



Heathrow (SP) Limited

Results for nine months ended 30 September 2018

26 October 2018

Heathrow
Making every journey better



Q3 2018 highlights

Continued strong performance in 2018

Operational highlights

1

- Record 60.5 million passengers, up 2.5%
- Strong service standards maintained
- Prompt payment code champion

Financial performance

2

- Revenue up 2.3% to £2,211 million; Adjusted EBITDA up 1.9% to £1,372 million
- Cost control and better value for passengers
- Close to £1.6 billion raised globally providing strong foundations for expansion

Strategic priorities

3

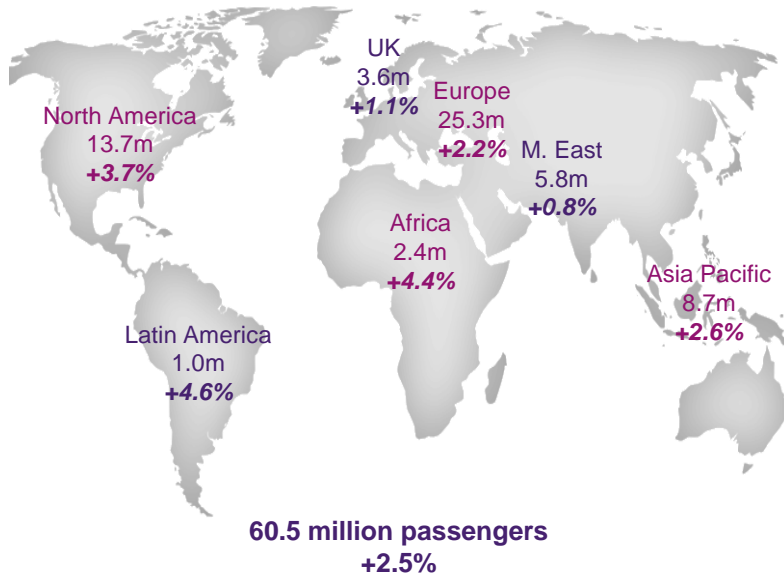
- Raising service standards and operational resilience
- Focusing on further cost efficiencies and incremental revenue
- Delivering a sustainable, affordable and financeable expansion



Business highlights

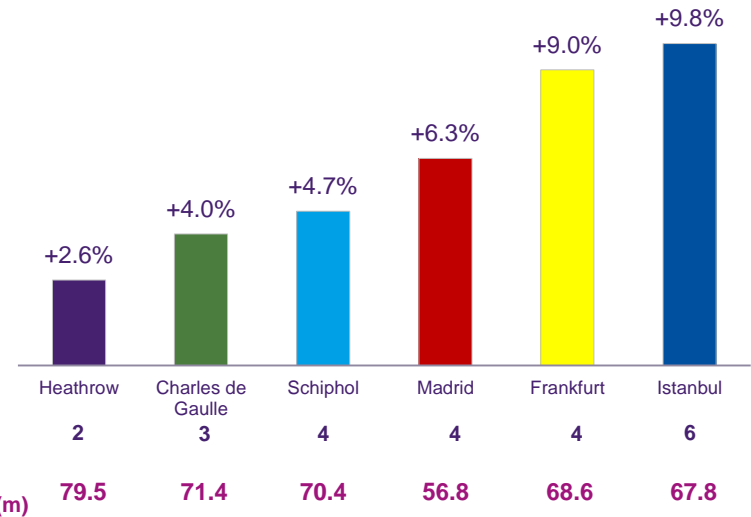
Record 60.5 million passengers

Passenger traffic by market – 2018 vs. 2017



Passenger traffic at European hubs

Year on year growth in traffic for 12 months to 30 September 2018



Runways

Annual passengers (m)

	9M 2017	9M 2018
Passengers ATM	354,675	355,425
Seats per ATM	212.0	213.4
Load factors (%)	78.5	79.8
Cargo tonnage ('000)	1,246	1,265

	9M 2017	9M 2018
Long-haul traffic growth	3.5%	2.9%
Short-haul traffic growth	2.6%	2.0%

New routes



Qantas: direct flight to Perth



Hainan: services to Changsha



China Southern: services to Sanya



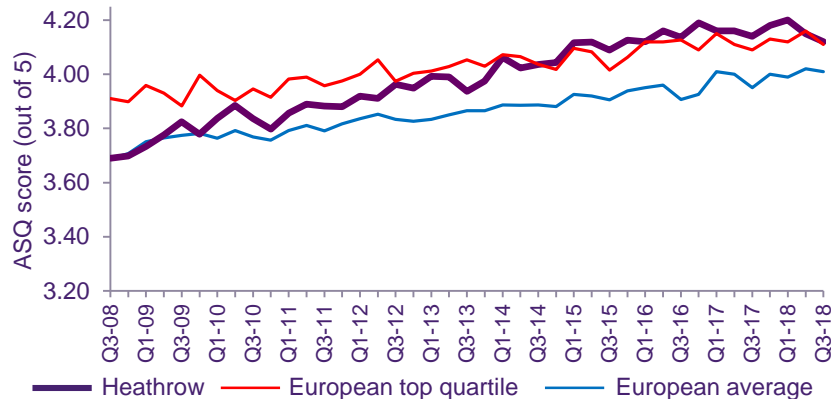
Tianjin: services to Chongqing

Heathrow

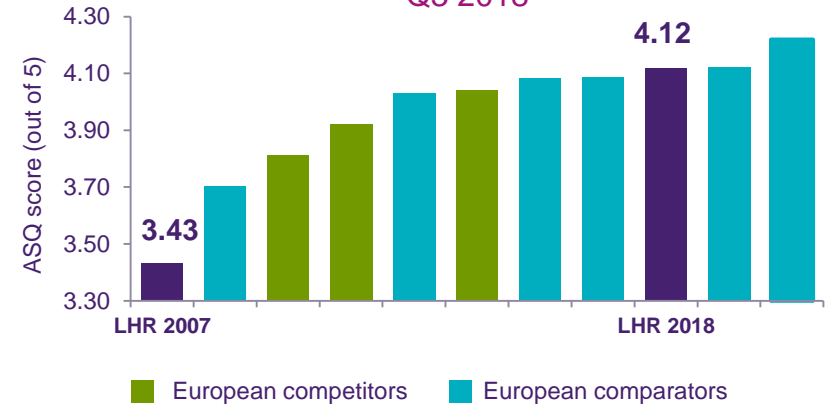
Making every journey better

Strong service standards complemented by robust operations

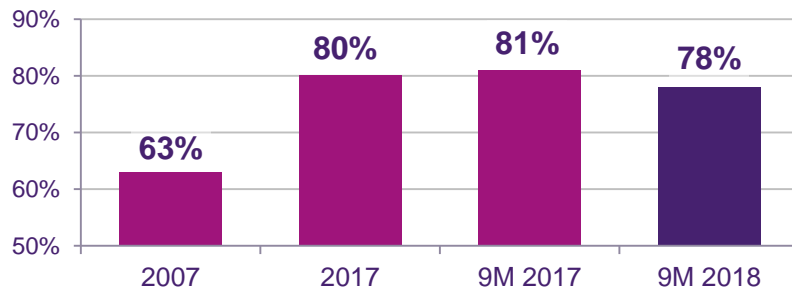
Quarterly passenger satisfaction
Q3 2008 – Q3 2018



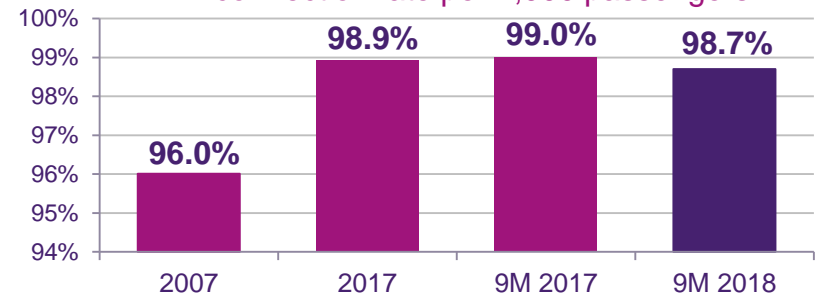
Passenger satisfaction European ranking
Q3 2018



Departures
within 15 minutes of schedule



Baggage performance
connection rate per 1,000 passengers

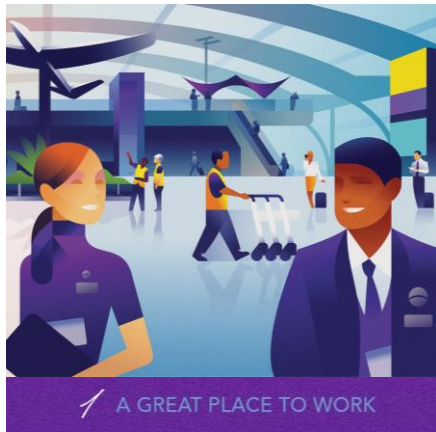


Terminal 2 - World's Best Airport Terminal
Best Airport in Western Europe
World's Best Airport Shopping

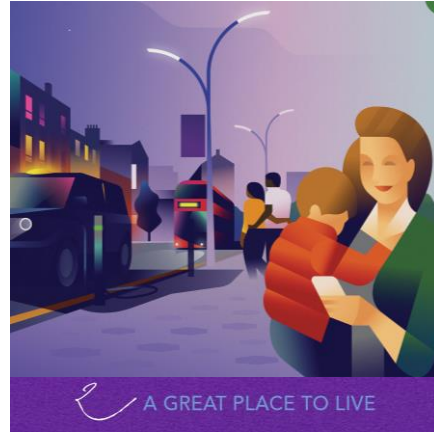
Heathrow

Making every journey better

Heathrow 2.0 flagship goals



- 10,000 apprenticeships by 2030
- Reflect local diversity at every level by 2025



- We will seek to at least halve the number of late running flights on non-disrupted days
- Airside ultra-low emissions zone by 2025
- 50% airport passenger journeys made by public and sustainable transport by 2030



- Largest 100 towns and cities in the UK connected to Heathrow by 2033
- Direct supply chain colleagues working at Heathrow will be transitioned to be paid the London Living Wage by the end of 2020



- An aspiration to make growth from our new runway carbon neutral
- Establishing the Heathrow Centre of Excellence
- Carbon neutral airport by 2020 supported by tangible actions

Delivering a sustainable, affordable & financeable expanded Heathrow

SUSTAINABLE

- Carbon neutral airport by 2020
- Incentives for cleaner, quieter aircraft; 6.5 hour ban on scheduled night flights
- Pioneering offsite manufacturing with Logistics Hubs
- No additional airport related traffic
- Skills Taskforce

AFFORDABLE

- SOS challenge to maintain charges close to 2016 levels in real terms'
- 37 companies shortlisted for the Innovation Partners programme from over 150 expressions of interest
- Preferred masterplan consultation set for June 2019

FINANCEABLE

- Entirely privately funded through mix of debt and equity
- Commitment to maintain current investment grade credit ratings
- ~ £1.6bn raised in 2018 providing strong foundations for expansion
- Stable regulatory environment; opportunity for alternative commercial arrangements with airlines

Brexit update

- Heathrow encouraged by UK Government approach to aviation in negotiations
 - continued access to European single aviation market
- Advocating to maintain efficient flows of people and goods
 - efficient immigration and cargo processing, access to skills
- Heathrow remains in an extremely strong position notwithstanding the outcome of the negotiations
 - proven track record managing operational change
 - financial resilience in place
 - liquidity horizon extends to December 2020
- Reaffirmation of signatory undertakings of the prompt payment code



Financial review

Financial highlights

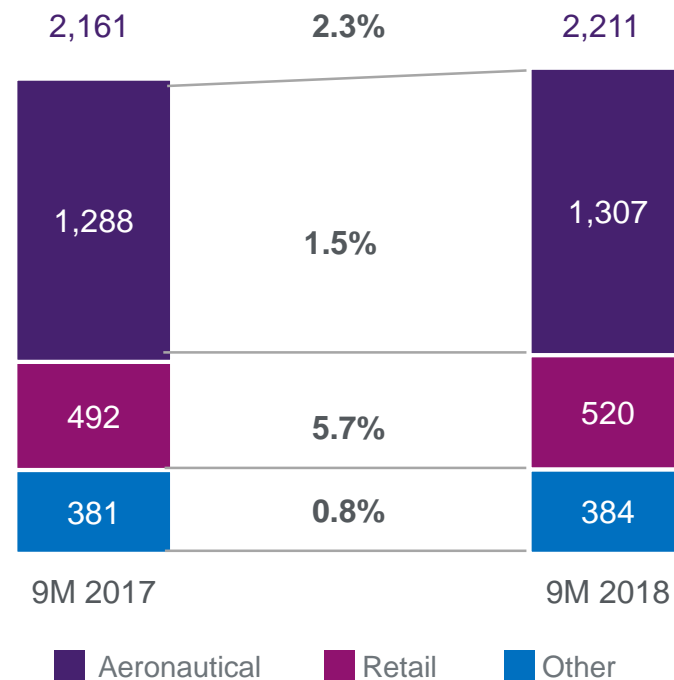
(£ million)	9M 2017	9M 2018	% Change
Revenue	2,161	2,211	2.3
Operating costs	814	839	3.1
Adjusted EBITDA	1,347	1,372	1.9
Capital expenditure	491	555	13.0

	Dec 2017	Sep 2018	% Change
Consolidated nominal net debt			
Heathrow (SP)	12,372	12,749	3.0
Heathrow Finance	13,674	13,822	1.1
RAB	15,786	16,108	2.0

Record traffic and continued retail growth drive revenue up

- Aeronautical: delivering better value to passengers
 - up: strong traffic growth
 - down: recoverable yield dilution
- Continued momentum of retail growth rates
 - digital initiatives and luxury proposition drive retail concessions performance
 - catering upside from outlets redevelopment and grab and go offerings
 - advertising income drive other retail up
- Modest growth in other revenue
 - higher baggage volumes drove ORCs up
 - Heathrow Express declined due to softer passenger numbers

Analysis of revenue (£m)

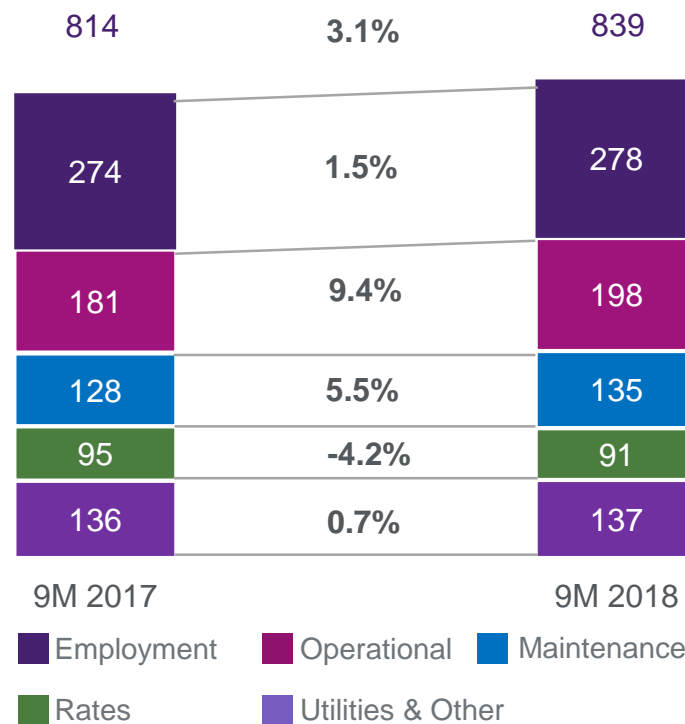


Per passenger (£)	9M 2017	9M 2018	Change %
Aeronautical revenue	21.81	21.59	-1.0
Retail revenue	8.33	8.59	3.1

Strong cost control without compromising passenger experience

- Increased investment in resilience, security, passenger experience and expansion
 - people costs up 1.5% on higher resilience costs and pension charges
 - higher expansion, security and accessibility costs drive operational costs up 9.4%
 - over £5m winter resilience costs impact maintenance and other costs
 - business rates lower after rates review
- Efficiencies broadly offset additional pressure from record traffic and inflation
- Operating costs per passenger continue declining in real terms

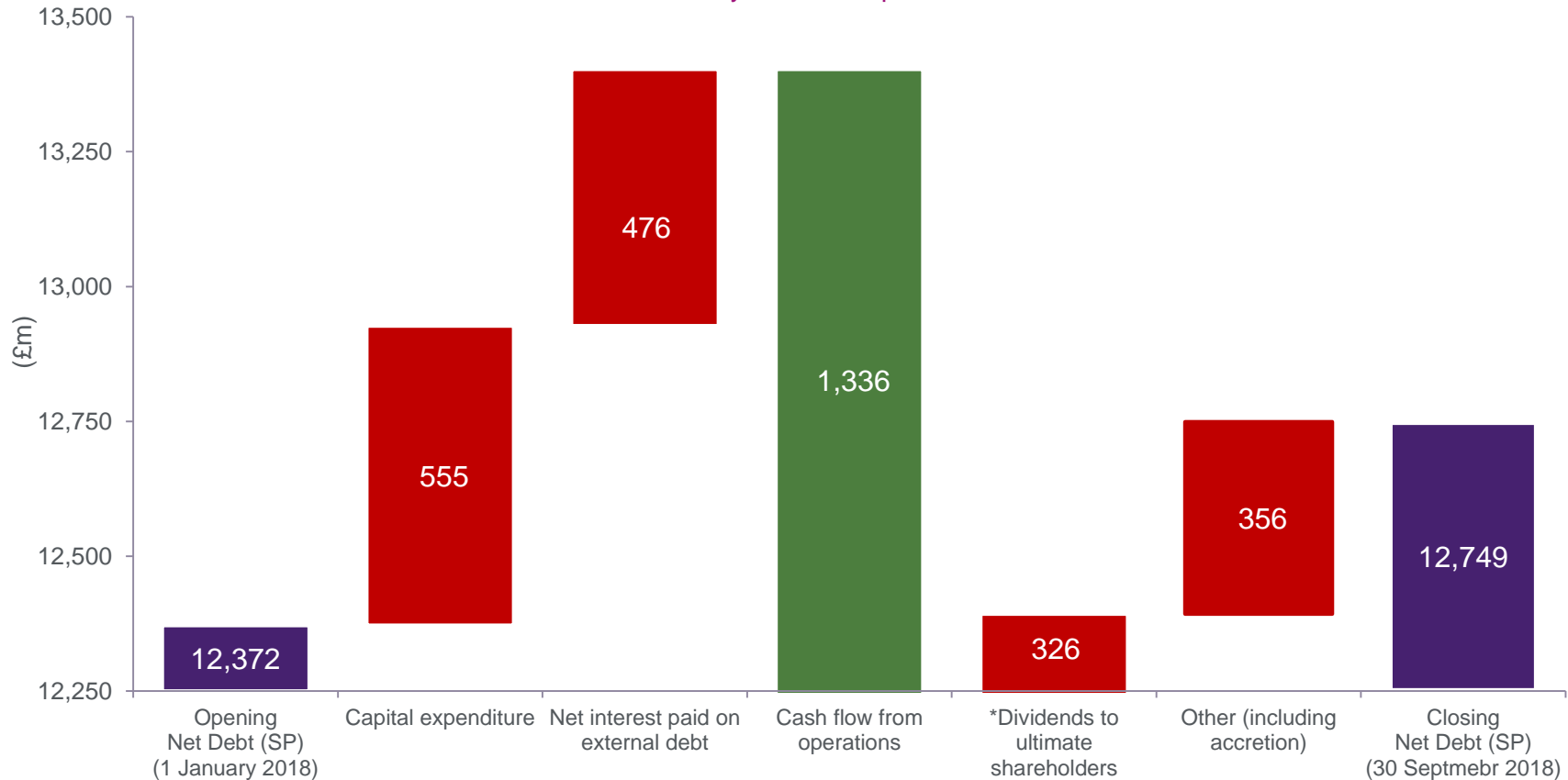
Analysis of operating costs (£m)



Per passenger (£)	9M 2017	9M 2018	Change %
Operating costs	13.78	13.86	0.6

Strong operating cash flow exceeds capital expenditure and interest payments

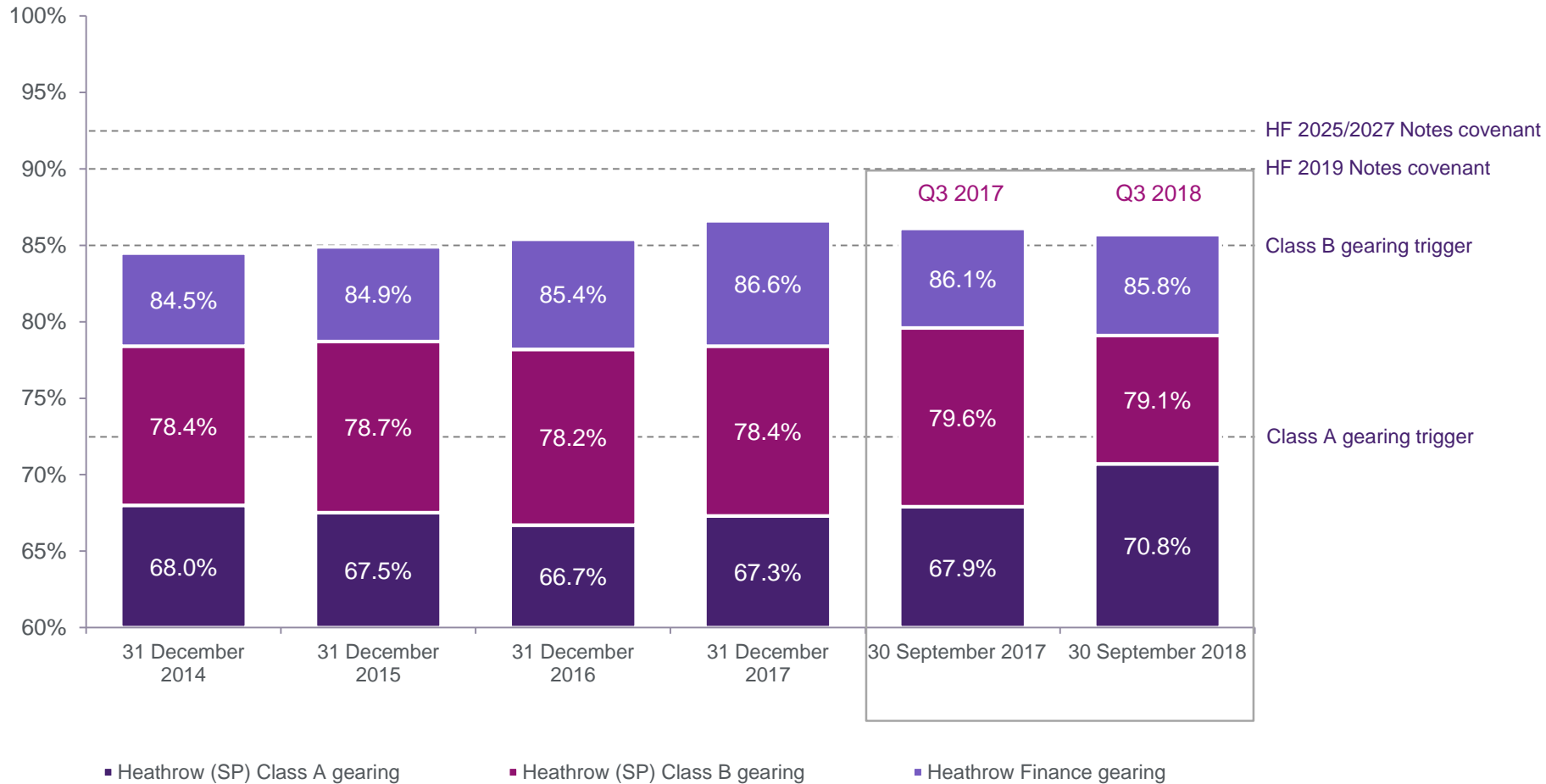
Heathrow (SP) nominal net debt January 2018 – September 2018



*Funded the majority of £341 million dividends to ultimate shareholders

Substantial gearing headroom retained

Evolution of gearing ratios



2018 funding plan

LIQUIDITY

- nearly £1.6bn raised globally
- liquidity horizon extended to December 2020
- £2.2bn in undrawn facilities & cash resources

DIVERSIFICATION

- debut AUD transaction
- first export credit agency financing

DURATION

- 12.2 year average life of debt for Heathrow SP
- longest CAD transaction issued by a UK corporate
- longest AUD transaction by a UK corporate in EMTN format

Outlook

- 2018 forecast remains in line with June investor report:
 - expected traffic : 79 million passengers
 - expected Adjusted EBITDA: £1,816 million
 - projected headroom to covenant remains significant



Strategic Update

To give passengers the best airport service in the world

We delivered...

...and we will do more



Mojo

- Safe and unsafe acts campaign
- Pension salary sacrifice scheme
- Best Companies Survey

- Best Companies results
- Race the plane with Royal Visit
- Remembrance Sunday 100th anniversary



Transform
customer service

- Service Signatures rollout
- New hotel openings
- Further improvements to PRM services

- Horizon – customer insight tool
- retail openings - Anya Hindmarsh (Terminal 5), Pink and Mulberry (Terminal 4)



Beat the plan

- Operational radio infrastructure modernisation
- New services to China, South Africa and Morocco

- Pay talks
- Christmas campaign and new advert
- Heathrow Express contactless



Sustainable
growth

- Masterplan options
- Shortlisting of the logistics hubs and innovation partners
- Prevent modern slavery e-learning module

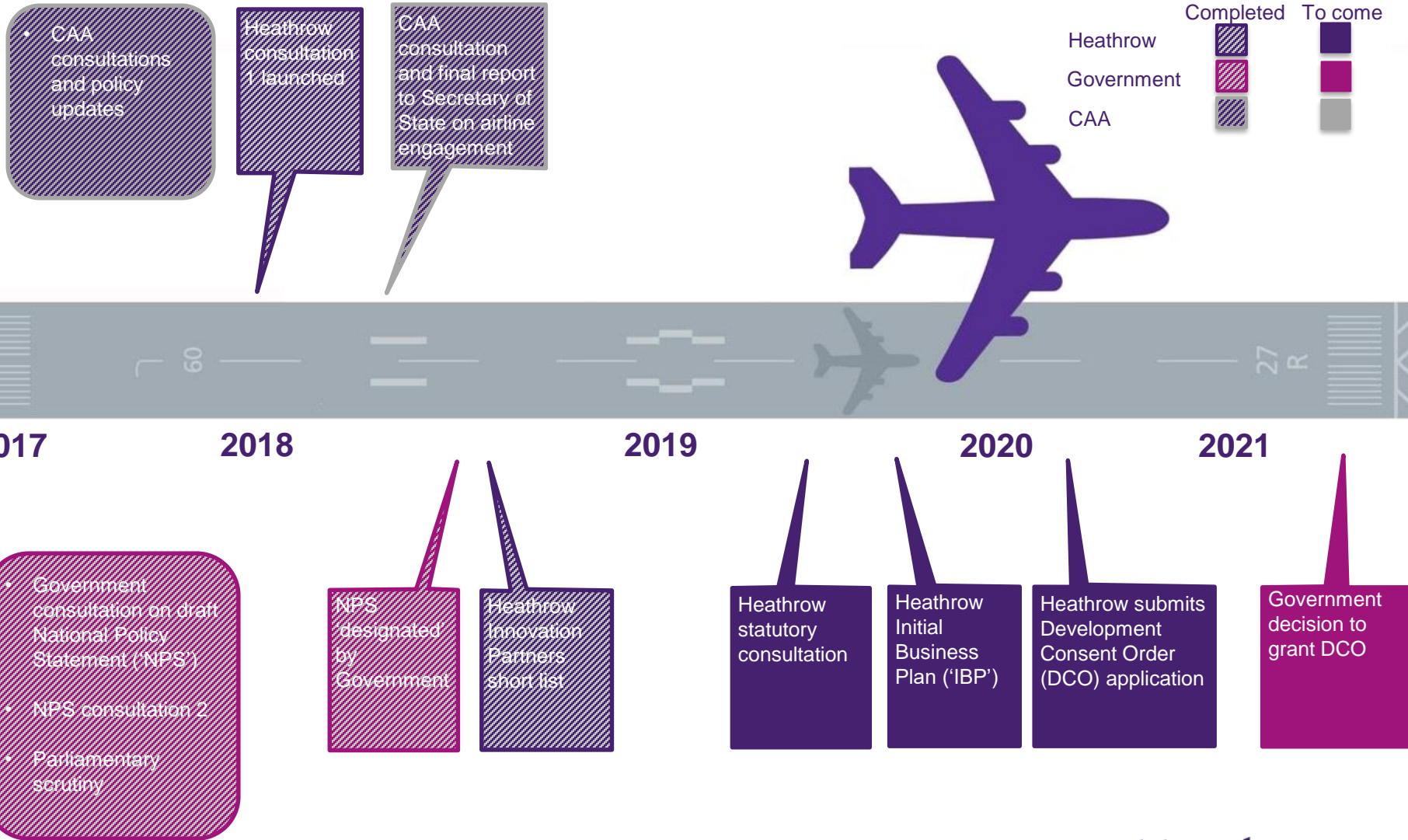
- Single preferred masterplan
- Launch of CARE charity partnership
- Carbon roadmap
- Airspace and future operations consultation

Questions?



Appendices

Heathrow expansion on track



Heathrow nominal net debt at 30 September 2018

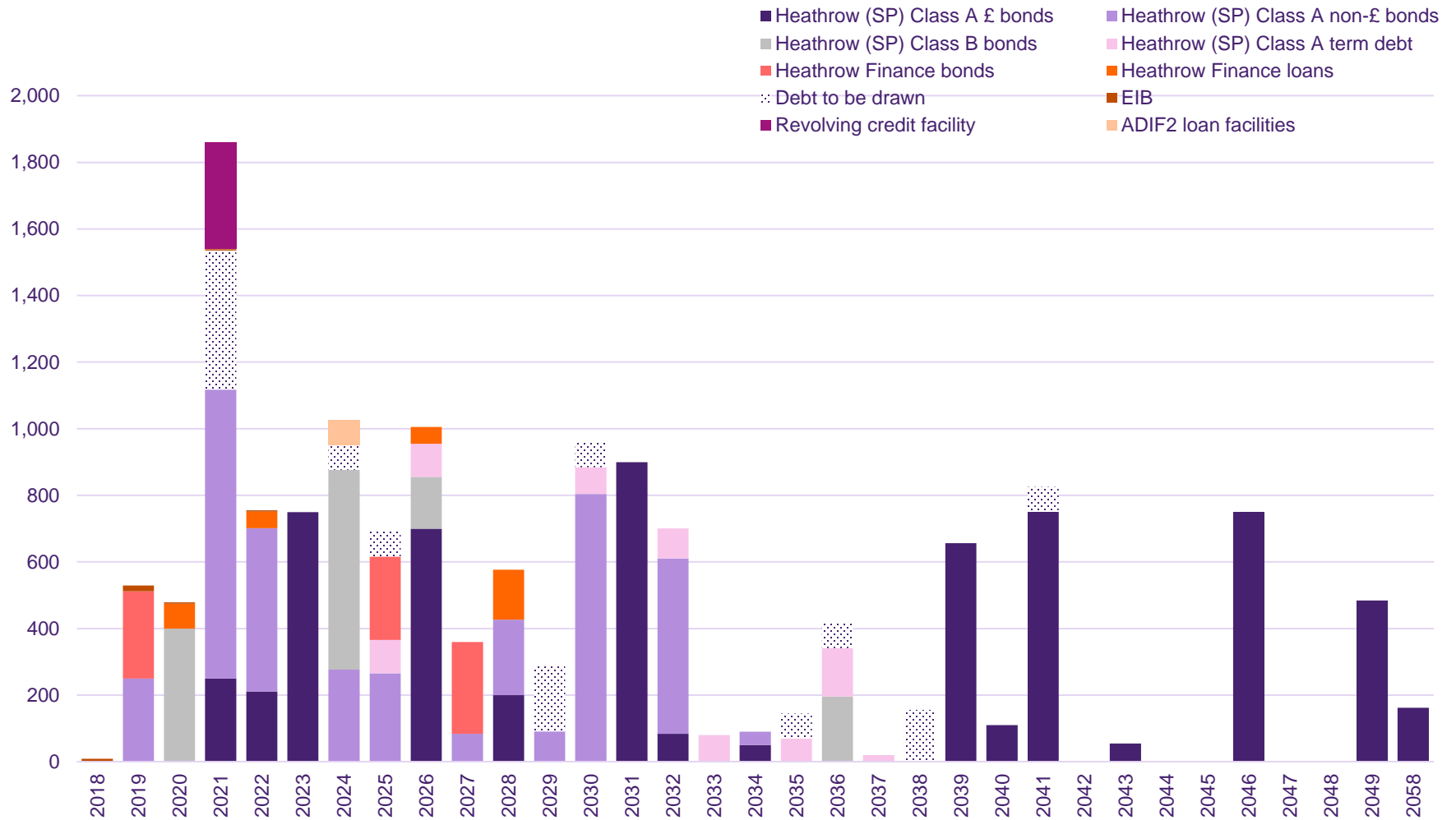
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
C\$400m 4%	250	250	2019
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	211	211	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	84	84	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%	56	56	2039
£460m RPI +3.334%	600	600	2039
£100m RPI +1.238%	111	111	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	84	84	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	162	162	2058
Total senior bonds	10,035	10,035	
Term debt	724	1,342	Various
Index-linked derivative accretion	447	447	Various
Revolving/working capital facilities	320	900	2021
Total other senior debt	1,491	2,689	
Total senior debt	11,526	12,724	
Heathrow (SP) Limited cash	(128)		
Senior net debt	11,398		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	0	75	2035
£180m RPI +1.061%	196	196	2036
£75m RPI + 0.337%	0	75	2036
£51m RPI + 0.419%	0	51	2038
£105m 3.460%	0	105	2038
£75m RPI + 0.362%	0	75	2041
Total junior bonds	1,351	1,732	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,351	1,982	
Heathrow (SP) Limited group net debt	12,749		

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	75	75	2020
£50m	50	50	2022
£75m	0	75	2024
£75m	0	75	2025
£50m	50	50	2026
£150m	150	150	2028
£75m	0	75	2030
Total loans	325	550	
Total Heathrow Finance plc debt	1,112	1,337	
Heathrow Finance plc cash	(39)		
Heathrow Finance plc net debt	1,073		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	11,526	12,724
Heathrow (SP) Limited junior debt	1,351	1,982
Heathrow Finance plc debt	1,112	1,337
Heathrow Finance plc group debt	13,989	16,043
Heathrow Finance plc group cash	(167)	
Heathrow Finance plc group net debt	13,822	

Debt maturity profile at 30 September 2018



Notes, sources and defined terms

Page 3

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

Page 6

- Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5

Page 11

- Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation
- Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation
- Capital expenditure excludes capital creditors
- 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 13

- Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation

Page 14

- Opening and closing nominal net debt includes index-linked accretion
- Other comprises index-linked accretion, other restricted payments, external tax payments and fees paid in relation to financing transactions
- 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

Page 15

- 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

Page 17

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

Page 23 and 24

- 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 for Class A bonds

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Heathrow

Making every journey better