



Heathrow (SP) Limited

Results for nine months ended 30 September 2016

20 October 2016

Heathrow
Making every journey better



2016 nine months highlights

Continued strong performance in 2016

1

Operational highlights

- High service standards complement strong operational performance
- Heathrow once again awarded ACI Europe's Best Major Airport Award

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Financial performance

- Revenue of £2,093 million, up 1.2% and Adjusted EBITDA of £1,274 million, up 4.4%
- Strong cost control and better value
- £1.6 billion raised globally in 2016

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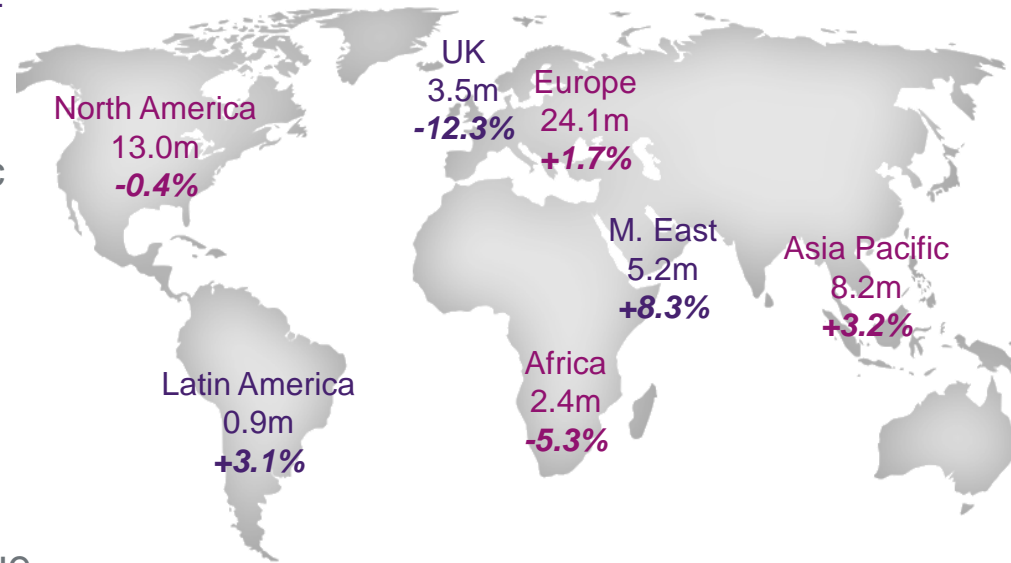
Strategic aims

- Raising service standards and operational resilience
- Focusing on further cost efficiency and revenue development
- Heathrow offered to exceed Airports Commission's conditions and expects a decision on expansion imminently

Demand to use Heathrow continues to grow

- 2016 growth largely reflects a strong summer and the leap year day
 - traffic increased early in year, softened in Q2 but strengthened once more in Q3
- Short haul reflects increased continental Europe capacity offset by lower domestic traffic as Virgin Little Red services ended
- Long haul traffic grew 1.7%
 - driven by Middle East and Asia Pacific
 - North American demand impacted by geopolitical and macro-economic factors
- Cargo volume increased 2.1%, mainly due to Hong Kong, China and Vietnam
- 75.3 million passengers forecast for 2016
 - reduced from 75.5 million in June
 - reflecting modest underlying growth and leap year effect

Passenger traffic by market 9M 2016 versus 9M 2015

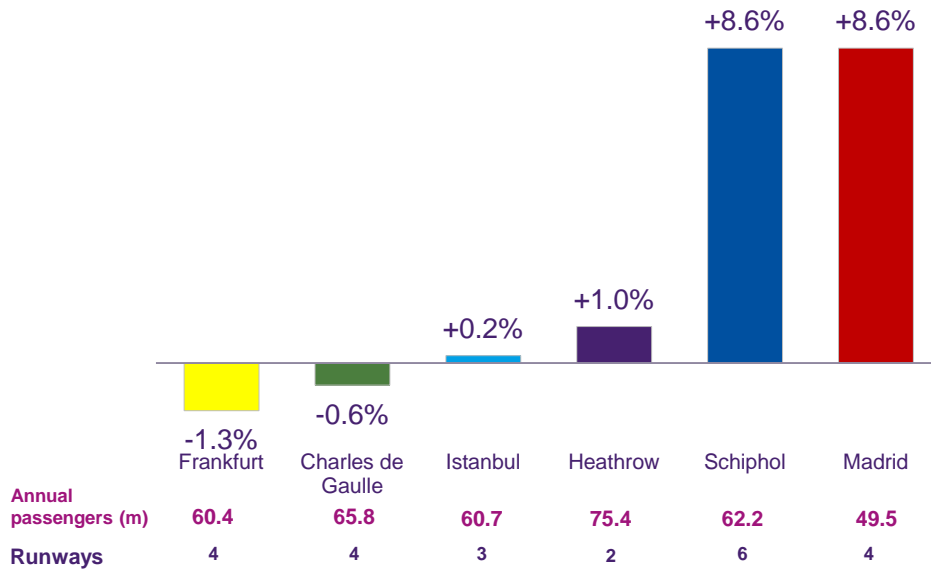


57.3 million passengers
+0.7%

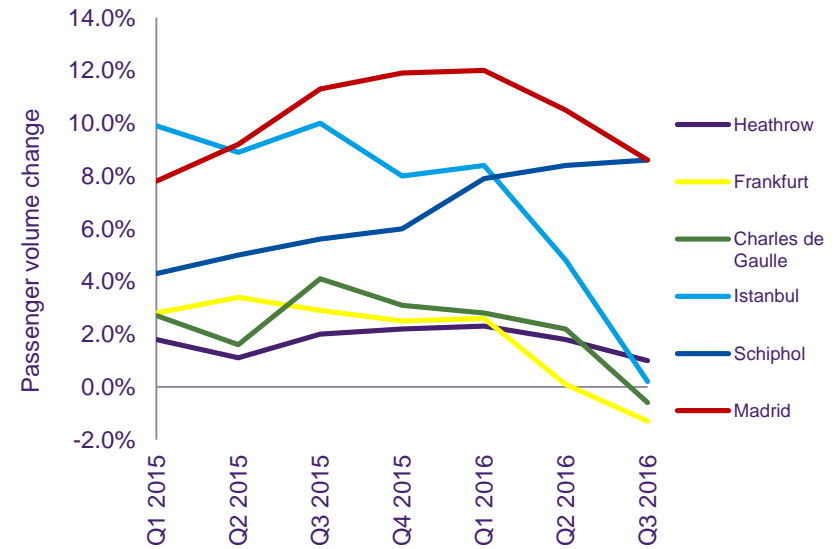
Heathrow's resilience re-emerges in an uncertain environment

Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 30 September 2016

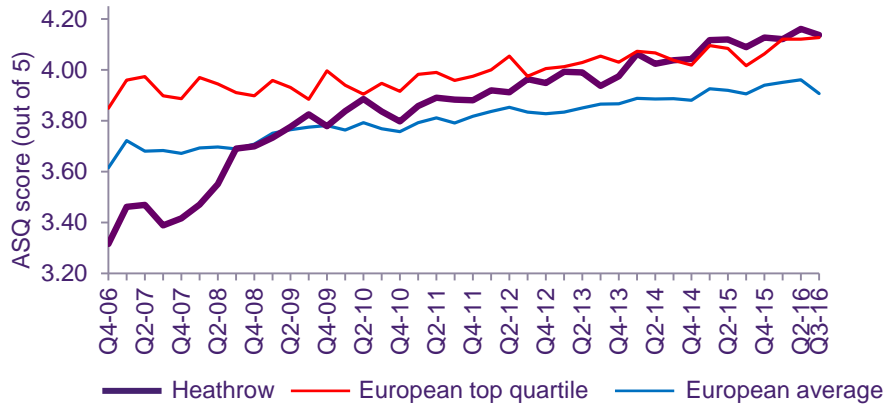


Recent evolution of change in rolling 12 month traffic

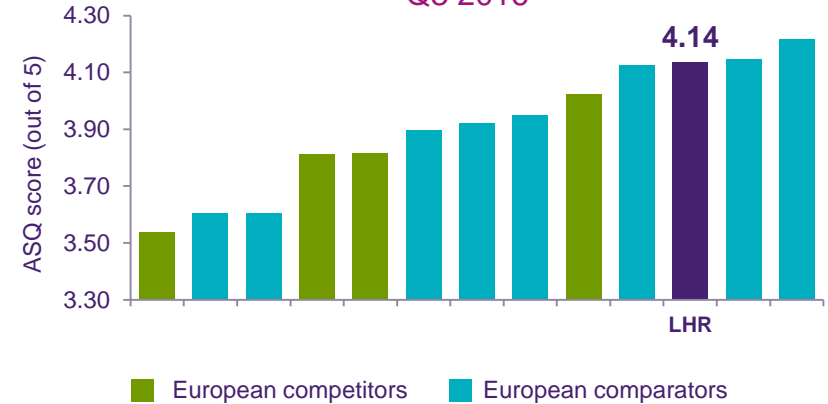


High service standards complemented by robust operations

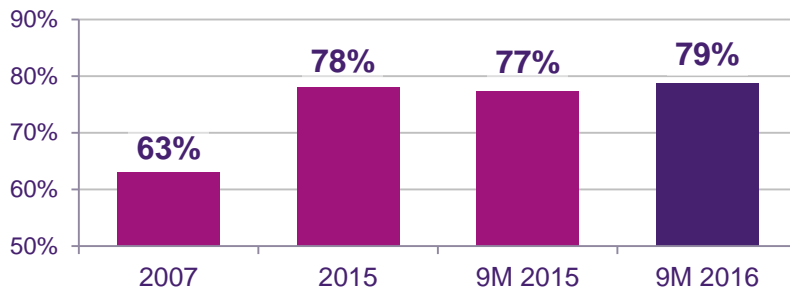
Quarterly passenger satisfaction
Q4 2006 – Q3 2016



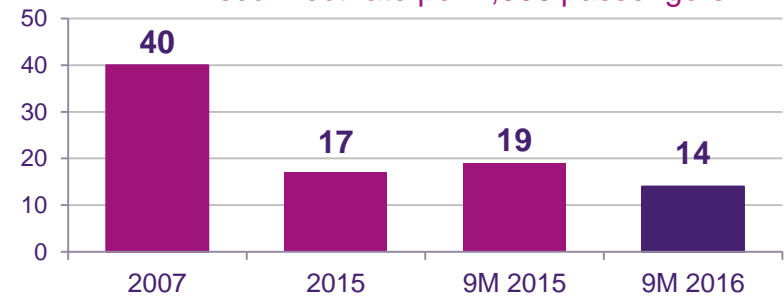
Passenger satisfaction European ranking
Q3 2016



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
World's Best Independent Airport Lounge



Financial review

Financial highlights

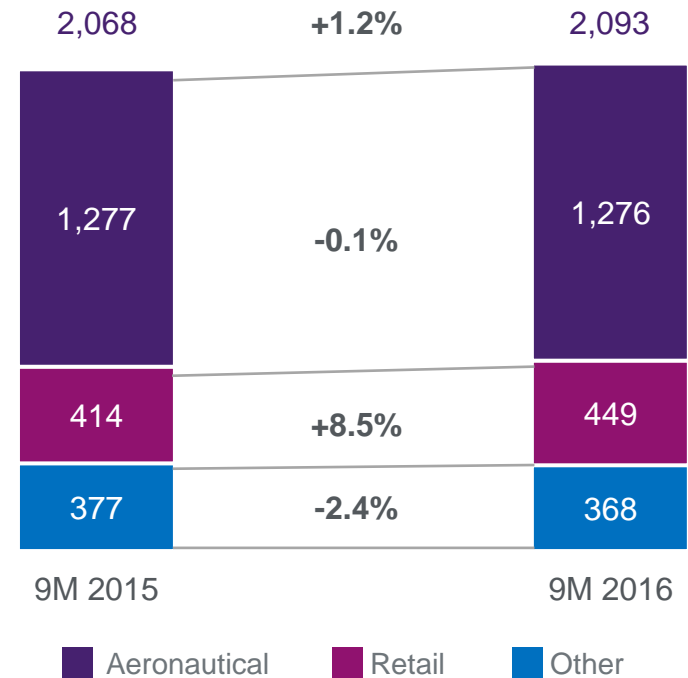
(£ million)	9M 2016	9M 2015	Versus 9M 2015
Revenue	2,093	2,068	+1.2%
Operating costs ¹	819	848	-3.4%
Adjusted EBITDA ¹	1,274	1,220	+4.4%
Capital expenditure	477	474	+0.6%
	Sep 2016	Dec 2015	Change from 31 Dec 15
Consolidated nominal net debt			
Heathrow (SP)	12,016	11,745	+2.3%
Heathrow Finance	12,835	12,670	+1.3%
RAB	15,112	14,921	+1.3%

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

Revenues driven by continued strong retail growth

- Aeronautical revenue broadly flat with marginally higher passenger numbers offset by lower tariffs
 - 0.7% traffic growth contributes £9 million
 - (0.8%) lower yield with headline tariff reduction
- Retail growth accelerates
 - sterling depreciation provides Q3 boost
 - T5 luxury retail redevelopment continues to deliver growth
 - car parking continues to grow
 - continued progress towards £300 million Q6 incremental revenue
- Contrasting dynamics in other income
 - Heathrow Express revenue increases
 - reduction in other regulated charges reflects success in reducing baggage system operation, maintenance costs and utilities consumption

Analysis of revenue (£m)

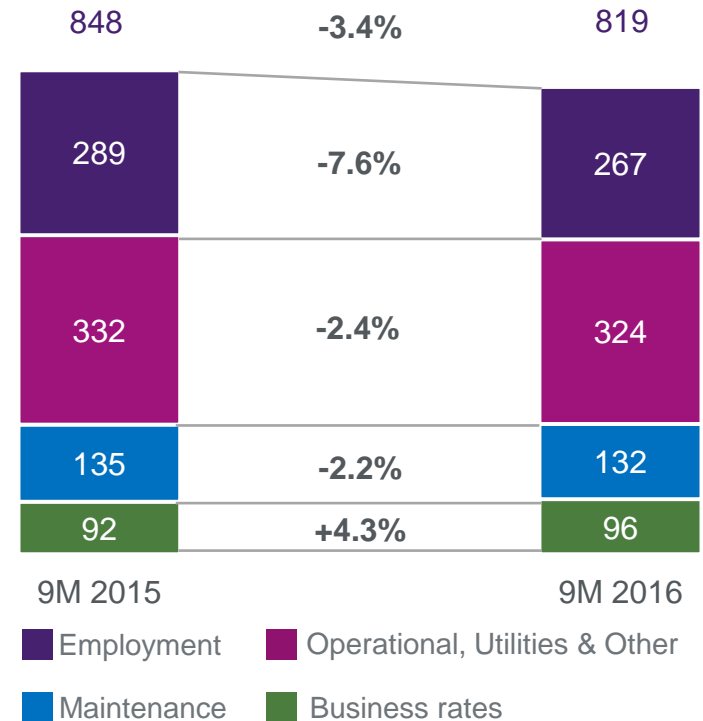


Per passenger (£)	9M 2015	9M 2016	Change
Aeronautical revenue	22.44	22.26	-0.8%
Retail revenue	7.27	7.83	7.7%

Benefits of cost efficiencies continue to flow through

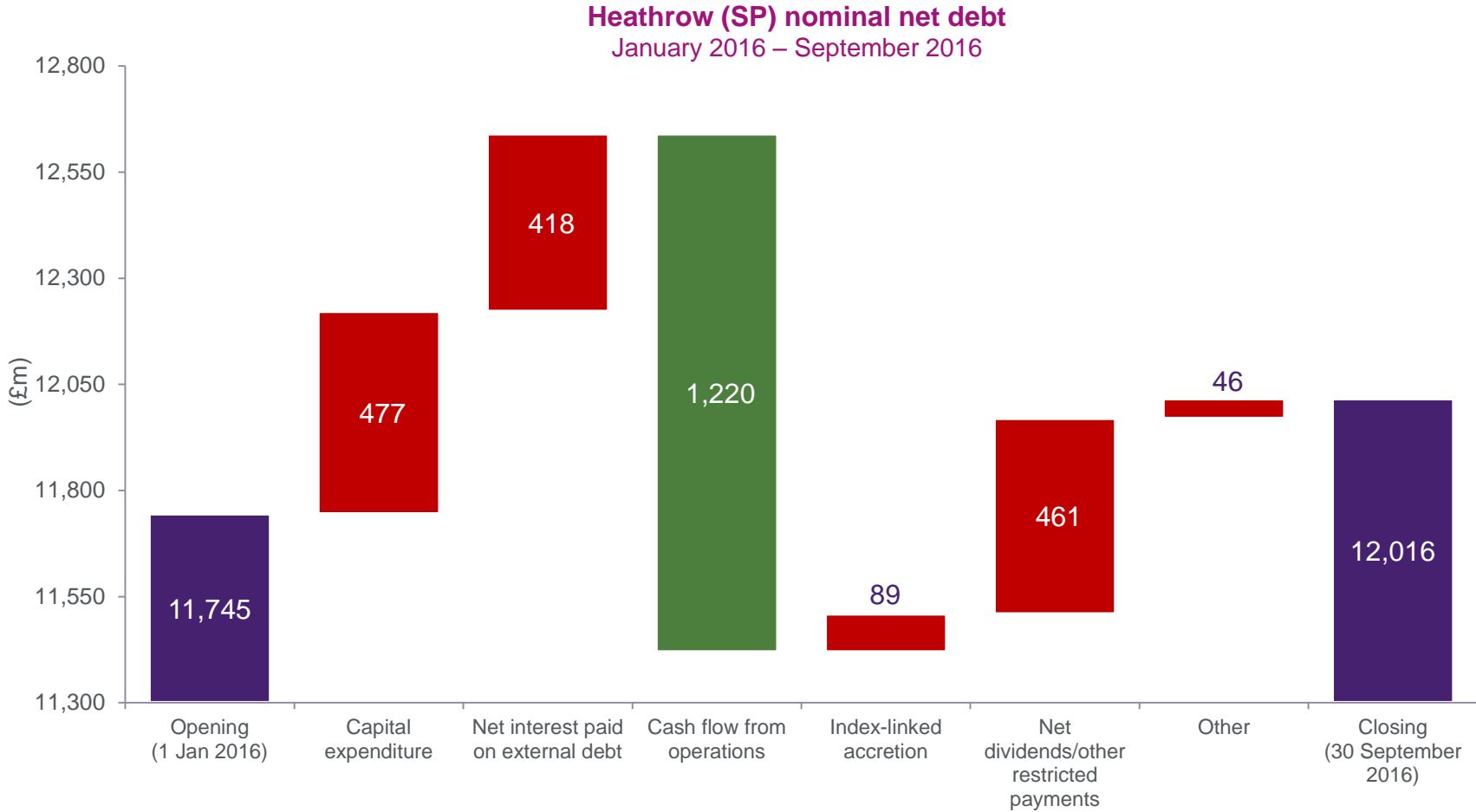
- ~4% lower operating cost per passenger
 - benefits from lower headcount and increased productivity
 - defined benefit pension scheme changes
 - energy savings
- Ongoing delivery of £600 million Q6 target
 - major contracts largely renegotiated
 - further voluntary severance
 - benefits of pay deal
- Costs to reduce ~4% in 2016
- Increased investment in resilience and training

Analysis of operating costs (£m)



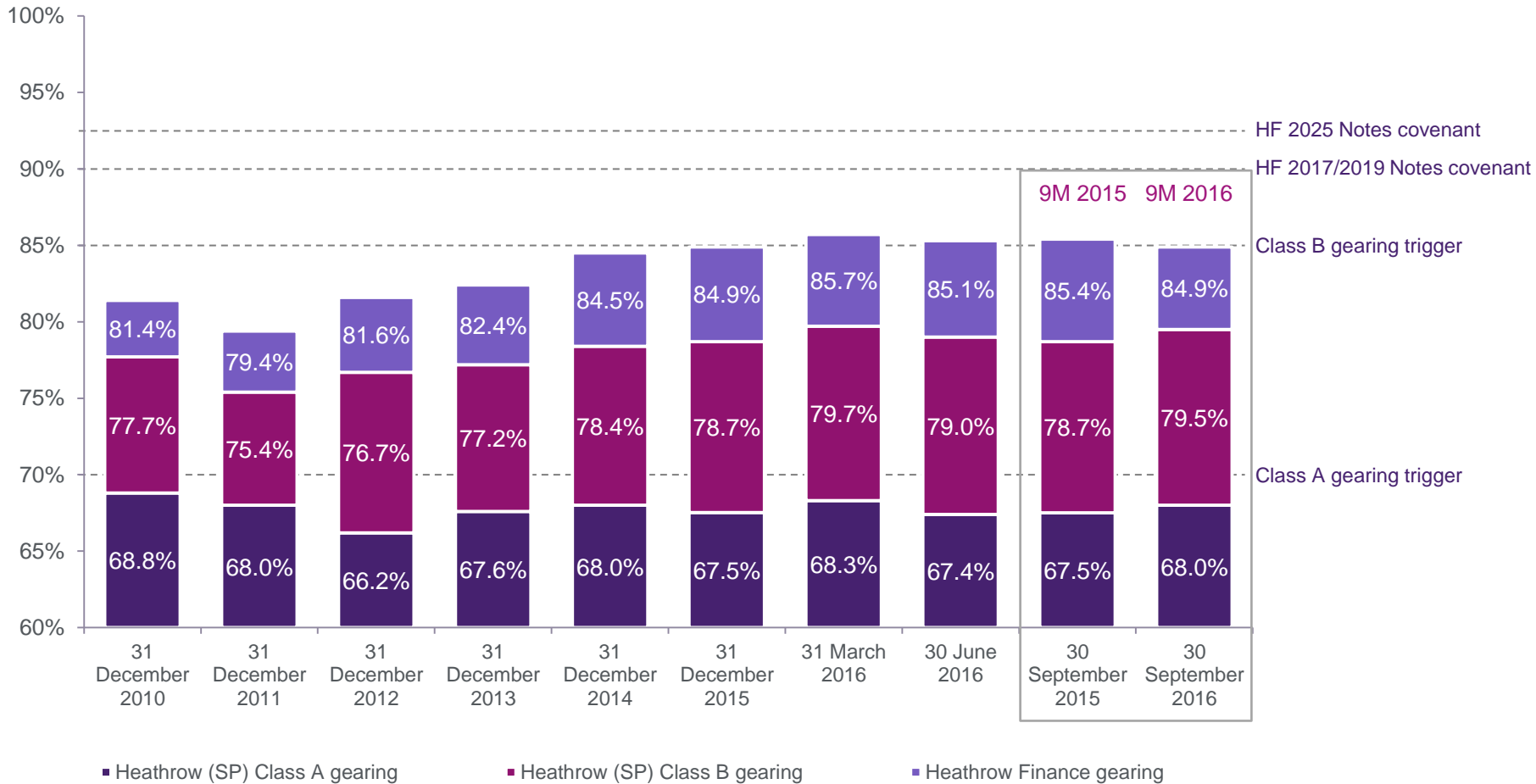
Per passenger (£)	9M 2015	9M 2016	Change
Operating costs	14.90	14.29	-4.1%

Operating cash flow significantly exceeds capital expenditure and interest payments



Substantial gearing headroom retained

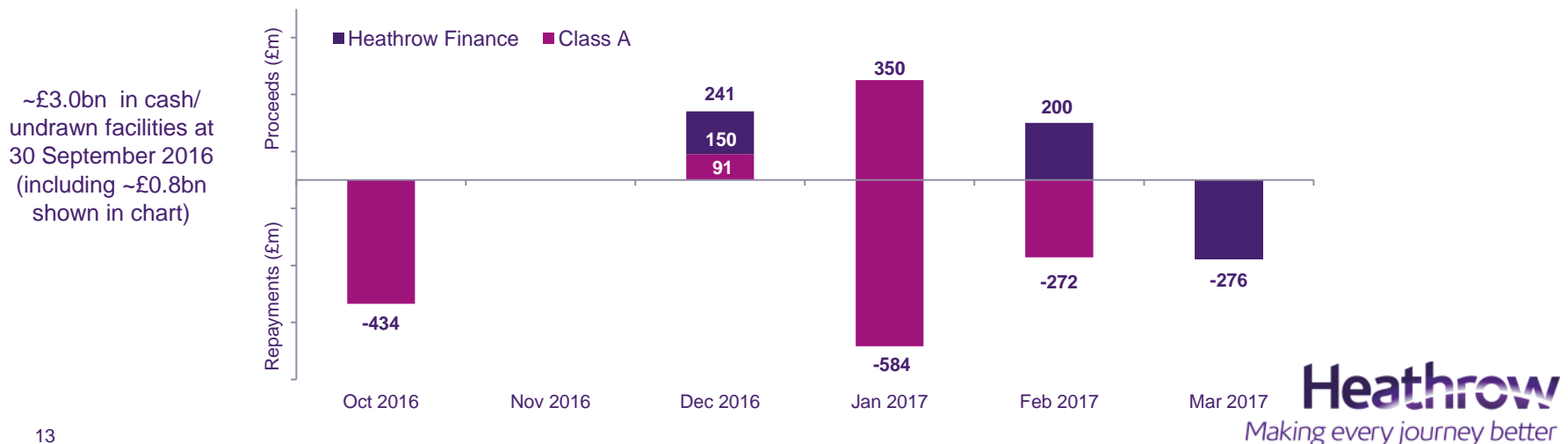
Evolution of gearing ratios



Continued success in raising debt on attractive terms from diverse sources

- Approximately £1.6 billion of debt financing raised globally since the start of 2016
 - public markets accessed with successful £400 million 33 year and CHF400 million 8.25 year bonds
 - £350 million Heathrow Finance 7-12 year loan facilities agreed with drawdown in late 2016 or 2017
 - £350 million 3.75 year Class A term loan agreed with 5 banks with flexibility to draw until March 2017
- Also cancelled nearly £400 million in facilities to improve financing efficiency
- Since end of 2015, liquidity horizon extended from June 2017 to July 2019
- Financing characterized by delayed drawdown to reduce carry costs whilst providing certainty to meet forthcoming debt maturities

Near term debt maturities and illustrative drawdown of recently committed term debt



Outlook

- 2016 EBITDA forecast remains consistent with June Investor Report
- 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 4%
- EU referendum outcome may create some short-term uncertainty, Heathrow planned for that outcome
- Funding plans for 2016 complete
- Heathrow has been resilient in previous periods of macro-economic instability
 - whilst caution is merited, Heathrow's 2016 EBITDA performance not currently expected to be materially impacted by consequences of referendum outcome



Strategic update

Giving passengers the best airport service in the world

1

Mojo

Delivered

- ✓ Management training programme launched
- ✓ New cohorts of graduates, interns and engineering apprentices
- ✓ No vote to strike action

To come

- Diversity strategy launch
- Heathrow Academy graduation ceremony 114 graduates
- Annual colleagues survey

2

Transform customer service

- ✓ Delta and Virgin co-location T3
- ✓ Airline conference – H7 kick-off
- ✓ Weibo and WeChat campaigns in China

- Sustainability strategy launch
- Hong Kong airport exchange
- Customer database amalgamation

3

Beat the plan

- ✓ LED stand lighting completed
- ✓ Efficiency programme launch
- ✓ T5 personal shopper lounge

- Q6 extension
- Go-Heathrow – social media travel booking site
- Christmas campaign and experience
- Harry Potter store T5

4

Win support for expansion

- ✓ Brexit boost announcement
- ✓ Scottish Government endorsement
- ✓ 30,000 local resident letters to Prime Minister

- Government recommendation
- Mobilisation preparedness
- Glasgow business summit

Questions?



Appendices

Heathrow nominal net debt at 30 September 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%	198	198	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	42	42	2032
£75m RPI +1.366%	78	78	2032
€50m Zero Coupon	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	52	52	2039
£460m RPI +3.334%	562	562	2039
£100m RPI +1.238%	103	103	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	78	78	2049
£400m 2.75%	400	400	2049
Total senior bonds	10,545	10,545	
Term debt	449	449	Various
Index-linked derivative accretion	189	189	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	638	1,538	
Total senior debt	11,183	12,083	
Heathrow (SP) Limited cash	(905)		
Senior net debt	10,278		

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
£180m RPI +1.061%	183	183	2036
Total junior bonds	1,738	1,738	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,738	1,988	
Heathrow (SP) Limited group net debt	12,016		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£325m 7.125%	276	276	2017
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
Total bonds	789	789	
£75m	75	75	2020
£50m	50	50	2022
£50m	50	50	2025
Total loans	175	175	
Total Heathrow Finance plc debt	964	964	
Heathrow Finance plc cash	(145)		
Heathrow Finance plc net debt	819		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,183	12,083
Heathrow (SP) Limited junior debt	1,738	1,988
Heathrow Finance plc debt	964	964
Heathrow Finance plc group debt	13,885	15,035
Heathrow Finance plc group cash	(1,050)	
Heathrow Finance plc group net debt	12,835	

Notes, sources and defined terms

Page 3

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

Page 5

- Sources: airport websites

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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
- Net dividends/other restricted payments include dividends and interest payments on the debenture between Heathrow (SP) and Heathrow Finance offset by any cash injections from Heathrow Finance into Heathrow (SP)
- Flows included in 'Other' include group relief receipts, external tax payments, fees paid in relation to bond issues, discounts on bonds issued, proceeds from swap restructuring and movements in group deposits

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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 Redemption Date

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Heathrow

Making every journey better