



Heathrow (SP) Limited

Results for three months ended 31 March 2018

1 May 2018

Heathrow
Making every journey better



Q1 2018 highlights

Strong start to 2018

Operational highlights

1

- Excellent service standards and strong operational performance
- Skytrax best airport in Western Europe for 4th consecutive year
- Record 17.7 million passengers, up 3.1%

Financial performance

2

- Revenue up 3.8% to £680 million; Adjusted EBITDA up 5.2% to £402 million
- Operating costs per passenger down 1.2%
- Over £350 million raised globally

Strategic priorities

3

- Raising service standards and operational resilience
- Further cost efficiency and revenue development
- Expansion delivery moves into next planning phase

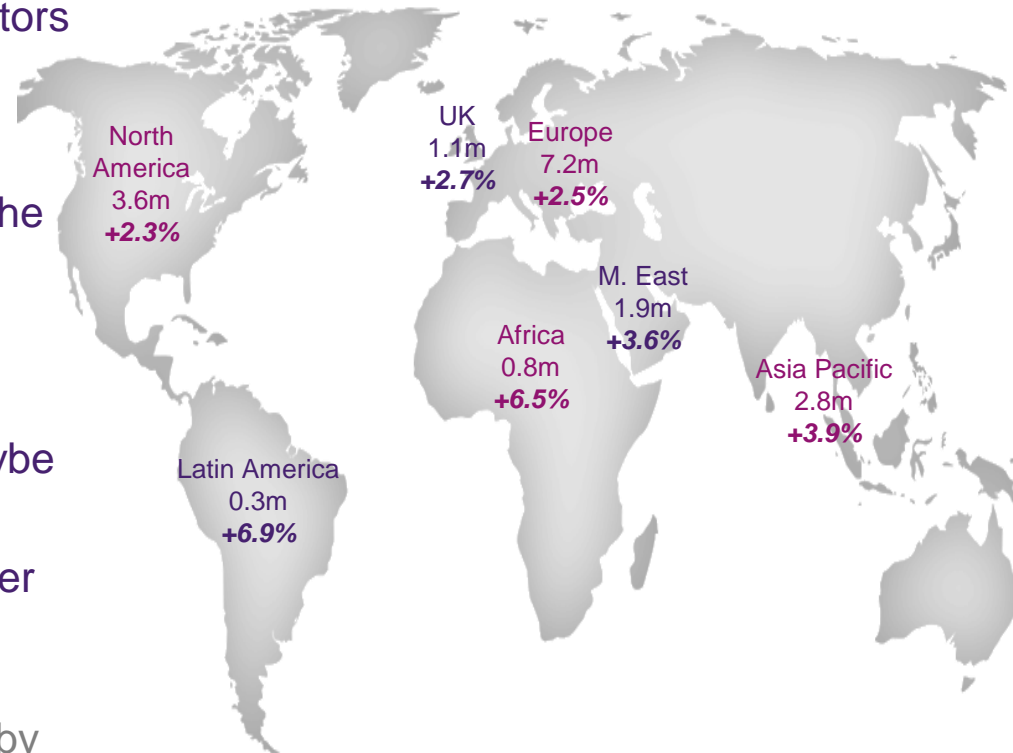


Business highlights

Record 17.7 million passengers at Heathrow

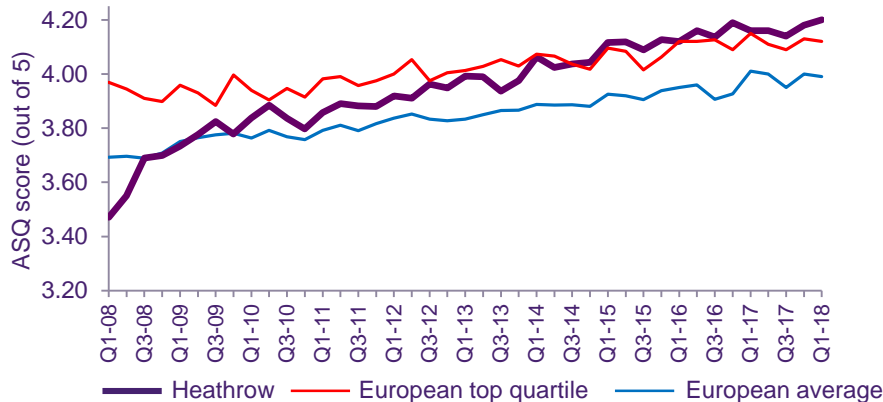
- Record traffic continues into 2018; up 3.1%
 - additional flights and strong load factors
- Long haul traffic key growth driver
 - up 3.5% driven by Asia Pacific and the Middle East
- Continued momentum in short haul
 - domestic: new tariff discount and Flybe additional services
 - Europe: strong load factors and larger planes
- Strong cargo growth, up 4.3%, driven by increased trade with the USA, Spain and China

Passenger traffic by market Q1 2018 versus Q1 2017

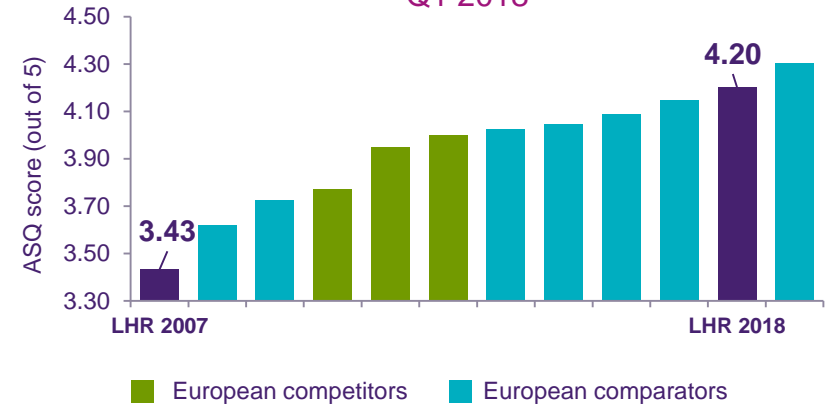


Record service standards complemented by robust operations

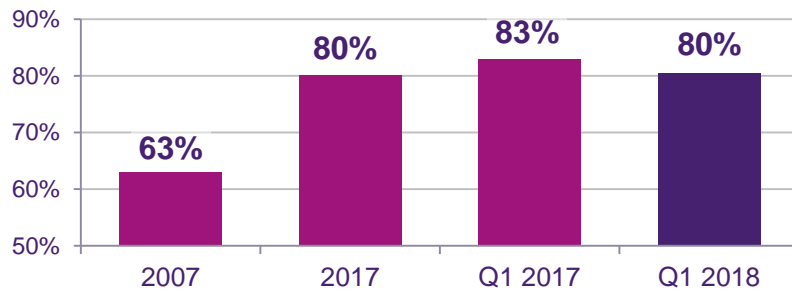
Quarterly passenger satisfaction
Q1 2008 – Q1 2018



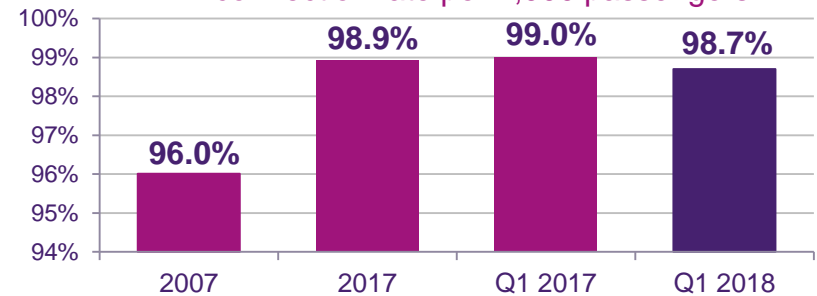
Passenger satisfaction European ranking
Q1 2018



Departures
within 15 minutes of schedule



Baggage performance
connection rate per 1,000 passengers



Terminal 2 - World's Best Airport Terminal
Best Airport in Western Europe
World's Best Airport Shopping

Heathrow

Making every journey better

Expansion delivery moves into next planning phase

- Heathrow's first planning consultation complete
 - strong attendance to 40 events in local communities
 - feedback to inform Heathrow's preferred masterplan for consultation in 2019
- Engagement with businesses across the UK
 - pitch process for potential commercial development partners
 - Logistics Hubs; expanded Business Summit
- Transport Select Committee endorsed draft National Policy Statement ('NPS')
 - parliamentary vote on NPS expected in summer 2018
 - continued broad cross party support: 75% MPs in favour of expansion
- CAA continues developing expansion regulatory framework with new consultation launched on 30 April 2018





Financial review

Financial highlights

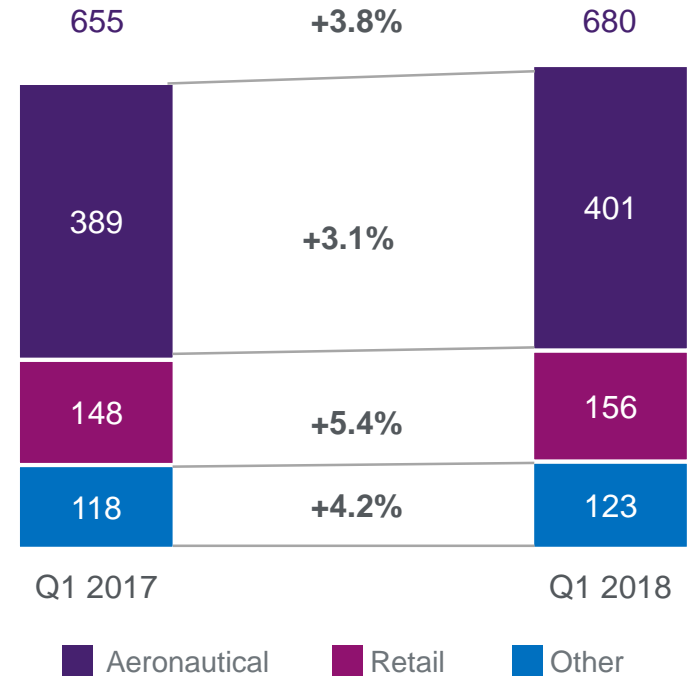
(£ million)	Q1 2017	Q1 2018	Versus Q1 2017
Revenue	655	680	+3.8%
Operating costs	273	278	+1.8%
Adjusted EBITDA	382	402	+5.2%
Capital expenditure	160	152	-5.0%

	Dec 2017	Mar 2018	Change from 31 Dec 17
Consolidated nominal net debt			
Heathrow (SP)	12,372	12,409	+0.3%
Heathrow Finance	13,674	13,693	+0.1%
RAB	15,786	15,773	-0.1%

Record traffic and continued retail growth drive revenue up

- Aeronautical: better service at lower price
 - traffic growth and headline tariff
 - lower average charge per passenger in real terms
- Retail: continued momentum
 - increased airside participation and spend per participating passenger
 - continued growth in catering
- Other: 4.2% growth
 - property rents up on projects delivery
 - Heathrow Express revenue flat
 - other regulated charges up on traffic growth

Analysis of revenue (£m)

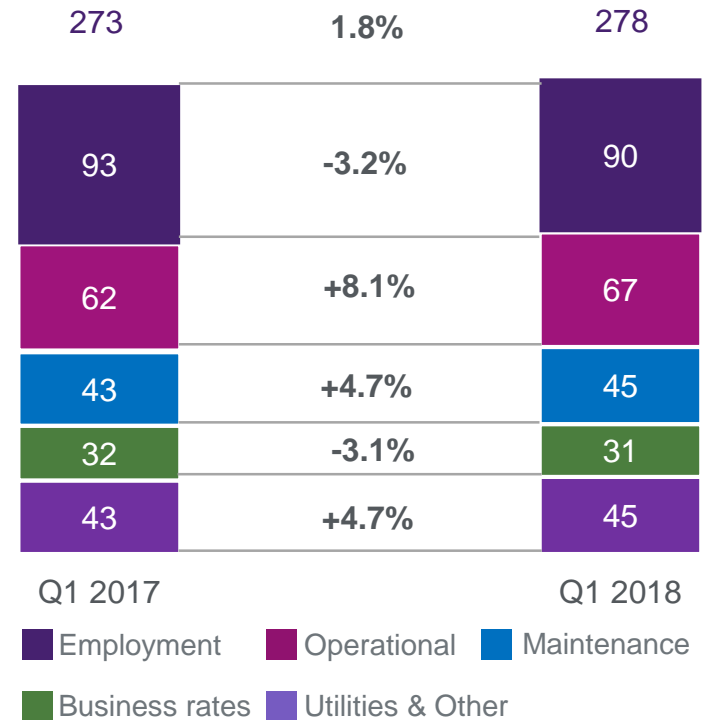


Per passenger (£)	Q1 2017	Q1 2018	Change
Aeronautical revenue	22.67	22.67	-
Retail revenue	8.62	8.82	2.3%

Focus on winter resilience delivered for passengers

- Operating cost up 1.8% on resilience spend
 - over £5 million in winter resilience costs
 - limited to no disruption from worst winter in years
 - expansion cost ramp up
- Operating cost per passenger continues trending down

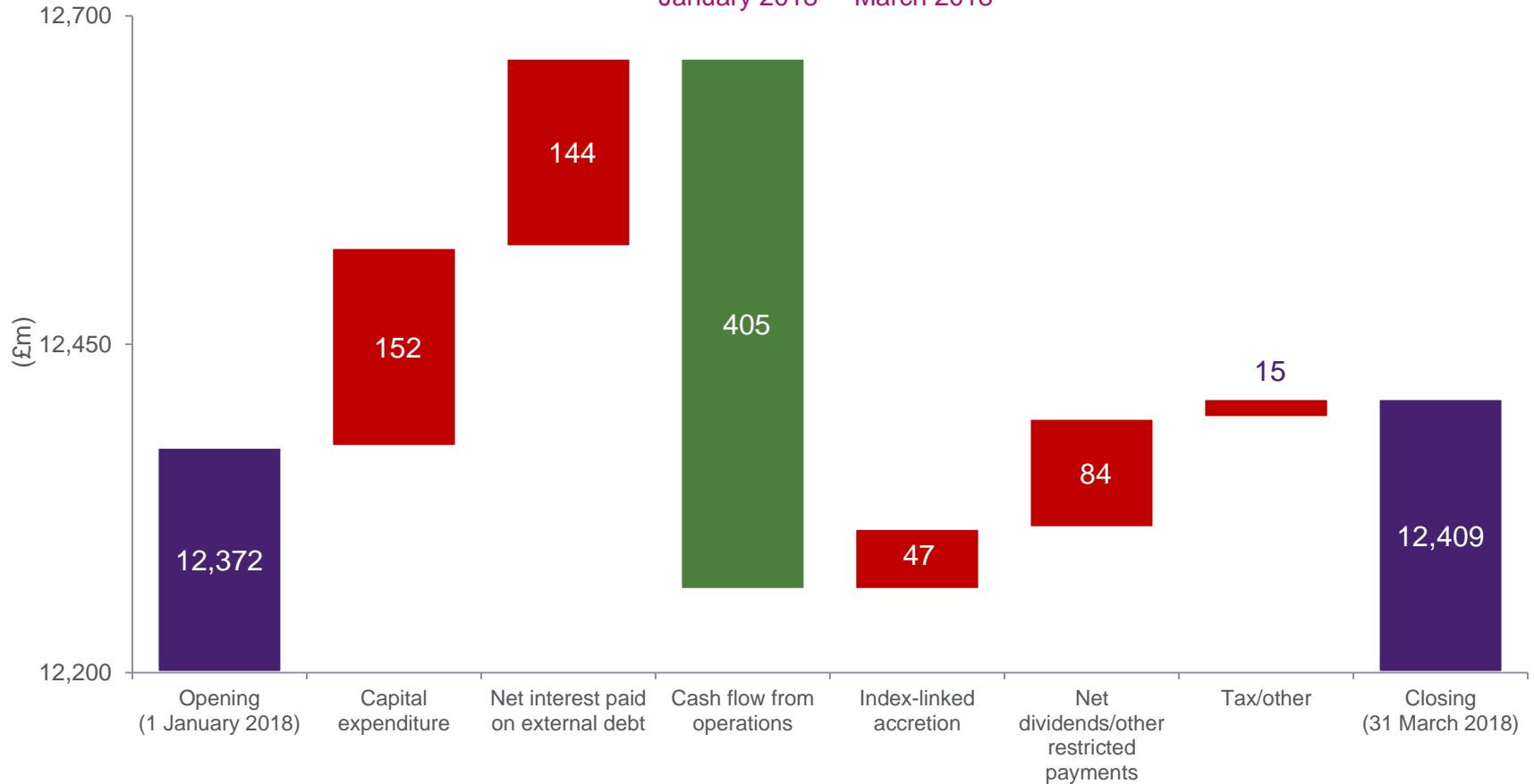
Analysis of operating costs (£m)



Per passenger (£)	Q1 2017	Q1 2018	Change
Operating costs	15.91	15.72	-1.2%

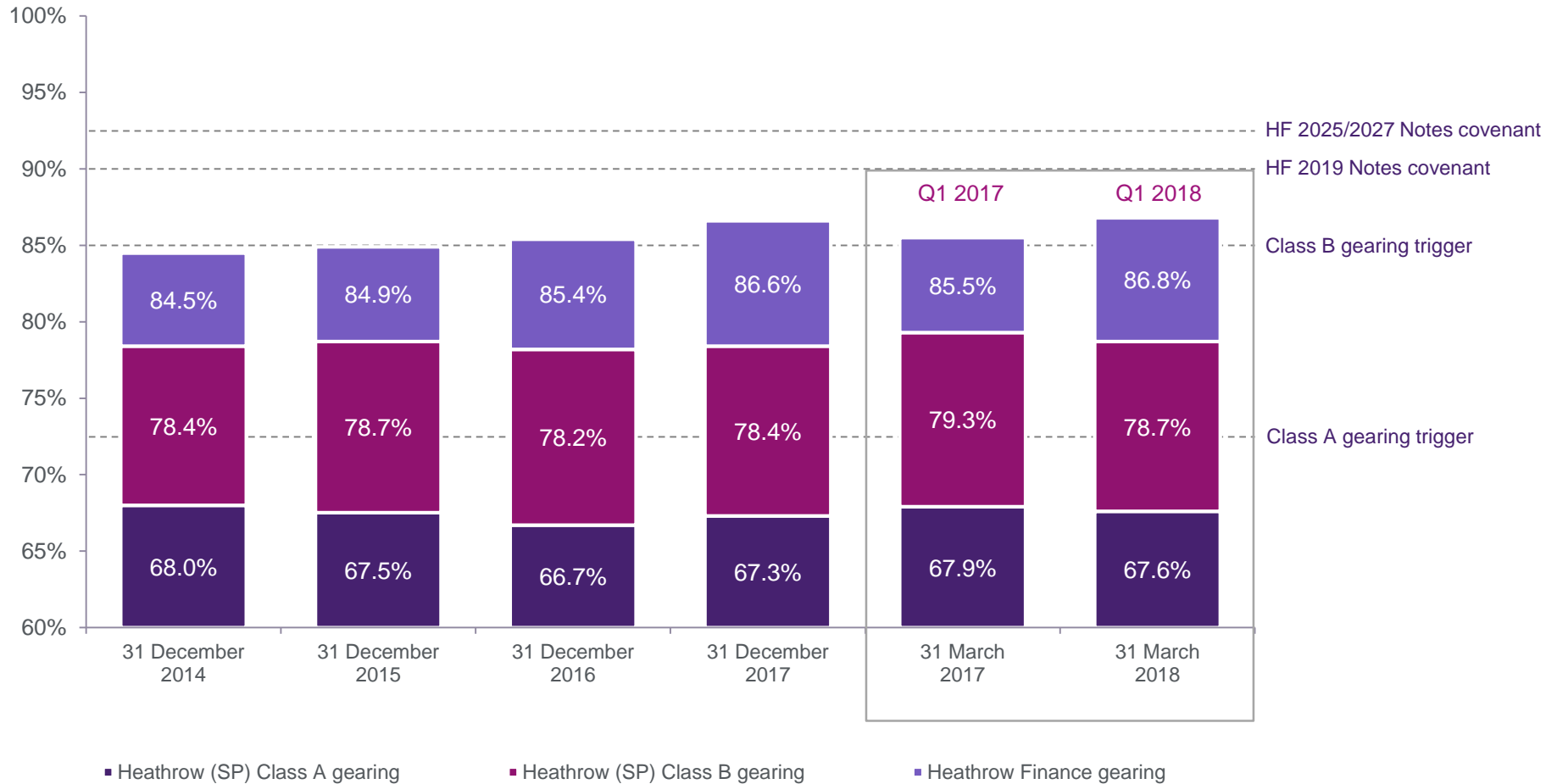
Strong operating cash flow exceeds capital expenditure and interest payments

Heathrow (SP) nominal net debt
January 2018 – March 2018



Substantial gearing headroom retained

Evolution of gearing ratios



2018 funding plan of similar scale to 2017's

LIQUIDITY

- >£350m raised globally
- liquidity horizon extended to February 2020
- £1.5bn in undrawn facilities & cash resources

DIVERSIFICATION

- successful return to the Canadian bond market
- USPP providing direct £ funding

DURATION

- 10 year C\$400m bond
- 18 year £145m USPP
- 11.6 years average life of debt

Outlook

- 2018 forecast remains in line with December investor report expectations
 - expected traffic : 78.8 million passengers
 - expected Adjusted EBITDA: £1,830 million



Strategic priorities

To give passengers the best airport service in the world

We delivered...

...and we will do more



- ✓ Agile working
- ✓ Terminal 5 10th anniversary
- ✓ Gender pay gap report

- Renewed partnership Duke of Edinburgh's award
- Heathrow – Britain's Busiest Airport TV series
- Heathrow Star awards



- ✓ Skytrax World Airport Awards
- ✓ Passenger with reduced mobility care team introduction
- ✓ Terminal 3 departure lounge extension

- Service signatures rollout
- Terminal 3 new Flight Connection Centre trial
- Kids Go Free
- Terminal 3 Aerotel opening



- ✓ New tariffs on domestic and short haul routes
- ✓ New Qantas direct service to Perth
- ✓ New services to Hainan & Qingdao

- Multi-language Heathrow Express ticketing & contactless
- Tianjin Airlines new X'ian service
- China Southern new route to Wuhan



- ✓ Expansion consultation 1 complete
- ✓ Heathrow careers fair
- ✓ Business Summit programme kicked-off
- ✓ Heathrow 2.0's 1st anniversary

- Crossrail replaces Heathrow Connect
- NPS vote expected by the summer
- Heathrow Skills Taskforce report

Questions?



Appendices

Heathrow nominal net debt at 31 March 2018

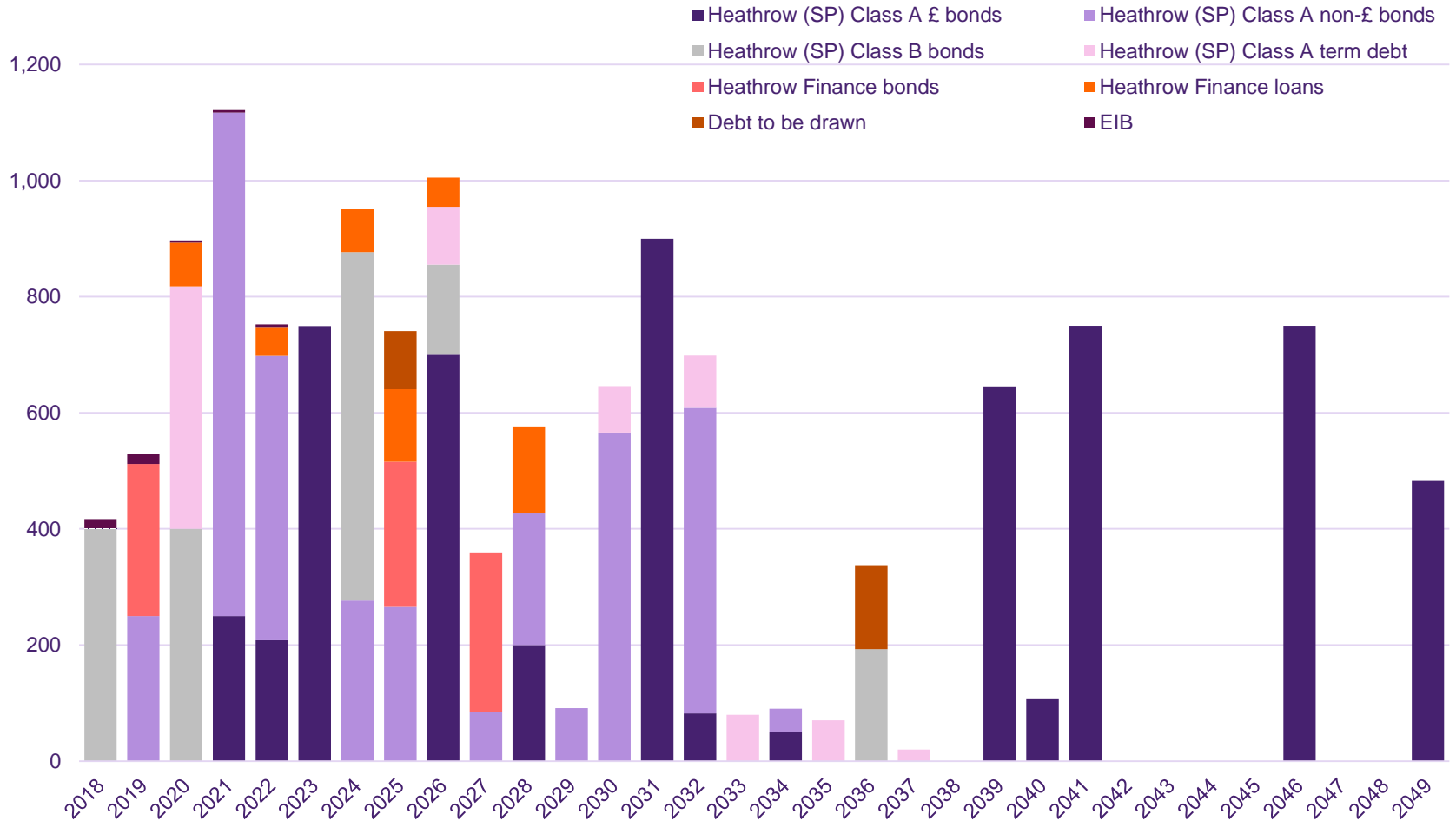
Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Senior debt			
C\$400m 4%	250	250	2019
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	208	208	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$400m 3.4%	226	226	2028
£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%	82	82	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	55	55	2039
£460m RPI +3.334%	591	591	2039
£100m RPI +1.238%	108	108	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	82	82	2049
£400m 2.75%	400	400	2049
Total senior bonds	9,560	9,560	
Term debt	913	1,158	Various
Index-linked derivative accretion	334	334	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	1,247	2,392	
Total senior debt	10,807	11,952	
Heathrow (SP) Limited cash	(146)		
Senior net debt	10,661		

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Junior debt			
£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%	193	193	2036
Total junior bonds	1,748	1,748	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,748	1,998	
Heathrow (SP) Limited group net debt	12,409		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£275m 5.375%	262	262	2019
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
Total bonds	787	787	
£75m	75	75	2020
£50m	50	50	2022
£50m	75	75	2024
£75m	125	125	2025
£50m	50	50	2026
£150m	150	150	2028
Total loans	525	525	
Total Heathrow Finance plc debt	1,312	1,312	
Heathrow Finance plc cash	(28)		
Heathrow Finance plc net debt	1,284		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,807	11,952
Heathrow (SP) Limited junior debt	1,748	1,998
Heathrow Finance plc debt	1,312	1,312
Heathrow Finance plc group debt	13,867	15,262
Heathrow Finance plc group cash	(174)	
Heathrow Finance plc group net debt	13,693	

Debt maturity profile at 31 March 2018



Heathrow expansion on track

- CAA consultation on expansion regulatory framework (Jun 2017)
- CAA policy update and consultation on expansion regulatory framework (Dec 2017)

Heathrow consultation 1 launched

CAA consultation and final report to Secretary of State on airline engagement

Completed To come

Heathrow		
Government		
CAA		



2017

2018

2019

2020

2021

- Government consultation on draft National Policy Statement ('NPS') (Feb 2017)
- NPS consultation 2 (Oct 2017)
- Parliamentary scrutiny commences (Oct 2017)

NPS 'designated' by Government

Heathrow consultation 2

CAA initial proposals for H7 regulation

Heathrow submits Development Consent Order (DCO) application

Government decision to grant DCO

Notes, sources and defined terms

Page 3

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

Page 6

- Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5

Page 9

- Operating costs refer to Adjusted operating costs which 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

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

Page 20 and 21

- 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

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Heathrow

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