

HEATHROW (SP) LIMITED

RESULTS FOR THE 6 MONTHS
ENDED 30 JUNE 2020



Heathrow

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H1 2020 PERFORMANCE

IMPACT OF COVID-19

Operational performance

- Keeping people safe
- Test-on-Arrival pilot
- 15.4 million passengers down 60.2%, Q2 down 96.2%

Financial performance

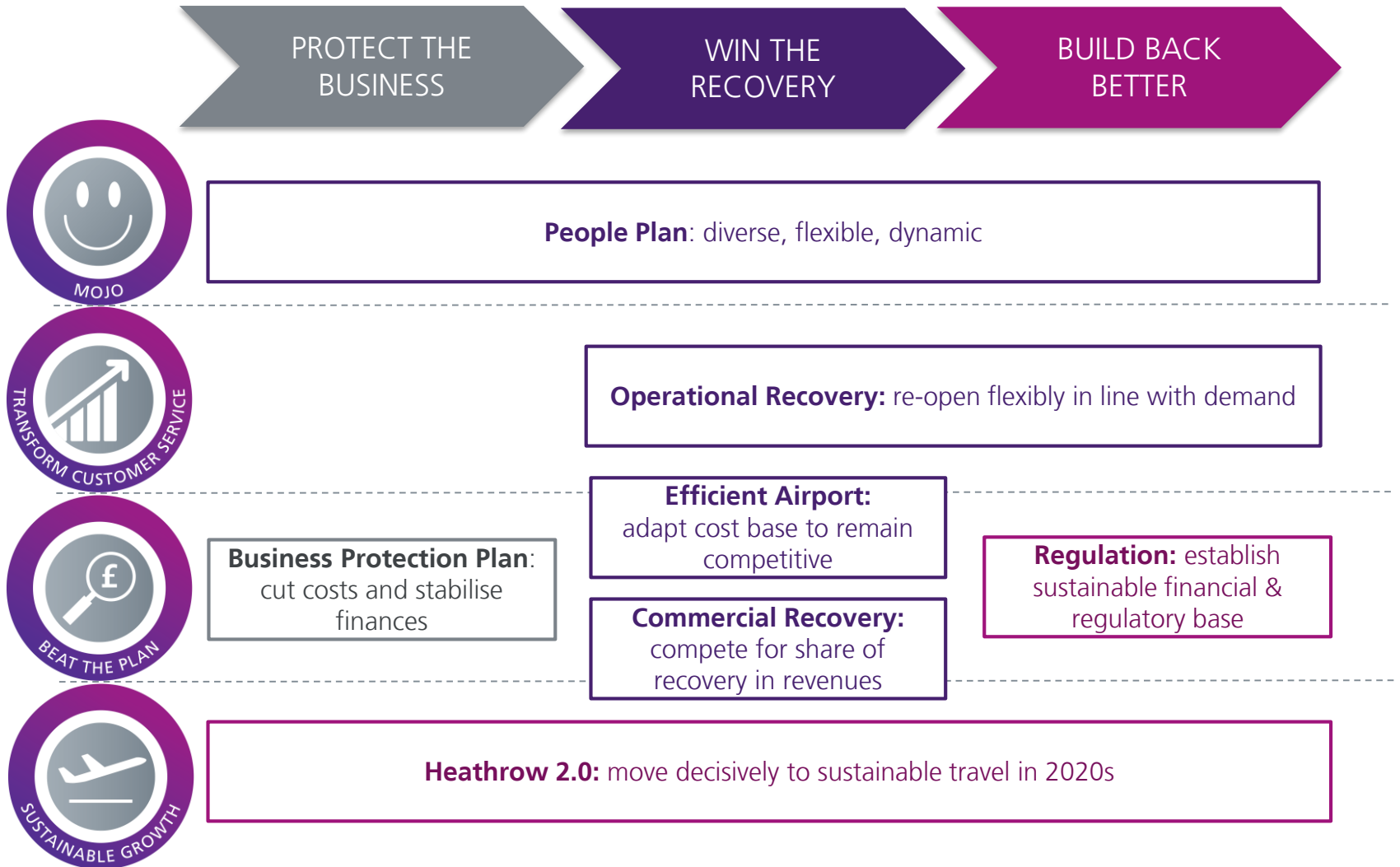
- Strong liquidity position with £2.7 billion in cash and committed facilities
- Adjusted EBITDA down 75.5% to £222 million
- Adapting cost base to remain competitive

Strategic priorities

- Greater resilience, better service, lower cost
- Common International Standard for health and safety
- Regulatory construct fit for purpose – risk and reward
- Net zero-carbon aviation








BUSINESS UPDATE

OUR THREE-PHASE PLAN

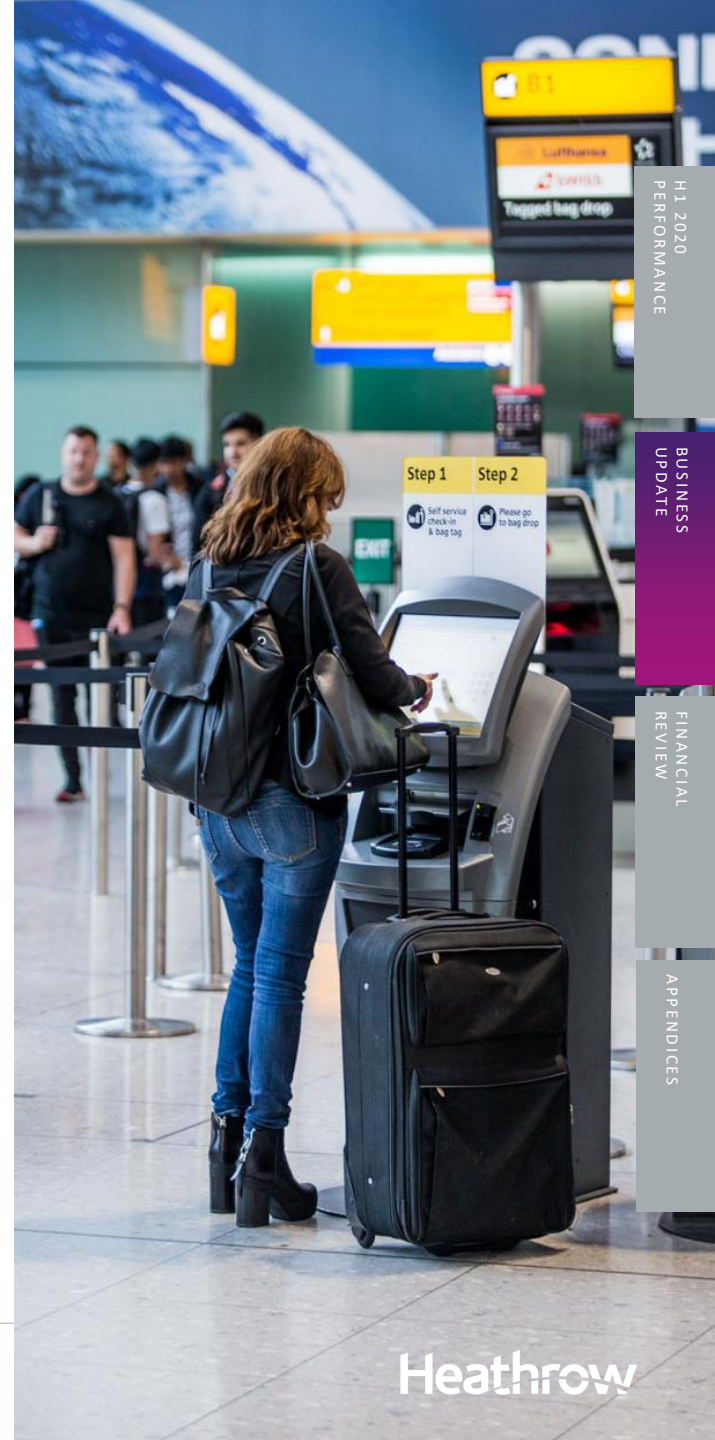
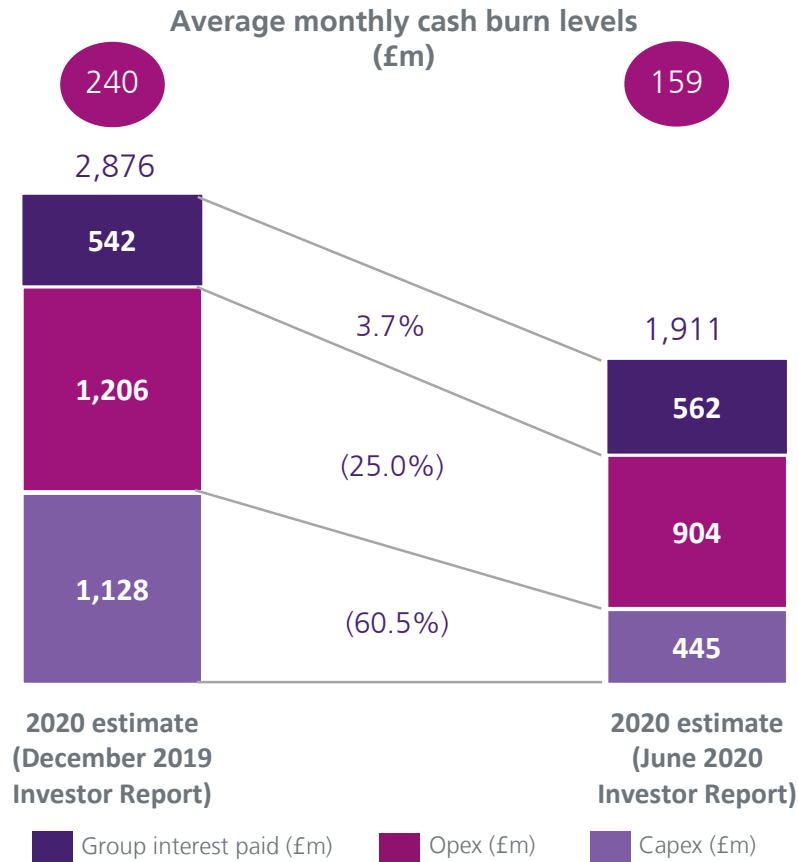


PROTECTING OUR BUSINESS – NEW OPERATING MODEL

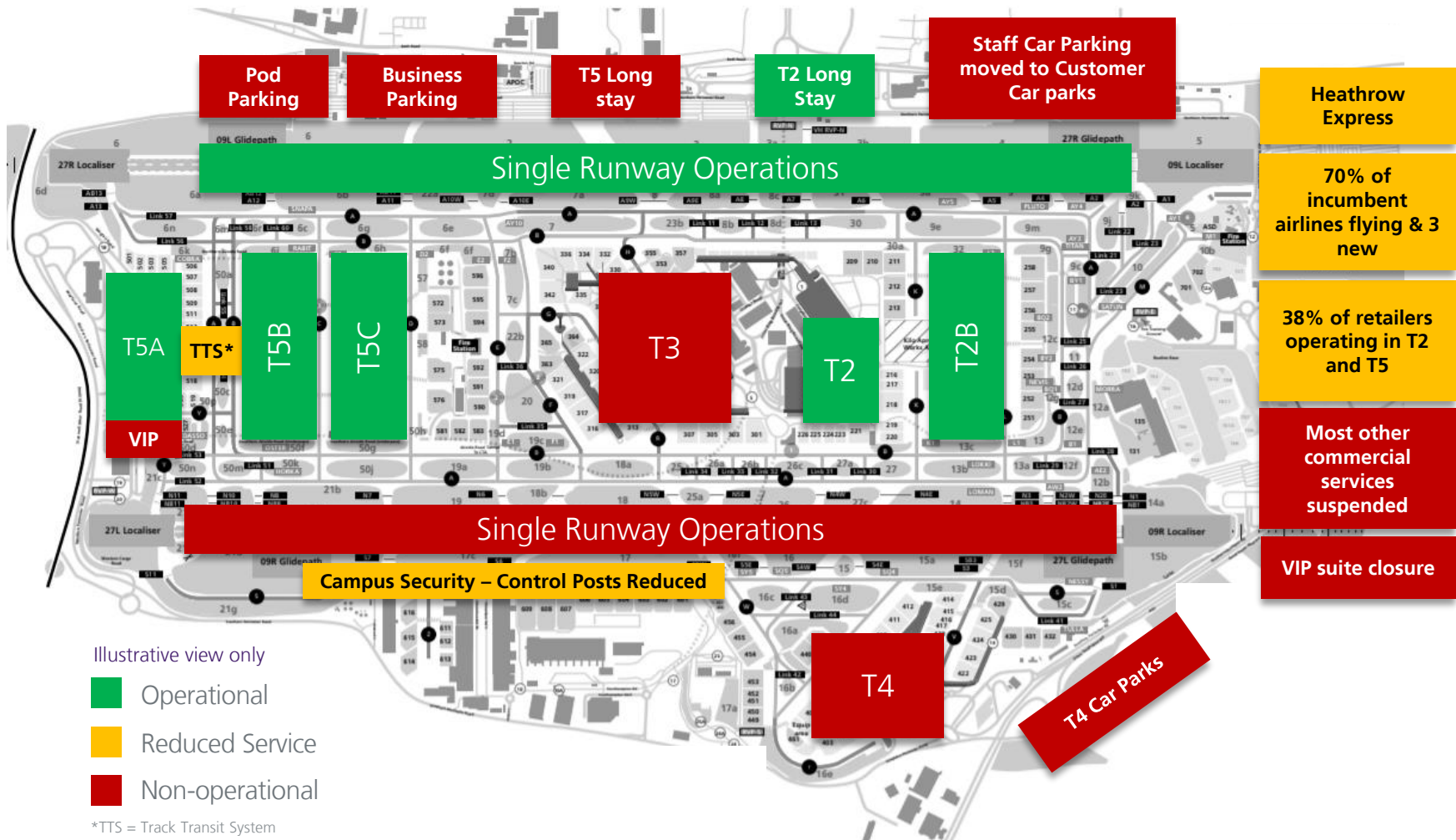


Climate Change & Strategy	Reputation, Risk & Engagement	Finance	People	Solutions	Operations	Commercial
Andrew Macmillan	Carol Hui	Javier Echave	Paula Stannett	Chris Garton	Emma Gilthorpe	Ross Baker
						

PROTECTING OUR BUSINESS – REDUCING CASH BURN



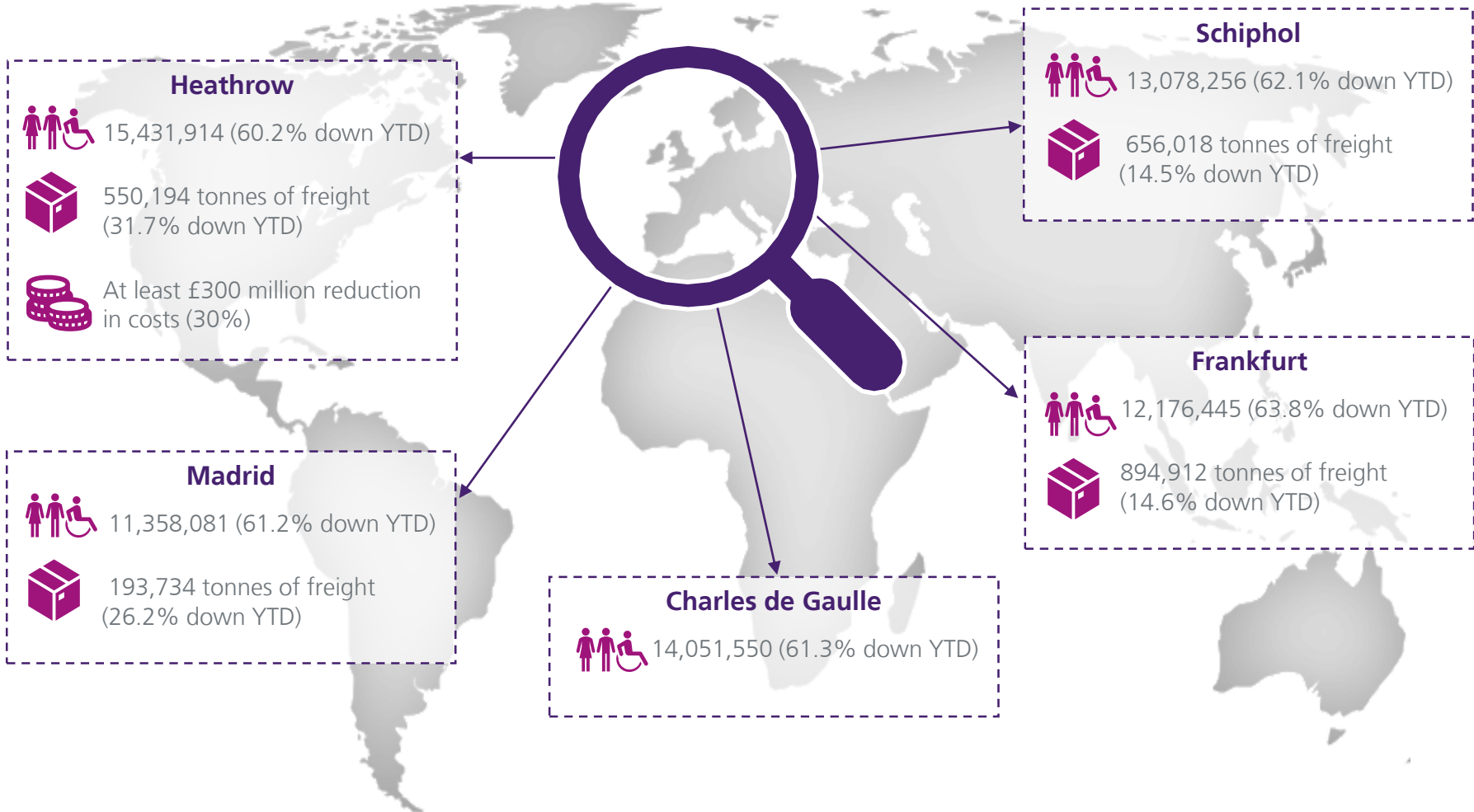
PROTECTING OUR BUSINESS – OUR CURRENT OPERATIONS



WINNING THE RECOVERY – FLY SAFE



WINNING THE RECOVERY – COMPARISON TO EUROPEAN HUBS



BUILDING BACK BETTER

Sustainability:



Task force for Climate related Financial Disclosures



Heathrow 2.0 aligned with the UN's sustainable development goals



Net zero-carbon by 2050

Transform the way we operate:



Closer supply partnerships



Digital retail experience



Contactless passenger journey

BUILDING BACK BETTER

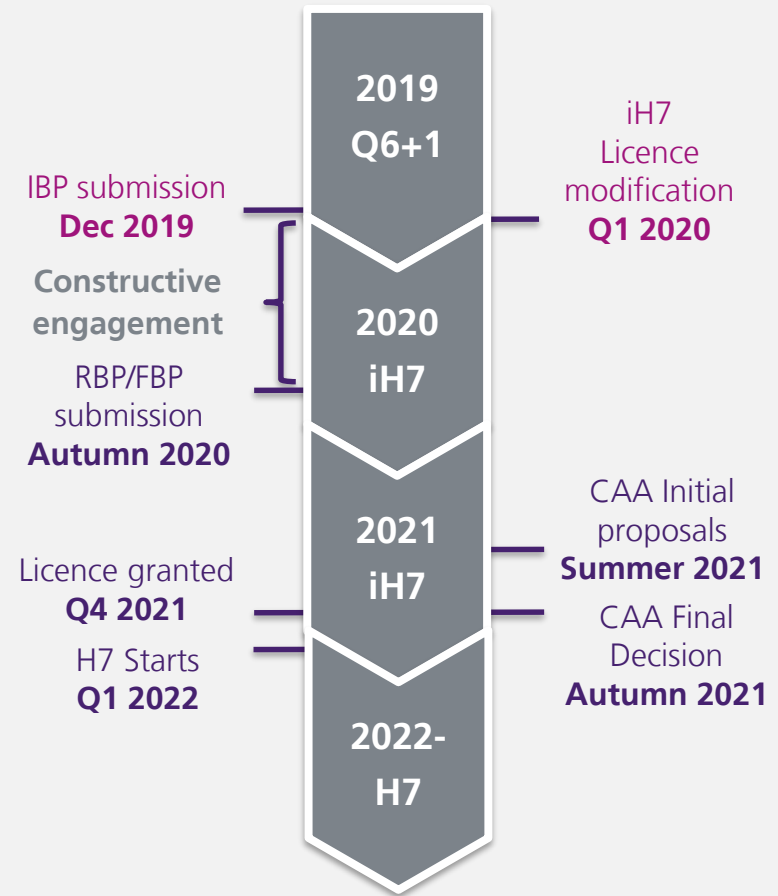
Expansion:

Once the benefits of air travel and connectivity have been restored, an expanded Heathrow will be required

- Court of appeal decision relates to government process
- Heathrow proceeding with appeal to the Supreme Court
- Government can amend ANPS
- Opening delayed by at least two years



Regulation:



FINANCIAL REVIEW

FINANCIAL REVIEW



(£ million)	H1 2019	H1 2020	Versus 2019 %	Q2 2019	Q2 2020	Versus 2019 %
Revenue	1,461	712	(51.3)	782	119	(84.8)
Adjusted operating costs	554	490	(11.6)	281	212	(24.6)
Adjusted EBITDA	907	222	--	501	(93)	--
Adjusted profit / (loss) before tax	153	(471)	--	95	(430)	--
Capital expenditure	412	296	(28.2)	221	72	(67.4)

(£ million)	Dec 2019	Jun 2020	Versus 2019 %
Consolidated nominal net debt			
Heathrow (SP)	12,412	12,860	3.6
Heathrow Finance	14,361	14,932	4.0
Regulatory Asset Base	16,598	16,516	(0.5)
Cash at Heathrow (SP & Finance)	1,570	2,592	--



REVENUE IMPACTED BY REDUCED TRAFFIC

Aeronautical revenue decline

- lower passenger numbers
- lower passenger aircraft movements
- partially offset by higher cargo movements

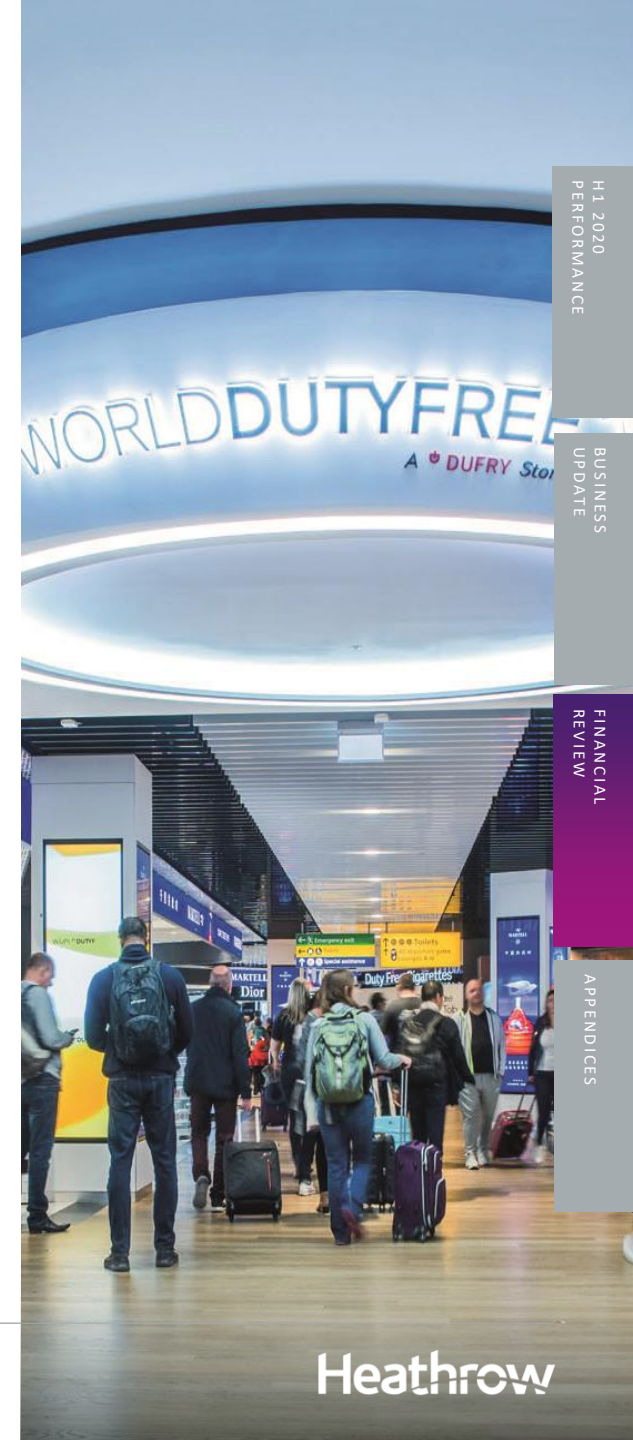
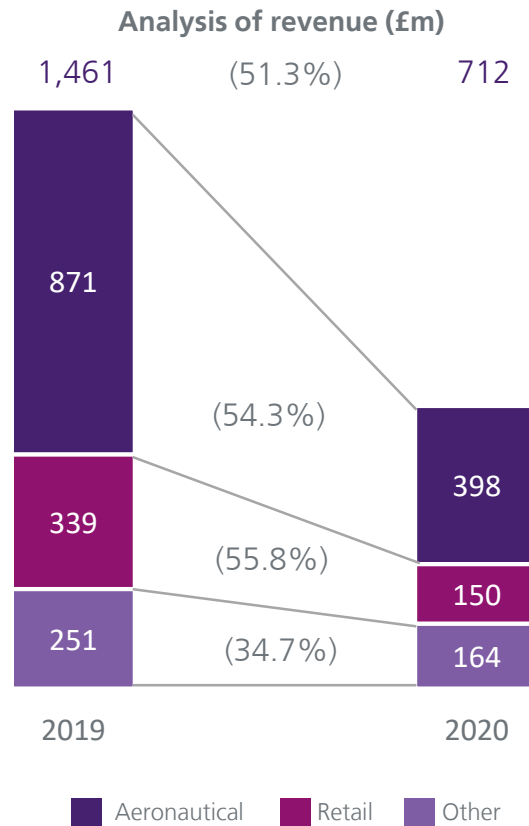
Retail revenue decline

- lower passenger numbers
- non-essential outlets phased opening from late June

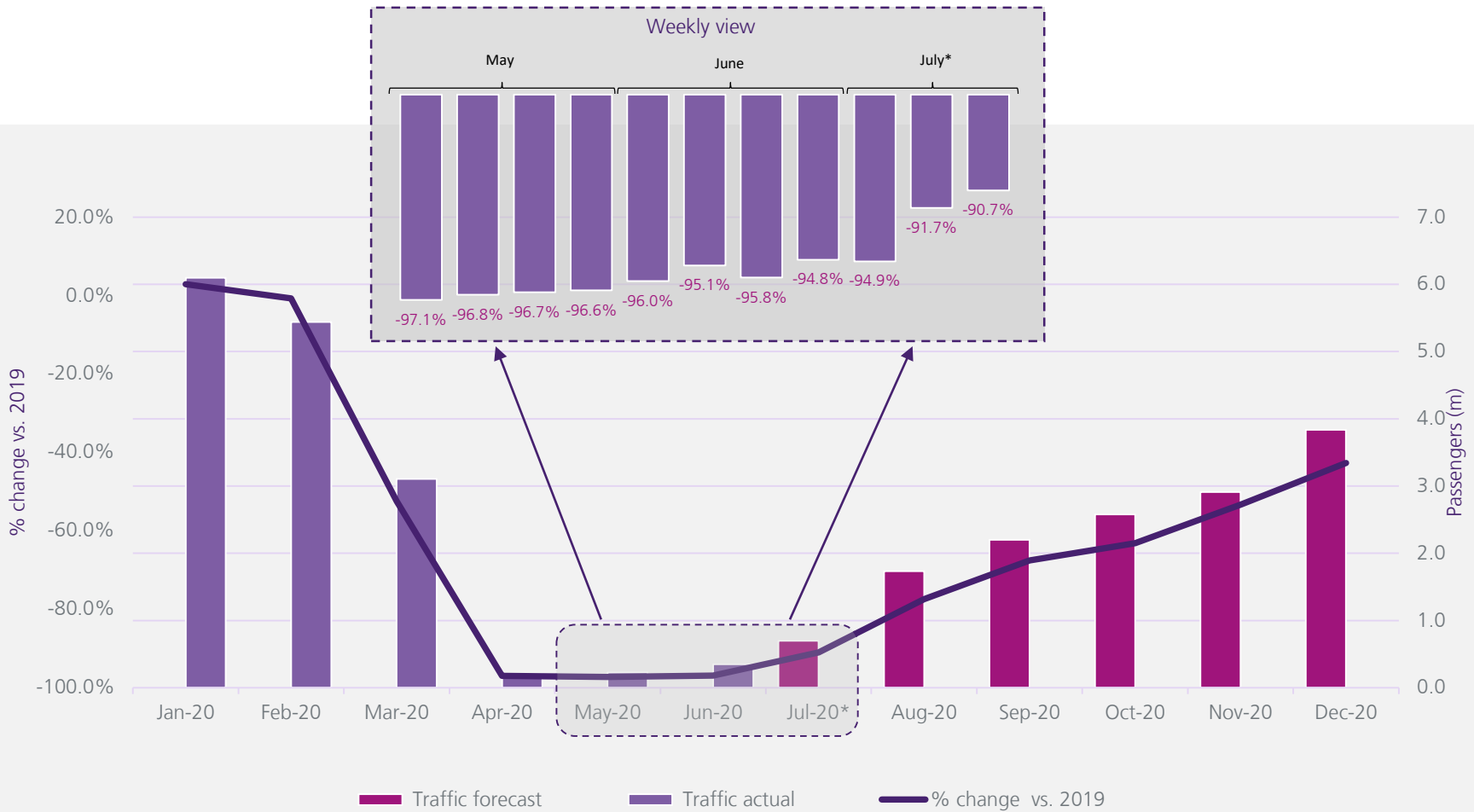
Other revenue decline

- lower HEX passengers

Q2 revenue down 84.8% vs 2019



TRAFFIC IN LINE WITH JUNE GUIDANCE



(1) Calculated using unrounded passenger figures

(*) Actuals to 14th July 2020

ON TRACK TO MEET AT LEAST £300M OF COST SAVINGS

Remaining competitive

- adapting cost base
- initiatives to deliver further cost savings

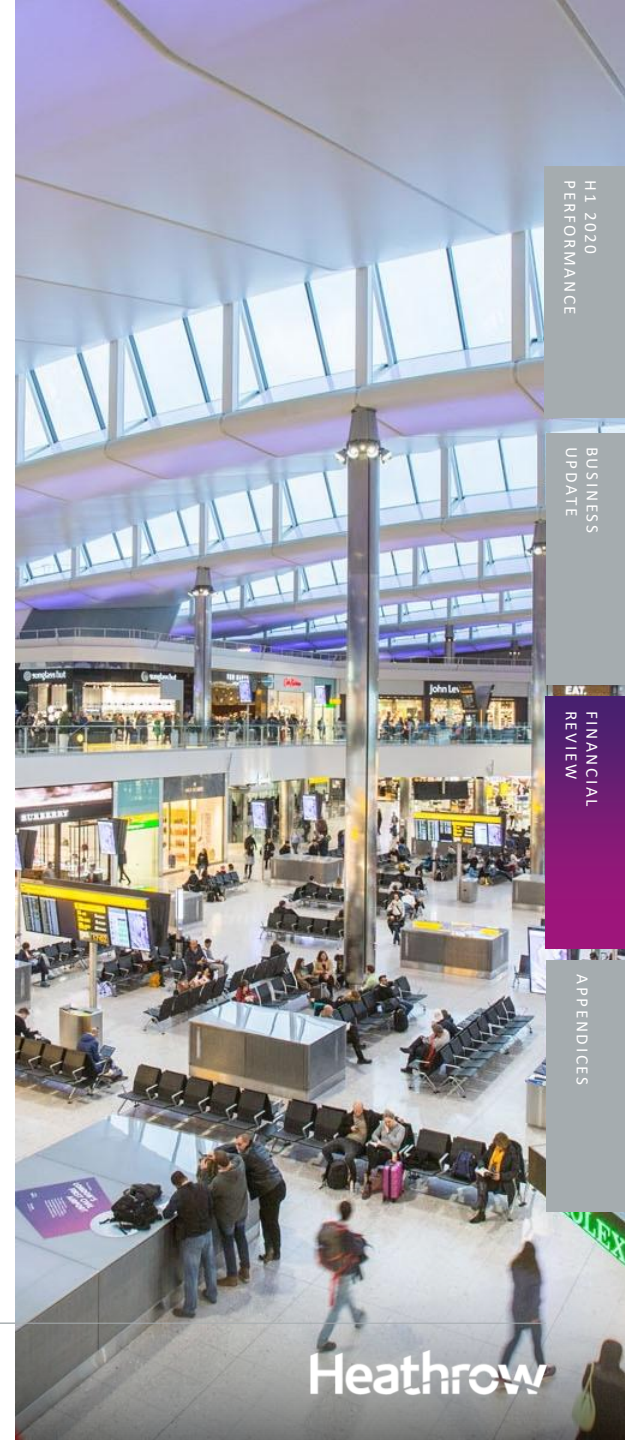
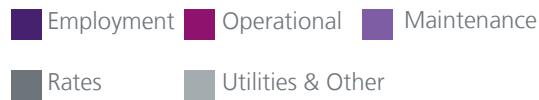
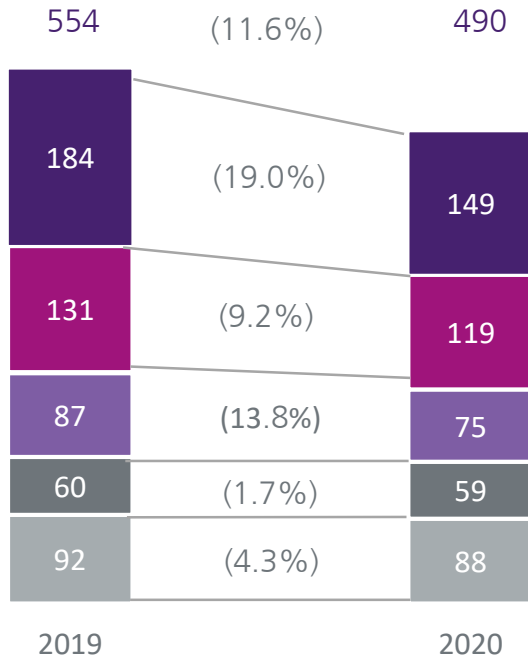
Reduction in costs reflect management initiatives

- company-wide pay reduction
- utilising furlough scheme
- restructuring organisation
- stopping all non-essential costs
- partially offset by business resilience
- excl. expected loss on debtors, costs down 15.2%

Q2 costs down 24.6% vs 2019

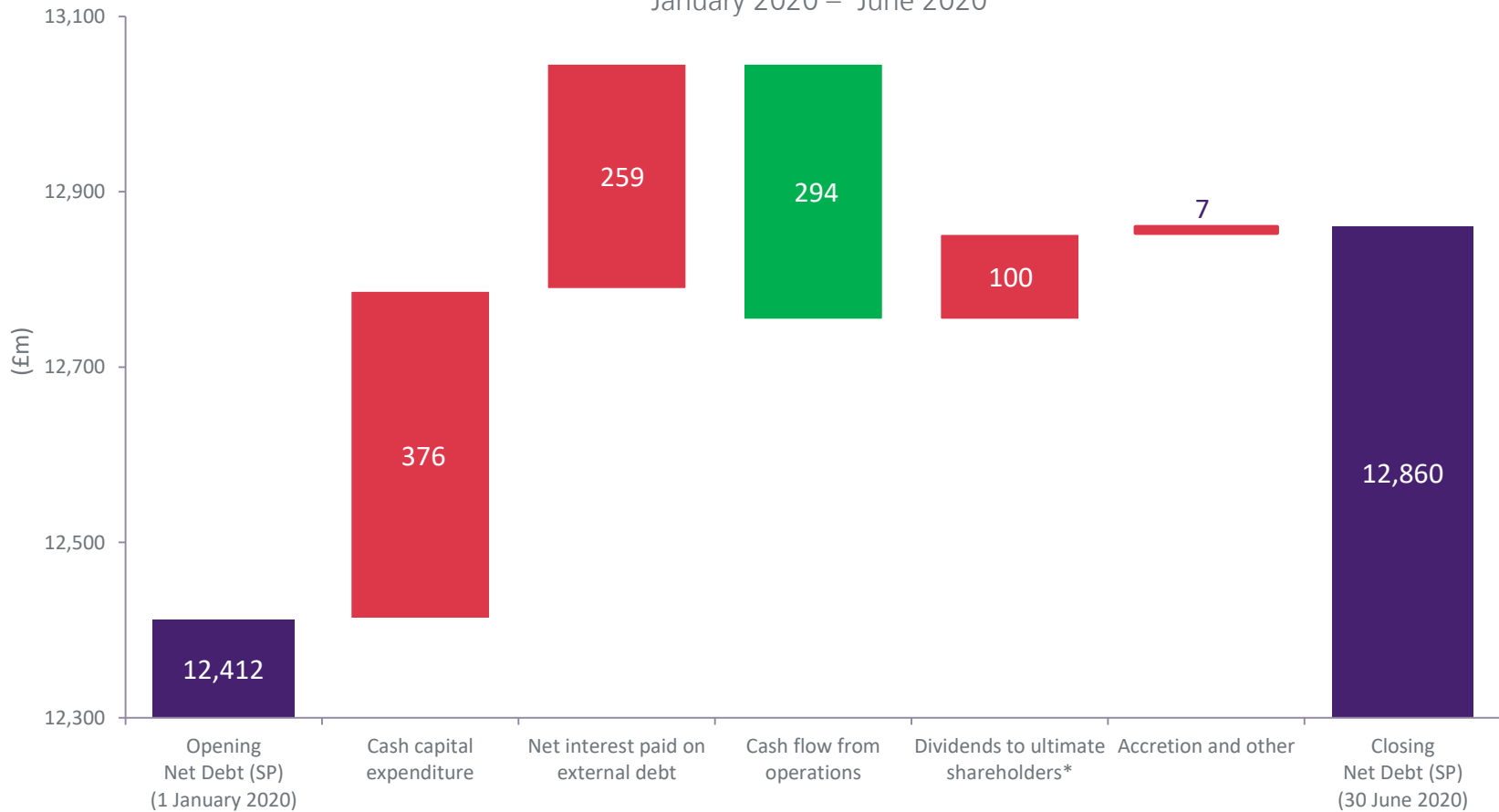
~£100 million cost efficiencies realised

Analysis of adjusted operating costs (£m)



MONITORING CASH FLOW GENERATION

Heathrow (SP) nominal net debt
January 2020 – June 2020



(*) Dividend payment was made in February reflecting the cumulative outperformance of the business in 2019

FINANCIAL RESILIENCE

Protecting the business

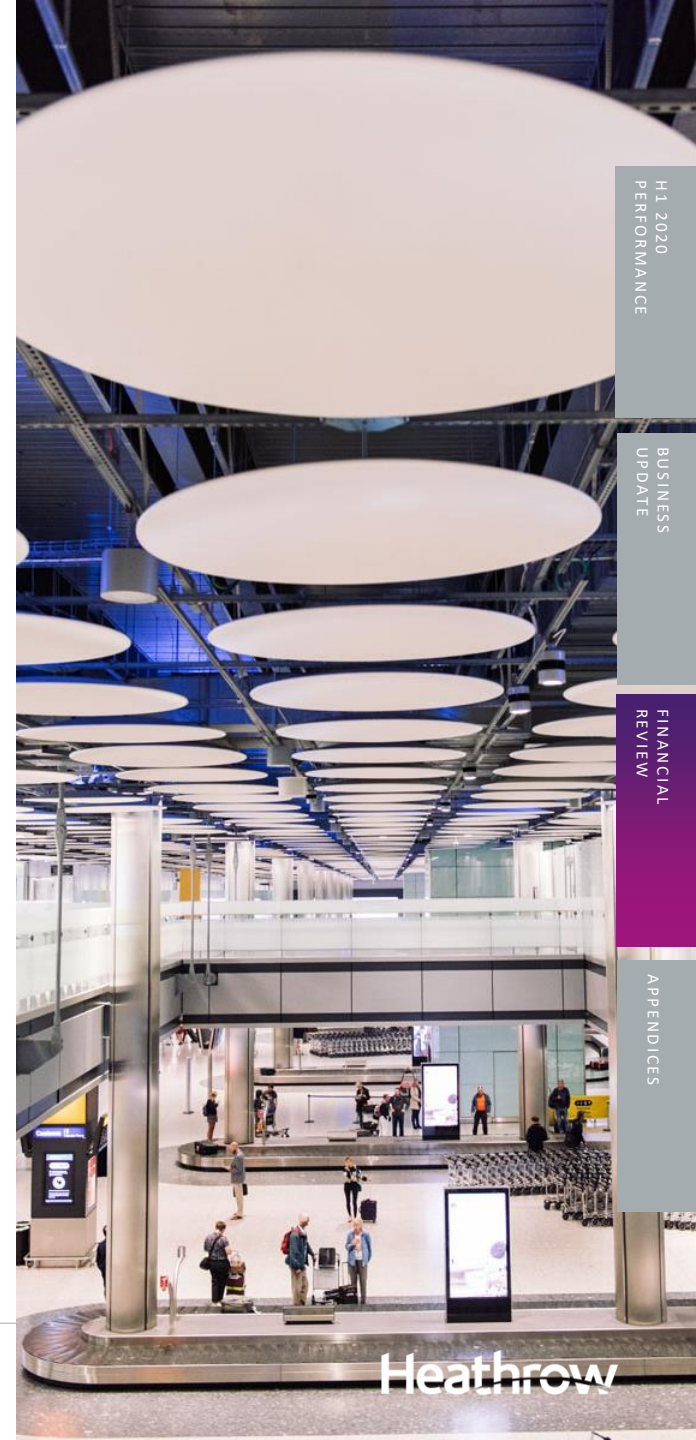
- £2.7 billion in cash and committed facilities
- Well managed maturity profile - £1.5 billion maturing by 2022
- Waiver for Heathrow Finance creditors until 2021

Winning the recovery

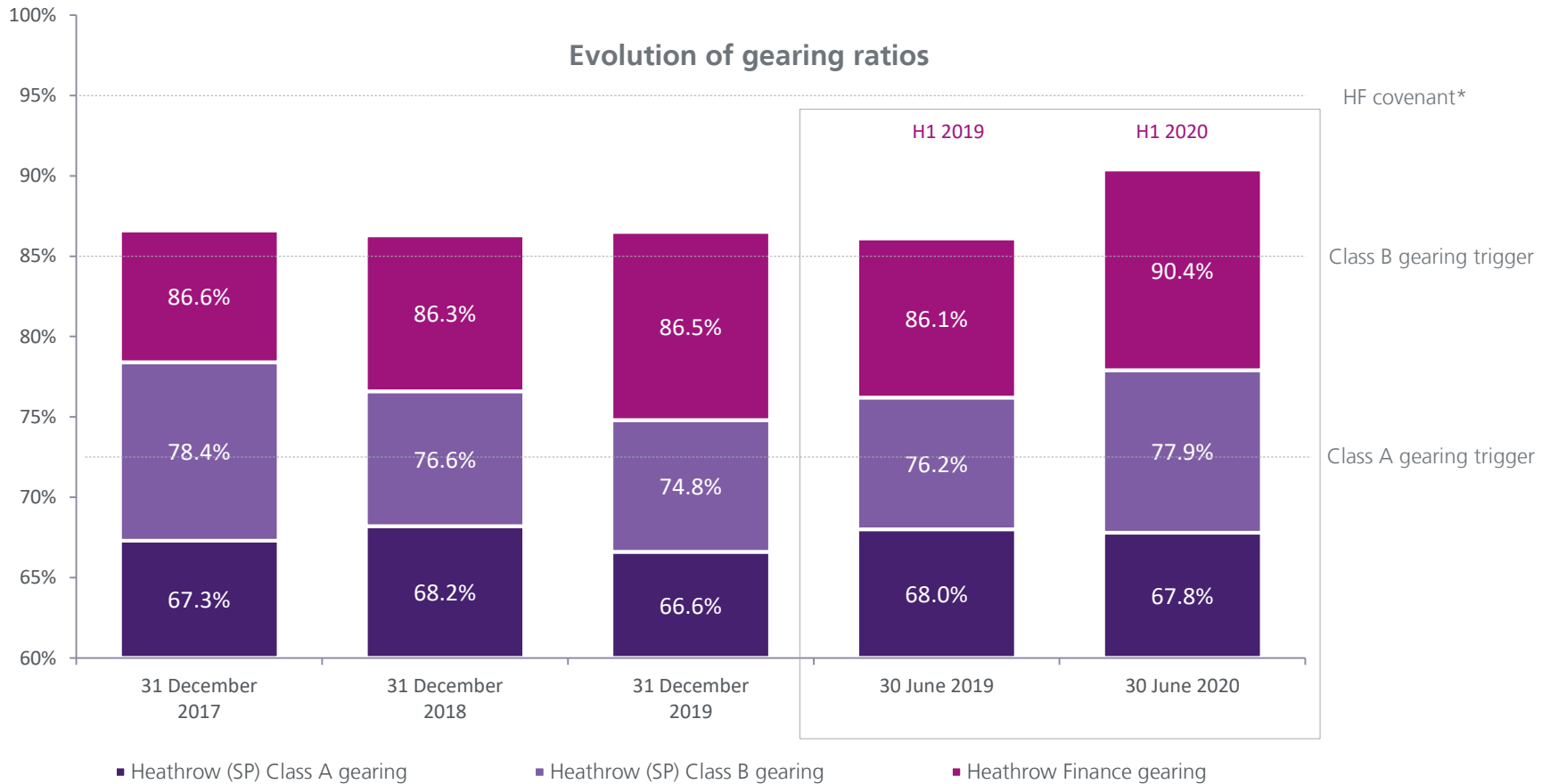
- Restoring credit metrics in the medium term
- Restart capital market activities

Building back better

- ESG financing



MONITORING HEADROOM TO KEY RATIOS



(*) As a result of the waiver secured on 8 July 2020, Heathrow Finance's RAR covenant increased to 95.0% for the testing date occurring on 31 December 2020, and 93.5% for the testing date occurring on 31 December 2021.

OUTLOOK

2020 forecast for underlying performance remains in line with June 2020 investor report:

- expected traffic : 29.2 million passengers, 63.9% down vs. 2019
- full traffic recovery not expected until post 2022
- Adjusted EBITDA £357 million, 81.4% down vs. 2019



QUESTIONS?



APPENDICES

H1 2020
PERFORMANCE

BUSINESS
UPDATE

FINANCIAL
REVIEW

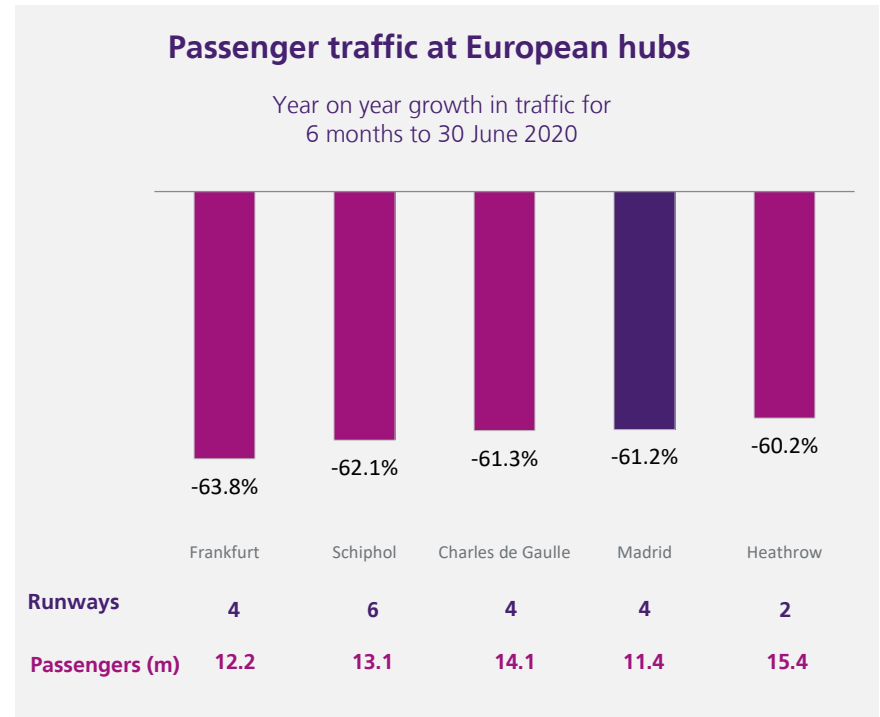
APPENDICES

PROVEN RESILIENCE AGAINST EUROPEAN HUBS

	H1 2019	H1 2020
Passengers	38.8	15.4
Long-haul traffic growth/(decline) (%)	3.3	(58.7)
Short-haul traffic growth/(decline) (%)	0.1	(61.8)
Passengers ATM	233,956	108,125
Cargo ATM	1,404	9,391
Load factors (%)	77.8	65.4
Seats per ATM	213.0	218.4
Cargo tonnage ('000)	806	550

	H1 2019	H1 2020
ASQ	4.18	--*
Baggage connection	99.1%	99.1%
Departure punctuality	82.6%	86.0%

(*) Passenger satisfaction and colleague engagement research has been temporarily suspended



HEATHROW NOMINAL NET DEBT AT 30 JUNE 2020

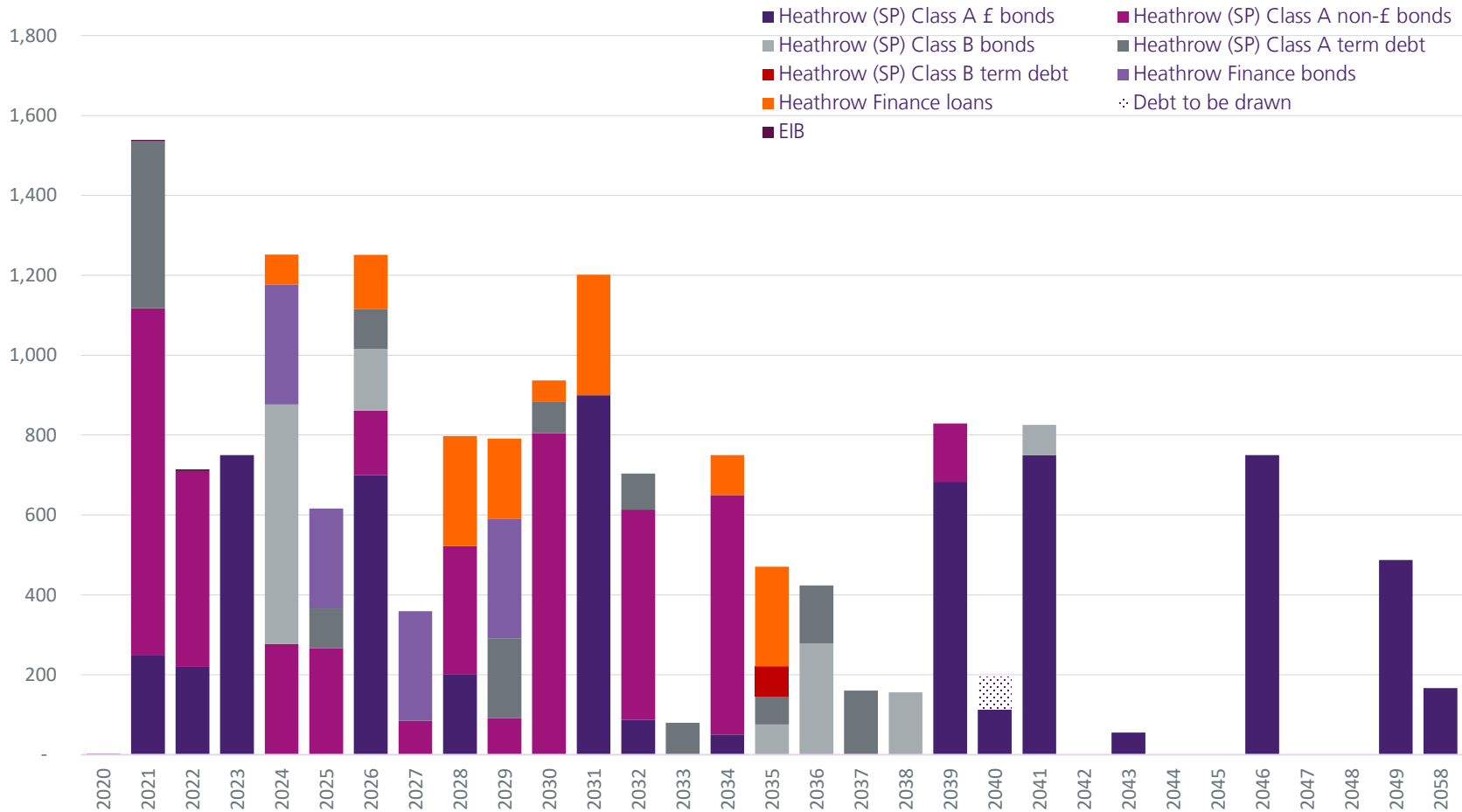
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	220	220	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
CHF210m 0.46%	161	161	2026
£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
A\$175m 4.150%	96	96	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%	87	87	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	58	58	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	626	626	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	114	114	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	87	87	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	167	167	2058
Total senior bonds	10,798	10,798	
Term debt	1,453	1,533	Various
Index-linked derivative accretion	187	187	Various
Revolving/working capital facilities	900	900	2023
Lease liability	6	6	
Total other senior debt	2,546	2,626	
Total senior debt	13,344	13,424	
Heathrow (SP) Limited cash	(2,150)		
Senior net debt	11,194		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	75	75	2035
£75m RPI + 0.337%	75	75	2036
£180m RPI +1.061%	204	204	2036
£51m RPI + 0.419%	52	52	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	75	75	2041
Total junior bonds	1,341	1,341	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2023
Total junior debt	1,666	1,666	
Heathrow (SP) Limited group net debt	12,860		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
£300m 4.125%	300	300	2029
Total bonds	1,125	1,125	
£75m	75	75	2024
£135m	135	135	2026
£275m	275	275	2028
£200m	200	200	2029
£52m	52	52	2030
£302m	302	302	2031
£100m	100	100	2034
£250m	250	250	2035
Total loans	1,389	1,389	
Total Heathrow Finance plc debt	2,514	2,514	
Heathrow Finance plc cash	(442)		
Heathrow Finance plc net debt	2,072		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	13,344	13,424
Heathrow (SP) Limited junior debt	1,666	1,666
Heathrow Finance plc debt	2,514	2,514
Heathrow Finance plc group debt	17,524	17,604
Heathrow Finance plc group cash	(2,592)	
Heathrow Finance plc group net debt	14,932	

£1.5 BILLION MATURING BY 2022



NOTES, SOURCES AND DEFINED TERMS

Page 4

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Page 8

Forecast values are as per the December Investor Report published on 20 December 2019 and the June Investor Report published on 16 June 2020.

Page 11

Passenger numbers and freight tonnage as at 30 June 2020.

Page 15

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Capital expenditure includes 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 18

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Bad debt provision of £20 million for the 6 months ending 30 June 2020.

Page 19

Opening and closing nominal net debt includes index-linked accretion.

Cash capital expenditure for the period.

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 21

Gearing ratio: external nominal net debt (including index-linked accretion and additional lease liabilities) to RAB (regulatory asset base).

Page 25

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

Passenger numbers as at 30 June 2020 sourced from companies websites.

Page 26 & 27

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