



Heathrow (SP) Limited

Results for nine months ended 30 September 2017

26 October 2017

Heathrow
Making every journey better

Continued strong performance in 2017

1

Operational highlights

- Record service standards complement award winning operations performance
- Record 59.1 million passengers, up 3.1% and strong cargo growth, up 10.5%

2

Financial performance

- Revenue of £2,161 million, up 3.2%; Adjusted EBITDA of £1,347 million, up 5.7%
- Strong cost control and better value
- Over £1.0 billion in debt financing completed while simplifying capital structure

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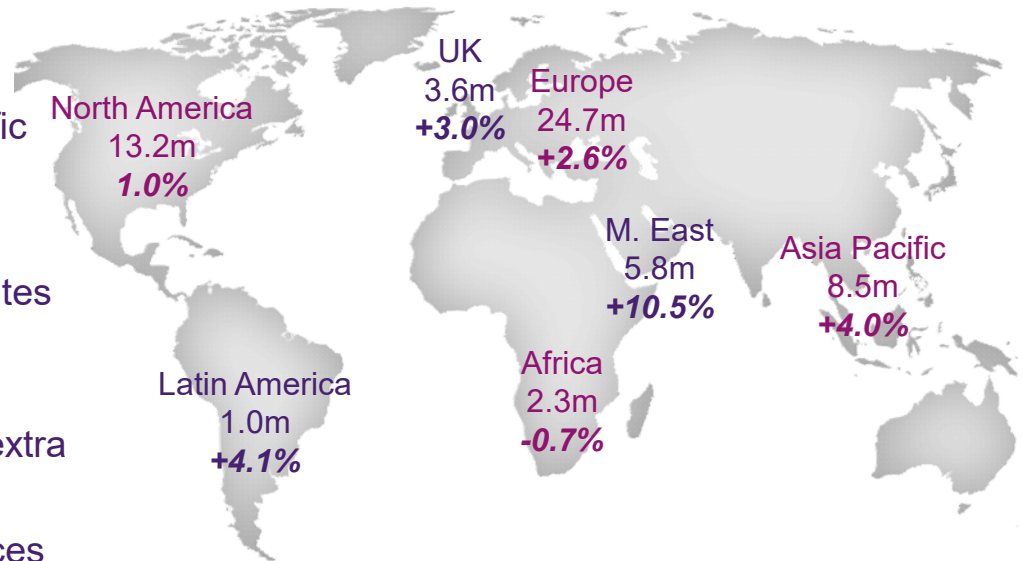
Strategic aims

- Raising service standards and operational resilience
- Focusing on further cost efficiencies and incremental revenue
- Delivering expansion remains on track

Strongest traffic growth for several years

- Record traffic continues in 2017
 - growth primarily from record load factor of 78.5%
- Long haul traffic key growth driver
 - up 3.5% driven by Middle East and Asia Pacific
 - Middle East up 10.5% due to A380s/new services
 - Asia Pacific up 4.0% on growth in existing routes
- Good growth also seen in short haul
 - notable continental Europe increases due to extra flights and larger planes
 - continued domestic increase with Flybe services to Scotland
- Cargo up 10.5% mainly due to North America and Middle East
- 12 month rolling traffic at 77.4 million suggests 2017 outturn likely to exceed 76.7 million forecast in June 2017 investor report

Passenger traffic by market
9M 2017 versus 9M 2016

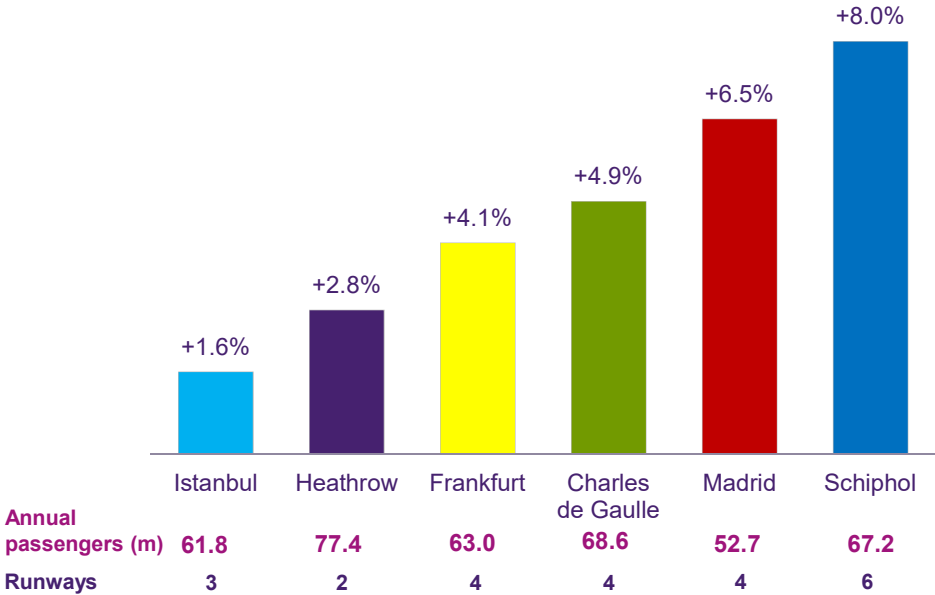


59.1 million passengers
+3.1%

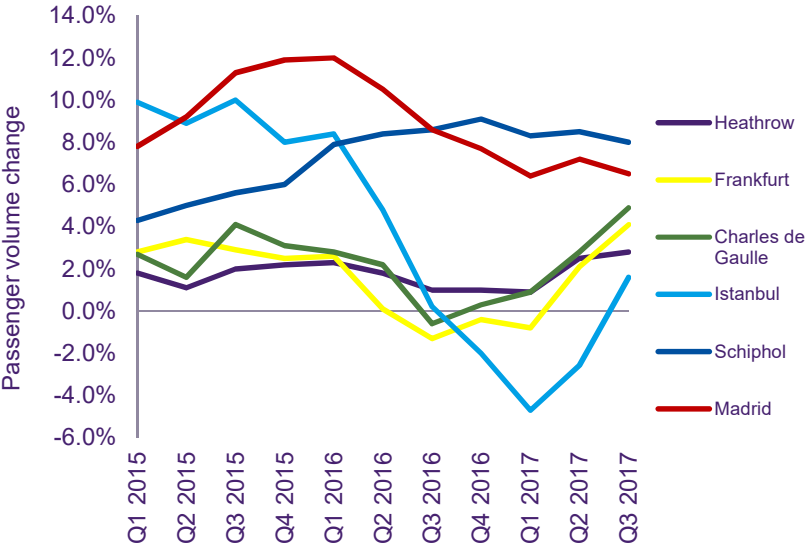
Heathrow's traffic growth remains resilient despite capacity constraints

Passenger traffic at European hubs

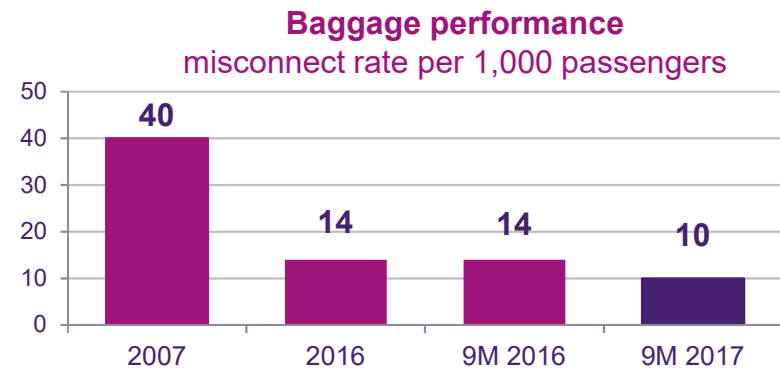
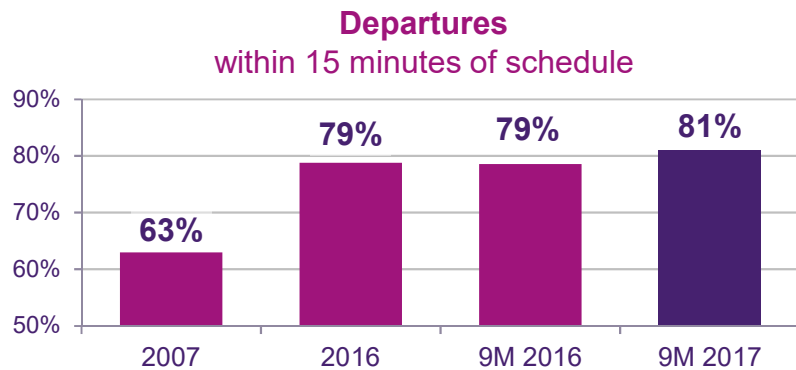
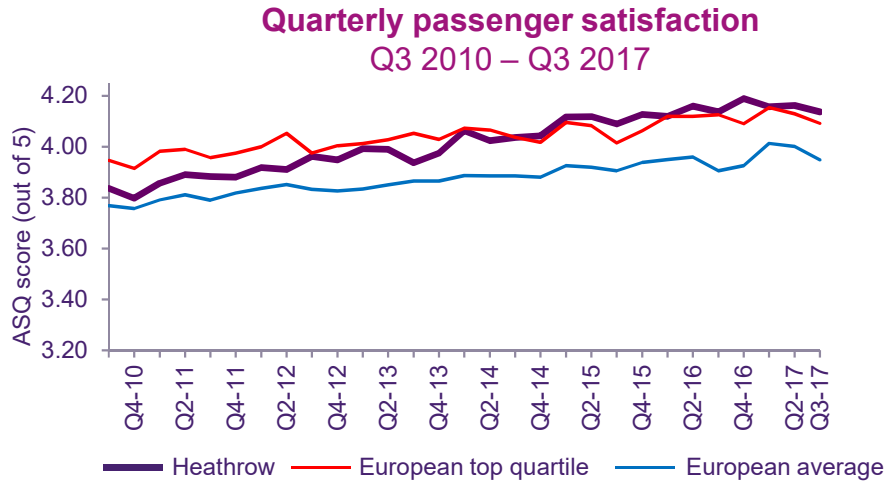
Year on year growth in traffic for 12 months to 30 September 2017



Recent evolution of change in rolling 12 month traffic



Record service standards complemented by robust operations





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

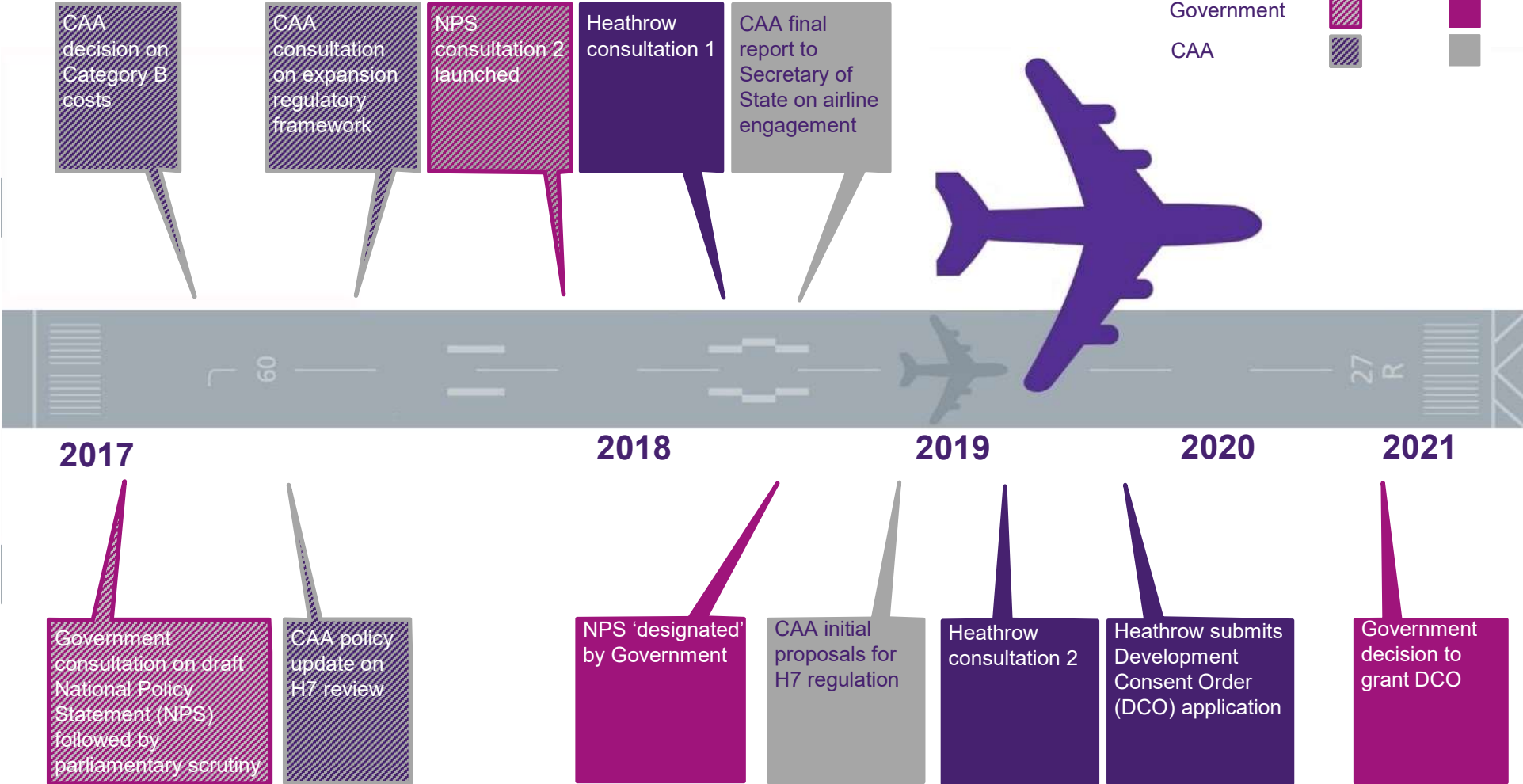
Heathrow expansion on track

Completed To come

Heathrow  

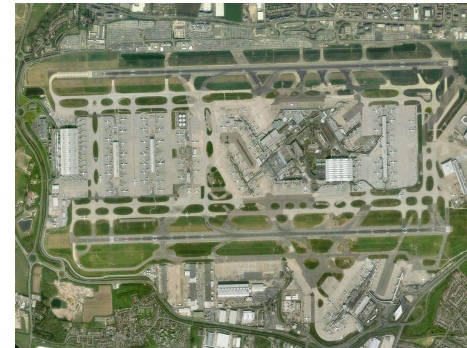
Government  

CAA  



Heathrow expansion on track

- Government renews support for expansion
 - call for evidence to develop a new aviation strategy
 - 2nd NPS consultation on National Air Quality Strategy and updated demand forecast
 - transport select committee scrutiny
 - NPS vote expected in H1 2018
 - broad cross party support (~70% of MPs)
- Response to CAA's expansion regulatory framework consultation
 - Q4 2017 further consultation on WACC ranges, Q6+2 price control and Category C costs
- CAA encouraged by progress made in Heathrow and airline partners engagement
- Other expansion milestones
 - very strong response to Logistics Hubs expression of interest
 - 4 out of 7 business summits held this year





Financial review

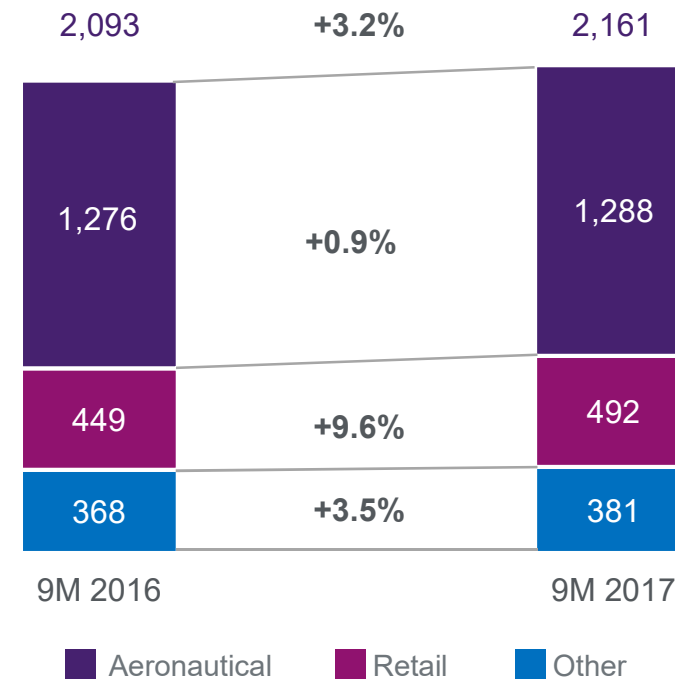
Financial highlights

(£ million)	9M 2017	9M 2016	Versus 9M 2016
Revenue	2,161	2,093	+3.2%
Operating costs	814	819	-0.6%
Adjusted EBITDA	1,347	1,274	+5.7%
Capital expenditure	491	477	+2.9%
	Sep 2017	Dec 2016	Change from 31 Dec 16
Consolidated nominal net debt			
Heathrow (SP)	12,440	11,908	+4.5%
Heathrow Finance	13,455	13,005	+3.5%
RAB	15,630	15,237	+2.6%

Strong traffic and retail momentum boost revenues

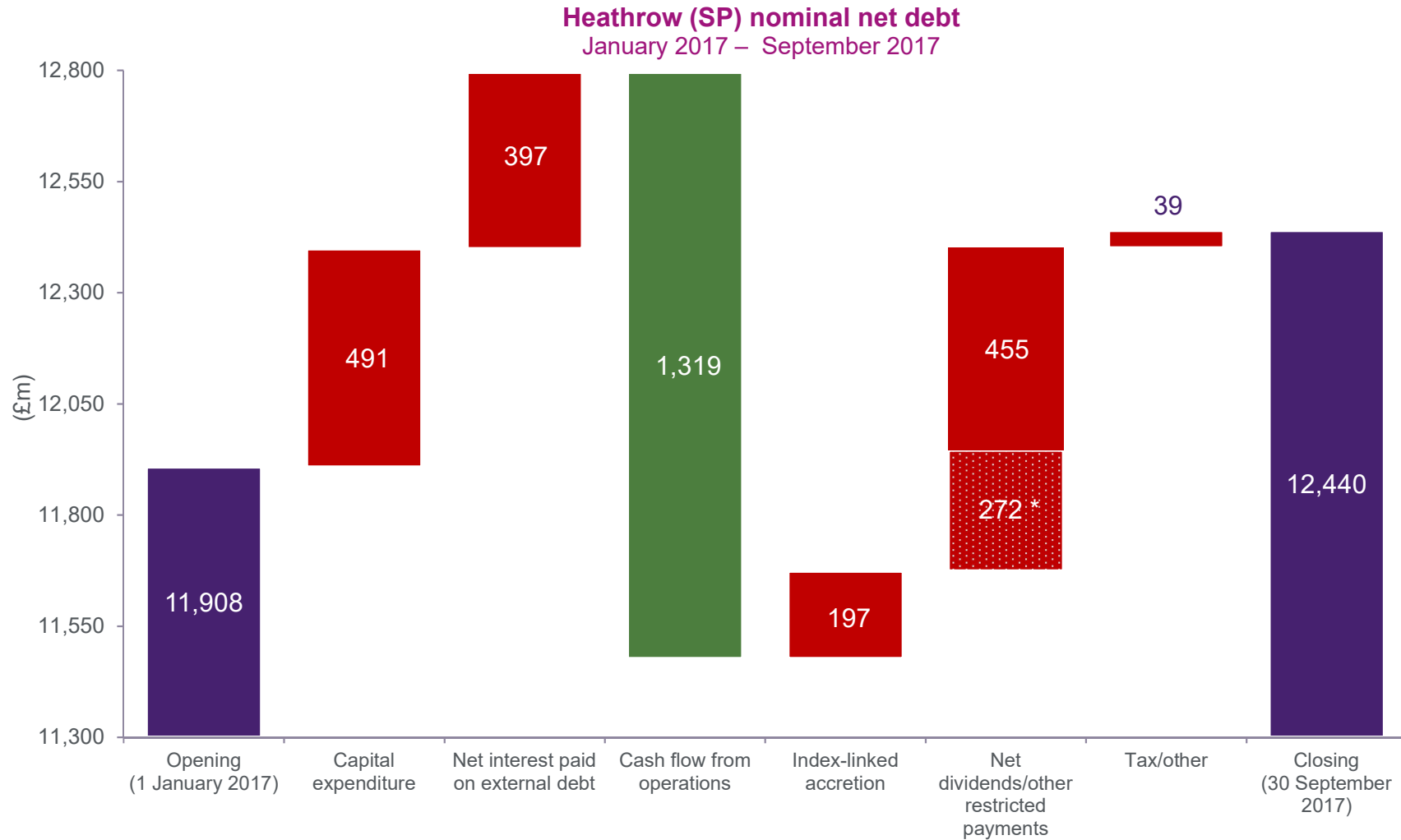
- Record traffic boosts aeronautical revenue
 - up: traffic growth
 - down: lower tariff (RPI-1.5% formula); yield dilution
- Strong momentum in retail income growth
 - increased airside participation and greater spend per participating passenger
 - surging traffic and sterling depreciation boosted revenue, particularly duty and tax-free and airside specialist shops
 - catering income growth driven by Terminal 5 food outlet redevelopment and increased passenger participation before boarding
 - Terminal 4 luxury retail redevelopment started contributing to growth

Analysis of revenue (£m)



Per passenger (£)	9M 2016	9M 2017	Change
Aeronautical revenue	22.26	21.81	-2.1%
Retail revenue	7.83	8.33	+6.4%

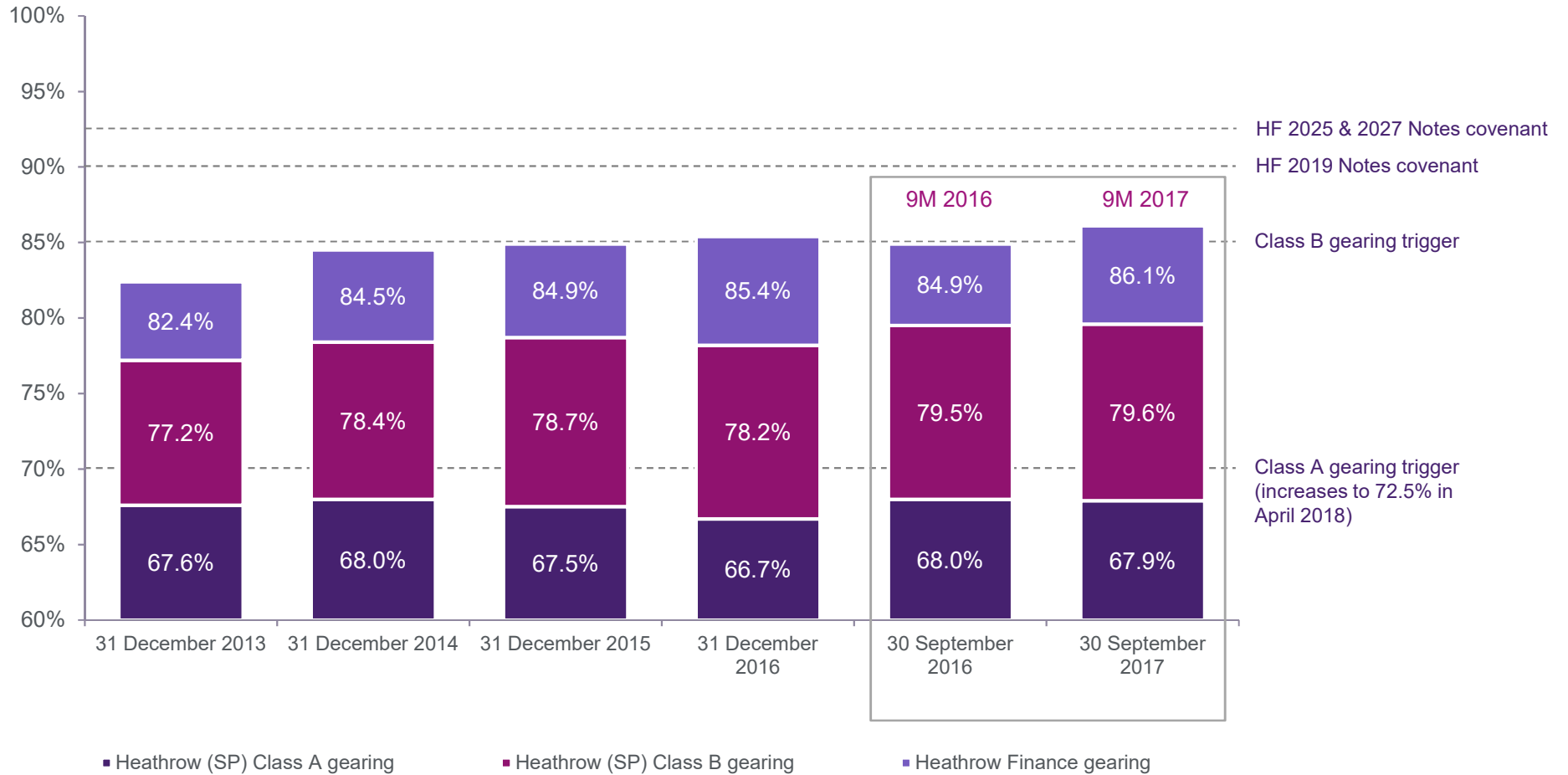
Operating cash flow significantly exceeds capital expenditure and interest payments



* £272 million net restricted payments funded the £281 million dividends to ultimate shareholders in the financial period

Substantial gearing headroom retained

Evolution of gearing ratios



All key 2017 debt financing targets achieved

- Over £1.0 billion raised globally and capital structure simplified
- Over £700 million of Class A debt financing raised
 - €500 million 15 year bond strengthening position in Euro market
 - £100 million 16 and 20 year private placement further expands non-UK sources of sterling funding
 - 2016's £350 million 3.75 year Class A term loan increased to £418 million with 2 new banks
 - £100 million 7 year term loan expected to be drawn in July 2018
- Clear route to simplify Heathrow's debt financing from 4 to 3 layers by raising £350 million at Heathrow Finance and ADIF2
 - highly successful £275 million 10 year Heathrow Finance bond
- Liquidity horizon currently extends to September 2019
- Average life of debt of 11.6 years
- Financing needs likely to remain modest until expansion construction programme begins
 - 2018 debt financing target likely to be similar in scale to 2017

Outlook

- Recent traffic trends outperforming expectations with rolling annual traffic reaching 77.4 million as at 30 September 2017
- Assuming recent traffic trends persist, it is expected there will be modest upside to forecast Adjusted EBITDA for the year of £1,735 million included in June investor report



Strategic update

Giving passengers the best airport service in the world

1 Mojo

Delivered

- ✓ Green car salary sacrifice scheme
- ✓ Disability & LGBT networks launched
- ✓ Hi5! for Terminal 5 security officers
- ✓ New occupational health facility

To come

- Team Heathrow 5-A-Side DofE challenge
- London Living Wage terms and conditions
- Pension salary sacrifice

2 Transform customer service

- ✓ Mr Adventure smartphone app
- ✓ Additional Crossrail services agreed
- ✓ Food and beverage pre-order trial

- Transform Passenger with Reduced Mobility service levels
- Heathrow 'Service Signatures' developed
- Half-term 'Discover Dinosaurs' event

3 Beat the plan

- ✓ Kids go free – travel, eat, fly
- ✓ Heathrow Express summer sale
- ✓ Heathrow Gin Festival
- ✓ 'Simpler Heathrow' to streamline processes

- Terminal 3 personal shopping lounge
- New services to China (Beijing and Hainan)
- Japan Airways new Tokyo service

4 Sustainable growth

- ✓ Leading Sustainable Growth training for senior managers
- ✓ Additional Inverness flights announced
- ✓ Skills task force consultation launched
- ✓ Response to CAA consultation
- ✓ 4 out of 7 business summits

- Government NPS consultation 2
- Freight blueprint launch
- Heathrow DCO consultation
- Transport Select Committee hearings

Questions?



Appendices

Heathrow nominal net debt at 30 September 2017

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
€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%	205	205	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%	81	81	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%	54	54	2039
£460m RPI +3.334%	582	582	2039
£100m RPI +1.238%	107	107	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	81	81	2049
£400m 2.75%	400	400	2049
Total senior bonds	9,828	9,828	
Term debt	929	1,029	Various
Index-linked derivative accretion	331	331	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	1,260	2,260	
Total senior debt	11,088	12,088	
Heathrow (SP) Limited cash	(468)		
Senior net debt	10,620		

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%	190	190	2036
Total junior bonds	1,745	1,745	
Junior revolving credit facilities	75	250	2021
Total junior debt	1,820	1,995	
Heathrow (SP) Limited group net debt	12,440		

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	0	75	2020
£50m	0	50	2022
£75m	50	75	2024
£125m	50	125	2025
£50m	0	50	2026
£150m	150	150	2028
Total loans	250	525	
Total Heathrow Finance plc debt	1,037	1,312	
Heathrow Finance plc cash	(22)		
Heathrow Finance plc net debt	1,015		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,088	12,088
Heathrow (SP) Limited junior debt	1,820	1,995
Heathrow Finance plc debt	1,037	1,312
Heathrow Finance plc group debt	13,945	15,395
Heathrow Finance plc group cash	(490)	
Heathrow Finance plc group net debt	13,455	

Notes, sources and defined terms

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

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- Sources: airport websites

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

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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 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