



Heathrow (SP) Limited

Results for three months ended 31 March 2016

21 April 2016

Heathrow
Making every journey better



Q1 2016 highlights

Michael Uzielli, CFO

Heathrow

Making every journey better

Strong start to 2016

1

Operational highlights

- High service standards complement strong operational performance
- Heathrow once again voted 'Best Airport in Western Europe'

2

Financial performance

- Revenue of £642 million, up 3.2% and EBITDA of £367 million, up 7.3%
- Strong cost control and better value
- £500 million raised globally so far in 2016

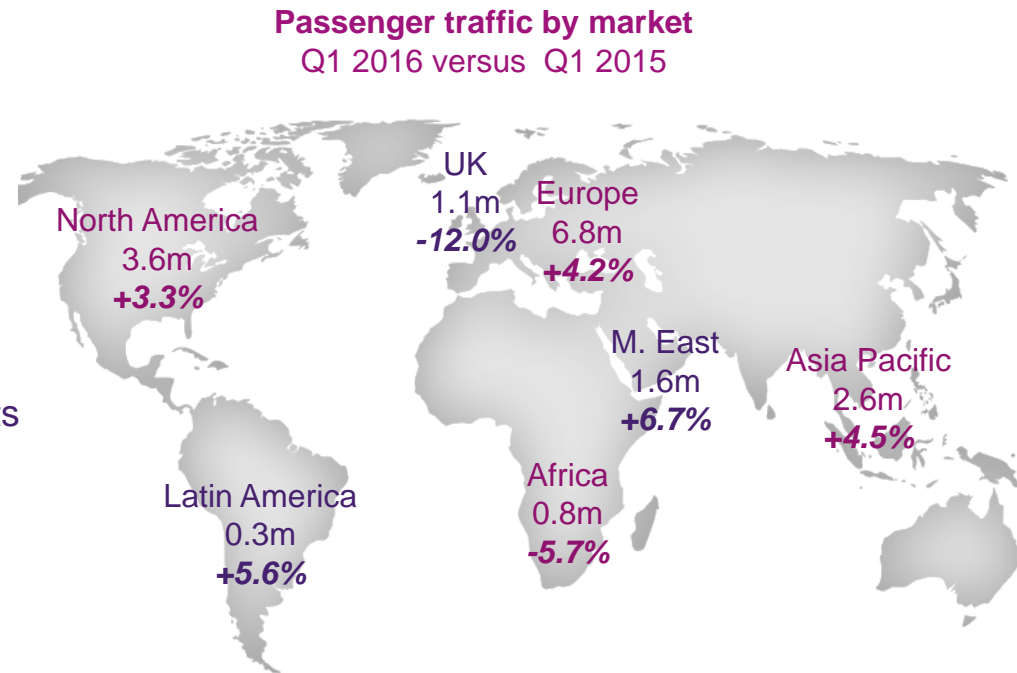
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Strategic aims

- Raising service standards and operational resilience
- Government decision on Heathrow expansion expected in summer

Demand to fly from Heathrow continues to grow

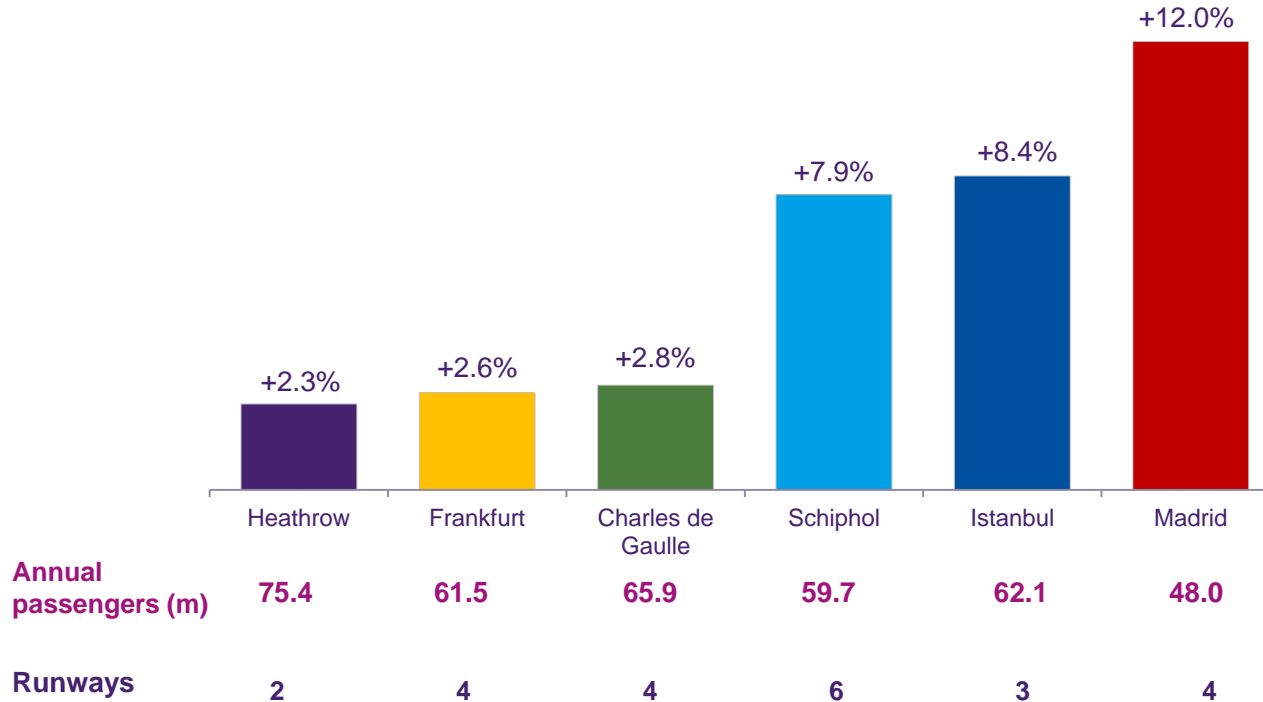
- Record traffic persists in 2016
 - growth from larger and fuller planes
 - leap year and early Easter add >1.0%
- Short haul growth from European flights
 - UK traffic reflects end of Virgin Little Red services in 2015
 - European routes benefit from increased seats
- Long haul traffic grows as new airlines move to Heathrow
 - Garuda Airlines follows in steps of Vietnam Airlines and moves from Gatwick
 - more frequencies on North America
 - increased capacity to Middle East
- 75.7 million passenger forecast in 2016
 - up 1.0% reflecting modest underlying growth and leap year effect



16.8 million passengers
+2.6%

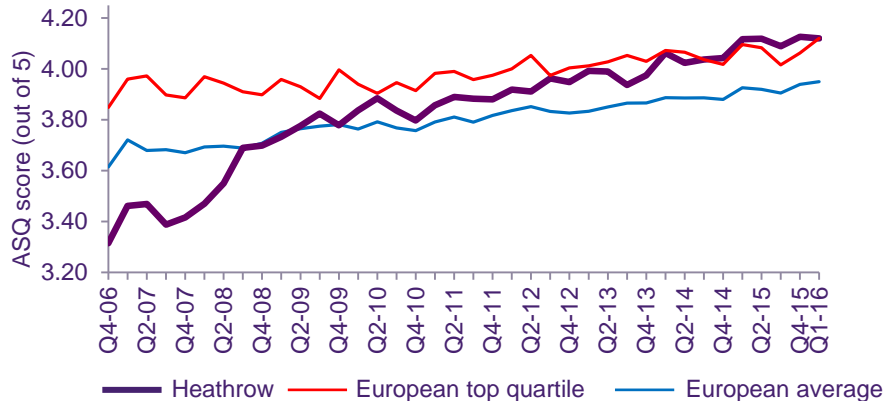
Constraints hold back growth at Heathrow

Passenger traffic at European hubs
12 months to 31 March 2016

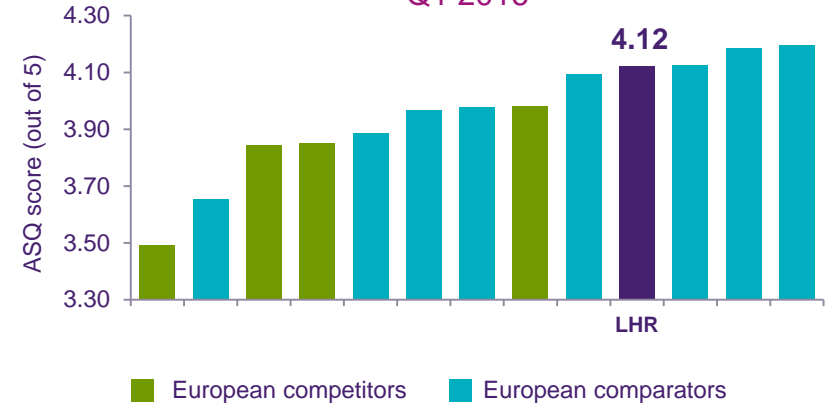


High service standards complemented by robust operations

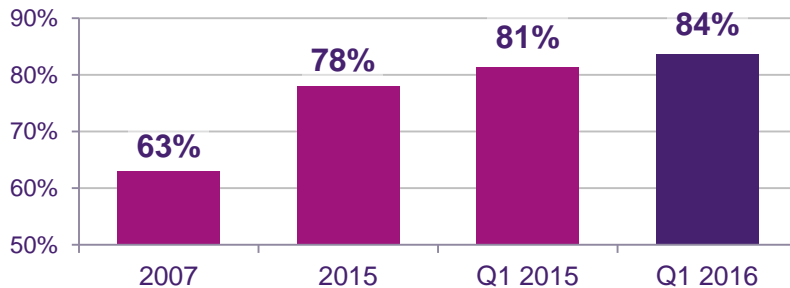
Quarterly passenger satisfaction
Q4 2006 – Q1 2016



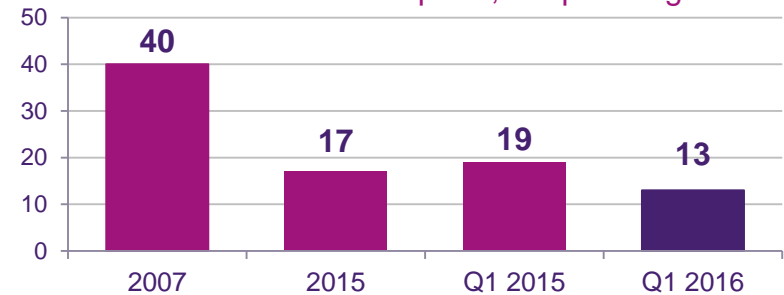
Passenger satisfaction European ranking
Q1 2016



Departures
within 15 minutes of schedule



Baggage performance
misconnect rate per 1,000 passengers



2016 Europe's Best Airport
(over 40 million passengers)



Best Airport in Western Europe
World's Best Airport Shopping
Terminal 5 – World's Best Airport Terminal



Financial review

Financial highlights

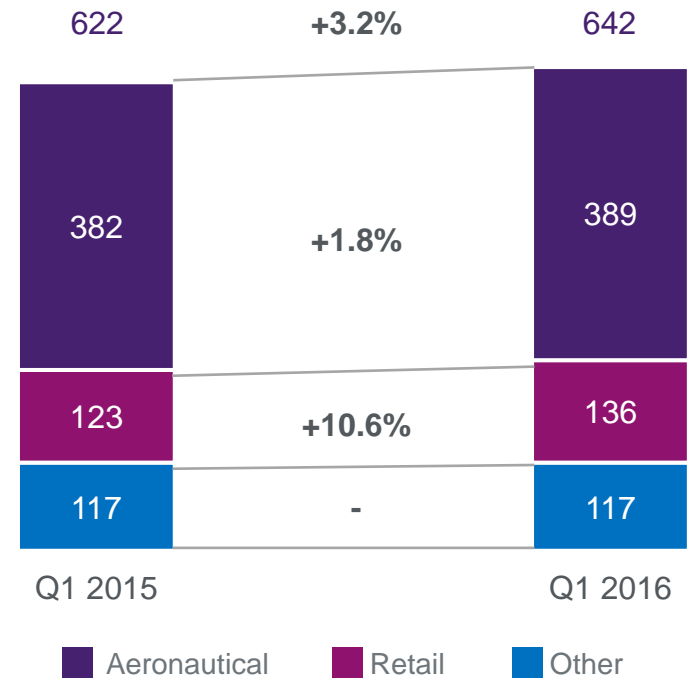
(£ million)	Q1 2016	Q1 2015	Versus Q1 2015
Revenue	642	622	+3.2%
Operating costs ¹	275	280	-1.8%
EBITDA ¹	367	342	+7.3%
Capital expenditure	144	161	-10.6%
	Mar 2016	Dec 2015	Change from 31 Dec 15
Consolidated nominal net debt			
Heathrow (SP)	11,884	11,745	1.2%
Heathrow Finance	12,785	12,670	0.9%
RAB	14,911	14,921	-0.1%

¹ Operating costs and EBITDA are pre-exceptional items and exclude depreciation & amortisation. EBITDA also excludes interest and tax

Strong revenue performance

- Aeronautical revenue driven by traffic
 - 2.6% traffic growth contributes £10 million
 - (0.8%) lower yield with headline tariff reduction
- Retail performance strong
 - boost from retail investments in T5
 - leap year and early Easter contributing to rise
 - car parking continues to grow
- Ongoing delivery of target £270 million
 - benefits of projects delivered in 2015
 - airline and rail promotions
- Rate of growth to taper through 2016
 - effect of leap year and early Easter to diminish through the year

Analysis of revenue (£m)

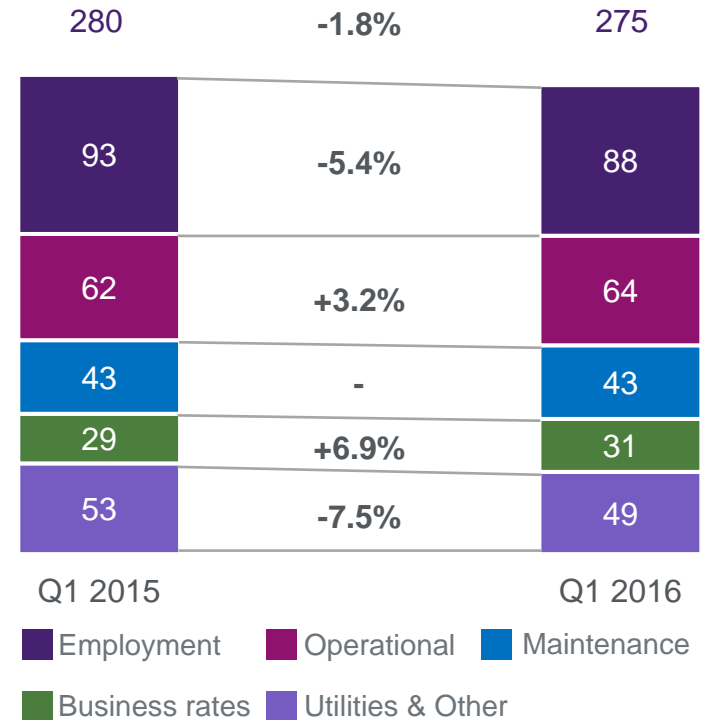


Per passenger (£)	Q1 2015	Q1 2016	Change
Aeronautical revenue	23.35	23.17	-0.8%
Retail revenue	7.52	8.10	+7.7%

Benefits of cost efficiencies flow through

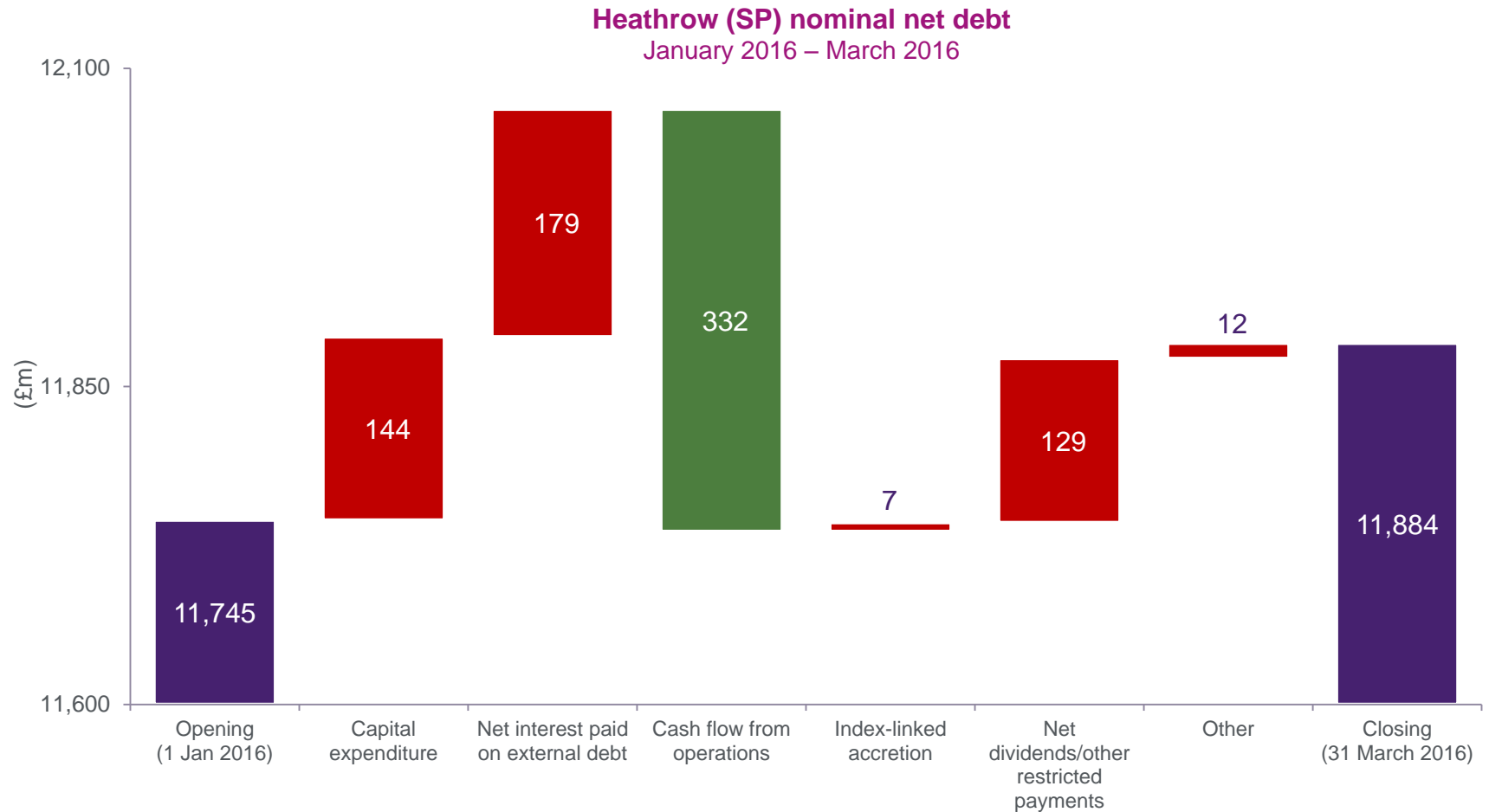
- 4% lower operating cost per passenger
 - benefits from lower headcount and increased productivity
 - defined benefit pension scheme changes
 - energy savings
- Ongoing delivery of target £600 million
 - all major contracts now renegotiated
 - further voluntary severance
 - benefits of pay deal
- Costs to reduce ~3% in 2016
- Increased investment in resilience and training

Analysis of operating costs (£m)



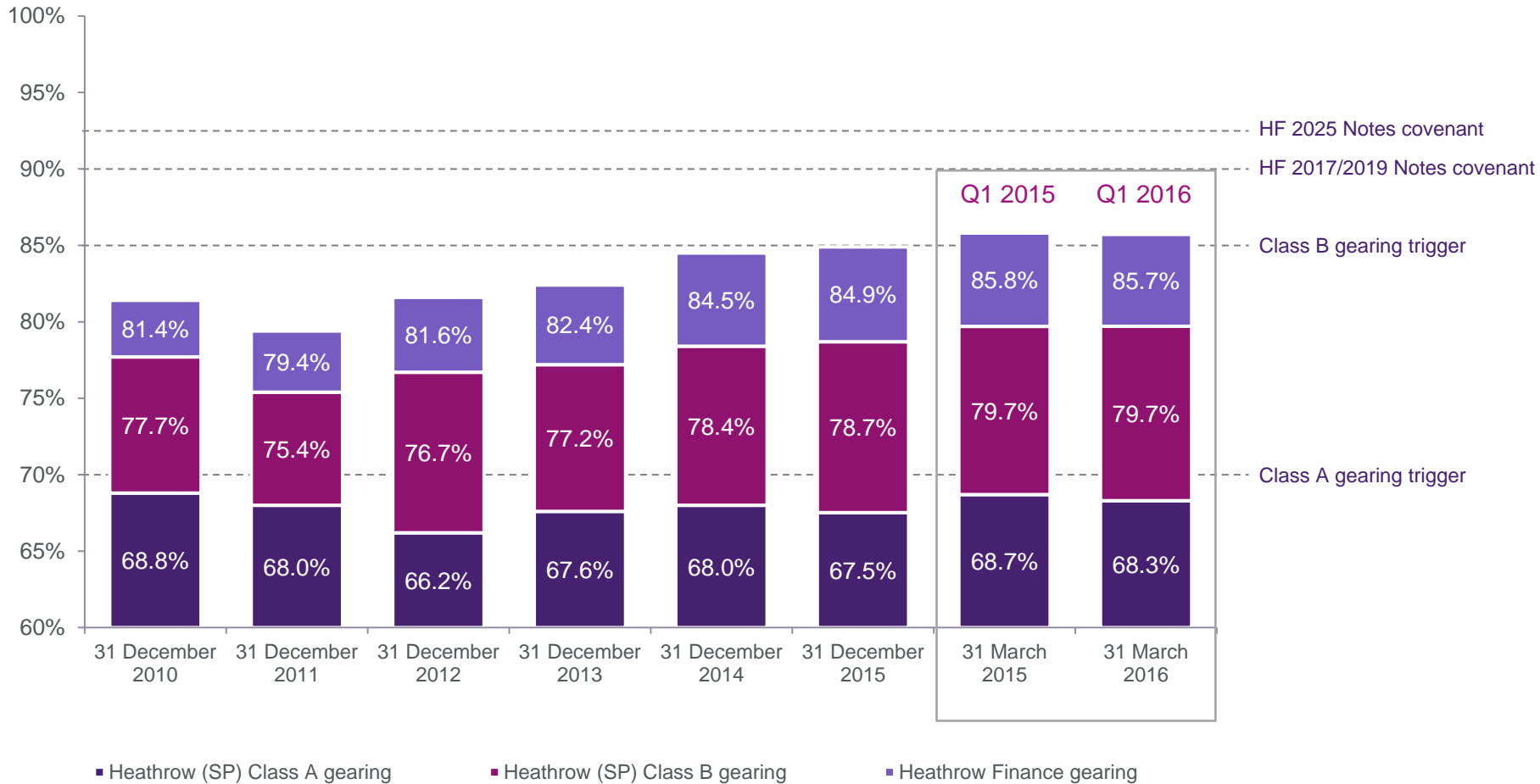
Per passenger (£)	Q1 2015	Q1 2016	Change
Operating costs	17.12	16.38	-4.3%

Net debt evolution reflects seasonality of cash flow



Substantial gearing headroom remains despite seasonality

Evolution of gearing ratios



Heathrow financing in 2016

- Nearly £500 million raised since the beginning of 2016
 - public markets accessed with a successful CHF400 million 8.25 year bond
 - £90 million private placement , maturing in August 2032 to be drawn in August 2016
 - £125 million Heathrow Finance 7-10 year loan facilities agreed with drawdown in 2017
- £300 million bond matured and repaid on 31 March 2016
- Funding for remainder of 2016 expected to be under £1 billion

Outlook

- EBITDA forecast for 2016 of £1,665 million
- Revenue growth around 1%, mainly reflects modest traffic growth and further benefits from commercial revenue initiatives
- Cost control forecast to reduce operating costs by approximately 3%
- EBITDA growth will taper through 2016 as effects of leap year and early Easter diminish



Strategic update

Giving passengers the best airport service in the world

1

Mojo

Delivered

- ✓ Family Friendly Silver Award
- ✓ More than £0.5 million raised for Oxfam
- ✓ Over 5,000 at careers fair

To come

- Heathrow 70th anniversary
- Flexible benefits
- Midnight marathon

2

Transform customer service

- ✓ T3IB fully operational
- ✓ Smoother transfers with T5 escalator
- ✓ 2,565 training courses complete
- ✓ Skytrax Awards: as voted by passengers

- Improve resilience with upgraded taxiways and T5 baggage system
- T5 First Class direct access
- New eGates in T3/T4

3

Beat the plan

- ✓ Three year pay deal
- ✓ Better value utilities contracts
- ✓ Joint marketing with airlines

- T4 departure lounge refurbishment
- Workforce efficiencies
- T5 food & beverage refresh

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Win support for expansion

- ✓ Garuda moves to Heathrow
- ✓ Key programme client partners appointed

- Government decision in summer
- Architect concepts

Questions?



Appendices

Heathrow nominal net debt at 31 March 2016

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
€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
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
£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%	78	78	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%	52	52	2039
£460m RPI +3.334%	555	555	2039
£100m RPI +1.238%	101	101	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	78	78	2049
Total senior bonds	10,133	10,133	
Term debt	379	379	Various
Index-linked derivative accretion	177	177	Various
Revolving/working capital facilities	0	1,100	2020
Total other senior debt	556	1,656	
Total senior debt	10,689	11,789	
Heathrow (SP) Limited cash	(500)		
Senior net debt	10,189		

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
Total junior bonds	1,670	1,670	
Junior revolving credit facilities	25	375	2018/20
Total junior debt	1,695	2,045	
Heathrow (SP) Limited group net debt	11,884		

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
Total bonds	806	806	
£25m	25	25	2020
£50m	50	50	2020
£50	50	50	2022
£50m	50	50	2025
Total loans	175	175	
Total Heathrow Finance plc debt	981	981	
Heathrow Finance plc cash	(80)		
Heathrow Finance plc net debt	901		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,689	11,789
Heathrow (SP) Limited junior debt	1,695	2,045
Heathrow Finance plc debt	981	981
Heathrow Finance plc group debt	13,365	14,815
Heathrow Finance plc group cash	(580)	
Heathrow Finance plc group net debt	12,785	

Notes, sources and defined terms

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- EBITDA refers to Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items

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- Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 0 up to 5

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- 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

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- Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation and exceptional items

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- Opening and closing nominal net debt includes index-linked accretion
- 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
- Flows included in 'Other' include group relief receipts, external tax payments, fees paid in relation to bond issues and discounts on bonds issued

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- 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

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- 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