



Heathrow (SP) Limited

Results for three months ended 31 March 2015

24 April 2015

Heathrow
Making every journey better



Q1 2015 highlights
John Holland-Kaye, CEO

Strong start to 2015

1

Operational highlights

- Strong operational performance and record traffic
- Record levels of passenger satisfaction: Best airport in Western Europe
- Successful launch of world-class transfer baggage facility

2

Financial performance

- Revenue up 8.0%, growth across income streams
- EBITDA up 7.2% to £342 million
- £850 million funding raised this year

3

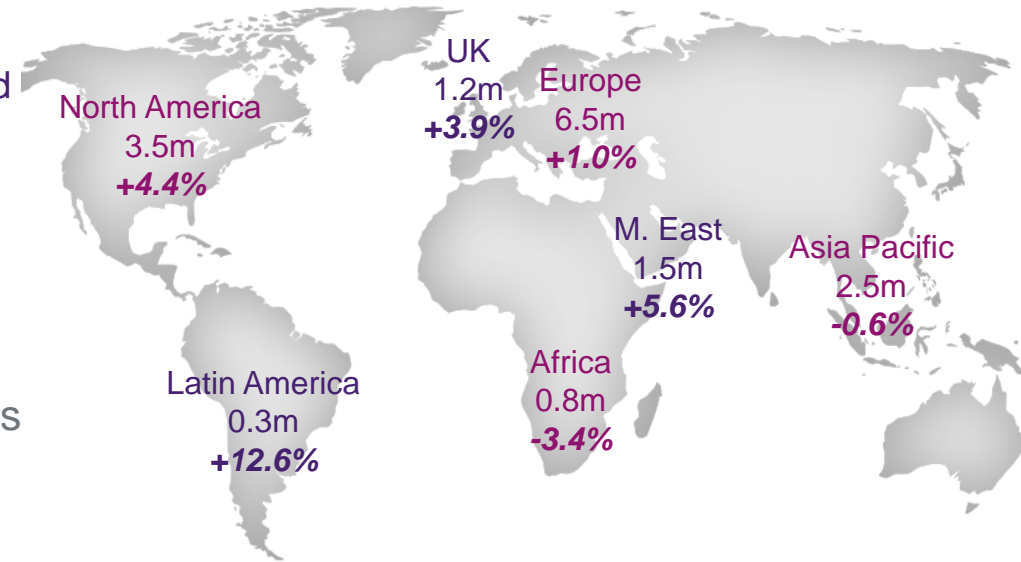
Strategic aims

- Giving passengers the best airport service in the world
- Driving cost efficiencies harder
- Growing consensus supporting Heathrow expansion

Traffic growth reflects strong demand

- Strong intercontinental traffic growth
 - North American growth supported by new destinations and increased frequencies
 - Middle East growth continues with increased flights and larger aircraft
 - Latin America benefits from Avianca's new Colombia service and growth in Mexico
- Vietnam Airlines moved to Heathrow
- Short haul growth led by European flights
 - European traffic growth reflecting BA seat capacity increase
- Cargo growth of 4.5% driven by North America, India and Hong Kong
- Potential for 2015 traffic to exceed current forecast of 73.9 million

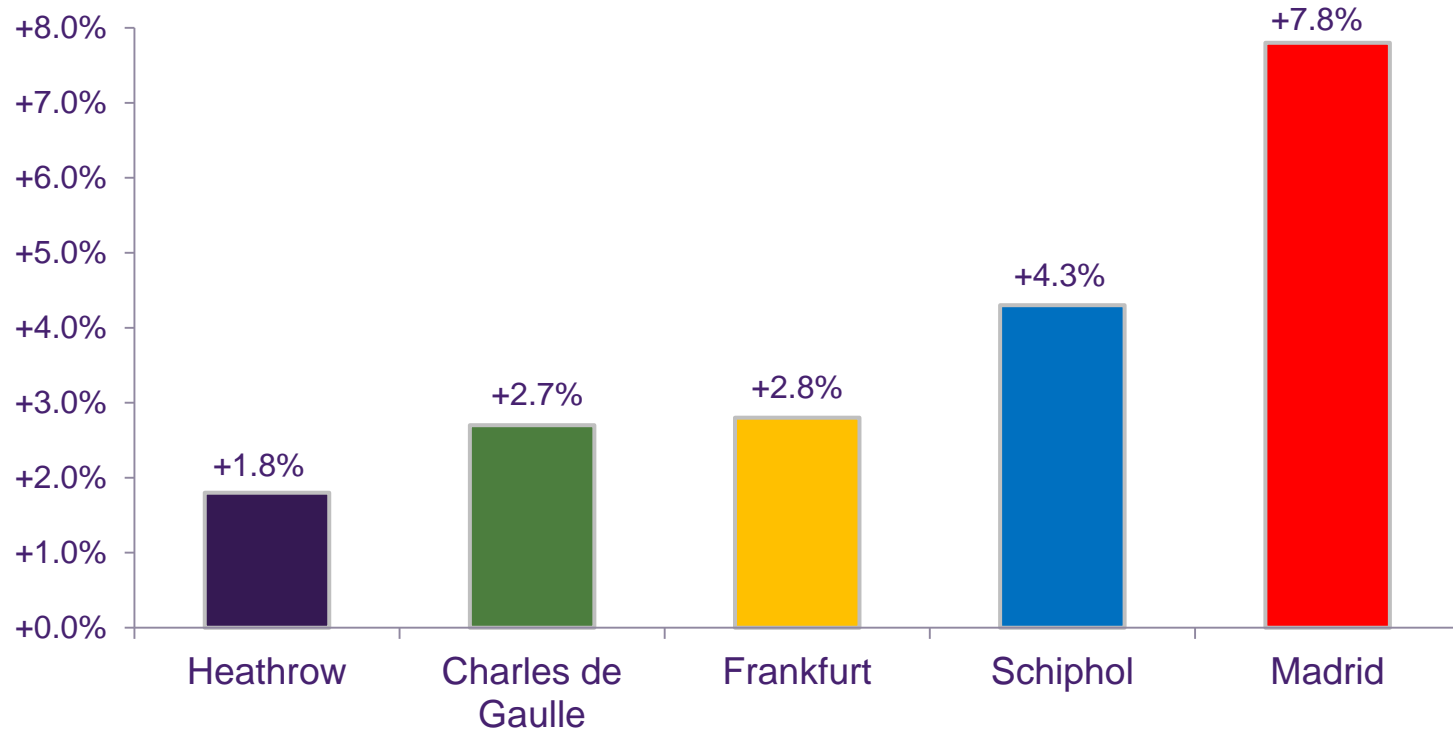
Passenger traffic by market
Q1 2015 versus Q1 2014



16.4 million passengers
+2.0%

Capacity constraints holding back UK growth

Change in passenger traffic at European hubs
for 12 months to 31 March 2015



Passengers (m)
12 months to
31 March 2015

73.7

64.1

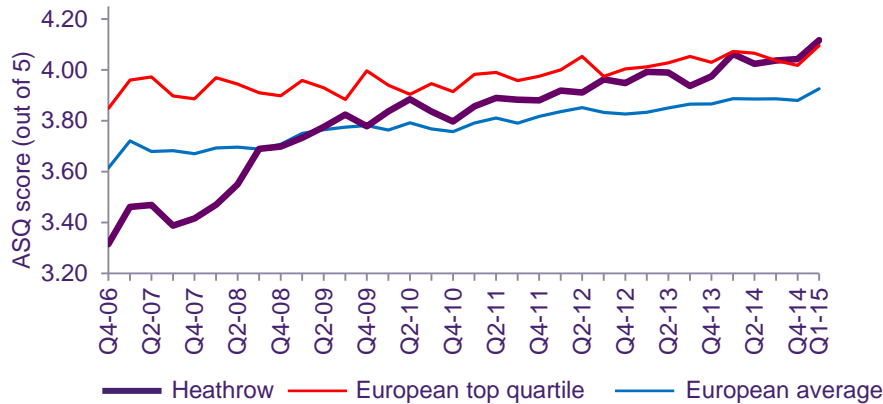
59.9

55.3

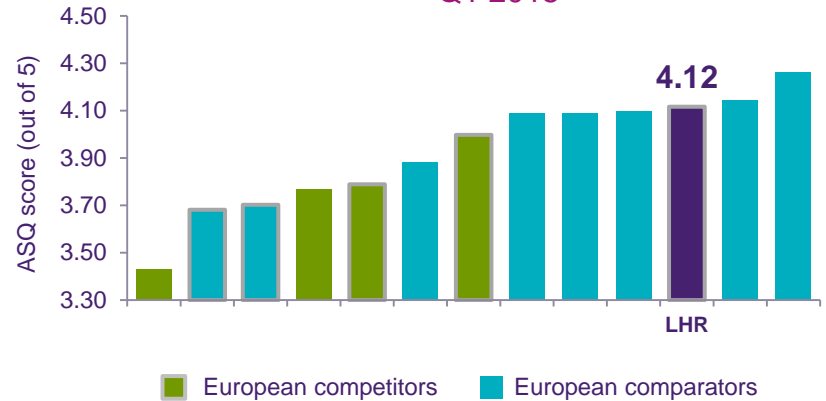
42.9

Best ever passenger service levels

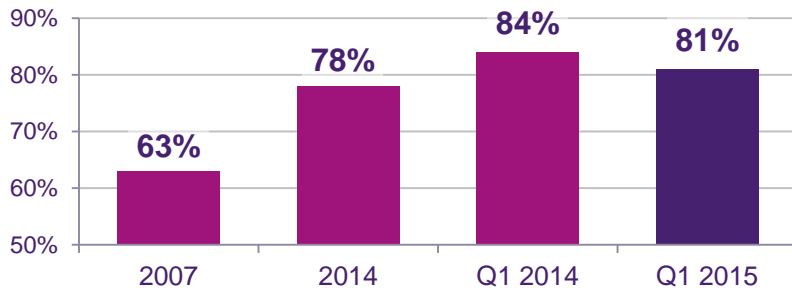
Quarterly passenger satisfaction
Q4 2006 – Q1 2015



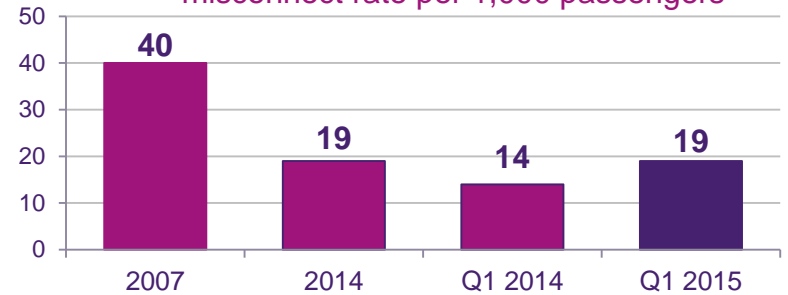
Passenger satisfaction European ranking
Q1 2015



Departures
within 15 minutes of schedule



Baggage performance
misconnect rate per 1,000 passengers



Best Airport in Western Europe 2015



World's Best Airport Shopping
2010, 2011, 2012, 2013, 2014, 2015



Terminal 5 – World's Best Airport Terminal
2012, 2013, 2014, 2015

Service transformation supported by investment

- Terminal 3 Integrated Baggage facility began operations in March 2015
 - £0.5 billion world-class baggage facility
 - staged roll-out over period to May 2016
 - reducing misconnections, faster transfer times and more bag handling capacity
- Parallel loading security lanes in T4 and T5
 - reducing wait times
- Improving airfield efficiency: 30 A380 stands
 - allowing more larger, quieter, cleaner planes
- New passenger facilities
 - 800 space Terminal 5 business car park
 - Singapore Airlines lounge in Terminal 2



Terminal 3 Integrated Baggage facility



Terminal 5 Business car park



Financial review

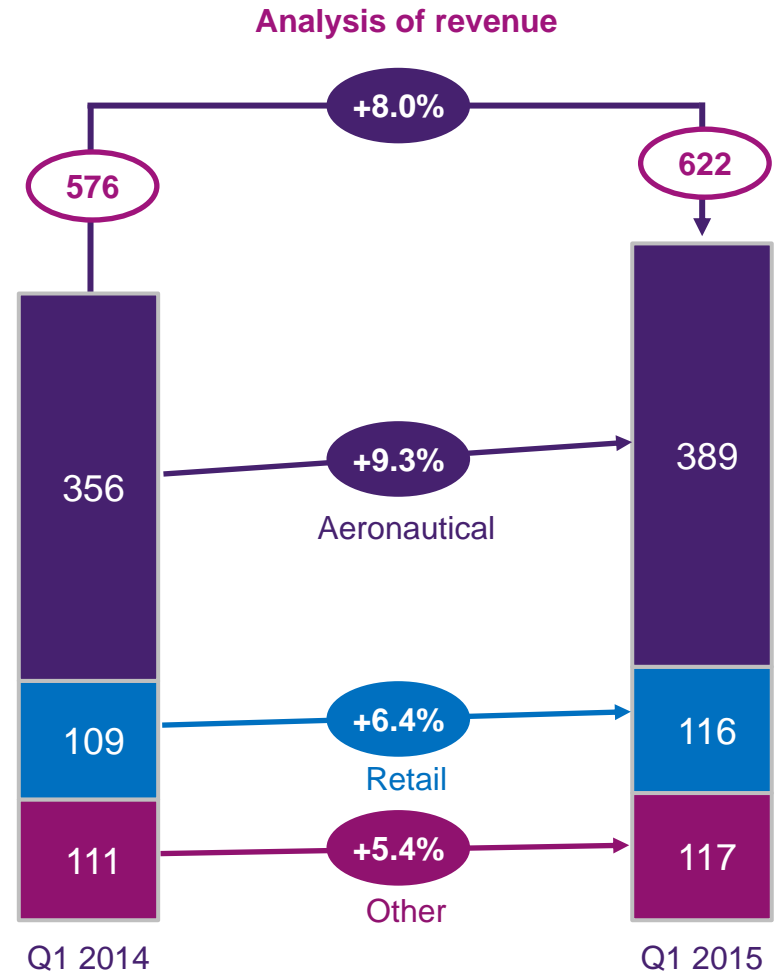
Andrew Efiang, Interim CFO

Financial highlights

(£m unless otherwise stated)	Q1 2015	Q1 2014	Versus Q1 2014
Revenue	622	576	+8.0%
Adjusted operating costs	280	257	+8.9%
Adjusted EBITDA	342	319	+7.2%
Capital expenditure	161	271	-40.6%
	Mar 2015	Dec 2014	Change from Dec 14
Consolidated nominal net debt			
Heathrow (SP)	11,793	11,653	+1.2%
Heathrow Finance	12,695	12,560	+1.1%
RAB	14,790	14,860	-0.5%

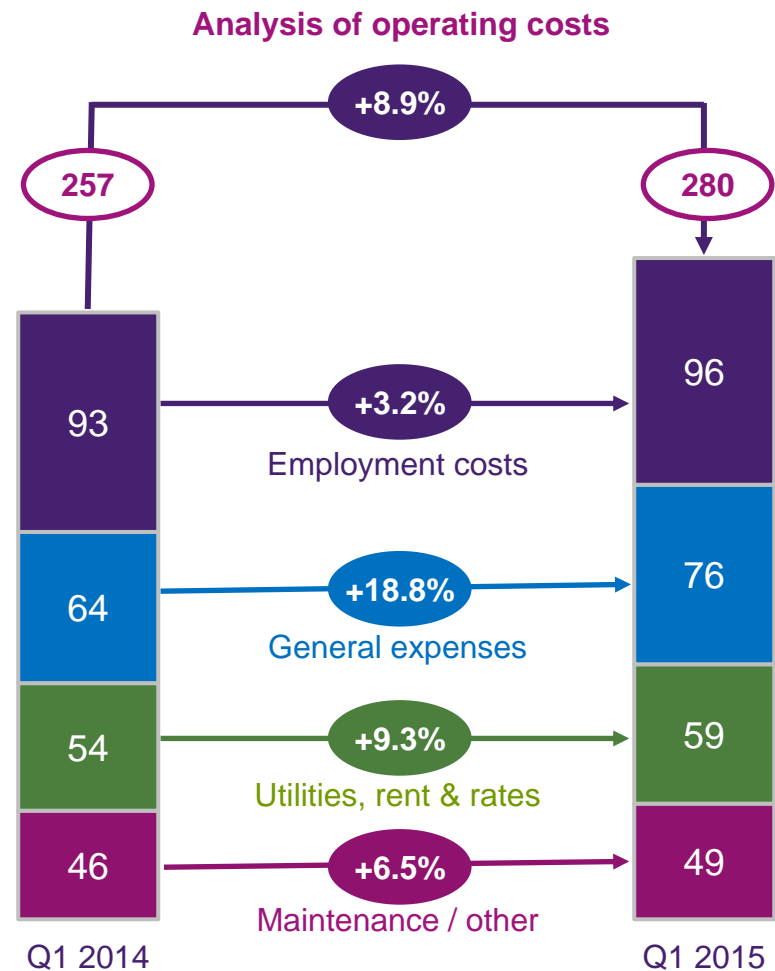
Revenue up 8%

- Aeronautical revenue drives overall growth
 - £17 million from traffic and tariff changes
 - remainder from absence of capital triggers partly offset by non-recurrence of K factor
- Strong retail performance
 - car parking driving growth with additional parking capacity and yield management
 - luxury retail growth following successful Terminal 5 relaunch
 - World Duty Free in Terminal 5 being enhanced
- Net retail income per passenger £6.78 up 5.6%



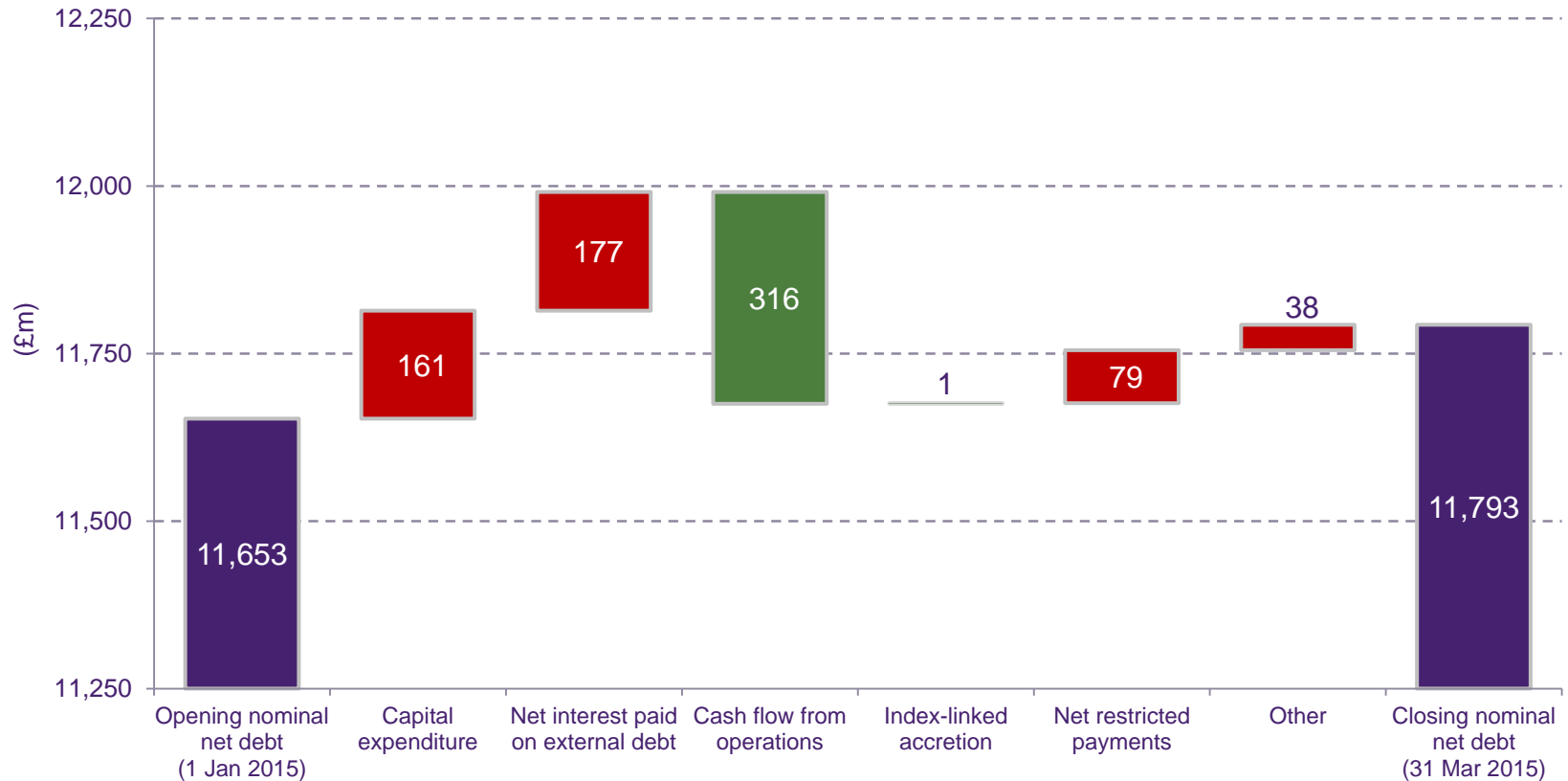
Starting to see benefits of cost reductions

- Underlying operating costs rose by under 1%
 - excludes Terminal 2 and expansion planning
- Performance reflects delivery of efficiencies
 - increased operational productivity
 - smaller workforce
 - incremental costs from baggage facility, delivering operational improvements
- Further costs benefits through 2015
 - early closure of Terminal 1 in June



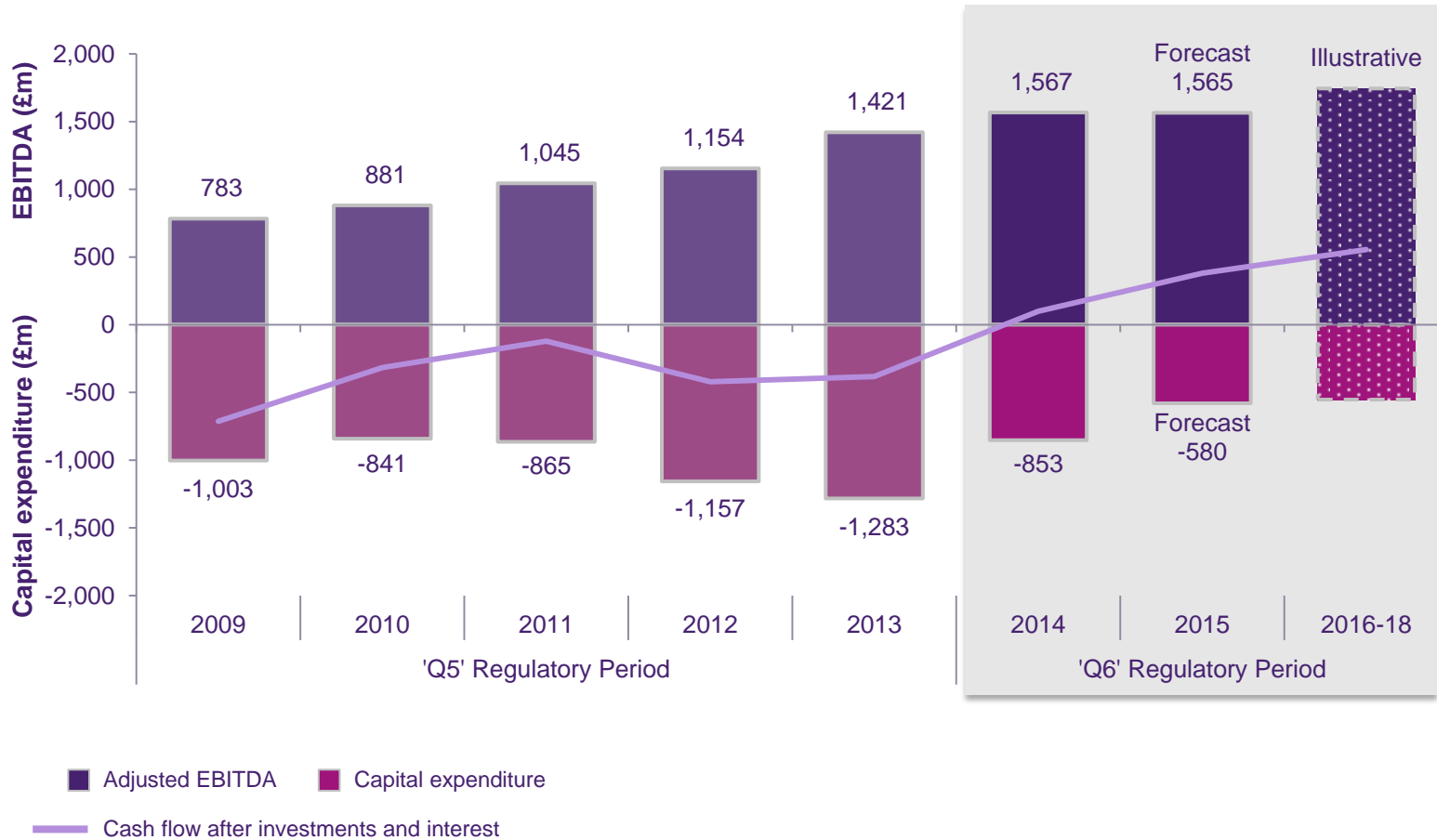
Net debt evolution reflects seasonality of cash flows

Heathrow (SP) net debt bridge
January 2015 – March 2015

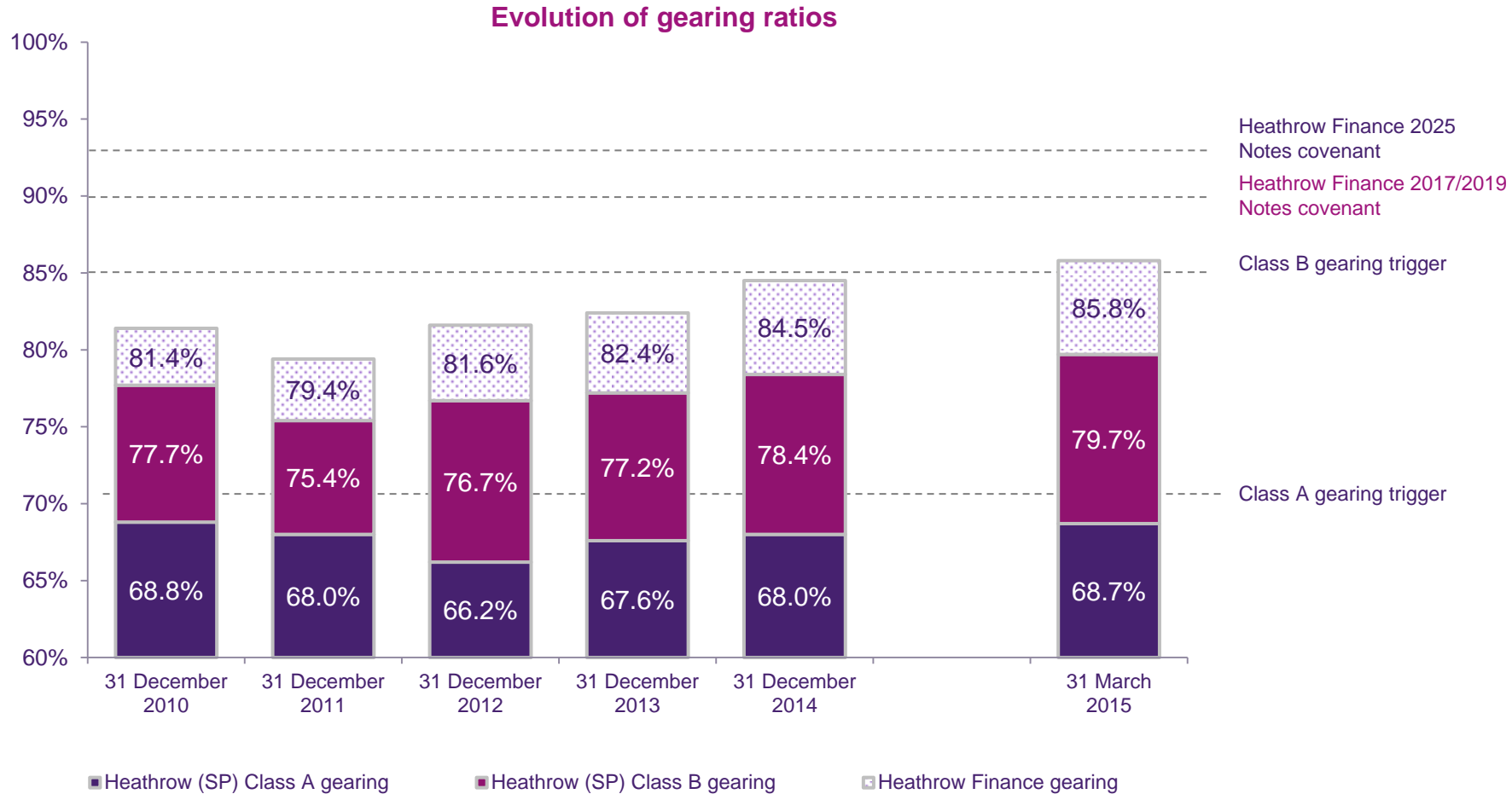


Cash flow generation following heavy investment

Evolution of EBITDA, capital expenditure and cash flow



Seasonality and low inflation impacting gearing levels. Headroom remains substantial



£850 million long-term funding raised globally this year, strengthening Heathrow's financing position

- 2015 funding extends duration, diversifies sources of funding and increases resilience in Heathrow's financing
- €750 million 15 year public bond completed in February 2015
- Over £200 million in long-term private placements completed in April 2015
 - NOK1 billion with 12.5 year maturity
 - £150 million with 15 to 20 year maturities from non-£ sources, with delayed drawdown
- £50 million 10 year Heathrow Finance term loan entered into in April 2015 to be drawn by July 2015
- Completed buyback programme of Heathrow Finance 2017 and 2019 notes, with nominal value of £32 million and £12 million respectively
- Liquidity horizon currently extends to January 2017

Strong start to 2015

- Strong operational performance and record traffic, including through the busiest Easter period
- Record passenger satisfaction: Best airport in Western Europe by Skytrax
- Strong financial performance with revenue growth across all streams, operating efficiency momentum and 7.2% EBITDA growth
- £850 million funding to date in 2015, with strong global demand to invest in Heathrow
- Traffic and financial performance in first quarter indicate potential for outperformance of EBITDA guidance for 2015



Strategic update
John Holland-Kaye, CEO

Giving passengers the best airport service in the world

1

Beat the plan

Delivered

- ✓ Improved key supplier terms
- ✓ Car parking revenue streams

To come

- Heathrow Express office co-location
- T1 closure 29 June
- Pensions consultation

2

Transform customer service

- ✓ Highest ever passenger satisfaction
- ✓ World-class baggage facility
- ✓ Time based separation

- T3 and T5 transfer security upgrade
- T5 independent lounge
- Luxury retail phase 2

3

Mojo

- ✓ £10 vouchers
- ✓ Grade simplification

- Management development

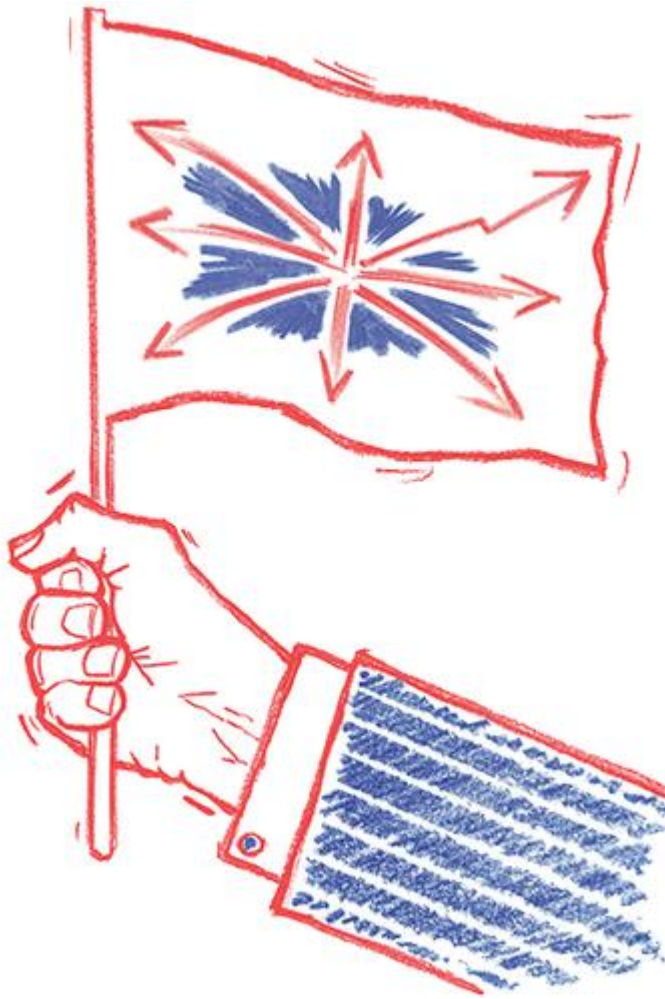
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Win support for expansion

- ✓ Support from business, politicians, industry and individuals

- Swift decision...
- ...£211 billion economic benefit

Growing consensus supporting Heathrow expansion



Best for Britain - connecting the nation to global growth

Backed by Britain – wide and growing support

A new approach – local community at the core of the plan

Ready to build – we need a quick Government decision post election

Questions?



Appendices

Heathrow nominal net debt at 31 March 2015

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Senior debt			
£300m 3%	300	300	2015/17
US\$500m 2.5%	319	319	2015/17
£300m 12.45%	300	300	2016/18
€500m 4.125%	434	434	2016/18
€700m 4.375%	584	584	2017/19
CHF400m 2.5%	272	272	2017/19
€750m 4.6%	510	510	2018/20
C\$400m 4%	250	250	2019/21
£250m 9.2%	250	250	2021/23
C\$450m 3%	246	246	2021/23
US\$1,000m 4.875%	621	621	2021/23
£180m RPI +1.65%	193	193	2022/24
€600m 1.875%	490	490	2022/24
£750m 5.225%	750	750	2023/25
£700m 6.75%	700	700	2026/28
£200m 7.075%	200	200	2028/30
€750m 1.5%	566	566	2030/32
£900m 6.45%	900	900	2031/33
€50m Zero Coupon	42	42	2032/34
£75m RPI +1.366%	77	77	2032/34
€50m Zero Coupon (2)	42	42	2032/34
£50m 4.171%	50	50	2034/36
€50m Zero Coupon (3)	40	40	2034/36
£50m RPI +1.382%	51	51	2039/41
£460m RPI +3.334%	548	548	2039/41
£100m RPI +1.238%	100	100	2040/42
£750m 5.875%	750	750	2041/43
£750m 4.625%	750	750	2046/48
£75m RPI +1.372%	77	77	2049/51
Total senior bonds	10,412	10,412	
Term debt	267	267	2015/26
Index-linked derivative accretion	411	411	Various
Revolving/working capital facilities	0	1,100	2019
Total other senior debt	678	1,778	
Total senior debt	11,090	12,190	
Heathrow (SP) Limited cash	(927)		
Senior net debt	10,163		

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
Total junior bonds	1,555	1,555	
Junior revolving credit facilities	75	450	2018/19
Total junior debt	1,630	2,005	
Heathrow (SP) Limited group net debt	11,793		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£325m 7.125%	296	296	2017
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
Total bonds	809	809	
£78m	78	78	2019
£25m	25	25	2020
£50m	50	50	2022
Total loans	153	153	
Total Heathrow Finance plc debt	962	962	
Heathrow Finance plc cash	(60)		
Heathrow Finance plc net debt	902		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,090	12,190
Heathrow (SP) Limited junior debt	1,630	2,005
Heathrow Finance plc debt	962	962
Heathrow Finance plc group debt	13,682	15,157
Heathrow Finance plc group cash	(987)	
Heathrow Finance plc group net debt	12,695	

Notes, sources and defined terms

- Page 3
 - EBITDA refers to 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
 - Revenue, adjusted operating costs and Adjusted EBITDA are in respect of continuing operations only
 - 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 that exclude depreciation, amortisation and exceptional items
- Page 12
 - Opening and closing nominal net debt includes index-linked accretion
 - 'Other' movements mainly reflects £40 million decrease in amount owed to LHR Airports Limited. Other flows included in 'Other' include group relief payments, fees paid in relation to bond issues and discounts on bonds issued
- Page 13
 - Adjusted EBITDA: Heathrow only (i.e. excludes Gatwick and Stansted) earnings before interest, tax, depreciation and amortisation and exceptional items
 - Cash flow after investment and interest is net cash generated from operations after capital expenditure and net interest paid
 - Cash flow from operations and capital expenditure relate to Heathrow only (i.e. excludes Gatwick and Stansted). Net interest paid relate to the reported figures for the Heathrow (SP) group (i.e. includes Gatwick and Stansted). Cash flow after investment and interest would be higher if the interest applicable to non-Heathrow airports were to be removed.
- Page 14
 - 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
- Page 22
 - 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

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Heathrow

Making every journey better