



Heathrow (SP) Limited

Results for six months ended 30 June 2016

22 July 2016

Heathrow
Making every journey better



2016 half year highlights

Robust first half of 2016

1

Operational highlights

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

2

Financial performance

- Revenue of £1,320 million, up 1.0% and Adjusted EBITDA of £781 million, up 4.4%
- Strong cost control and better value
- £1.0 billion raised globally so far in 2016

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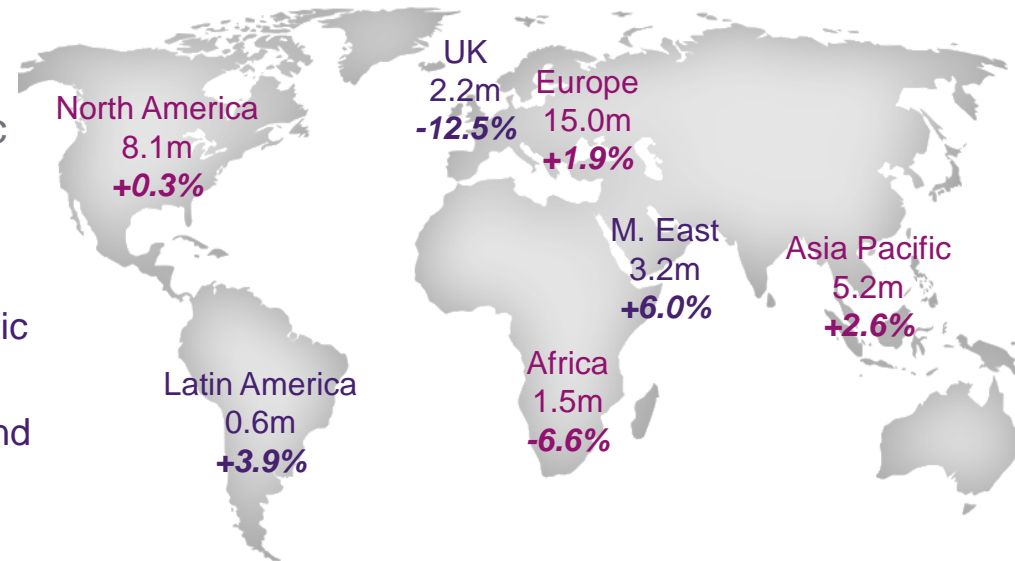
Strategic aims

- Raising service standards and operational resilience
- Heathrow exceeds Airports Commission's conditions and calls for decision on expansion

Demand to use Heathrow continues to grow

- 2016 growth largely reflects leap year day
 - traffic increased early in year but softened in Q2 reflecting more uncertain environment
- Short haul reflects increased continental Europe capacity offset by lower domestic traffic as Virgin Little Red services end
- Long haul traffic grows 1.4%
 - mainly increased Middle East and Asia Pacific capacity
 - more North American frequencies but demand impacted in Q2 by geopolitical and macro-economic factors
- Cargo volume increased 1.7%, mainly due to Hong Kong, China and Vietnam
- 75.5 million passenger forecast in 2016
 - up 0.7% reflecting modest underlying growth and leap year effect

Passenger traffic by market
H1 2016 versus H1 2015

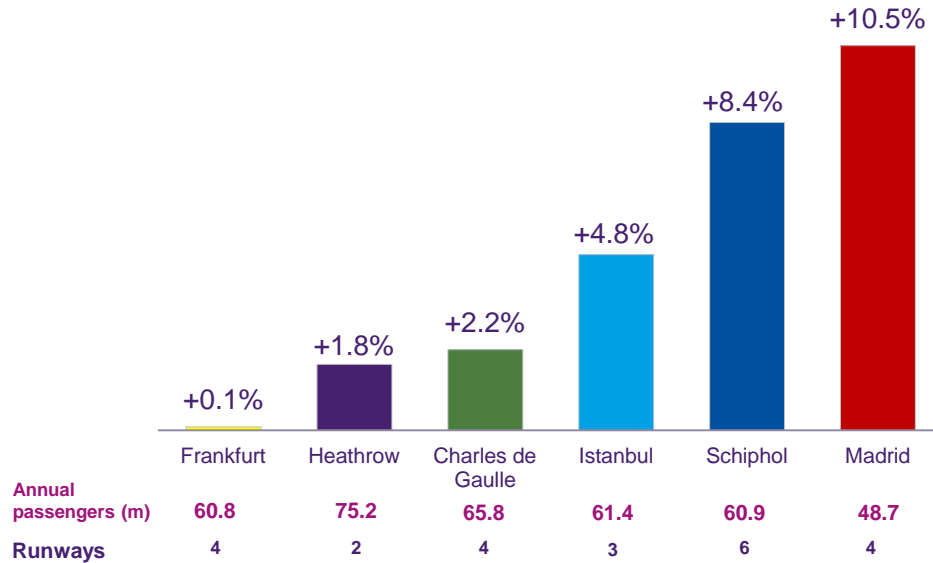


35.7 million passengers
+0.6%

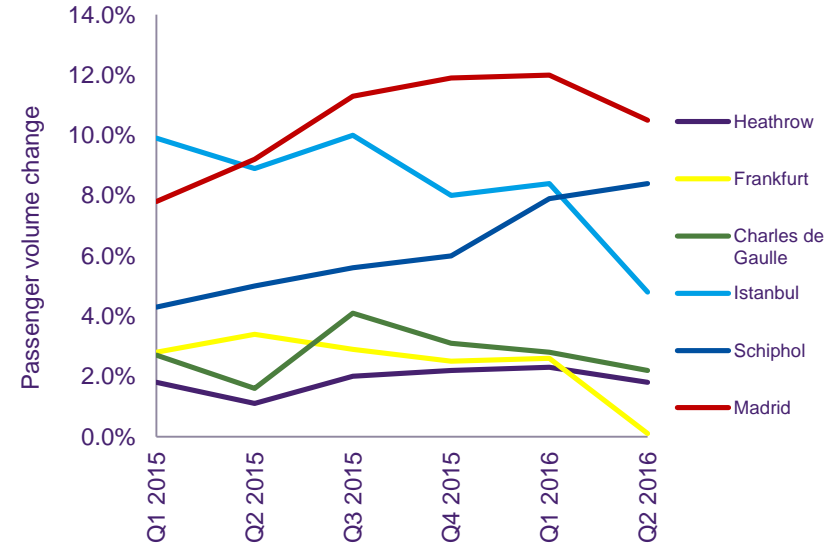
Traffic growth beginning to moderate across industry

Passenger traffic at European hubs

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



Recent evolution of change in rolling 12 month traffic





Financial review

Financial highlights

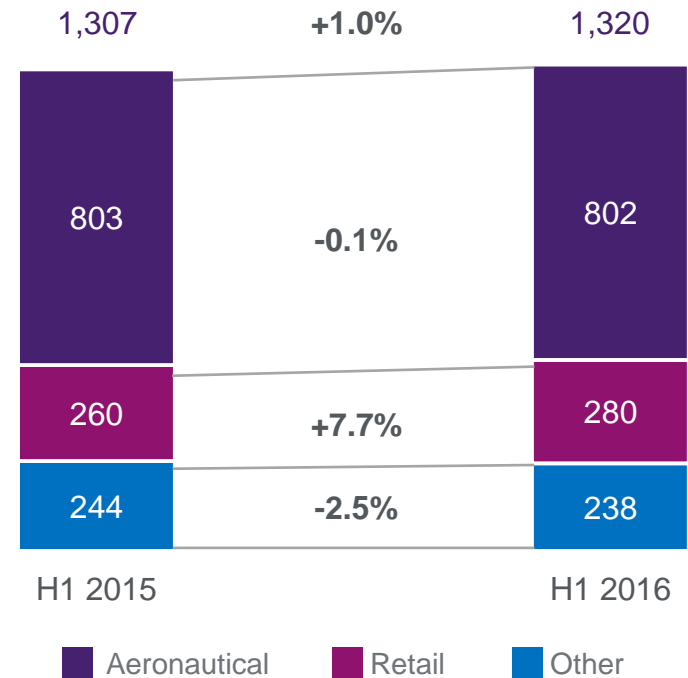
(£ million)	H1 2016	H1 2015	Versus H1 2015
Revenue	1,320	1,307	+1.0%
Operating costs ¹	539	559	-3.6%
Adjusted EBITDA ¹	781	748	+4.4%
Capital expenditure	303	322	-5.9%
	June 2016	Dec 2015	Change from 31 Dec 15
Consolidated nominal net debt			
Heathrow (SP)	11,857	11,745	+1.0%
Heathrow Finance	12,804	12,670	+1.1%
RAB	15,007	14,921	+0.6%

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
 - 0.6% traffic growth contributes £5 million
 - (0.8%) lower yield with headline tariff reduction
- Retail performance strong
 - boost from retail investments in T5
 - car parking continues to grow
- Ongoing delivery of £270 million Q6 target
 - benefits of projects delivered in 2015
 - airline and rail promotions
- Contrasting dynamics in other income
 - Heathrow Express revenue increases
 - other regulated charges reflects success in reducing baggage system operation and maintenance costs and utilities consumption

Analysis of revenue (£m)

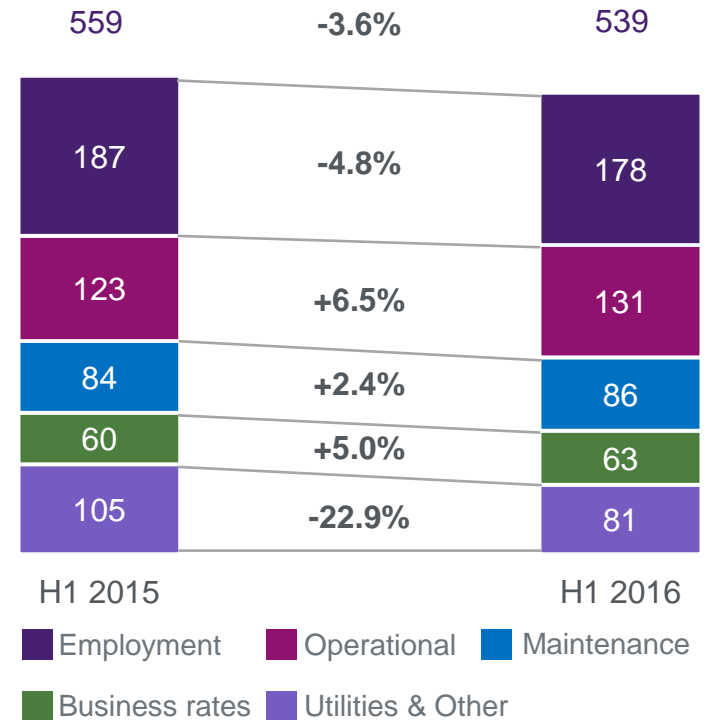


Per passenger (£)	H1 2015	H1 2016	Change
Aeronautical revenue	22.61	22.44	-0.8%
Retail revenue	7.32	7.84	+7.1%

Benefits of cost efficiencies continue to flow through

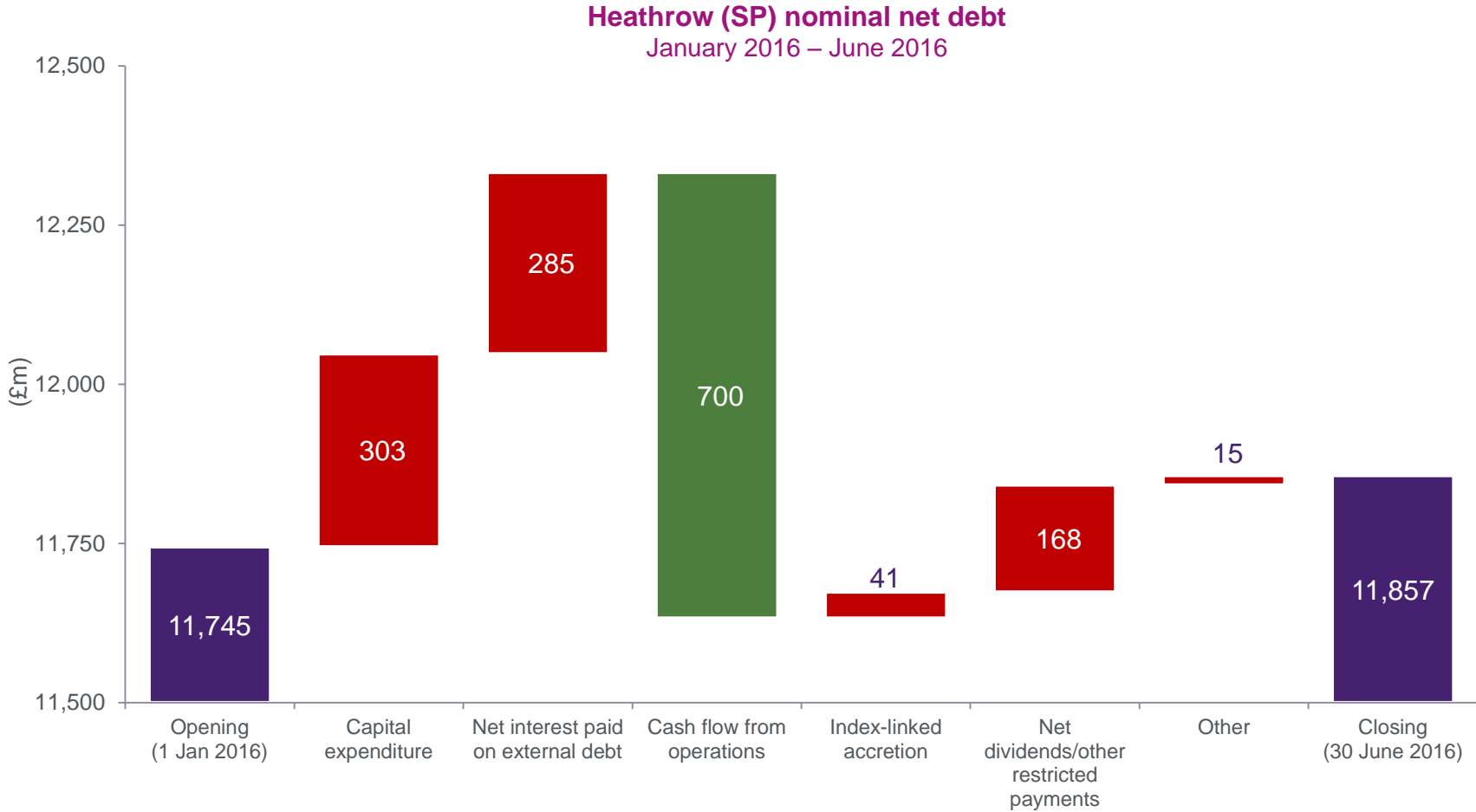
- ~4% lower operating cost per passenger
 - benefits from lower headcount and increased productivity
 - defined benefit pension scheme changes
 - energy savings
- Ongoing delivery of £600 million Q6 target
 - major contracts largely renegotiated
 - further voluntary severance
 - benefits of pay deal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

Analysis of operating costs (£m)



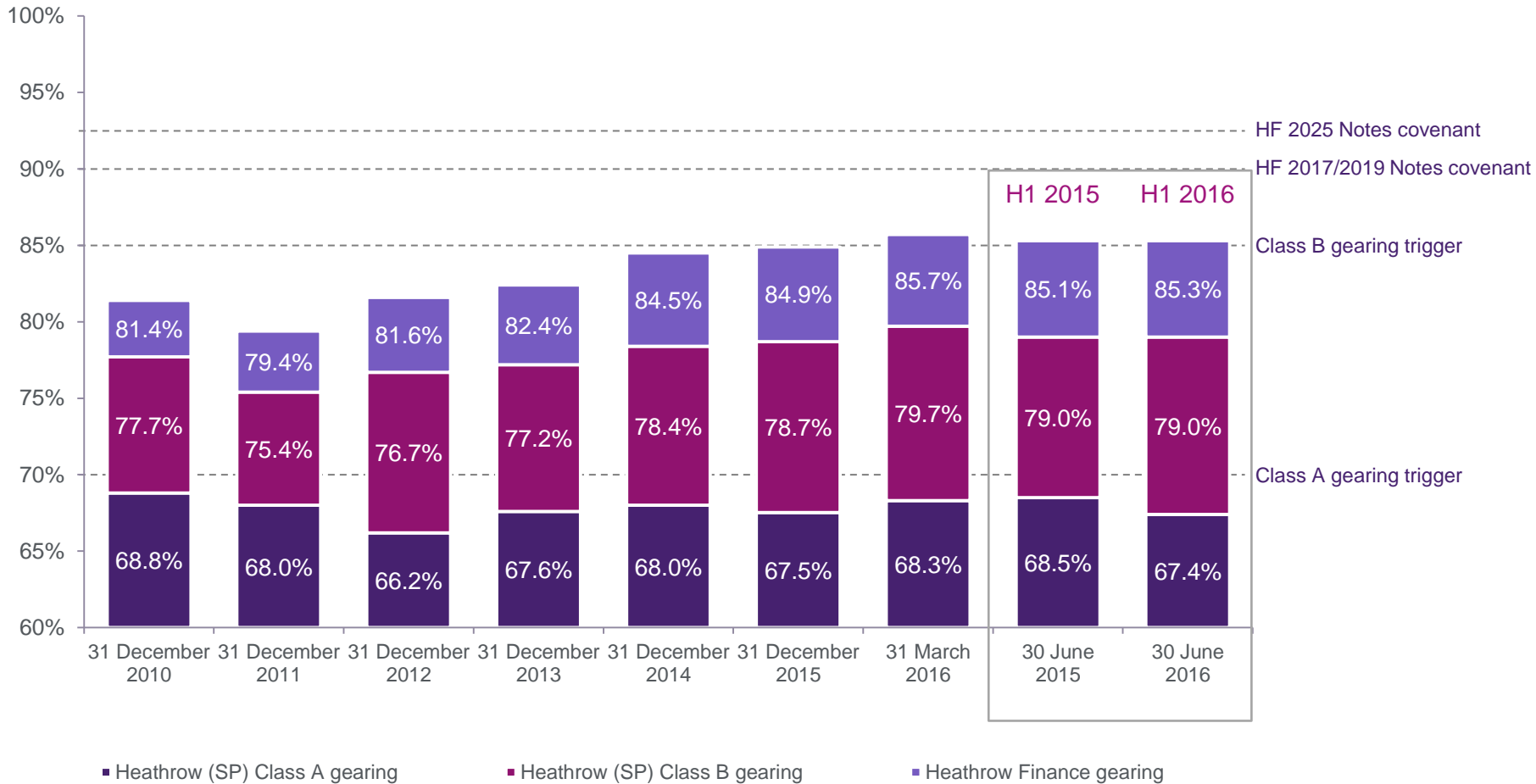
Per passenger (£)	H1 2015	H1 2016	Change
Operating costs	15.74	15.08	-4.2%

Operating cash flow significantly exceeds capital expenditure and interest payments



Substantial gearing headroom retained

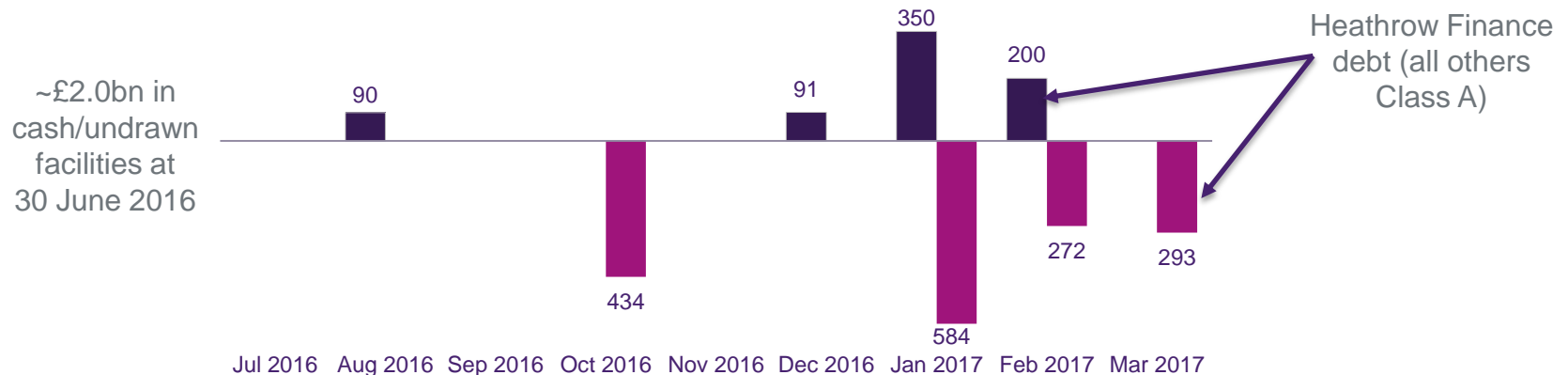
Evolution of gearing ratios



Continued success in raising debt on attractive terms from diverse sources

- Approximately £1.0 billion of debt financing raised globally since the start of 2016
 - public markets accessed with a successful CHF400 million 8.25 year bond
 - £200 million Heathrow Finance 7-10 year loan facilities agreed with drawdown in 2017
 - £350 million 3.75 year Class A term loan agreed with 5 banks with flexibility to draw until March 2017
 - nearly £200 million in long term private placements including NOK1 billion since EU referendum
- Liquidity horizon extends to September 2018
- 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

- EBITDA forecast for 2016 of £1,678 million
- 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 largely complete but will selectively pursue further opportunities
- 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

- ✓ Heathrow 70th anniversary
- ✓ 150 job moves and 225 internal promotions
- ✓ Britain's Busiest Airport: record viewing figures - c 10 million

2

Transform customer service

- ✓ ASQ 4.16, our highest ever
- ✓ New border e-gates in T3/T4
- ✓ ACI Best Major Airport Award Europe – for 3rd year

3

Beat the plan

- ✓ Voluntary severance - first line manager
- ✓ Oman Air second daily service
- ✓ T4 departure lounge upgrade
- ✓ First airport cycle officer

4

Win support for expansion

- ✓ Airports Commission's conditions met and Manifesto published
- ✓ Lord Blunkett to chair Heathrow Skills Taskforce
- ✓ 65% of MPs support Heathrow

To come

- New management training programme
- Graduate and intern intake
- Next cohort of engineering apprentices
- Southern taxiways widened for larger aircraft
- Hold baggage scanning replacement to higher standard
- T5 first class lounge fast track
- Weibo and We chat campaigns in China
- Efficiency programme and working with airlines on passenger attraction
- Live monitoring of assets to reduce downtime
- T5 personal shopper lounge
- Prime Minister Theresa May expansion decision
- Regional business summit – Leeds
- Design concept architects appointed

Questions?



Appendices

Heathrow nominal net debt at 30 June 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%	196	196	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%	558	558	2039
£100m RPI +1.238%	102	102	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	78	78	2049
Total senior bonds	10,138	10,138	
Term debt	368	368	Various
Index-linked derivative accretion	201	201	Various
Revolving/working capital facilities	0	1,100	2020
Total other senior debt	569	1,669	
Total senior debt	10,707	11,807	
Heathrow (SP) Limited cash	(587)		
Senior net debt	10,120		

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%	182	182	2036
Total junior bonds	1,737	1,737	
Junior revolving credit facilities	0	300	2020
Total junior debt	1,737	2,037	
Heathrow (SP) Limited group net debt	11,857		

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	(17)		
Heathrow Finance plc net debt	947		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,707	11,807
Heathrow (SP) Limited junior debt	1,737	2,037
Heathrow Finance plc debt	964	964
Heathrow Finance plc group debt	13,408	14,808
Heathrow Finance plc group cash	(604)	
Heathrow Finance plc group net debt	12,804	

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 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
- Flows included in 'Other' include group relief receipts, external tax payments, fees paid in relation to bond issues and discounts on bonds issued

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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 Maturity Date

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Heathrow

Making every journey better