

A photograph of a woman with short grey hair and glasses hugging a man from behind. She is smiling broadly, showing her teeth. The man is wearing a dark suit jacket. The background is blurred, suggesting an indoor setting with large windows.

Heathrow (SP) Limited

Results for the 6 months ended 30 June 2019



Contents

	Page
1. H1 2019 Highlights	3
2. Business Highlights	5
3. Financial Review	15
4. Strategic Update	24
5. Appendices	27





H1 2019 Highlights

A strong start to 2019

Operational highlights

1

- Record 38.8 million passengers, up 1.8%
- Best airport in Western Europe for 5th year running
- Connecting Heathrow with new domestic and international routes

Financial performance

2

- Adjusted EBITDA (pre IFRS16) up 3.9% to £881 million
- Investing for future growth
- Strong global appetite to invest in Heathrow with £1.4 billion raised

Strategic priorities

3

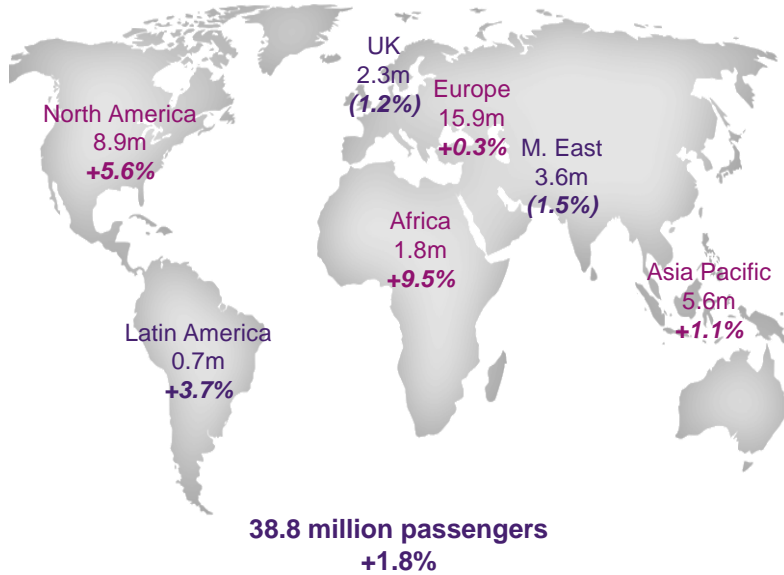
- Greater resilience, better service, lower cost
- Net zero carbon aviation
- Delivering a sustainable, affordable and financeable expanded Heathrow



Business Highlights

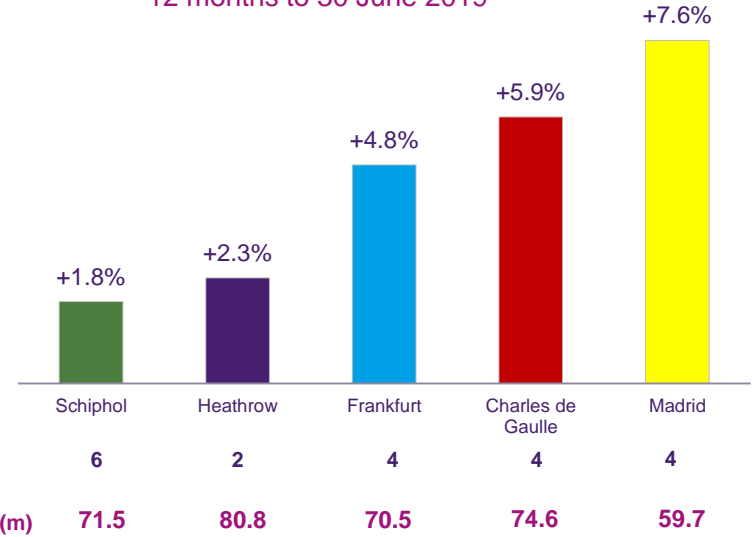
38.8 million passengers, 32 consecutive months of record growth

Passenger traffic by market – 2019 vs. 2018



Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 30 June 2019



Runways

Annual passengers (m)

	H1 2018	H1 2019
Passengers ATM	232,203	233,956
Seats per ATM	213.3	213.0
Load factors (%)	76.9	77.8
Cargo tonnage ('000)	841	806

	H1 2018	H1 2019
Long-haul traffic growth (%)	2.5%	3.3%
Short-haul traffic growth (%)	2.6%	0.1%

New routes



China Southern: Zhengzhou



British Airways: Marrakesh, Seychelles, Durban and Pittsburgh



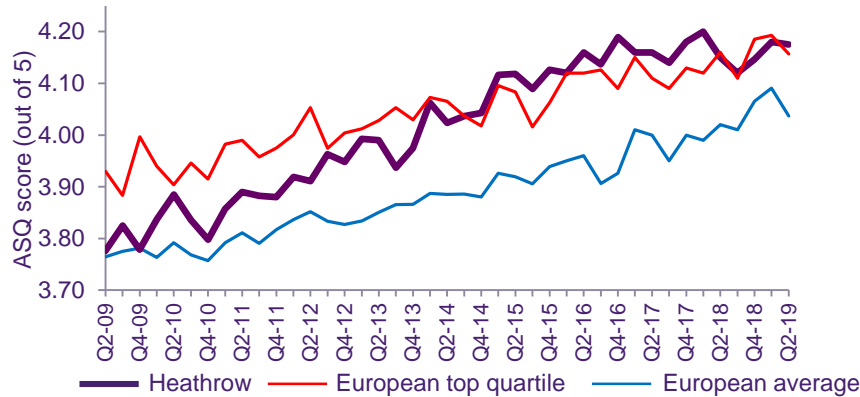
Flybe: Newquay, Guernsey, Isle of Man



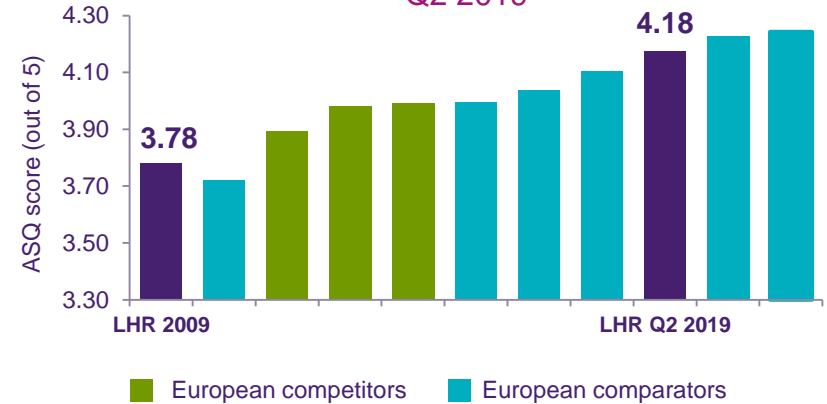
Virgin Atlantic: Las Vegas, Dallas

Maintaining strong service standards and robust operations

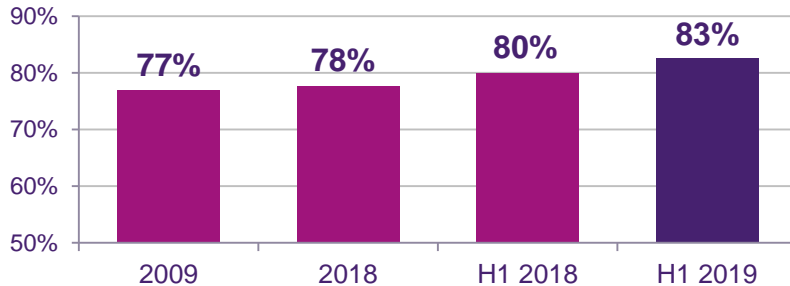
Quarterly passenger satisfaction
Q2 2009 – Q2 2019



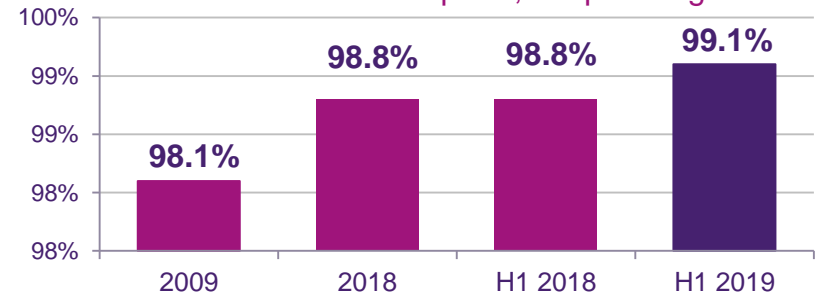
Passenger satisfaction European ranking
Q2 2019



Departures
within 15 minutes of schedule



Baggage performance
connection rate per 1,000 passengers



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

Progressing on all Heathrow 2.0 flagship goals

A GREAT
PLACE
TO WORK

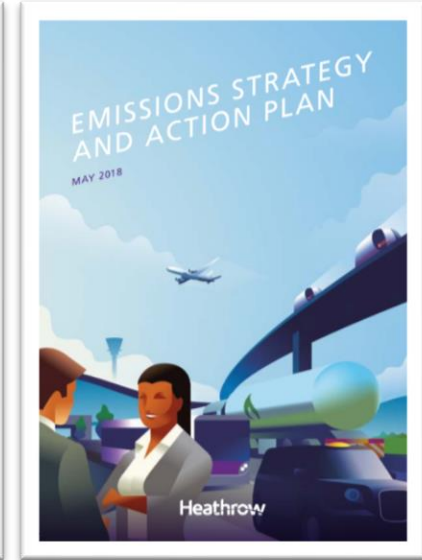
A GREAT
PLACE
TO LIVE

A THRIVING
SUSTAINABLE
ECONOMY

A WORLD
WORTH
TRAVELLING



Heathrow's gender
pay gap report



Moving to net zero carbon for aviation

Since **2017** Heathrow has been fully running on renewable electricity.

Heathrow has already reduced its on-airport carbon emissions by **48%** since 1990, despite passenger numbers rising from 43 million per year to over 80 million.



Our targets, as set out in Heathrow 2.0:

- Carbon neutral airport operations from 2020
- Zero carbon airport operations by 2050
- Carbon neutral growth from the new runway

Heathrow expansion on track

- CAA consultations and policy updates

Heathrow consultation 1 launched

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

Airspace and Future Operations consultation



Completed To come

Heathrow		
Government		
CAA		

2017

2018

2019

2020

2021

- Government consultation on draft National Policy Statement ('NPS')
- NPS consultation 2
- Parliamentary scrutiny

NPS 'designated' by Government

Heathrow Innovation Partners short list

Heathrow statutory consultation

Heathrow Initial Business Plan ('IBP')

Heathrow submits Development Consent Order (DCO) application

Government decision to grant DCO

Expansion – Masterplan overview

Draft preferred masterplan proposes a new full length runway to the north-west.

Benefits include:

- 10,000 apprenticeships by 2030
- Up to 40,000 new local jobs during construction and operation of the expanded airport
- Supply chain opportunities spread across the UK, including 4 Logistics Hubs
- At least 260,000 additional ATMs
- Up to 40 new long haul trading routes
- 2x current cargo capacity for British exporters
- Economic growth and benefits for UK PLC



Sustainable Expansion

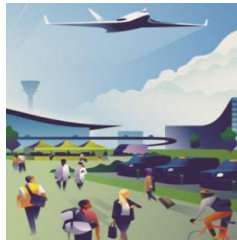
- Construction plans to mitigate environmental impact such as pioneering offsite manufacturing.
- Capacity to be released according to a number of legally binding, strict environmental limits.
- Limits based around:
 - Noise and Air Quality;
 - Surface Access, and
 - Carbon.
- Independent Scrutiny Panel to validate monitoring and ensure compliance.
- Increasing to a 6.5 hour ban on scheduled night flights and halving the number of “late runners”.

AIR NOISE



- Fewer people impacted with noise than in 2013.
- Noise Insulation Policy for eligible residents.

AIR QUALITY



- Heathrow Ultra Low Emissions Zone.
- Expanded infrastructure for charging electric and hybrid vehicles
- Surface Access Proposals implementation.

SURFACE ACCESS



- 25% reduction in staff car trips by 2030 and 50% by 2040.
- At least 50% of journeys made to the airport by public transport by 2030 and at least 55% by 2040.

CARBON



- Carbon neutral airport operations by 2020.
- Zero carbon airport operations by 2050.
- Carbon neutral growth from the new runway.

Affordable expansion

Early growth (pre-2026)

- Existing 480,000 ATM cap lifted by additional 25,000 once the DCO is granted
- Movement increase consistent with environmental policies of the Airports NPS

2026 (Opening year)

- 3rd runway opens
- M25 realigned
- Diversion of local roads, rivers and surface water treatment

2030 (to 115mppa)

- Additional terminal facilities & satellite buildings
- Reconfigured cargo area
- Some hotels completed

2035 (to 130mppa)

- Further terminal facilities and satellite buildings
- New parking areas
- Further work on hotels and other airport related development

c.2050 (to 142 mppa)

- Terminals and satellites complete.
- Terminal 3 replaced by transformed Central Terminal Area.
- Additional taxiways
- Further airport related development



Benefits of our proposal include:

- Promotes **competition between airlines** and increasing choice of routes and **reducing ticket prices**;
- **Reduces operational impacts** on airport users and ensures the best customer experience;
- **Cost-efficient way** of delivering large scale infrastructure; and
- New infrastructure can be brought into use as and when needed, allowing passenger growth to be accommodated while keeping the **charges close to 2016 levels in real terms**

Financeable Expansion

We remain committed to maintaining our existing investment grade credit ratings throughout expansion



The key steps to achieving a **financeable masterplan** are:

- Finalise masterplan for summer 2020
- Engage with the CAA to confirm the regulatory framework
- Engage with rating agencies to deliver on our investment grade credit rating commitments

Expansion will be entirely privately funded using our existing debt platform. Our **financing strategy** remains focused on:

LIQUIDITY

DIVERSIFICATION

DURATION



Financial Review

Financial highlights

(£ million)	H1 2018	H1 2019	Versus H1 2018 %
Revenue	1,405	1,461	4.0
Operating costs*	557	580	4.1
Adjusted EBITDA*	848	881	3.9
Capital expenditure	370	412	11.4

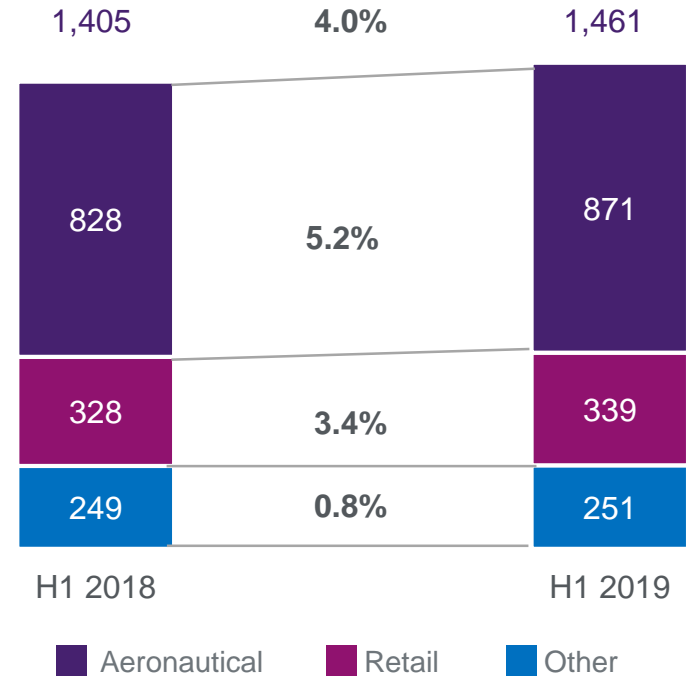
	Dec 2018	Jun 2019	Change from 31 Dec 18 %
Consolidated nominal net debt			
Heathrow (SP)	12,407	12,520	0.9
Heathrow Finance	13,980	14,145	1.2
RAB	16,200	16,420	1.4

* Excluding impact of IFRS16 to ease comparability (£26million of operating costs reclassified to below EBITDA in 2019)

Record number of passengers, choosing to spend more in retail

- Strong growth in aeronautical revenue
 - 32nd month of record passenger numbers
 - recovery of prior year yield dilution
 - partially offset by the commercial airline deal
- Continued momentum of retail growth rates
 - higher proportion of passengers shopping at the airport
 - catering benefited from improved outlet offerings
 - strong VIP performance
- Other revenue consistent with last year

Analysis of revenue (£m)

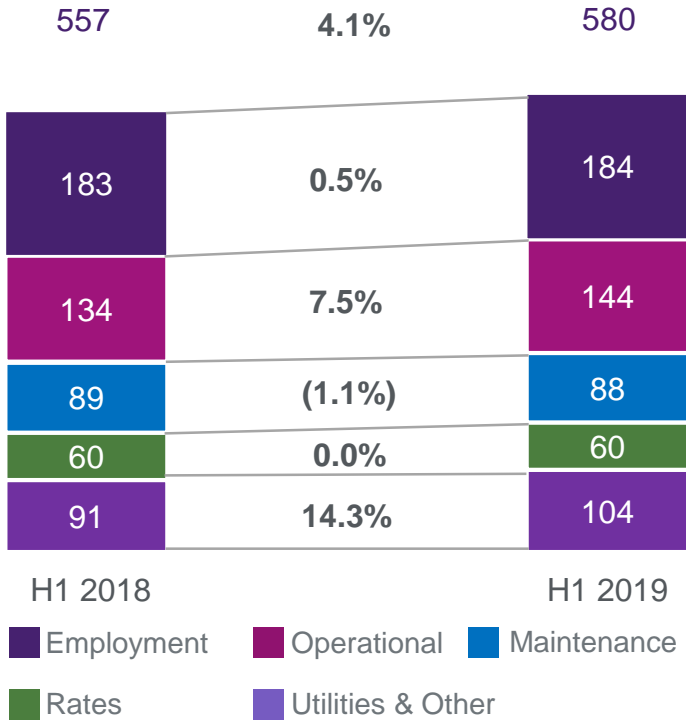


Per passenger (£)	H1 2018	H1 2019	Change %
Aeronautical revenue	21.75	22.48	3.4
Retail revenue	8.62	8.75	1.5

Strong cost control while investing in service, resilience & growth

- Increased investment reflecting a shift towards growth
 - protecting passenger experience
 - drone defence capabilities
 - operational resilience
- Continued focus on cost efficiency in existing operations
- Operating costs are presented excluding the application of IFRS 16

Analysis of operating costs (£m)*

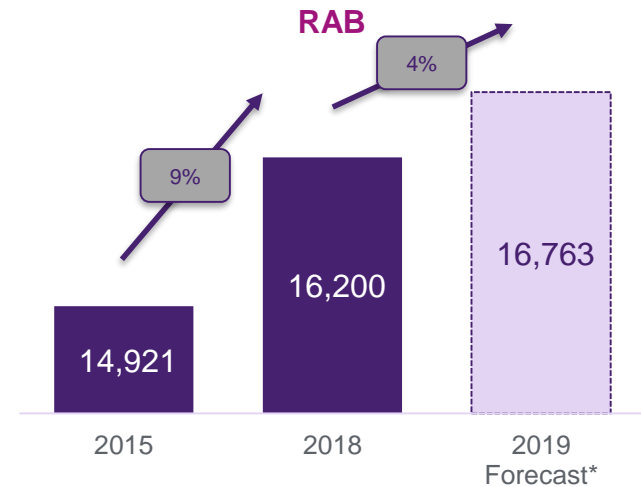
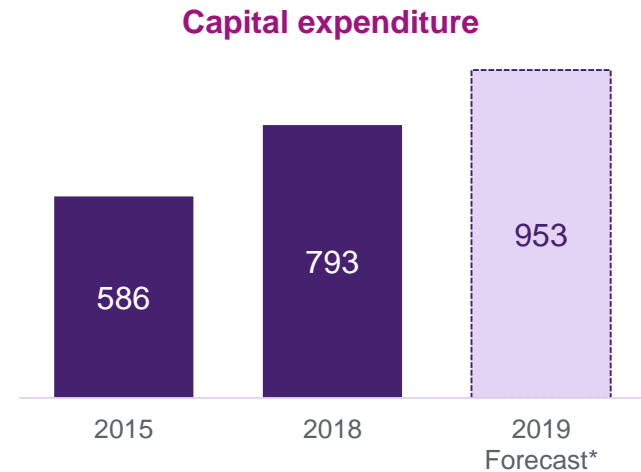


Per passenger (£)	H1 2018	H1 2019	Change %
Operating costs*	14.63	14.97	2.3%
Operating costs	14.63	14.30	(2.3%)

* Excluding impact of IFRS16 to ease comparability (£26million of operating costs reclassified to below EBITDA in 2019)

Capital expenditure transitioning for growth

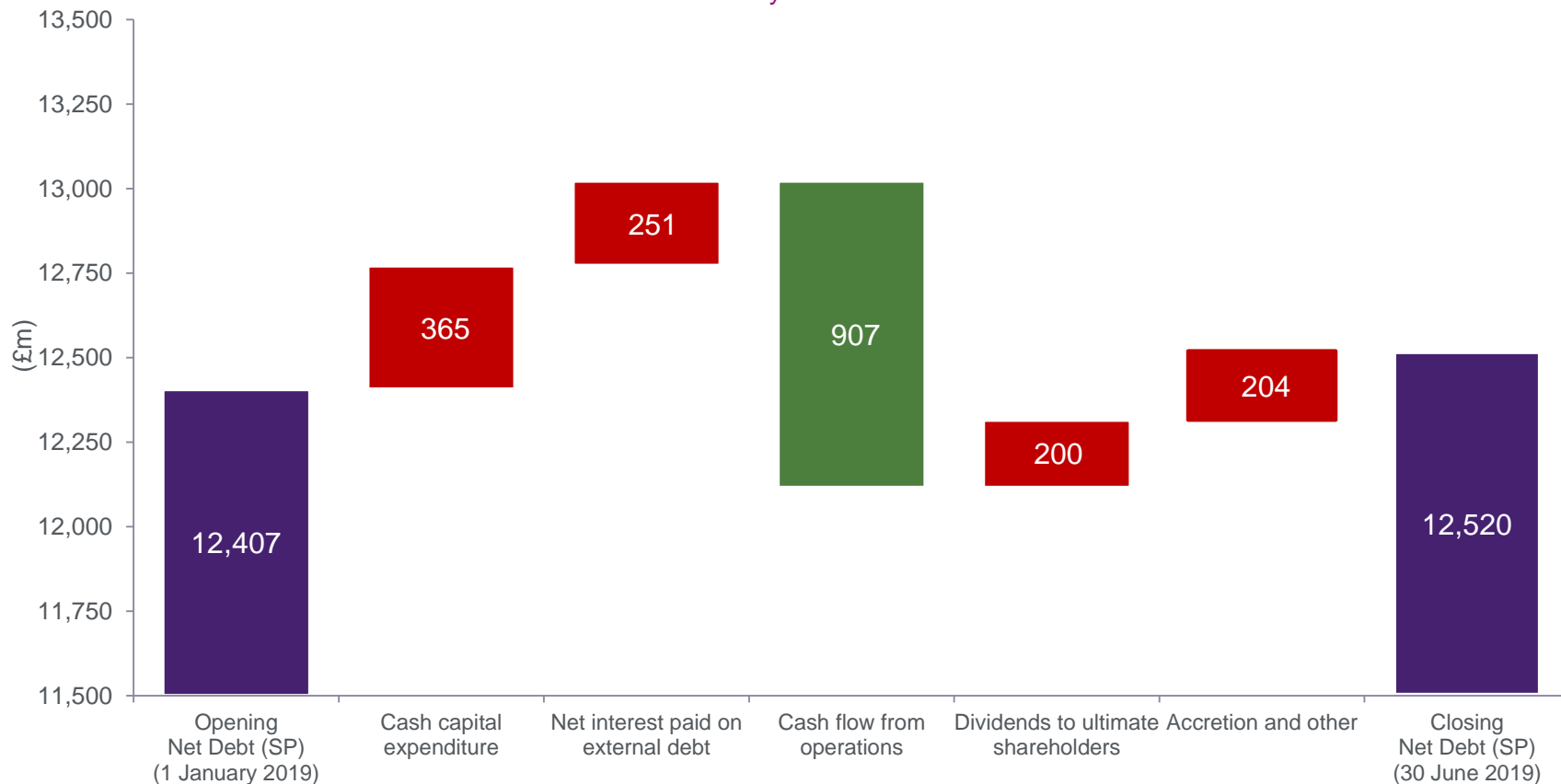
- Maintenance capex typically c£600m pa
 - Hold baggage screening
 - Airfield development (kilo apron)
 - Asset renewal
- Expansion capex doubling in 2019
 - Consultation preparation
 - Early design costs
- Funding plan will align with upscaling



* 2019 Forecast is as per the June Investor Report published on 27 June 2019

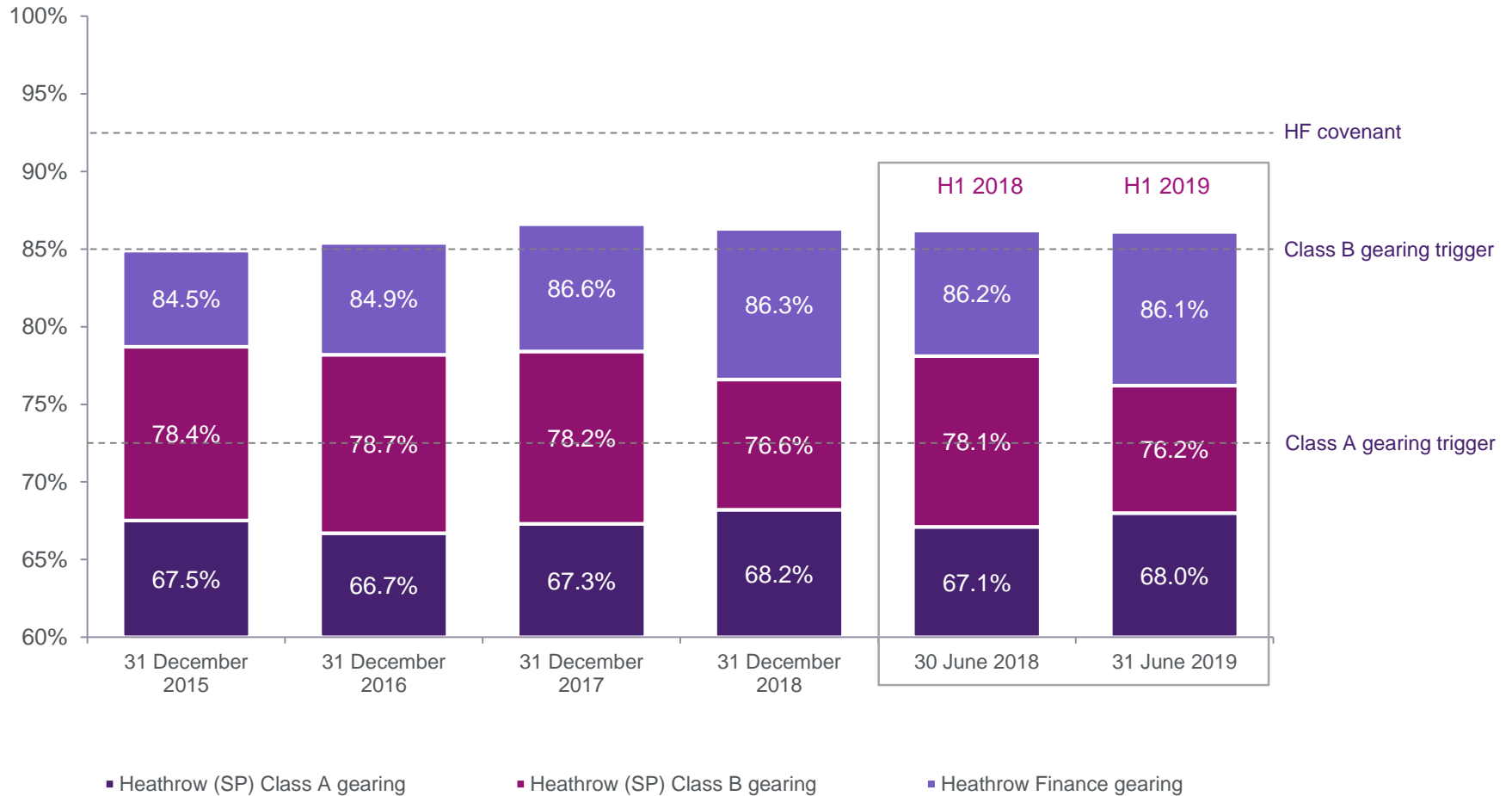
Capital expenditure transitioning to gradually exceed cashflow from operations

Heathrow (SP) nominal net debt
January 2019 – June 2019



Substantial gearing headroom retained

Evolution of gearing ratios



Preparing to finance expansion

LIQUIDITY

- £1.4bn raised globally
- Liquidity horizon to May 2021
- £3.7bn in undrawn facilities & cash resources

DIVERSIFICATION

- Recent focus on new private global investors
- Successful return to the Euro market after 2 years
- Further strengthened Swiss franc presence with 3rd bond issuance

DURATION

- 11.8 year average life of debt for Heathrow SP
- 15 year Euro bond, showing strong investor confidence in Heathrow's expansion
- 52% of debt matures post the 3rd runway becoming operational

Outlook

- 2019 forecast for underlying performance remains in line with June 2019 investor report:
 - expected traffic : 80.9 million passengers
 - continued significant covenant headroom
- Next investor report to be released on December 18th with our final forecast information for 2019, and our initial business plan for 2020



Strategic Update

To give passengers the best airport service in the world

We delivered...

...and we will do more



Mojo

- Midnight Marathon
- >£10m Share in success payout to front line colleagues
- Drivin' Skool safety campaign

- Pride in London
- Summer Superleague for frontline colleagues
- Cancer support network



Transform customer service

- Immigration e-gates extension
- Terminal Wi-Fi upgrade
- Service signatures roll out
- HEx top in the National Rail Passenger Survey
- Exercise Gator

- New security equipment
- Summer of sports
- T2 /T3 hotels
- Operational resilience



Beat the plan

- Share in Success 2019 plan launch
- New routes launch (e.g. Newquay, Guernsey)
- Best month in history for VIP
- "Cyber attacked" event

- Brexit preparations
- 20 MW solar farm
- Further diversify and strengthen financing plans



Sustainable growth

- Living Wage Foundation industry champion
- First sustainably sourced fish airport
- Masterplan consultation launch
- ULEZ announced

- Innovation partners announcement
- Logistics hubs announced
- New bus and coach routes
- Net zero carbon plan

Questions?



Appendices

Heathrow nominal net debt at 30 June 2019

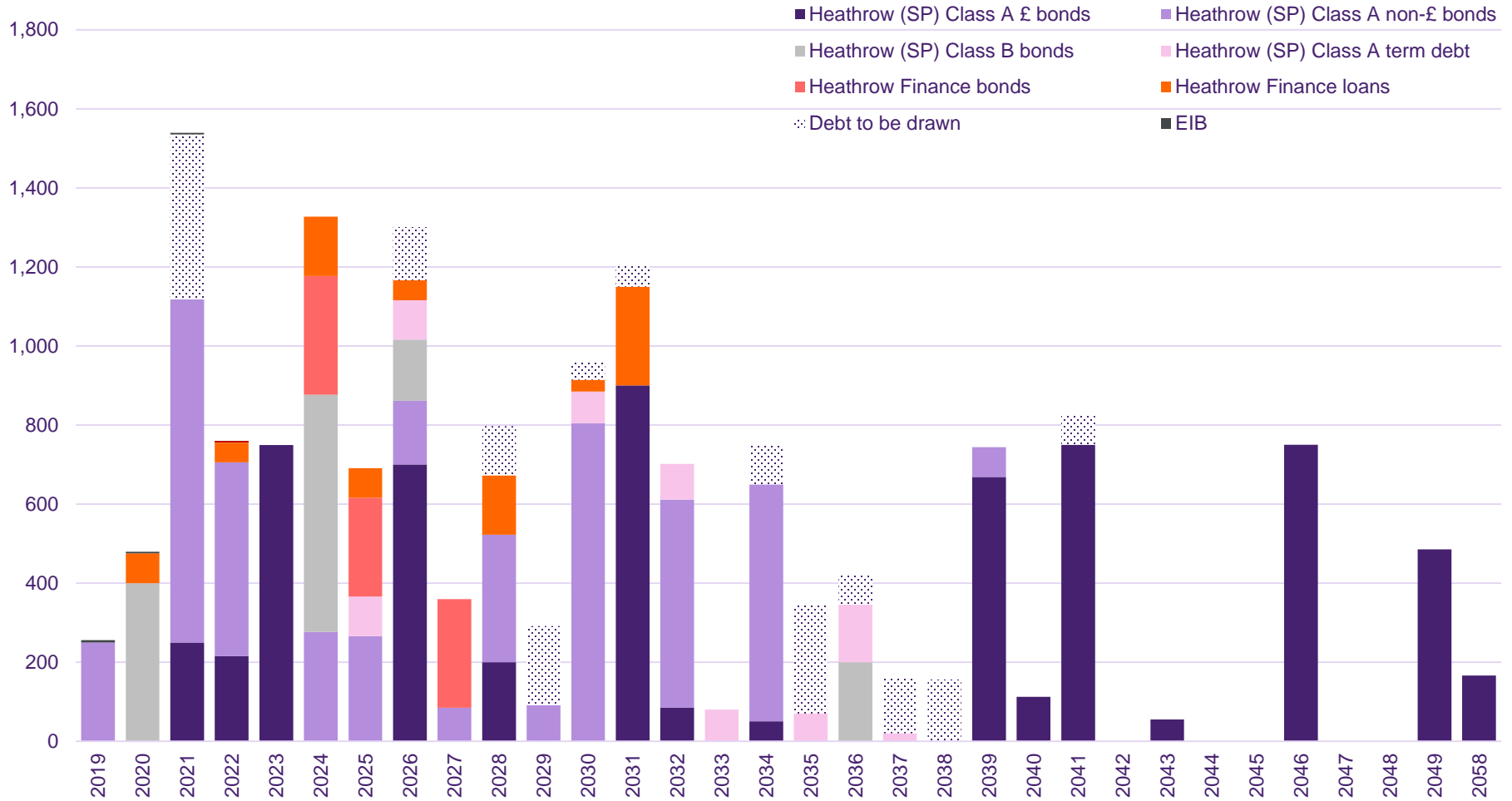
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
C\$400m 4%	250	250	2019
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	215	215	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
CHF210 0.46%	161	161	2026
£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
AS\$175m 4.150%	96	96	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	239	239	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	85	85	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	57	57	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	612	612	2039
£100m RPI +1.238%	112	112	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	85	85	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	166	166	2058
Total senior bonds	10,951	10,951	
Term debt	703	1,461	Various
Index-linked derivative accretion	335	335	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	1,038	2,696	
Total senior debt	11,989	13,647	
Heathrow (SP) Limited cash	(824)		
Senior net debt	11,165		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	0	75	2035
£75m RPI + 0.337%	0	75	2036
£180m RPI +1.061%	200	200	2036
£51m RPI + 0.419%	0	51	2038
£105m 3.460%	0	105	2038
£75m RPI + 0.362%	0	75	2041
Total junior bonds	1,355	1,736	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,355	1,986	
Heathrow (SP) Limited group net debt	12,520		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
Total bonds	825	825	
£75m	75	75	2020
£50m	50	50	2022
£150m	150	150	2024
£75m	75	75	2025
£185m	50	185	2026
£275m	150	275	2028
£75m	30	75	2030
£302m	250	302	2031
£100m	0	100	2034
£200	0	200	2035
Total loans	830	1,487	
Total Heathrow Finance plc debt	1,655	2,312	
Heathrow Finance plc cash	(30)		
Heathrow Finance plc net debt	1,625		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,989	13,647
Heathrow (SP) Limited junior debt	1,355	1,986
Heathrow Finance plc debt	1,655	2,312
Heathrow Finance plc group debt	14,999	17,945
Heathrow Finance plc group cash	(854)	
Heathrow Finance plc group net debt	14,145	

Debt maturity profile at 30 June 2019



Notes, sources and defined terms

- Page 4
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and certain re-measurements and exclude the impact of IFRS16
- Page 7
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5
- Page 16
 - Operating costs refer to adjusted operating costs which exclude depreciation and amortization and exclude the impact of IFRS16
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and certain re-measurements and exclude the impact of IFRS16
 - Capital expenditure includes capital creditors
 - 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 18
 - Operating costs refer to adjusted operating costs which exclude depreciation and amortization and exclude the impact of IFRS16
- Page 20
 - Opening and closing nominal net debt includes index-linked accretion
 - Cash capital expenditure for the period
 - Other comprises index-linked accretion, other restricted payments, external tax payments and fees paid in relation to financing transactions
 - 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
- Page 21
 - Gearing ratio: external nominal net debt (including index-linked accretion) to RAB (regulatory asset base)
- Page 28 and 29
 - 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 for Class A bonds

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 provided 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 provided 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