



# Heathrow (SP) Limited

## Results for three months ended 31 March 2017

27 April 2017

**Heathrow**  
Making every journey better



## Q1 2017 highlights

# Strong start to 2017

1

## Operational highlights

- Record service standards complement strong operational performance
- Skytrax best Airport in Western Europe for third consecutive year
- Record 17.2 million passengers, up 2.2% and strong cargo growth, up 7.3%

2

## Financial performance

- Revenue of £655 million, up 2.0% and Adjusted EBITDA of £382 million, up 4.1%
- Strong cost control and better value
- Close to £170 million raised globally so far in 2017

3

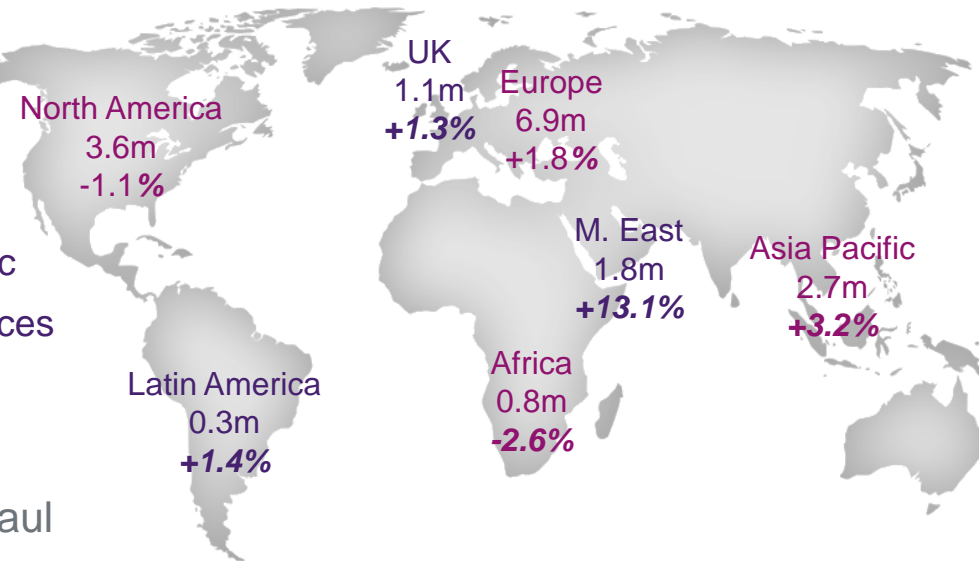
## Strategic aims

- Raising service standards and operational resilience
- Focusing on further cost efficiency and revenue development
- Expansion moves into delivery mode

# Strongest traffic growth for several years

- Record traffic continues into 2017
  - growth primarily from fuller planes
  - 4-5% underlying growth, adjusted for different Easter timings and 2016 leap year
- Long haul traffic key growth driver
  - up 2.6% driven by Middle East and Asia Pacific
  - Middle East up 13.1% due to A380s/new services
  - Asia Pacific up 3.2% on growth in existing markets and new Indonesian services
- Increased momentum also seen in short haul
  - notable continental Europe increases for Italy, Portugal, Denmark and Russia
  - domestic up, benefiting from new tariff discount
- Cargo up 7.3%, mainly due to North America
- Expected upgrade of 2017 traffic forecast

Passenger traffic by market  
Q1 2017 versus Q1 2016

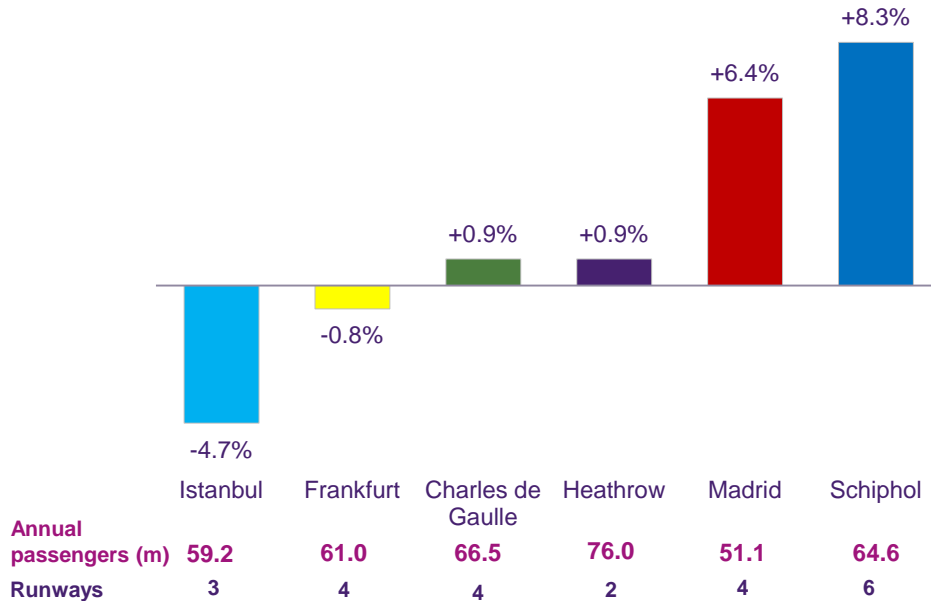


**17.2 million passengers**  
**+2.2%**

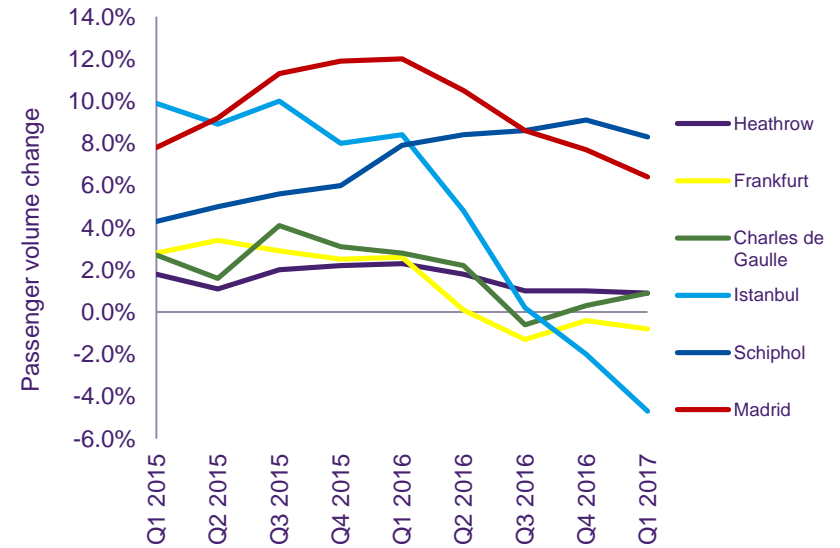
# Heathrow's resilience re-emerges in an uncertain environment

## Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 31 March 2017

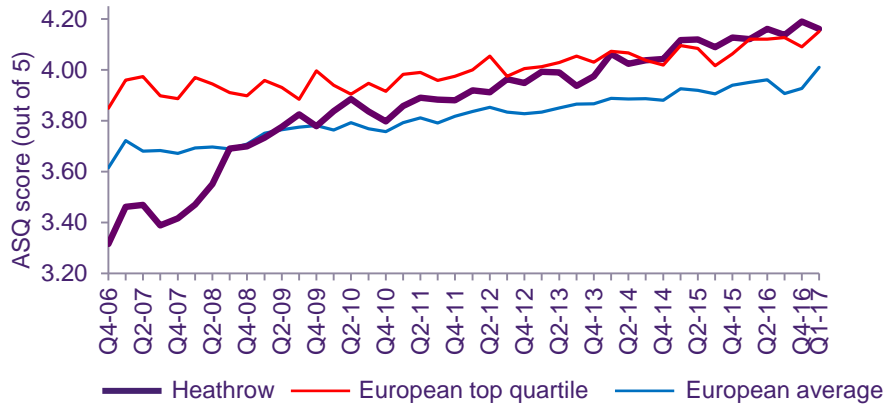


Recent evolution of change in rolling 12 month traffic

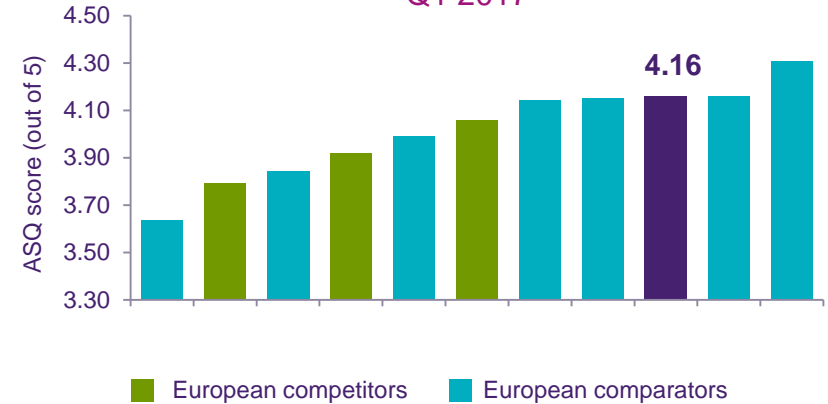


# Record service standards complemented by robust operations

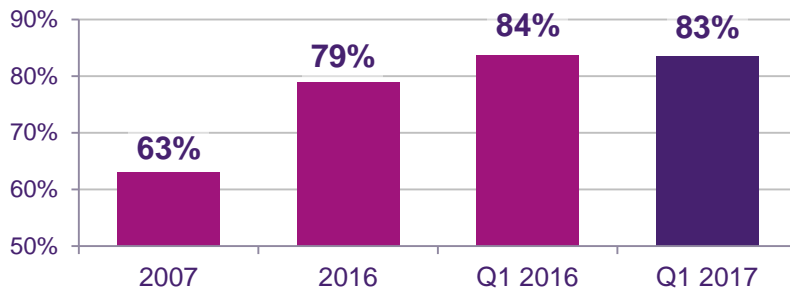
**Quarterly passenger satisfaction**  
Q4 2006 – Q1 2017



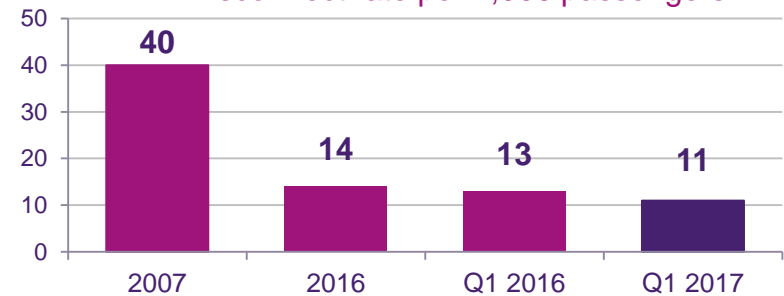
**Passenger satisfaction European ranking**  
Q1 2017



**Departures**  
within 15 minutes of schedule



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

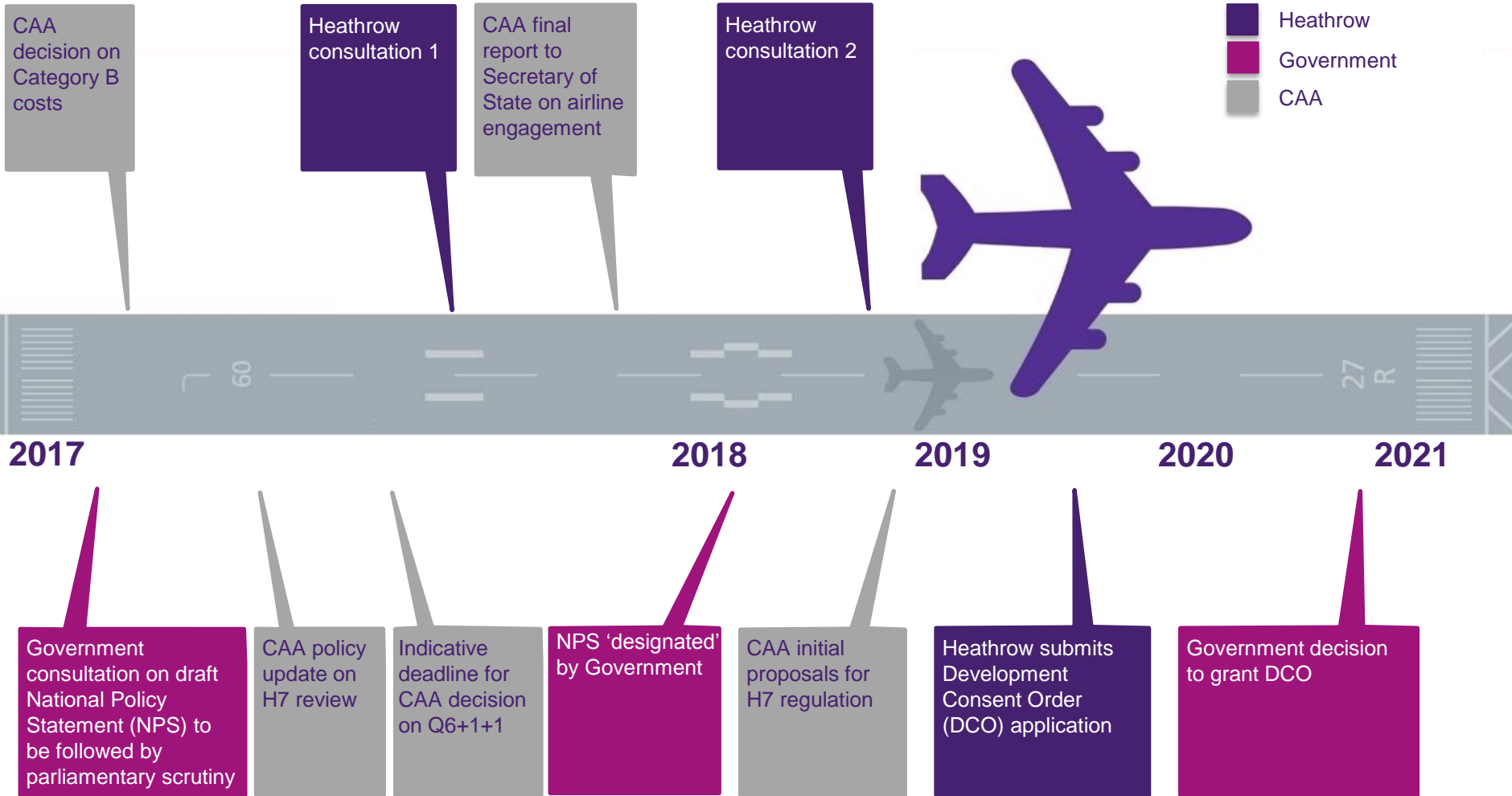


**2016 Europe's Best Airport**  
(over 40 million passengers)



**Best Airport in Western Europe**  
**World's Best Airport Shopping**  
**World's Best Independent Airport Lounge**

# Heathrow expansion moves into delivery mode





## Financial review



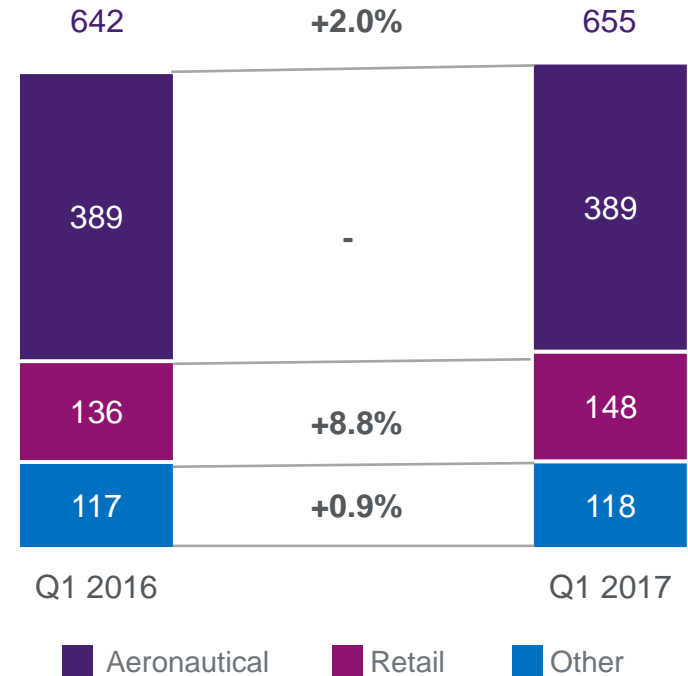
# Financial highlights

(£ million)	Q1 2017	Q1 2016	Versus Q1 2016
Revenue	655	642	+2.0%
Operating costs <sup>1</sup>	273	275	-0.7%
Adjusted EBITDA <sup>1</sup>	382	367	+4.1%
Capital expenditure	160	144	+11.1%
	Mar 2017	Dec 2016	Change from 31 Dec 16
Consolidated nominal net debt			
Heathrow (SP)	12,147	11,908	+2.0%
Heathrow Finance	13,097	13,005	+0.7%
RAB	15,323	15,237	+0.6%

# Revenues driven by continued strong retail growth

- Flat aeronautical revenue
  - +ve: traffic growth; revenue concentration
  - -ve: lower tariff (RPI-1.5% formula)
- Strong momentum in retail income growth
  - surging traffic and sterling depreciation boosted revenue, particularly duty and tax-free and airside specialist shops
  - T4 luxury retail redevelopment started contributing to growth
  - delivered over £200 million of £300 million Q6 incremental revenue target

## Analysis of revenue (£m)

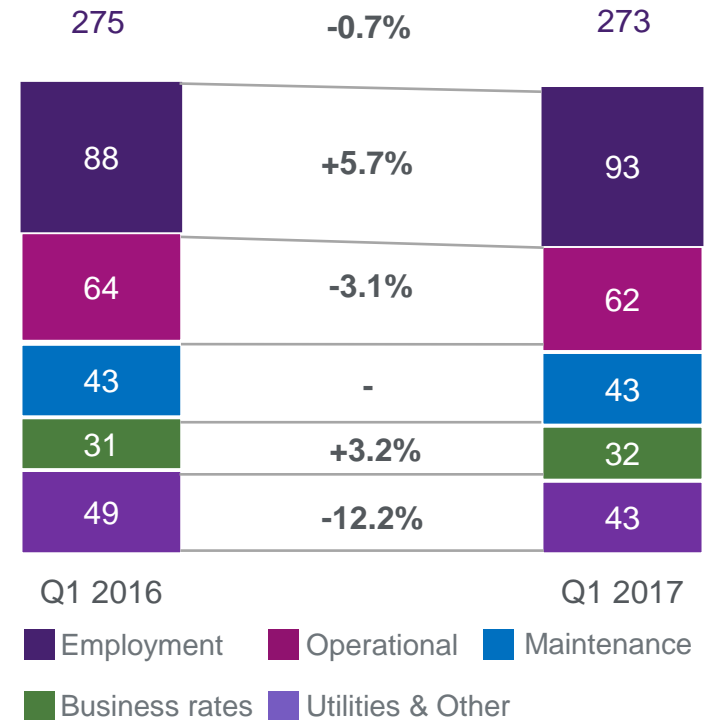


Per passenger (£)	Q1 2016	Q1 2017	Change
Aeronautical revenue	23.17	<b>22.67</b>	-2.2%
Retail revenue	8.10	<b>8.62</b>	+6.4%

# Benefits of cost efficiencies continue to flow through

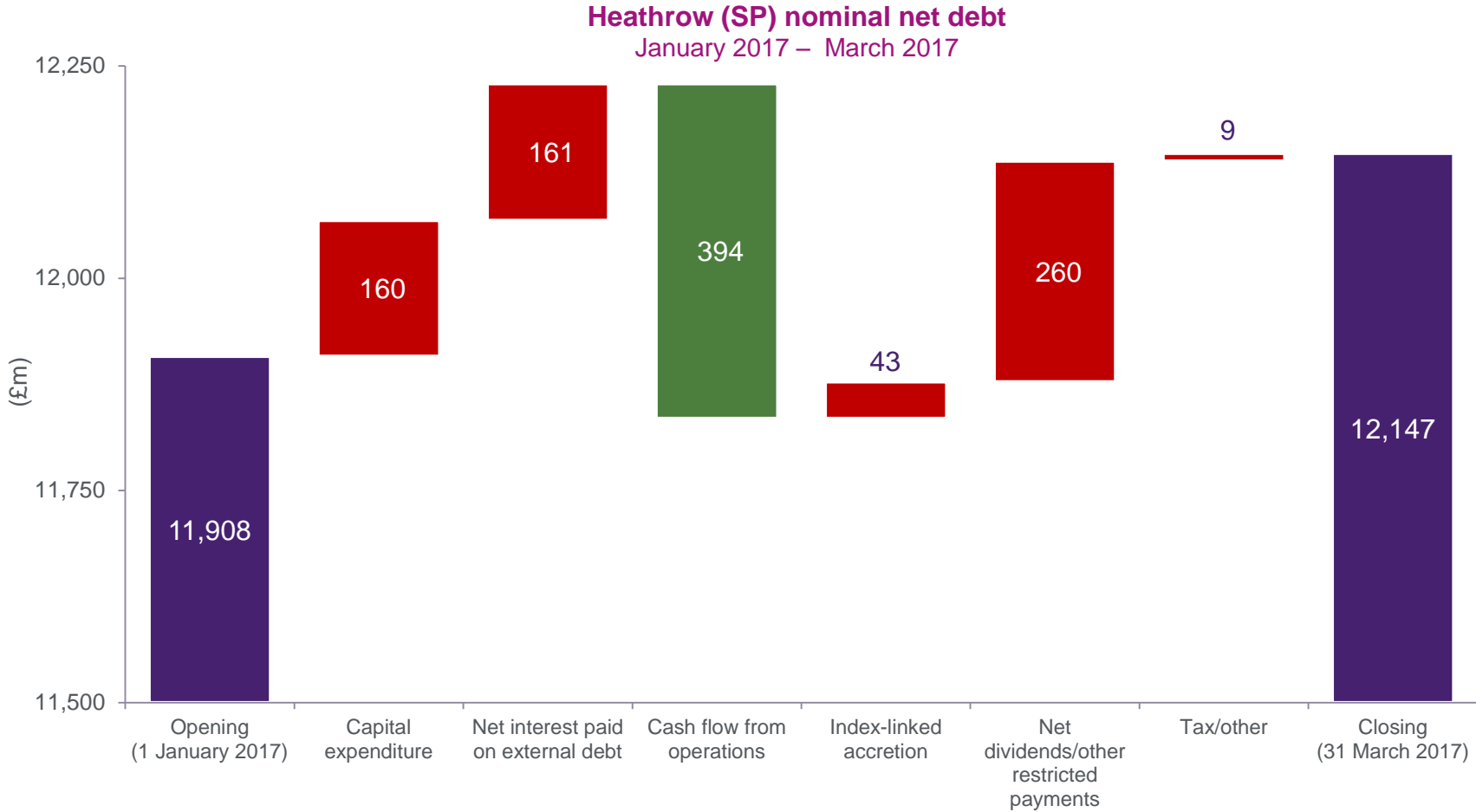
- ~3% lower operating cost per passenger
  - higher people costs driven by surging passenger numbers and higher pension costs
  - utilities savings from re-negotiated contract and energy demand management
  - expansion costs now being capitalised rather than expensed
- Increased investment in resilience and training driving lower service quality rebates
- On track to deliver £600 million Q6 efficiency target
  - further organisational change being implemented to drive towards final target

## Analysis of operating costs (£m)



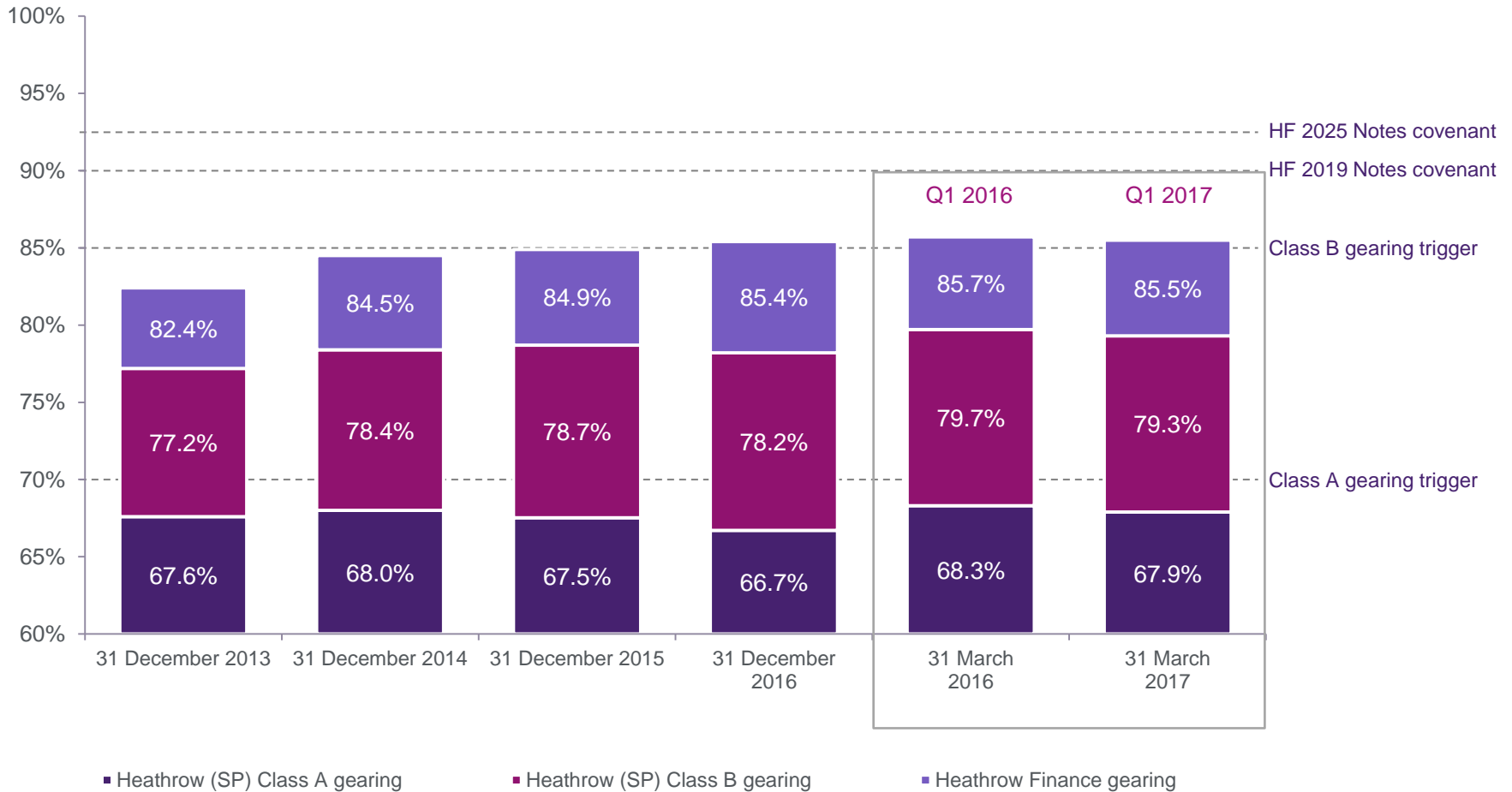
Per passenger (£)	Q1 2016	Q1 2017	Change
Operating costs	16.38	<b>15.91</b>	-2.9%

# Operating cash flow significantly exceeds capital expenditure and interest payments



# Substantial gearing headroom retained

## Evolution of gearing ratios



# Good progress towards Heathrow's limited 2017 financing target

- Approximately £170 million of debt financing raised globally so far in 2017 out of Class A term debt target of no more than £750 million for the year
  - 2016's £350 million 3.75 year Class A term loan increased to £418 million with 2 new banks
  - £100 million 16 and 20 year dual tranche private placement expands non-UK sources of sterling funding
- Liquidity horizon currently extends to December 2018
- Average life of debt of 11.8 years
- Financing needs likely to remain modest until commencement of expansion construction programme

# Outlook

- Stronger than expected traffic performance with further year on year improvement anticipated over remainder of the year
- Full year 2017 traffic and financial forecasts expected to be upgraded in next investor report to be published in June 2017



# Strategic update



# Giving passengers the best airport service in the world

1

Mojo

## Delivered

- ✓ Sunday Times Best Companies - top 30 major company
- ✓ Heathrow Careers Fair
- ✓ Security engagement 'Big Picture' sessions
- ✓ 78% of colleagues say Heathrow is a great place to work

## To come

- New intranet and digital workplace, Hub+, connects every colleague on any device
- Front line manager development 'Earn your Wings' sessions
- New Green Car salary sacrifice scheme
- Midnight Marathon

2

Transform customer service

- ✓ Autism and dementia – customer focus guide and training
- ✓ Terminal 5 first class lounge 'First Wing' opens
- ✓ 9 more e-gates make Terminal 5 immigration the UK's most automated
- ✓ Three self-boarding gates open in Terminal 5

- New 'high care' passenger service
- Service Proposition co-creation activity with colleagues
- New smoking area to open in Terminal 2

3

Beat the plan

- ✓ Savings from new business model
- ✓ Flybe starts services to Aberdeen and Edinburgh
- ✓ Heathrow Express named a UK Superbrand

- Qatar VIP lounge opens in Terminal 4
- New hotel next to Terminal 2 due 2019
- New summer advertising campaign
- 'Simpler Heathrow' to streamline processes

4

Sustainable growth

- ✓ Airline first phase consultation
- ✓ Heathrow 2.0 Sustainable Strategy launch
- ✓ Heathrow powered by 100% renewable electricity
- ✓ Search for logistics hubs launched

- Government consultation on NPS concludes
- Heathrow's first consultation on expansion
- Preparation for ground investigation
- Sustainable Leadership Programme for senior managers

Questions?



## Appendices

# Heathrow nominal net debt at 31 March 2017

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
<b>Senior debt</b>			
€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%	201	201	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
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	79	79	2032
€50m Zero Coupon	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	53	53	2039
£460m RPI +3.334%	569	569	2039
£100m RPI +1.238%	104	104	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	80	80	2049
£400m 2.75%	400	400	2049
<b>Total senior bonds</b>	<b>9,361</b>	<b>9,361</b>	
Term debt	847	847	Various
Index-linked derivative accretion	211	211	Various
Revolving/working capital facilities	305	900	2021
<b>Total other senior debt</b>	<b>1,363</b>	<b>1,958</b>	
<b>Total senior debt</b>	<b>10,724</b>	<b>11,319</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(317)</b>		
<b>Senior net debt</b>	<b>10,407</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
<b>Junior debt</b>			
£400m 6.25%	400	400	2018
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£180m RPI +1.061%	185	185	2036
<b>Total junior bonds</b>	<b>1,740</b>	<b>1,740</b>	
Junior revolving credit facilities	0	250	2021
<b>Total junior debt</b>	<b>1,740</b>	<b>1,990</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>12,147</b>		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
<b>Total bonds</b>	<b>513</b>	<b>513</b>	
£75m	75	75	2020
£50m	50	50	2022
£50m	50	75	2024
£75m	75	125	2025
£50m	50	50	2026
£150m	150	150	2028
<b>Total loans</b>	<b>450</b>	<b>525</b>	
<b>Total Heathrow Finance plc debt</b>	<b>963</b>	<b>1,038</b>	
<b>Heathrow Finance plc cash</b>	<b>(13)</b>		
<b>Heathrow Finance plc net debt</b>	<b>950</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
<b>Heathrow (SP) Limited senior debt</b>	<b>10,724</b>	<b>11,319</b>
<b>Heathrow (SP) Limited junior debt</b>	<b>1,740</b>	<b>1,990</b>
<b>Heathrow Finance plc debt</b>	<b>963</b>	<b>1,038</b>
<b>Heathrow Finance plc group debt</b>	<b>13,427</b>	<b>14,347</b>
<b>Heathrow Finance plc group cash</b>	<b>(330)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>13,097</b>	

# Notes, sources and defined terms

## Page 3

- 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

- 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 which exclude depreciation, amortisation and exceptional items

## Page 12

- 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 involving entities outside the Group or Heathrow Finance, as appropriate
- Net dividends/other restricted payments include dividends and interest payments and net principal repayments on the debenture between Heathrow (SP) and Heathrow Finance
- Flows included in 'Tax/other' include external tax payments and fees paid in relation to financing transactions

## 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 2019 Notes applies as long as these notes remain outstanding

## Page 20

- 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

# Disclaimer

The information and opinions contained in this presentation are provided as at the date of this document.

This presentation contains certain statements regarding the financial condition, results of operations, business and future prospects of Heathrow. All statements, other than statements of historical fact are, or may be deemed to be, “forward-looking statements”. These forward-looking statements are statements of future expectations and include, among other things, projections, forecasts, estimates of income, yield and return, pricing, industry growth, other trend projections and future performance targets. These forward-looking statements are based upon management’s current assumptions (not all of which are stated), expectations and beliefs and, by their nature are subject to a number of known and unknown risks and uncertainties which may cause the actual results, prospects, events and developments of Heathrow to differ materially from those assumed, expressed or implied by these forward-looking statements. Future events are difficult to predict and are beyond Heathrow’s control, accordingly, these forward-looking statements are not guarantees of future performance. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

All forward-looking statements are based on information available as the date of this document, accordingly, except as required by any applicable law or regulation, Heathrow and its advisers expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained in this presentation to reflect any changes in events, conditions or circumstances on which any such statement is based and any changes in Heathrow’s assumptions, expectations and beliefs.

This presentation contains certain information which has been prepared in reliance on publicly available information (the “Public Information”). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information’s accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Public Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Heathrow does not make any representation or warranty as to the accuracy or completeness of the Public Information.

All information in this presentation is the property of Heathrow and may not be reproduced or recorded without the prior written permission of Heathrow. Nothing in this presentation constitutes or shall be deemed to constitute an offer or solicitation to buy or sell or to otherwise deal in any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

This document has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from Heathrow.

Any reference to “Heathrow” means Heathrow (SP) Limited (a company registered in England and Wales, with company number 6458621) and will include its parent company, subsidiaries and subsidiary undertakings from time to time, and their respective directors, representatives or employees and/or any persons connected with them.

# Heathrow

*Making every journey better*