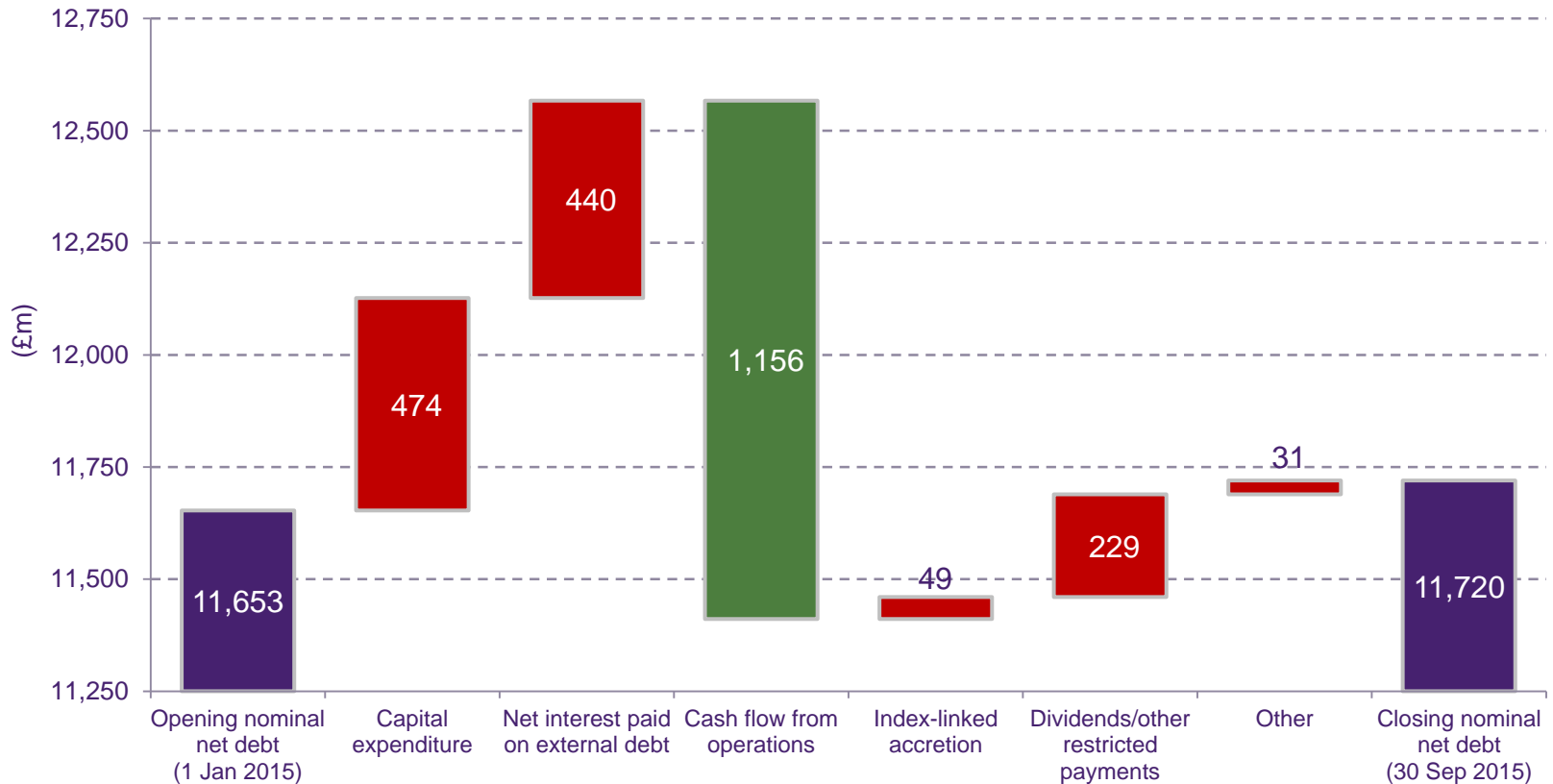
# Continued focus on cost efficiencies

- Downward trend in underlying costs
  - underlying costs adjust for ~£30 million related to Terminal 2, Terminal 3 Integrated Baggage and expansion planning
- Performance reflects delivery of efficiencies
  - improved supplier agreements
  - increased productivity and headcount reduction
  - early closure of Terminal 1 on 30 June
- Further efficiencies to flow through
  - voluntary severance programme
  - DB pension scheme changes
  - focus on securing remaining cost initiatives



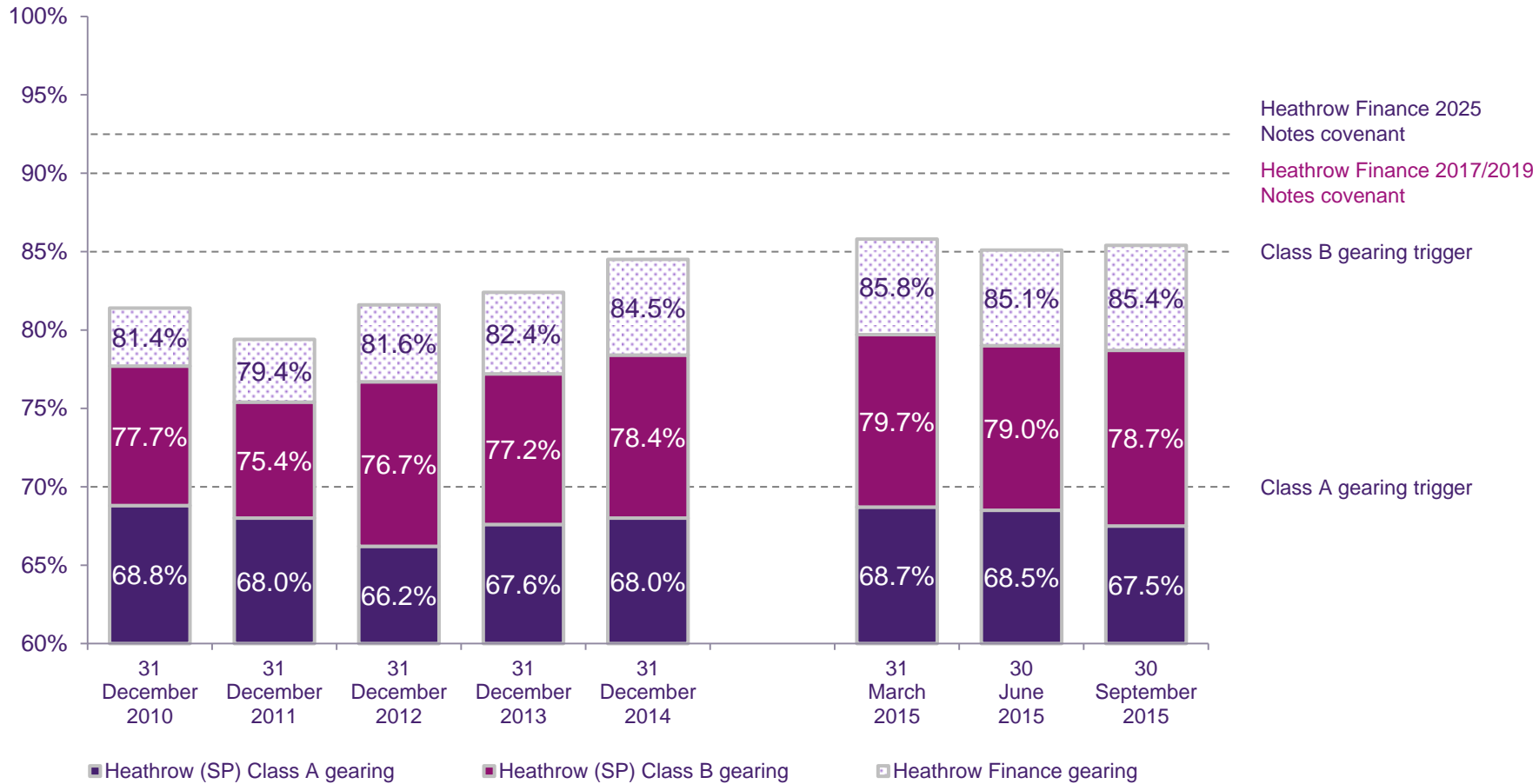
# Operating cash flow significantly exceeds capital expenditure and interest payments

**Heathrow (SP) net debt bridge**  
January 2015 – September 2015



# Buffer to triggers and covenants maintained

## Evolution of gearing ratios



# Over £1.2 billion long-term funding raised globally this year, strengthening Heathrow's financing position

- 2015 funding extends duration, diversifies sources of funding and increases resilience
- Over £800 million in two public bond issuances
- £300 million in long-term private placements
- £100 million in Heathrow Finance loans
- Over £600 million in Heathrow Funding bonds matured in June
- ~£50 million buyback programme of Heathrow Finance notes completed
- Liquidity horizon extends to March 2017

# Strong performance in 2015

- Record passenger satisfaction and strong operational performance with busiest days ever
- Robust financial performance, driven by initiatives to 'beat the plan'
- Substantial investor appetite globally for Heathrow: over £1.2 billion funding raised
- Given strong summer, 2015 traffic likely to be around 75 million passengers
- 2015 EBITDA forecast of £1.6 billion reflects strong traffic growth, good retail revenue and cost control



# Strategic update



# Giving passengers the best airport service in the world

1

Mojo

2

Transform  
customer service

3

Beat the plan

4

Win support for  
expansion

## Delivered

- ✓ Share in Success saver plan
- ✓ Runway marathon
- ✓ Health gateway

- ✓ Security improvements
- ✓ e ILS
- ✓ New generation eGates

- ✓ Pensions changes
- ✓ T5 independent airport lounge
- ✓ Security voluntary severance

- ✓ Airports Commission clear and unanimous recommendation
- ✓ Initiated supply chain engagement

## To come

- Flexible benefits
- Pulse survey
- Duke of Edinburgh Diamond Partnership
  
- Smoother T5 transfers
- T3 Integrated Baggage robots
- Expanded T5 Fastrack
  
- More great stores in T5: Chanel in December
- Second T5 independent lounge
  
- Government response
- Traffic surveys
- Continued work with community
- Airline engagement

# Strong momentum for expansion

- Government remain committed to response before the end of the year
  - planning consent process to take four years, aiming for Secretary of State approval in 2019
- Construction begins after planning consent
  - construction assumed from 2020, runway operational from 2025
  - further development phases through to 2030, building in timing optionality on capital programme
- £16 billion expansion programme includes:
  - 3,500 metre North West runway, main terminal building and satellite, baggage facilities and track transit, community compensation and land purchase
- No substantial change to funding levels expected until 2019
  - pre-construction spend expected to be in £100s millions, phased investment over 10 years
- Ensuring we are ready for planning consent process
  - engaging with supply chain to identify current and future skills need
  - conducting road traffic survey
  - ongoing engagement with local communities
- Continue to work with Government and stakeholders on the best way to jointly deliver Heathrow expansion

# Expansion builds on solid foundations of Heathrow credit

1

Strong and resilient asset

- Overwhelming evidence of strength of demand to operate at Heathrow
- Case for expansion builds on existing strengths

2

Stable regulatory framework

- RAB-based regulation appropriate
- Stable regulation key to support future investment

3

Strong set of creditor protections

- Existing financing platform demonstrably scalable
- Intend to target current investment grade credit ratings
- Backing of all shareholders

Questions?



## Appendices

# Heathrow nominal net debt at 30 September 2015

| Heathrow (SP) Limited                | Amount        | Available     | Maturity |
|--------------------------------------|---------------|---------------|----------|
| Senior debt                          | (£m)          | (£m)          |          |
| £300m 12.45%                         | 300           | 300           | 2016     |
| €500m 4.125%                         | 434           | 434           | 2016     |
| €700m 4.375%                         | 584           | 584           | 2017     |
| CHF400m 2.5%                         | 272           | 272           | 2017     |
| €750m 4.6%                           | 510           | 510           | 2018     |
| 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%                     | 195           | 195           | 2022     |
| €600m 1.875%                         | 490           | 490           | 2022     |
| £750m 5.225%                         | 750           | 750           | 2023     |
| C\$500m 3.25%                        | 266           | 266           | 2025     |
| £700m 6.75%                          | 700           | 700           | 2026     |
| NOK1,000m 2.65%                      | 84            | 84            | 2027     |
| £200m 7.075%                         | 200           | 200           | 2028     |
| €750m 1.5%                           | 566           | 566           | 2030     |
| £900m 6.45%                          | 900           | 900           | 2031     |
| €50m Zero Coupon (1)                 | 42            | 42            | 2032     |
| £75m RPI +1.366%                     | 77            | 77            | 2032     |
| €50m Zero Coupon (2)                 | 42            | 42            | 2032     |
| £50m 4.171%                          | 50            | 50            | 2034     |
| €50m Zero Coupon (3)                 | 40            | 40            | 2034     |
| £50m RPI +1.382%                     | 51            | 51            | 2039     |
| £460m RPI +3.334%                    | 553           | 553           | 2039     |
| £100m RPI +1.238%                    | 101           | 101           | 2040     |
| £750m 5.875%                         | 750           | 750           | 2041     |
| £750m 4.625%                         | 750           | 750           | 2046     |
| £75m RPI +1.372%                     | 77            | 77            | 2049     |
| <b>Total senior bonds</b>            | <b>10,151</b> | <b>10,151</b> |          |
| Term debt                            | 328           | 328           | Various  |
| Index-linked derivative accretion    | 302           | 302           | Various  |
| Revolving/working capital facilities | 0             | 1,100         | 2020     |
| <b>Total other senior debt</b>       | <b>630</b>    | <b>1,730</b>  |          |
| <b>Total senior debt</b>             | <b>10,781</b> | <b>11,881</b> |          |
| Heathrow (SP) Limited cash           | (731)         |               |          |
| <b>Senior net debt</b>               | <b>10,050</b> |               |          |

| Heathrow (SP) Limited                       | Amount        | Available    | Maturity |
|---|---------------|--------------|----------|
| Junior debt                                 | (£m)          | (£m)         |          |
| £400m 6.25%                                 | 400           | 400          | 2018     |
| £400m 6%                                    | 400           | 400          | 2020     |
| £600m 7.125%                                | 600           | 600          | 2024     |
| £155m 4.221%                                | 155           | 155          | 2026     |
| £115m RPI+1.061%                            | 115           | 115          | 2036     |
| <b>Total junior bonds</b>                   | <b>1,670</b>  | <b>1,670</b> |          |
| Junior revolving credit facilities          | 0             | 450          | 2018/20  |
| <b>Total junior debt</b>                    | <b>1,670</b>  | <b>2,120</b> |          |
| <b>Heathrow (SP) Limited group net debt</b> | <b>11,720</b> |              |          |

| Heathrow Finance plc                   | Amount       | Available    | Maturity |
|--|--------------|--------------|----------|
|  | (£m)         | (£m)         |          |
| £325m 7.125%                           | 293          | 293          | 2017     |
| £275m 5.375%                           | 263          | 263          | 2019     |
| £250m 5.75%                            | 250          | 250          | 2025     |
| <b>Total bonds</b>                     | <b>806</b>   | <b>806</b>   |          |
| £78m                                   | 78           | 78           | 2019     |
| £25m                                   | 25           | 25           | 2020     |
| £50m                                   | 50           | 50           | 2022     |
| £50m                                   | 50           | 50           | 2025     |
| <b>Total loans</b>                     | <b>203</b>   | <b>203</b>   |          |
| <b>Total Heathrow Finance plc debt</b> | <b>1,009</b> | <b>1,009</b> |          |
| Heathrow Finance plc cash              | (9)          |              |          |
| <b>Heathrow Finance plc net debt</b>   | <b>1,000</b> |              |          |

| Heathrow Finance plc group                 | Amount        | Available     |
|--|---------------|---------------|
|  | (£m)          | (£m)          |
| Heathrow (SP) Limited senior debt          | 10,781        | 11,881        |
| Heathrow (SP) Limited junior debt          | 1,670         | 2,120         |
| Heathrow Finance plc debt                  | 1,009         | 1,009         |
| <b>Heathrow Finance plc group debt</b>     | <b>13,460</b> | <b>15,010</b> |
| Heathrow Finance plc group cash            | (740)         |               |
| <b>Heathrow Finance plc group net debt</b> | <b>12,720</b> |               |

# Notes, sources and defined terms

- Page 3
  - EBITDA refers to Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 5
  - Sources: airport websites
- Page 6
  - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 0 up to 5
- Page 9
  - Revenue, adjusted operating costs and Adjusted EBITDA are in respect of continuing operations only
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - 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 11
  - Operating costs refer to Adjusted operating costs that exclude depreciation, amortisation and exceptional items
- Page 12
  - Opening and closing nominal net debt includes index-linked accretion
  - 'Other' movements mainly reflects £27 million decrease in amount owed to LHR Airports Limited. Other flows included in 'Other' include group relief payments, fees paid in relation to bond issues and discounts on bonds issued
- Page 13
  - 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 2017 Notes and 2019 Notes applies as long as these notes remain outstanding
- Page 22
  - 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 Maturity Date

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# Heathrow

*Making every journey better*