



# Heathrow (SP) Limited

## Results for nine months ended 30 September 2015

28 October 2015

**Heathrow**  
Making every journey better



# 2015 nine month highlights

Michael Uzielli, CFO

**Heathrow**

*Making every journey better*

# Continued strong performance in 2015

1

## Operational highlights

- Busiest ever summer with over quarter of a million passengers on five separate days
- Service quality well ahead of European hubs

2

## Financial performance

- Revenue up 4.1% to £2.1 billion and EBITDA up 4.4% to £1.2 billion
- Robust results with good cost control
- Over £1.2 billion funding raised globally in 2015

3

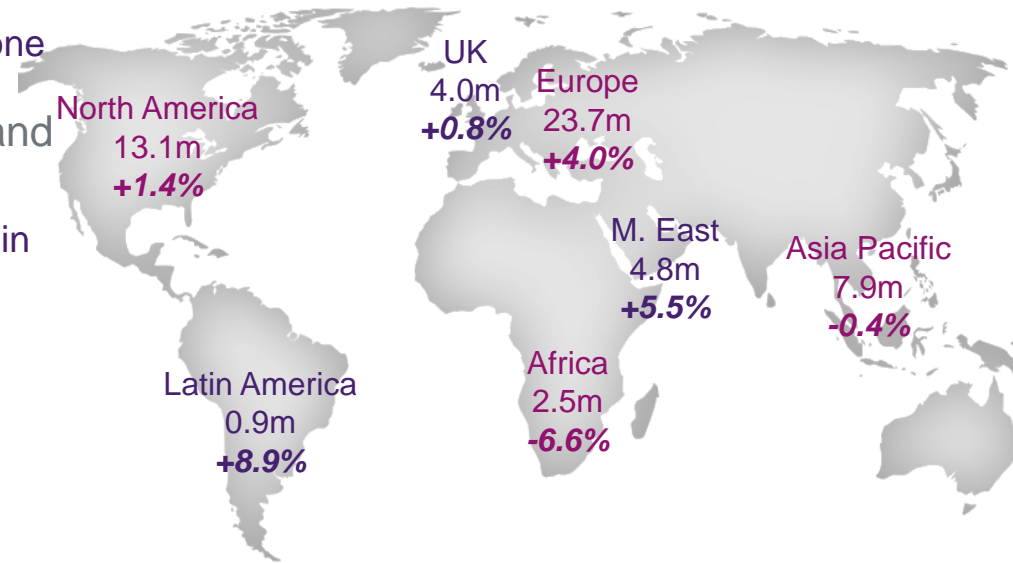
## Strategic aims

- Giving passengers the best airport service in the world
- Delivery of cost efficiency and revenue initiatives
- Strong momentum for expansion

# Traffic growth from increased seat capacity

- Significant European seat capacity growth
  - over one million more seats on European flights
  - nearly 0.6 million more passengers in Q3 alone
- Intercontinental traffic from more flights and larger planes
  - Middle East growth from continued increase in aircraft size
  - North America passenger growth stable
  - Latin America benefits from new Avianca service to Colombia
  - 8 airlines operating A380s at Heathrow with 24 daily flights
- Given strong summer performance, 2015 traffic forecast is around 75 million passengers

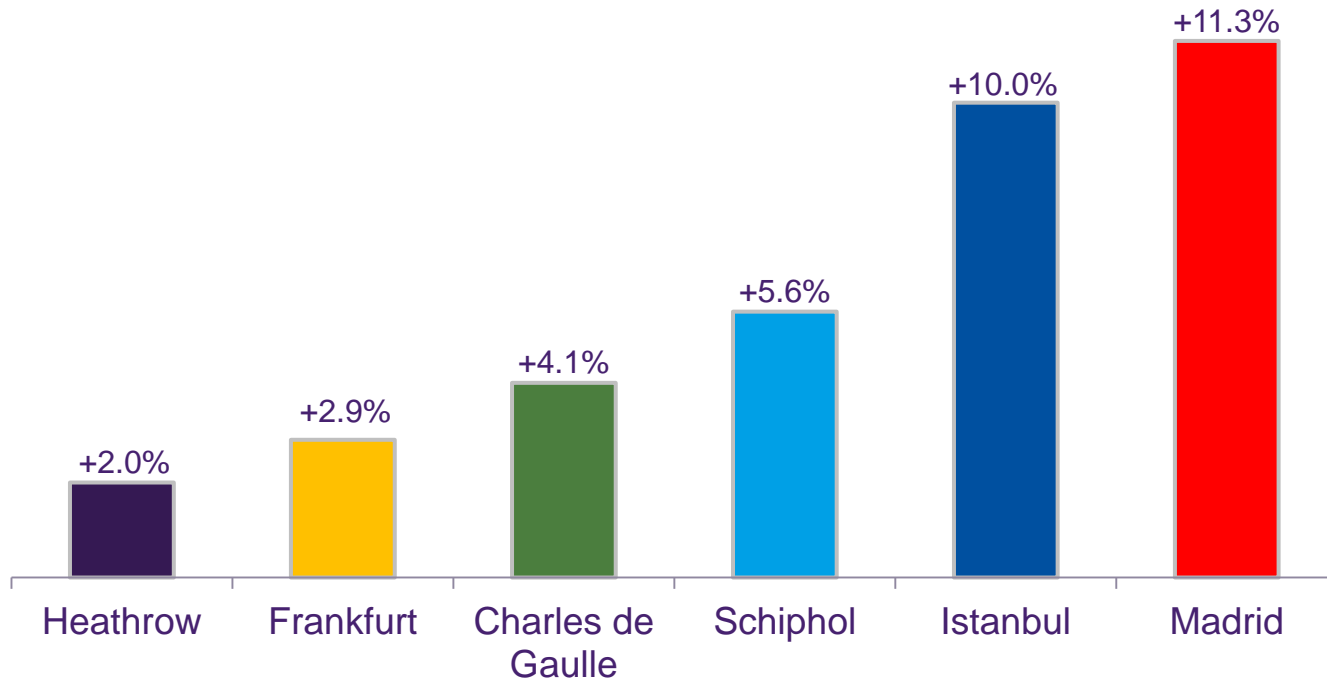
## Passenger traffic by market 9M 2015 versus 9M 2014



**56.9 million passengers**  
**+2.3%**

# Capacity constraints holding back UK growth

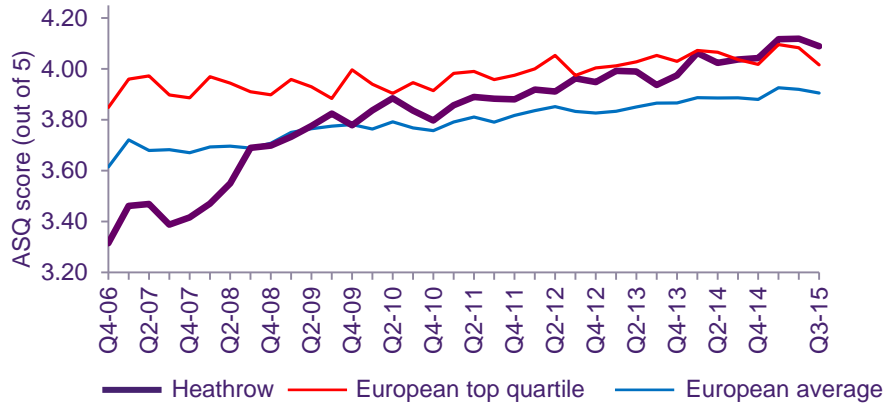
**Passenger traffic at European hubs**  
12 months to 30 September 2015



<b>Passengers (m)</b>	<b>74.6</b>	<b>61.2</b>	<b>65.8</b>	<b>57.3</b>	<b>60.9</b>	<b>45.6</b>
<b>Runways</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>4</b>

# Passenger satisfaction well ahead of European hubs

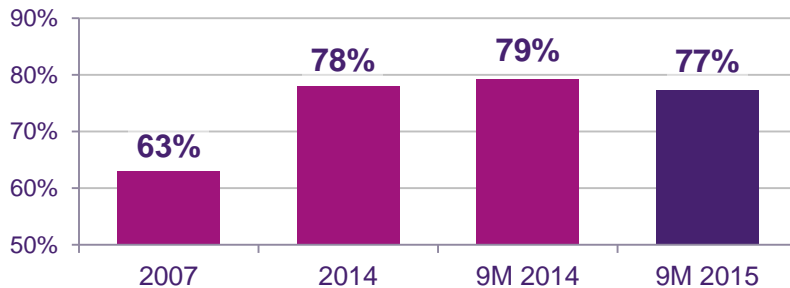
**Quarterly passenger satisfaction**  
Q4 2006 – Q3 2015



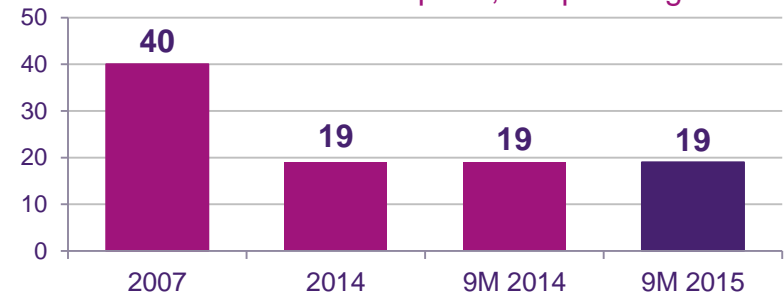
**Passenger satisfaction European ranking**  
Q3 2015



**Departures**  
within 15 minutes of schedule



**Baggage performance**  
misconnect rate per 1,000 passengers



**2015 Europe's Best Airport**  
(over 25 million passengers)

**2015 Eco-innovation award: Heathrow**



**Best Airport in Western Europe**

**World's Best Airport Shopping**

**Terminal 5 – World's Best Airport Terminal**

# Service transformation supported by long-term investment

- Faster journeys through Heathrow and improved passenger facilities
  - parallel loading security lanes in T4 and T5
  - Terminal 3 Integrated Baggage
  - new generation biometric eGates at Border Control
- Improving operational resilience and efficiency
  - 30x A380 stands for larger, quieter, cleaner planes
  - time-based separation
  - enhanced Instrument Landing System
- Innovation to reduce environmental impact
  - change operating procedures: single engine taxiing
  - increasingly quieter aircraft
  - steeper approach trials began in September 2015



Terminal 3 Integrated Baggage facility



Blueprints for a sustainable Heathrow

**Heathrow**  
Making every journey better



## Financial review



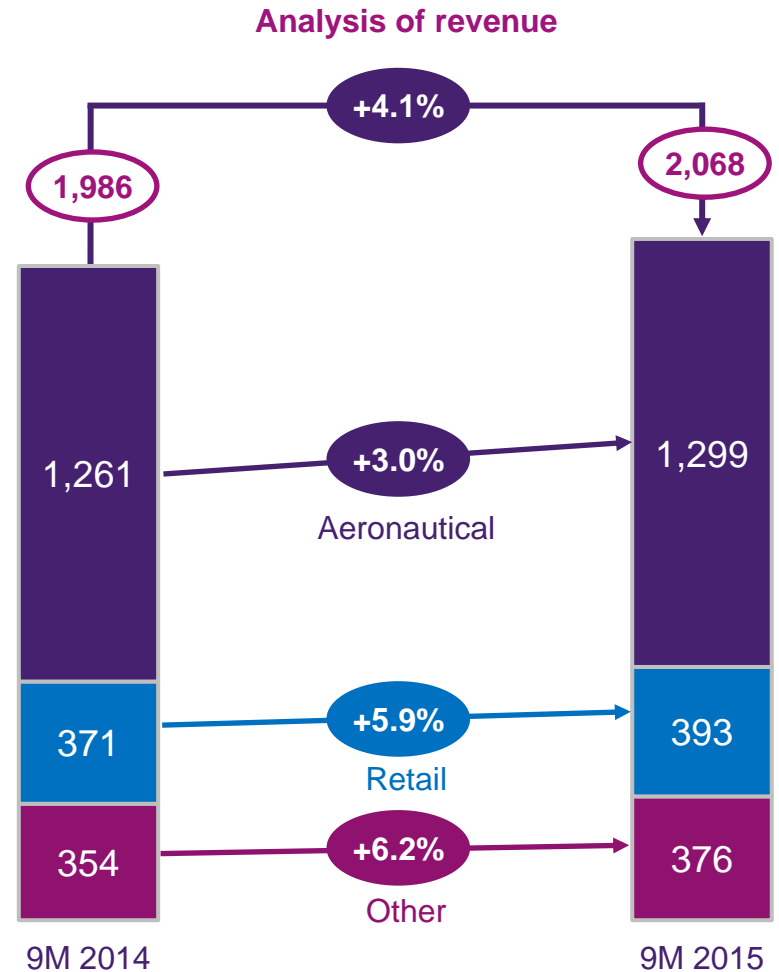
# Financial highlights

(£ million)	9M 2015	9M 2014	Versus 9M 2014
Revenue	2,068	1,986	+4.1%
Operating costs <sup>1</sup>	844	814	+3.7%
EBITDA <sup>1</sup>	1,224	1,172	+4.4%
Capital expenditure	474	689	-31.2%
	Sep 2015	Dec 2014	Change from Dec 14
Consolidated nominal net debt			
Heathrow (SP)	11,720	11,653	+0.6%
Heathrow Finance	12,720	12,560	+1.3%
RAB	14,891	14,860	+0.2%

<sup>1</sup> Operating costs are pre-exceptional items and exclude depreciation & amortisation. EBITDA is pre-exceptional items and excludes interest, tax, depreciation, amortisation and certain re-measurements.

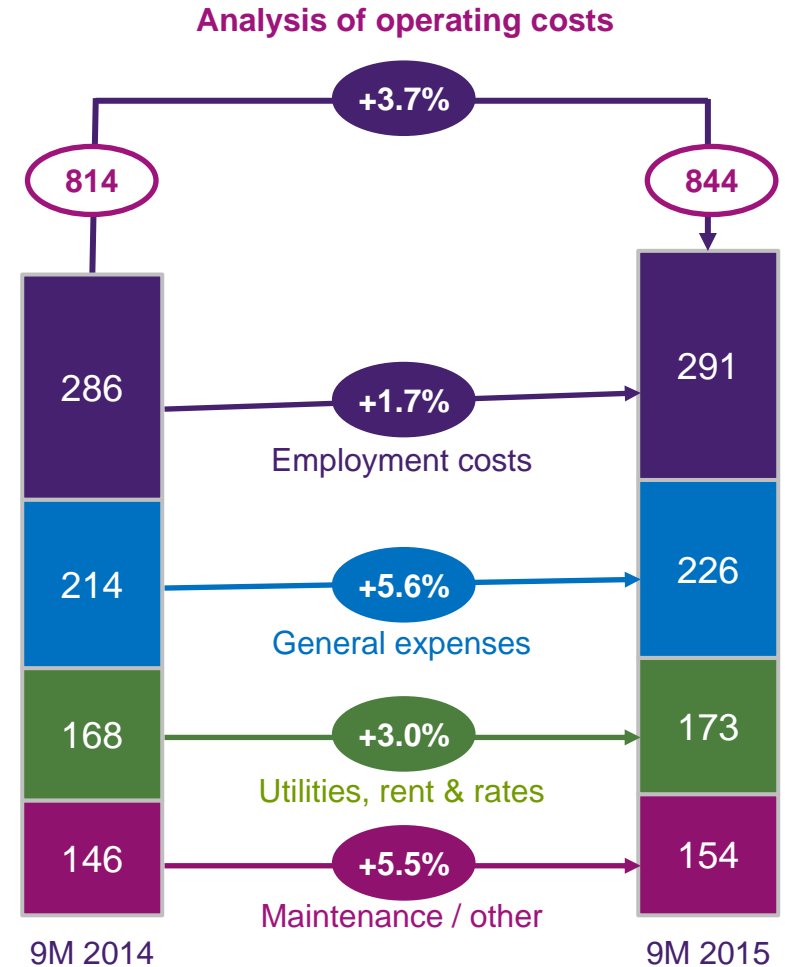
# Solid revenue performance

- Aeronautical revenue driven by volume
  - £45 million from traffic and tariff changes
  - absence of capital triggers partly largely offsets non-recurrence of substantial K factor
- Strong retail performance. Net retail income per passenger up 5.0%
  - car parking continues to grow with additional capacity and yield management
  - T5 luxury retail and World Duty Free expanded
  - higher catering income in Terminal 2 and Terminal 5 outlets
- Revenue growth moderating in second half
  - reflecting concentration of nine months tariff increase into final six months of 2014



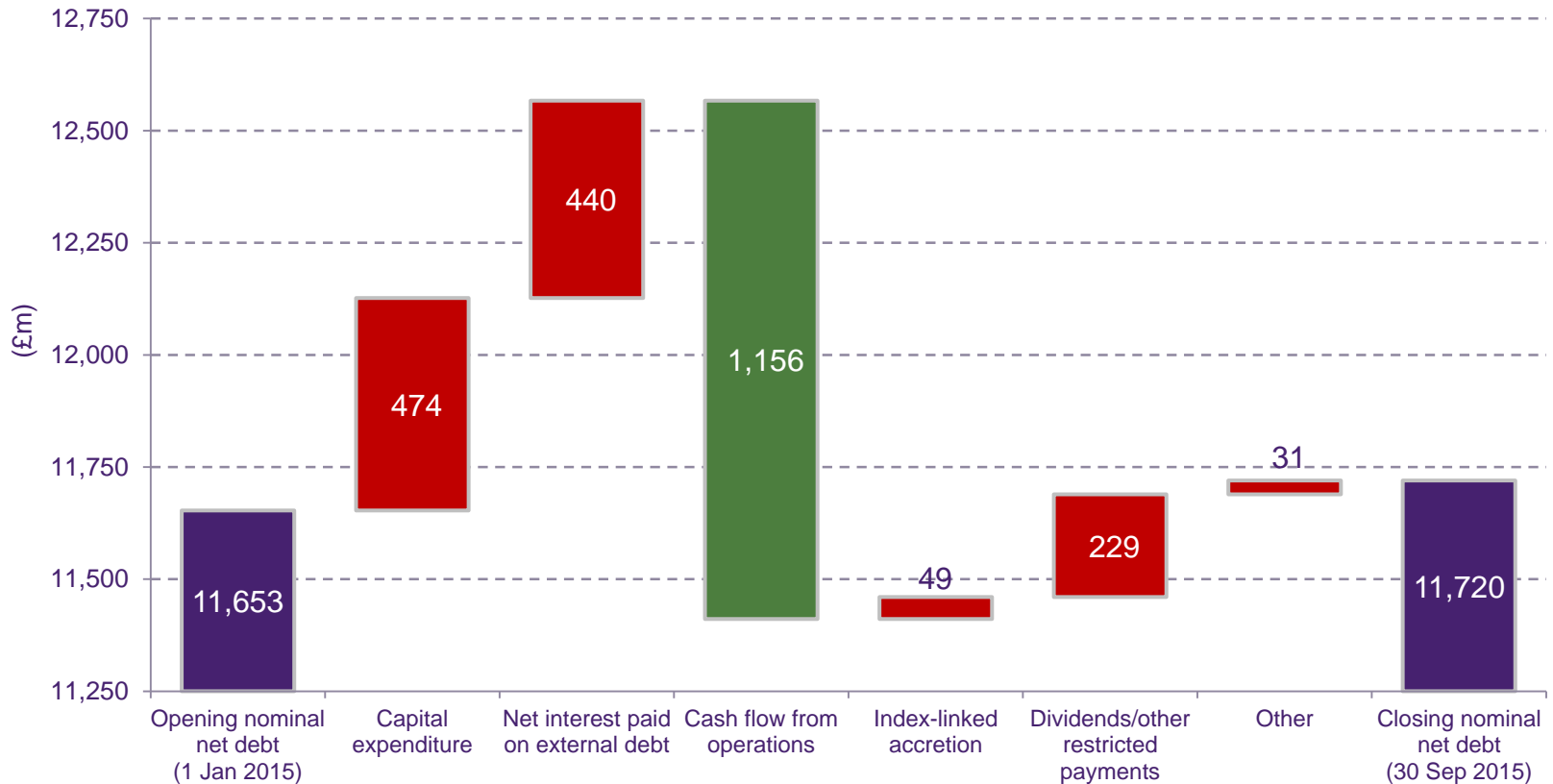
# Continued focus on cost efficiencies

- Downward trend in underlying costs
  - underlying costs adjust for ~£30 million related to Terminal 2, Terminal 3 Integrated Baggage and expansion planning
- Performance reflects delivery of efficiencies
  - improved supplier agreements
  - increased productivity and headcount reduction
  - early closure of Terminal 1 on 30 June
- Further efficiencies to flow through
  - voluntary severance programme
  - DB pension scheme changes
  - focus on securing remaining cost initiatives



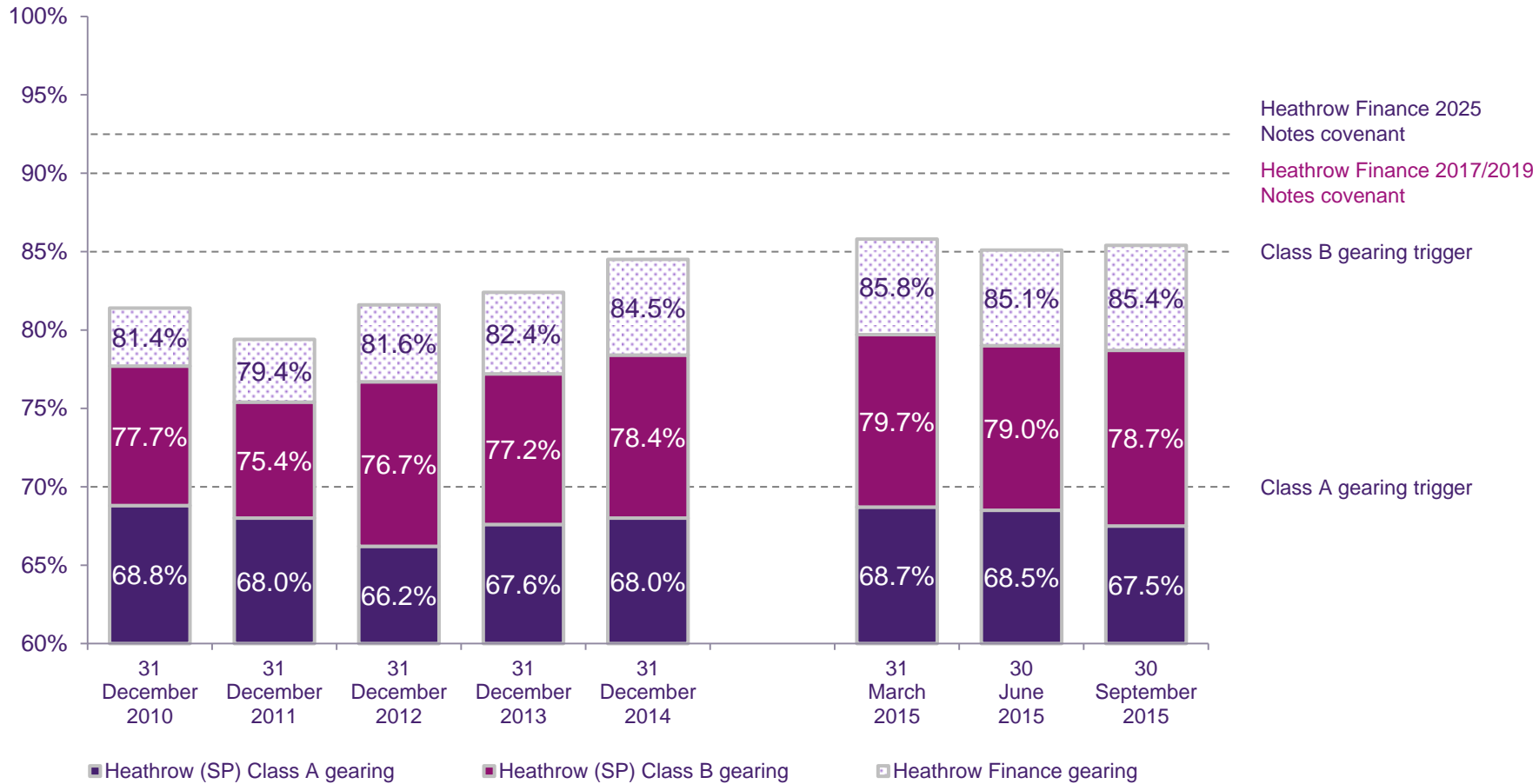
# Operating cash flow significantly exceeds capital expenditure and interest payments

**Heathrow (SP) net debt bridge**  
January 2015 – September 2015



# Buffer to triggers and covenants maintained

## Evolution of gearing ratios



# Over £1.2 billion long-term funding raised globally this year, strengthening Heathrow's financing position

- 2015 funding extends duration, diversifies sources of funding and increases resilience
- Over £800 million in two public bond issuances
- £300 million in long-term private placements
- £100 million in Heathrow Finance loans
- Over £600 million in Heathrow Funding bonds matured in June
- ~£50 million buyback programme of Heathrow Finance notes completed
- Liquidity horizon extends to March 2017

# Strong performance in 2015

- Record passenger satisfaction and strong operational performance with busiest days ever
- Robust financial performance, driven by initiatives to 'beat the plan'
- Substantial investor appetite globally for Heathrow: over £1.2 billion funding raised
- Given strong summer, 2015 traffic likely to be around 75 million passengers
- 2015 EBITDA forecast of £1.6 billion reflects strong traffic growth, good retail revenue and cost control



# Strategic update



# Giving passengers the best airport service in the world

1

Mojo

## Delivered

- ✓ Share in Success saver plan
- ✓ Runway marathon
- ✓ Health gateway

## To come

- Flexible benefits
- Pulse survey
- Duke of Edinburgh Diamond Partnership

2

Transform customer service

- ✓ Security improvements
- ✓ e ILS
- ✓ New generation eGates

- Smoother T5 transfers
- T3 Integrated Baggage robots
- Expanded T5 Fastrack

3

Beat the plan

- ✓ Pensions changes
- ✓ T5 independent airport lounge
- ✓ Security voluntary severance

- More great stores in T5: Chanel in December
- Second T5 independent lounge

4

Win support for expansion

- ✓ Airports Commission clear and unanimous recommendation
- ✓ Initiated supply chain engagement

- Government response
- Traffic surveys
- Continued work with community
- Airline engagement

# Strong momentum for expansion

- Government remain committed to response before the end of the year
  - planning consent process to take four years, aiming for Secretary of State approval in 2019
- Construction begins after planning consent
  - construction assumed from 2020, runway operational from 2025
  - further development phases through to 2030, building in timing optionality on capital programme
- £16 billion expansion programme includes:
  - 3,500 metre North West runway, main terminal building and satellite, baggage facilities and track transit, community compensation and land purchase
- No substantial change to funding levels expected until 2019
  - pre-construction spend expected to be in £100s millions, phased investment over 10 years
- Ensuring we are ready for planning consent process
  - engaging with supply chain to identify current and future skills need
  - conducting road traffic survey
  - ongoing engagement with local communities
- Continue to work with Government and stakeholders on the best way to jointly deliver Heathrow expansion

# Expansion builds on solid foundations of Heathrow credit

1

Strong and resilient asset

- Overwhelming evidence of strength of demand to operate at Heathrow
- Case for expansion builds on existing strengths

2

Stable regulatory framework

- RAB-based regulation appropriate
- Stable regulation key to support future investment

3

Strong set of creditor protections

- Existing financing platform demonstrably scalable
- Intend to target current investment grade credit ratings
- Backing of all shareholders

Questions?



## Appendices

# Heathrow nominal net debt at 30 September 2015

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£300m 12.45%	300	300	2016
€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%	195	195	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
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 (1)	42	42	2032
£75m RPI +1.366%	77	77	2032
€50m Zero Coupon (2)	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon (3)	40	40	2034
£50m RPI +1.382%	51	51	2039
£460m RPI +3.334%	553	553	2039
£100m RPI +1.238%	101	101	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	77	77	2049
<b>Total senior bonds</b>	<b>10,151</b>	<b>10,151</b>	
Term debt	328	328	Various
Index-linked derivative accretion	302	302	Various
Revolving/working capital facilities	0	1,100	2020
<b>Total other senior debt</b>	<b>630</b>	<b>1,730</b>	
<b>Total senior debt</b>	<b>10,781</b>	<b>11,881</b>	
Heathrow (SP) Limited cash	(731)		
<b>Senior net debt</b>	<b>10,050</b>		

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
£115m RPI+1.061%	115	115	2036
<b>Total junior bonds</b>	<b>1,670</b>	<b>1,670</b>	
Junior revolving credit facilities	0	450	2018/20
<b>Total junior debt</b>	<b>1,670</b>	<b>2,120</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>11,720</b>		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£325m 7.125%	293	293	2017
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
<b>Total bonds</b>	<b>806</b>	<b>806</b>	
£78m	78	78	2019
£25m	25	25	2020
£50m	50	50	2022
£50m	50	50	2025
<b>Total loans</b>	<b>203</b>	<b>203</b>	
<b>Total Heathrow Finance plc debt</b>	<b>1,009</b>	<b>1,009</b>	
Heathrow Finance plc cash	(9)		
<b>Heathrow Finance plc net debt</b>	<b>1,000</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,781	11,881
Heathrow (SP) Limited junior debt	1,670	2,120
Heathrow Finance plc debt	1,009	1,009
<b>Heathrow Finance plc group debt</b>	<b>13,460</b>	<b>15,010</b>
Heathrow Finance plc group cash	(740)	
<b>Heathrow Finance plc group net debt</b>	<b>12,720</b>	

# 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 £27 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
  - 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
  - Maturity is defined as the Scheduled Maturity Date

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# Heathrow

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