



Heathrow (SP) Limited

Results for year ended 31 December 2015

23 February 2016

Heathrow
Making every journey better



2015 highlights
John Holland-Kaye, CEO

Excellent progress in 2015

1

Operational highlights

- Highest service quality ever, ahead of European hubs
- Record traffic with 75.0 million passengers and strong operational performance

2

Financial performance

- Revenue of £2.8 billion, up 2.7% and EBITDA of £1.6 billion, up 3.0%
- Downward trend in costs from strong cost control
- Over £1.2 billion funding raised globally in 2015

3

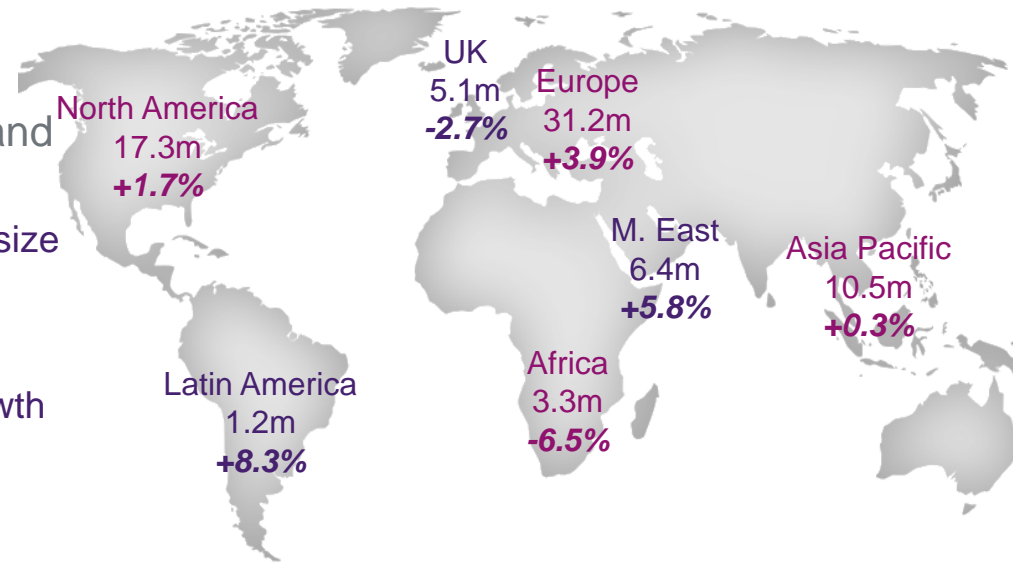
Strategic aims

- Giving passengers the best airport service in the world
- Focusing on cost efficiency and revenue development
- Unequivocal and unanimous recommendation by the Airports Commission

Record passengers from substantially more seat capacity

- Significant European seat capacity growth
 - 1.5 million more seats on European flights
 - additional 1.2 million passengers in 2015
- Intercontinental traffic from more flights and larger planes
 - Middle East growth from increase in aircraft size
 - Latin America benefits from new Avianca service to Colombia
 - China, Hong Kong, Vietnam drive Asian growth and Garuda Airlines starts in March 2016
 - 8 airlines operating A380s at Heathrow with 25 daily departures
- 75.7 million passengers forecast in 2016
 - up 1.0% reflecting modest underlying growth and leap year effect

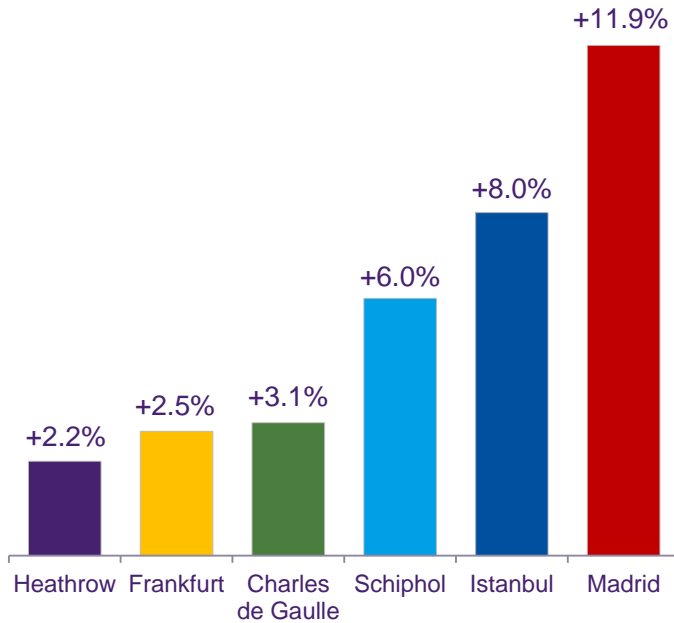
Passenger traffic by market
2015 versus 2014



75.0 million passengers
+2.2%

Capacity constraints holding back UK growth

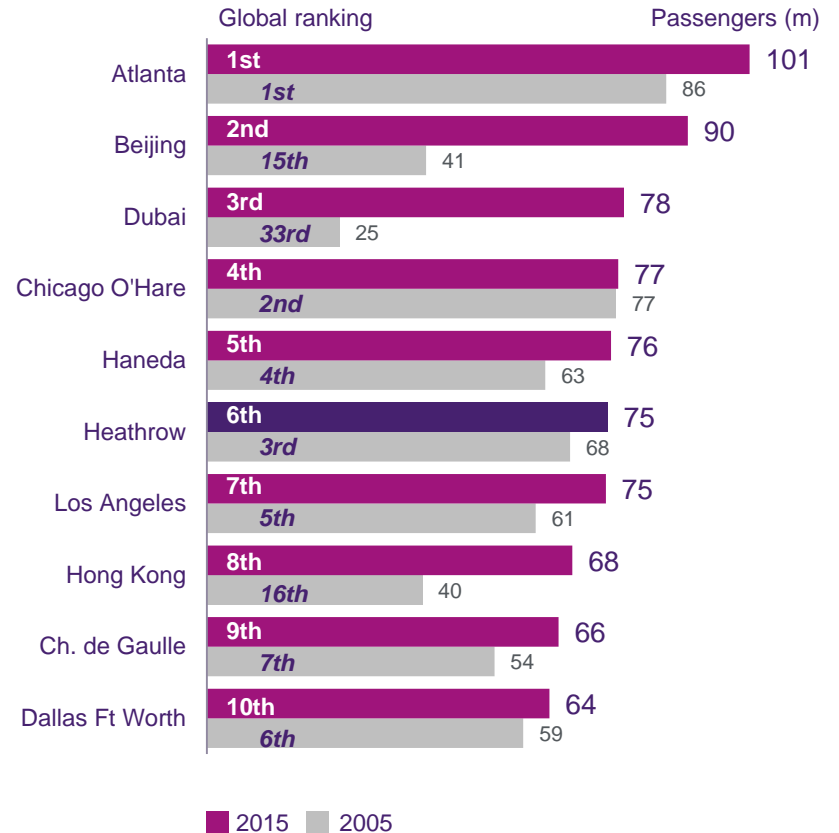
Passenger traffic at European hubs
12 months to 31 December 2015



Passengers (m)
Heathrow: 75.0, Frankfurt: 61.0, Charles de Gaulle: 65.8, Schiphol: 58.3, Istanbul: 61.3, Madrid: 46.8

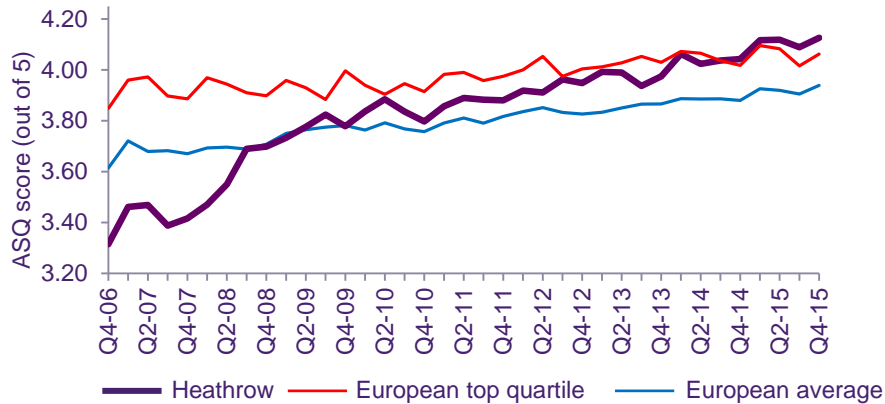
Runways
Heathrow: 2, Frankfurt: 4, Charles de Gaulle: 4, Schiphol: 6, Istanbul: 3, Madrid: 4

Top 10 busiest global airports
2015 versus 2005

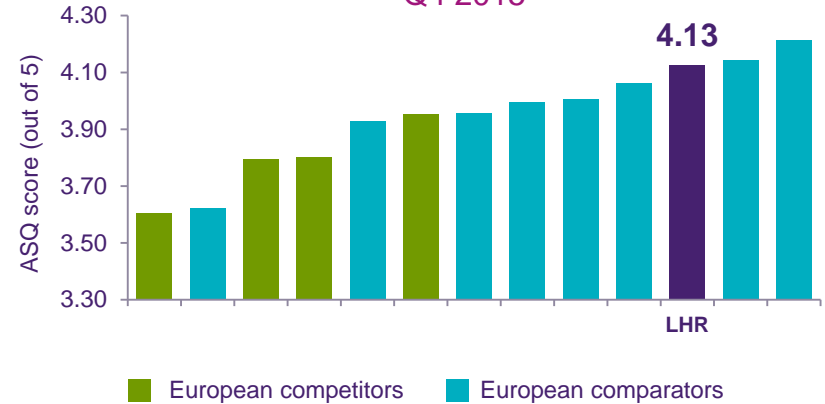


Achieving highest service quality ever

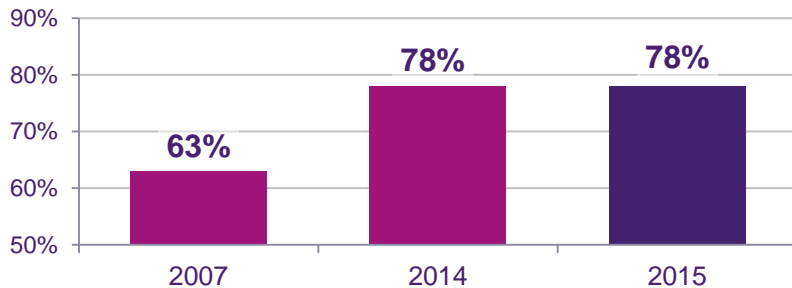
Quarterly passenger satisfaction
Q4 2006 – Q4 2015



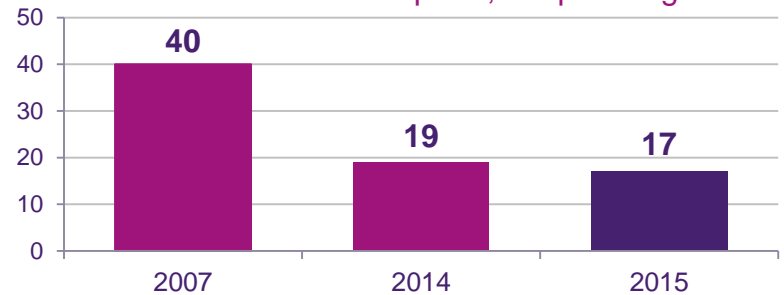
Passenger satisfaction European ranking
Q4 2015



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

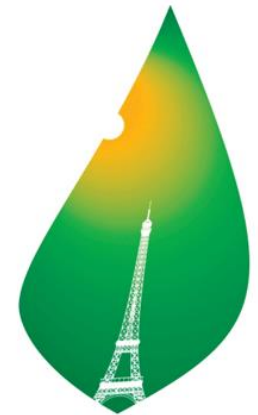
Service transformation supported by long-term investment

- Faster journeys through Heathrow and improved passenger facilities
 - 30% more security capacity in Terminal 5
 - 5x more new generation eGates in immigration
 - Terminal 5 dedicated Fast Track entrance
- Improving operational resilience and efficiency
 - 30x A380 stands for larger, quieter, cleaner planes
 - time-based separation and eILS
 - APOC fully operational
- Reducing environmental impact
 - fewer late running flights and doubling of noise fines
 - over 70,000 lights replaced with LED lamps
 - charging infrastructure for electric vehicles
 - signed Paris Pledge for Action on climate change



25x daily A380 services – more stands and wider taxiways

COP21 • CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE



Heathrow
Making every journey better



Financial review

Michael Uzielli, CFO

Financial highlights

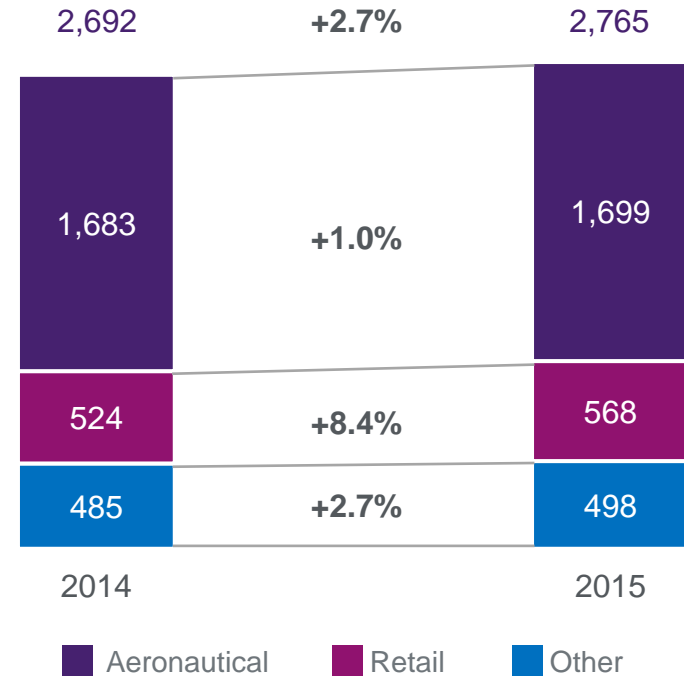
(£ million)	2015	2014	Versus 2014
Revenue	2,765	2,692	+2.7%
Operating costs ¹	1,160	1,133	+2.4%
EBITDA ¹	1,605	1,559	+3.0%
Capital expenditure	627	853	-26.5%
	Dec 2015	Dec 2014	Change from Dec 14
Consolidated nominal net debt			
Heathrow (SP)	11,745	11,653	+0.8%
Heathrow Finance	12,670	12,560	+0.9%
RAB	14,921	14,860	+0.4%

¹ Operating costs and EBITDA are pre-exceptional items and exclude depreciation & amortisation. EBITDA also excludes interest and tax

Strong revenue performance across channels

- Aeronautical revenue driven by volume
 - lower passenger charges
 - nearly £60 million from traffic and tariff changes
 - net impact of 2014 K factor and capital triggers lowered rate of growth
- Strong performance in outlets and services
 - new Terminal 5 luxury stores including Chanel, Louis Vuitton and Hermes
 - car parking up 8.1% from additional products and yield management
 - demand for Heathrow VIP service growing
 - 1.2 million Heathrow Rewards members
- 2016 revenue growth builds on retail success
 - modest passenger growth and falling charges
 - full year benefit of new stores
 - innovations across revenue streams

Analysis of revenue (£m)

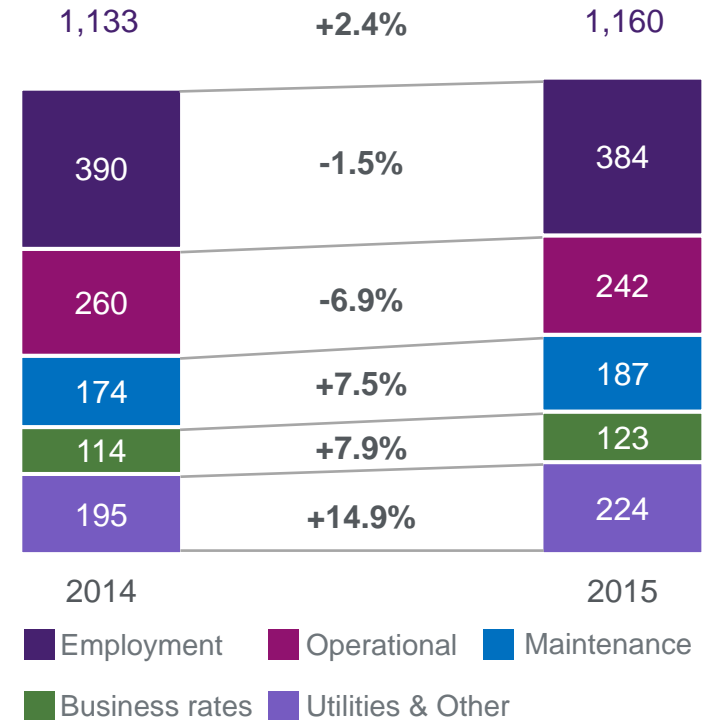


Per passenger (£)	2014	2015	Change
Aeronautical revenue	22.94	22.67	-1.2%
Retail revenue	7.14	7.58	+6.2%

Strong cost control in 2015

- Downward trend in operating costs
 - H2 costs flat, Q4 down 2.2%
 - full year costs include ~£30 million related to Terminal 2, Terminal 3 Integrated Baggage and expansion planning
- Performance reflects delivery of efficiencies
 - headcount reduction and increased productivity
 - improved supplier terms including NATS strategic partnership
 - early closure of Terminal 1 on 30 June
- Costs to reduce ~3% in 2016 as efficiencies flow through
 - defined benefit pension scheme changes
 - workforce initiatives
 - energy savings

Analysis of operating costs (£m)

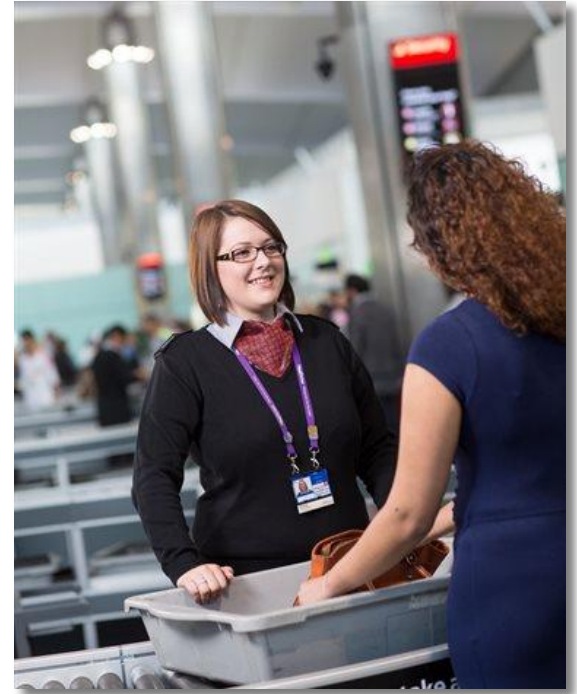


Per passenger (£)	2014	2015	Change
Operating costs	15.44	15.48	+0.2%

Driving improvements in service and efficiency

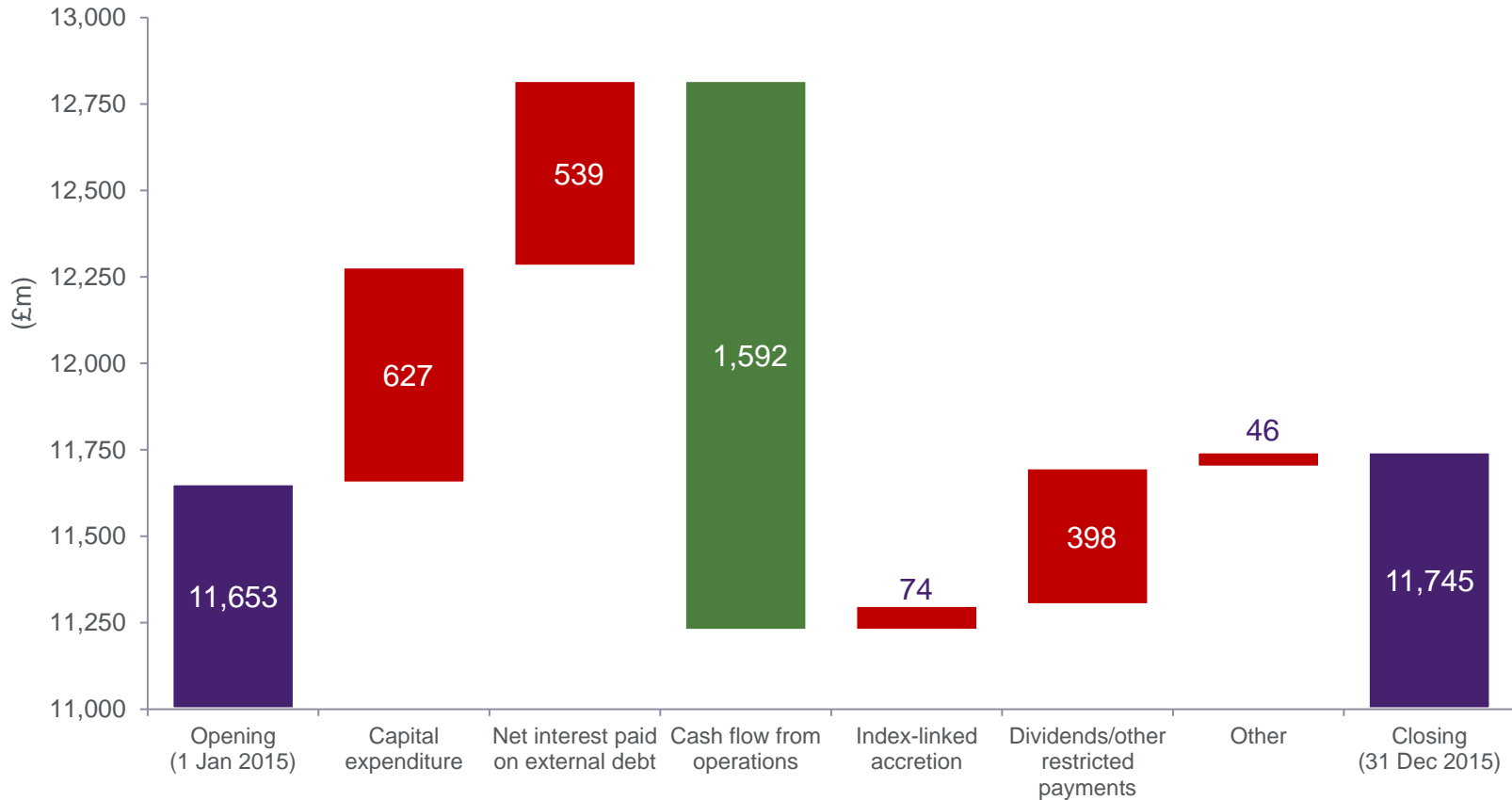
Security metrics	2014	2015	Change
Departing passengers (m)	36.3	37.0	+1.9%
Flow rate (pax/hr)	125	141	+12.8%
Service quality (ASQ)	4.04	4.11	+1.7%
Cost per passenger	~£5.50	~£4.80	-12.7%

- Significant benefits from:
 - additional lanes
 - parallel loading
 - workforce efficiencies
 - improved technology
 - New Fast Track product



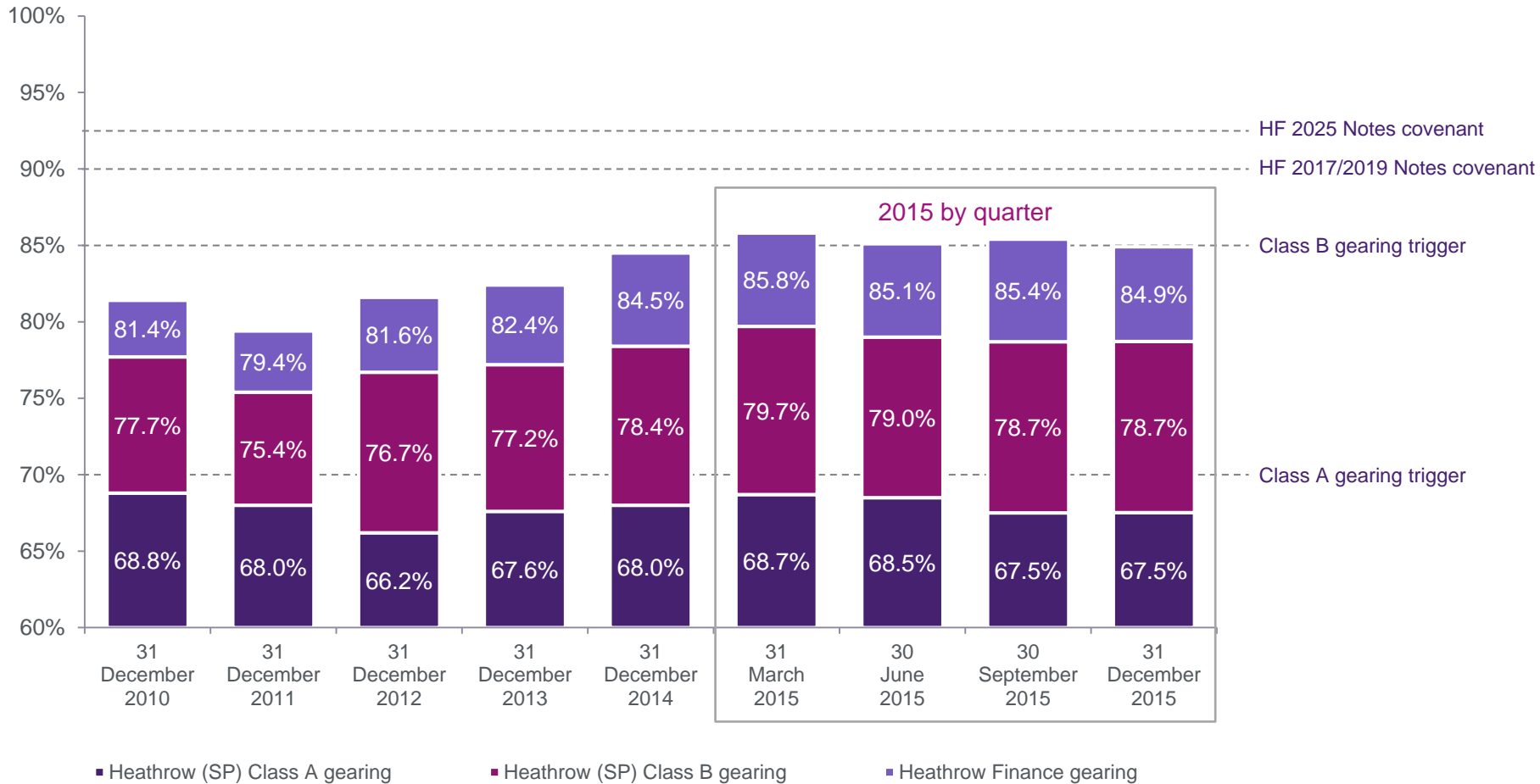
Operating cash flow covers 95% of total outflows

Heathrow (SP) nominal net debt
January 2015 – December 2015



Despite low inflation buffers to triggers and covenants maintained

Evolution of gearing ratios



Heathrow financing strengthened in 2015: duration extended, sources of funding diversified and resilience increased

- Over £1.2 billion long-term funding raised globally in 2015
 - over £800 million raised in two public bonds
 - long-dated funding raised with £300 million in private placements and £100 million in Heathrow Finance loans
 - one year extension to maturity of £1.4 billion revolving credit facilities to November 2020
- Funding in 2015 covered over £600 million in Heathrow Funding maturities and a ~£50 million buyback programme of Heathrow Finance notes
- ~£400 million raised since the start of 2016
 - public markets accessed with successful CHF400 million 8.25 year bond
 - £125 million Heathrow Finance 7-10 year loan facilities agreed with drawdown in 2017
- Remaining 2016 funding will likely be less than £1 billion
- £2.7 billion in liquidity with horizon now extending to January 2018

Outlook

- 2016 will build on the strong performance of 2015
- Revenue forecast of £2.8 billion (up 1.0%) reflects modest traffic growth and further growth in commercial revenue
- Continued cost control is expected to reduce operating costs by ~3% leading to forecast EBITDA for 2016 of £1.67 billion (up 3.0%)



Strategic update
John Holland-Kaye, CEO

Giving passengers the best airport service in the world

1

Mojo

Delivered

- ✓ Best Companies: 'One to Watch'
- ✓ 195 Security Officers promoted
- ✓ Duke of Edinburgh Diamond Partnership launched

To come

- Heathrow 70th anniversary
- Flexible benefits
- Investing in wellbeing

2

Transform customer service

- ✓ More new generation eGates
- ✓ Dedicated T5 Fastrack route
- ✓ Highest ever service quality

- Smoother T5 transfers
- T5 First Class direct access
- T3IB completion
- Investing in training

3

Beat the plan

- ✓ More great stores in T5: Chanel
- ✓ Security voluntary severance
- ✓ DB pension scheme changes

- Three year pay deal
- T4 departure lounge refurbishment
- Airline commercial deals

4

Win support for expansion

- ✓ Unequivocal and unanimous recommendation by AC
- ✓ Government endorsement of need for expansion

- Continued stakeholder engagement
- Showing environmental leadership
- Government plan summer decision

Heathrow expansion is the best option, the deliverable option and the supported option

- Expansion delivers economic security, more exports to emerging markets, enhanced productivity and a rebalancing of the economy
- Heathrow is the only option with a strong policy basis rooted in the unanimous and unequivocal support of the Government's Airports Commission
- Heathrow is the only option with a track record of delivering major infrastructure projects on time and on budget with the support of 13 of Britain's biggest construction firms
- Heathrow is the only option with a resilient plan, putting the airport at the heart of the UK's transport system, served by 5 motorways and 5 railway lines
- Heathrow expansion is overwhelmingly supported
 - by the majority of our local communities and a significant majority of MPs from all major parties
 - by every major employer's group and unions, including CBI, IoD, FSB, BCC, Unite, GMB and TUC
 - and is considered the right choice by airlines and 37 regional airports
- Expansion meets all environmental targets and will make Heathrow the most sustainable hub airport in the world

Questions?



Appendices

Heathrow nominal net debt at 31 December 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%	52	52	2039
£460m RPI +3.334%	555	555	2039
£100m RPI +1.238%	102	102	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	77	77	2049
Total senior bonds	10,155	10,155	
Term debt	387	387	Various
Index-linked derivative accretion	253	253	Various
Revolving/working capital facilities	0	1,100	2020
Total other senior debt	640	1,740	
Total senior debt	10,795	11,895	
Heathrow (SP) Limited cash	(720)		
Senior net debt	10,075		

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
Total junior bonds	1,670	1,670	
Junior revolving credit facilities	0	375	2018/20
Total junior debt	1,670	2,045	
Heathrow (SP) Limited group net debt	11,745		

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
Total bonds	806	806	
£25m	25	25	2020
£50m	50	50	2022
£50m	50	50	2025
Total loans	125	125	
Total Heathrow Finance plc debt	931	931	
Heathrow Finance plc cash	(6)		
Heathrow Finance plc net debt	925		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,795	11,895
Heathrow (SP) Limited junior debt	1,670	2,045
Heathrow Finance plc debt	931	931
Heathrow Finance plc group debt	13,396	14,871
Heathrow Finance plc group cash	(726)	
Heathrow Finance plc group net debt	12,670	

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 and ACI annual traffic data

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

- 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 which exclude depreciation, amortisation and exceptional items

Page 13

- Opening and closing nominal net debt includes index-linked accretion
- 'Other' movements mainly reflects £29 million decrease in amount owed to LHR Airports Limited. Other flows included in 'Other' include group relief receipts, external tax payments, fees paid in relation to bond issues and discounts on bonds issued

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
- Maturity is defined as the Scheduled Maturity Date

Disclaimer

The information and opinions contained in this presentation are provided as at the date of this document.

This presentation contains certain statements regarding the financial condition, results of operations, business and future prospects of Heathrow. All statements, other than statements of historical fact are, or may be deemed to be, “forward-looking statements”. These forward-looking statements are statements of future expectations and include, among other things, projections, forecasts, estimates of income, yield and return, pricing, industry growth, other trend projections and future performance targets. These forward-looking statements are based upon management’s current assumptions (not all of which are stated), expectations and beliefs and, by their nature are subject to a number of known and unknown risks and uncertainties which may cause the actual results, prospects, events and developments of Heathrow to differ materially from those assumed, expressed or implied by these forward-looking statements. Future events are difficult to predict and are beyond Heathrow’s control, accordingly, these forward-looking statements are not guarantees of future performance. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

All forward-looking statements are based on information available as the date of this document, accordingly, except as required by any applicable law or regulation, Heathrow and its advisers expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained in this presentation to reflect any changes in events, conditions or circumstances on which any such statement is based and any changes in Heathrow’s assumptions, expectations and beliefs.

This presentation contains certain information which has been prepared in reliance on publicly available information (the “Public Information”). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information’s accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Public Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Heathrow does not make any representation or warranty as to the accuracy or completeness of the Public Information.

All information in this presentation is the property of Heathrow and may not be reproduced or recorded without the prior written permission of Heathrow. Nothing in this presentation constitutes or shall be deemed to constitute an offer or solicitation to buy or sell or to otherwise deal in any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

This document has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from Heathrow.

Any reference to “Heathrow” means Heathrow (SP) Limited (a company registered in England and Wales, with company number 6458621) and will include its parent company, subsidiaries and subsidiary undertakings from time to time, and their respective directors, representatives or employees and/or any persons connected with them.

Heathrow

Making every journey better