



Heathrow (SP) Limited

Results for year ended 31 December 2014

23 February 2015

Heathrow
Making every journey better



2014 highlights
John Holland-Kaye, CEO

Strong performance in 2014

1

Operational highlights

- Highest ever passenger satisfaction
- Record traffic despite capacity constraints
- Terminal 2: the Queen's Terminal - a world-class terminal

2

Financial performance

- Key milestone - cash positive after capex and interest
- Nearly £2.5 billion of attractively priced long-term debt raised since beginning of 2014
- Solid start to regulatory period

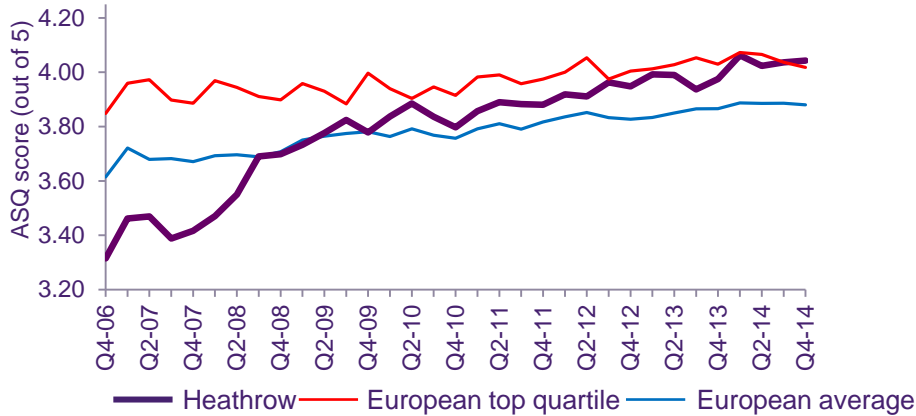
3

Strategic aims

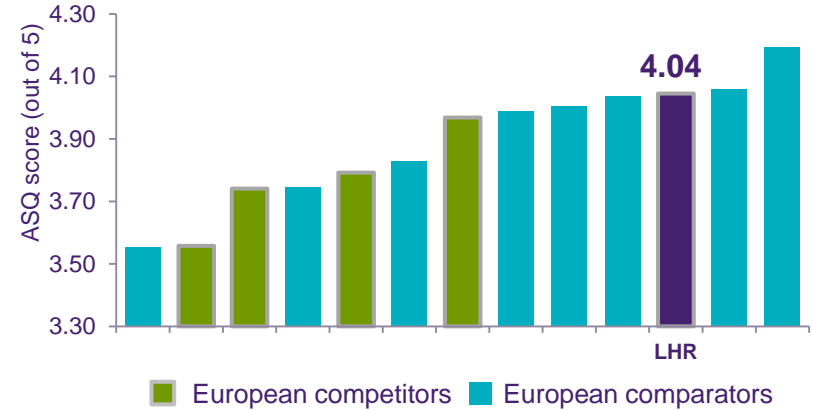
- First step to being among best airports in world: #1 major European hub for passenger satisfaction
- Growing support for expansion at Heathrow

#1 major European hub for passenger satisfaction

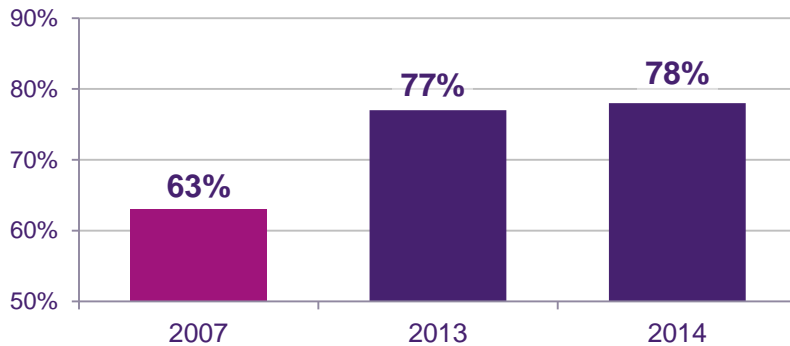
Quarterly passenger satisfaction
Q4 2006 – Q4 2014



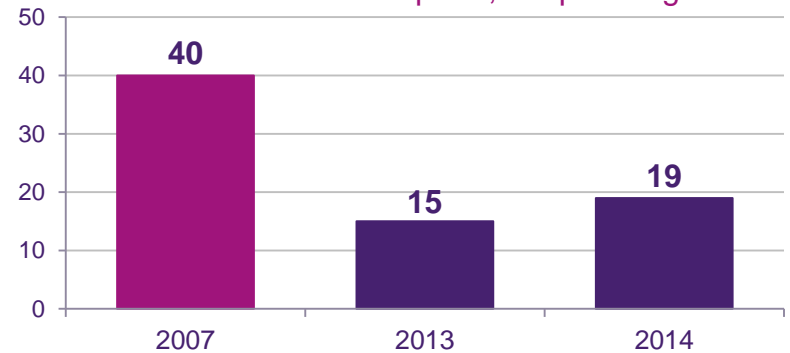
Passenger satisfaction European ranking
Q4 2014



Departures
within 15 minutes of schedule



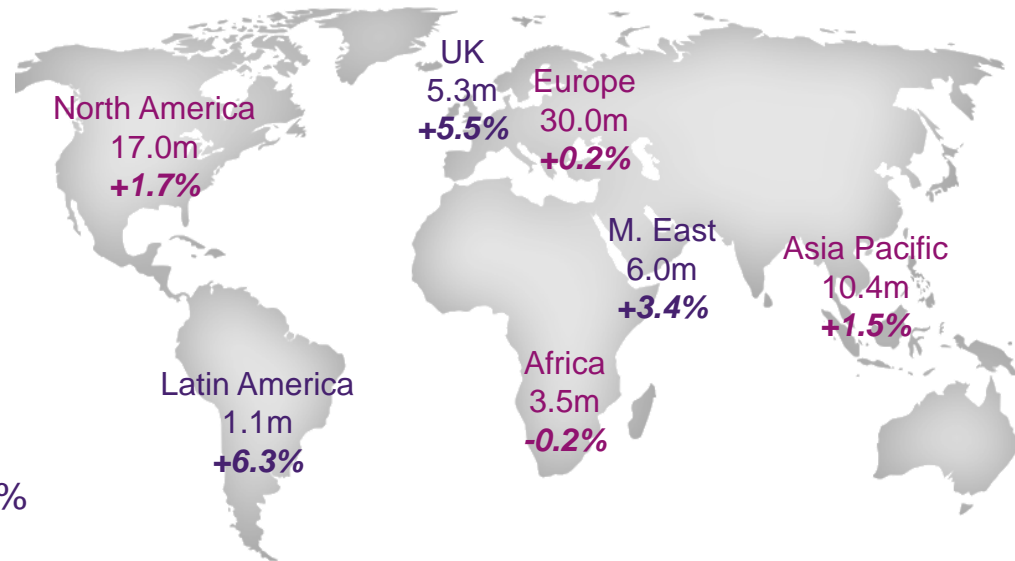
Baggage performance
misconnect rate per 1,000 passengers



Record passenger numbers despite capacity constraints

- Growth across all major markets
- Strong growth in intercontinental traffic
 - North American growth supported by new destinations and increased frequencies
 - more Middle East flights and fuller planes
 - solid growth in China, Hong Kong, India and Mexico
- Short haul growth led by UK flights
 - Domestic passengers up 5.5%
 - European traffic modestly up building on 5.5% growth in 2013
- Cargo growth of 5% driven by China, Brazil, Hong Kong and USA
- 2015 traffic forecast to be 73.9 million

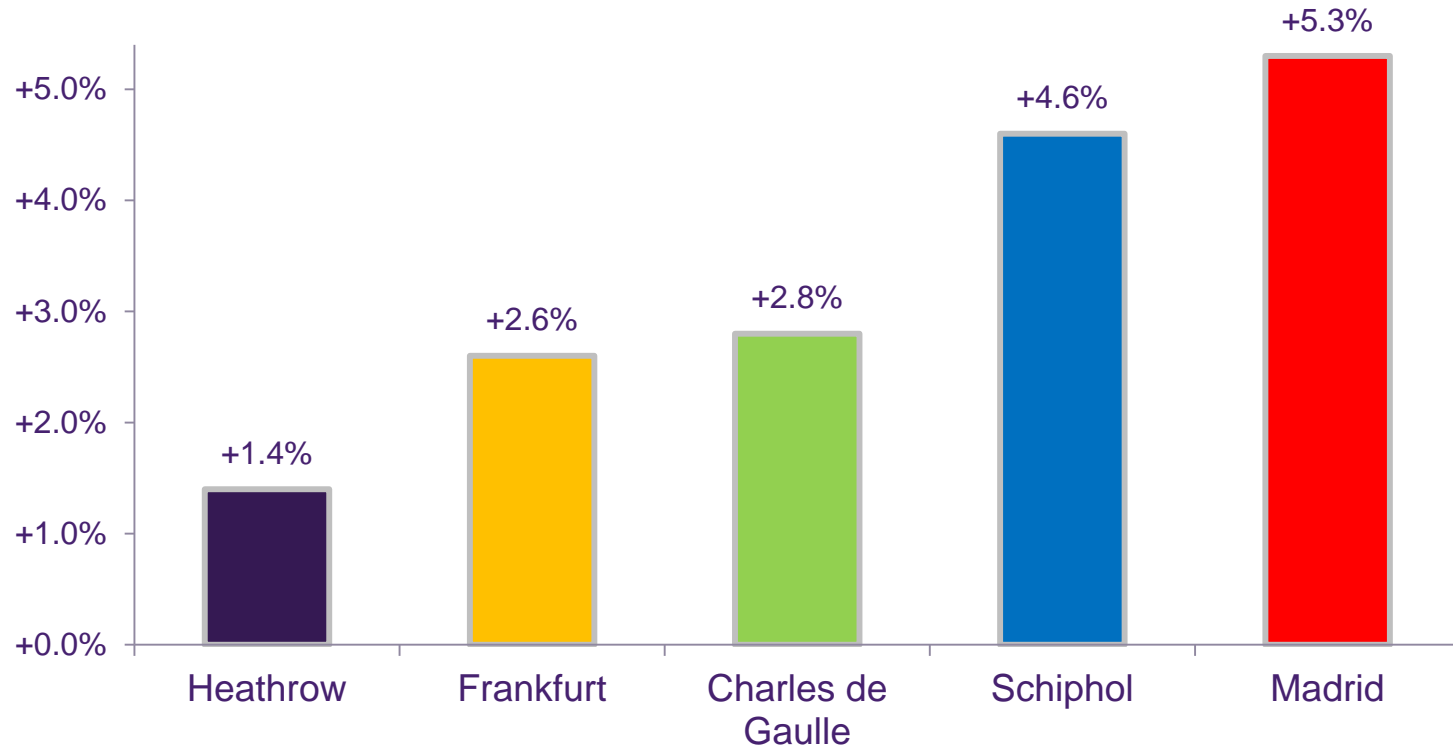
Passenger traffic by market 2014 versus 2013



73.4 million passengers
+1.4%

Low traffic growth relative to major European hubs given capacity constraint

Change in passenger traffic at European hubs
for 12 months to 31 December 2014



Total annual
passengers (m)

73.4

59.6

63.8

54.9

41.8

Total flights (k)

468

469

465

438

343

See page 30 for notes, sources and defined terms

Heathrow
Making every journey better

Terminal 2 - The Queen's Terminal: latest step in transformation

- On time delivery of Terminal 2
 - main terminal building, satellite building, car park and energy centre
 - constructed without disruption to operations
 - 26 airline moves completed on time, 173 daily departures and over 40,000 daily passengers
- Terminals 2 and 5 provide a world-class entry point to UK
- Terminal 3 Integrated Baggage facility starts initial operations in March 2015
 - £0.5 billion automated baggage facility for efficient movement of baggage at and to/from T3
 - staged roll-out over one year from March 2015
 - benefits include reduced misconnections, faster transfer times and more bag handling capacity



Terminal 2 departure lounge and retail area



Terminal 3 Integrated Baggage facility



Financial review

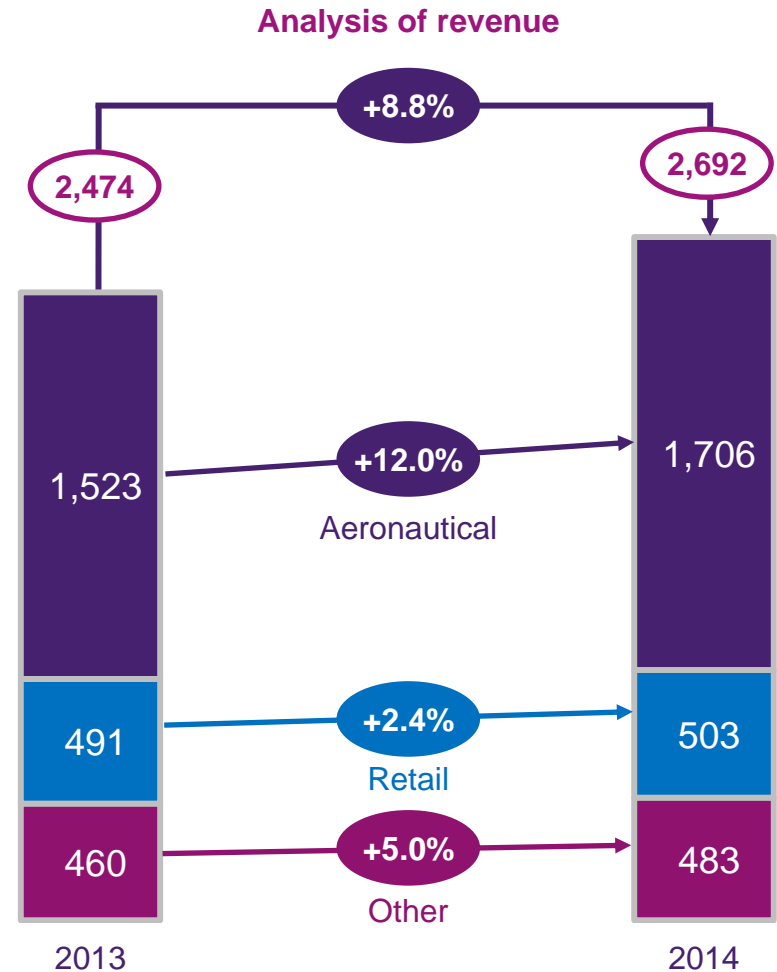
Jose Leo, CFO

Financial highlights

(£m unless otherwise stated)	2014	2013	Versus 2013
Revenue	2,692	2,474	+8.8%
Adjusted operating costs	1,125	1,053	+6.8%
Adjusted EBITDA	1,567	1,421	+10.3%
Capital expenditure	853	1,285	-33.6%
	Dec 2014	Dec 2013	Change from Dec 13
Consolidated nominal net debt			
Heathrow (SP)	11,653	11,264	+3.5%
Heathrow Finance	12,560	12,025	+4.4%
RAB	14,860	14,585	+1.9%

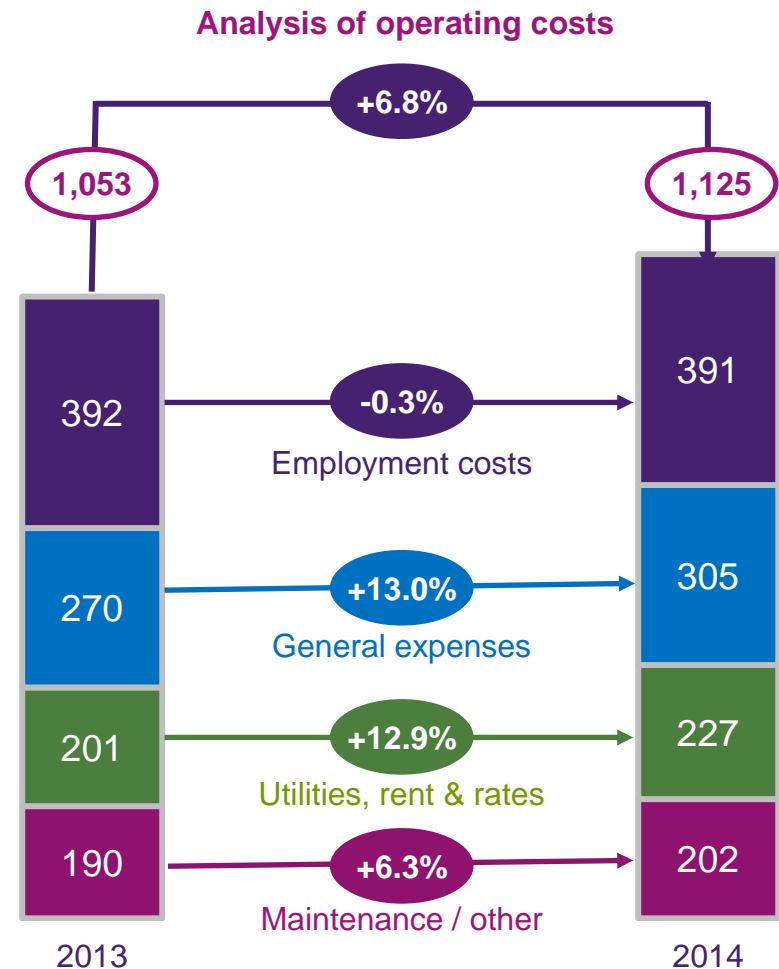
Aeronautical revenue growth driving revenue increase

- Aeronautical revenue drives overall growth
 - ~one third growth from tariff increase
 - ~£70 million net K factor and absence of capital triggers
 - 1.4% traffic growth and non-repeat of 2013 yield dilution
- Net retail income per passenger up 1.5% to £6.53
 - strength in car parking and advertising
 - retail store growth moderated by sterling strength, Terminal 5 luxury retail refurbishment, Terminal 2 airline moves
- Around £100 million commercial benefits secured for regulatory period
 - car park revenue management
 - Terminal 5 luxury retail relaunch
 - World Duty Free agreement extension

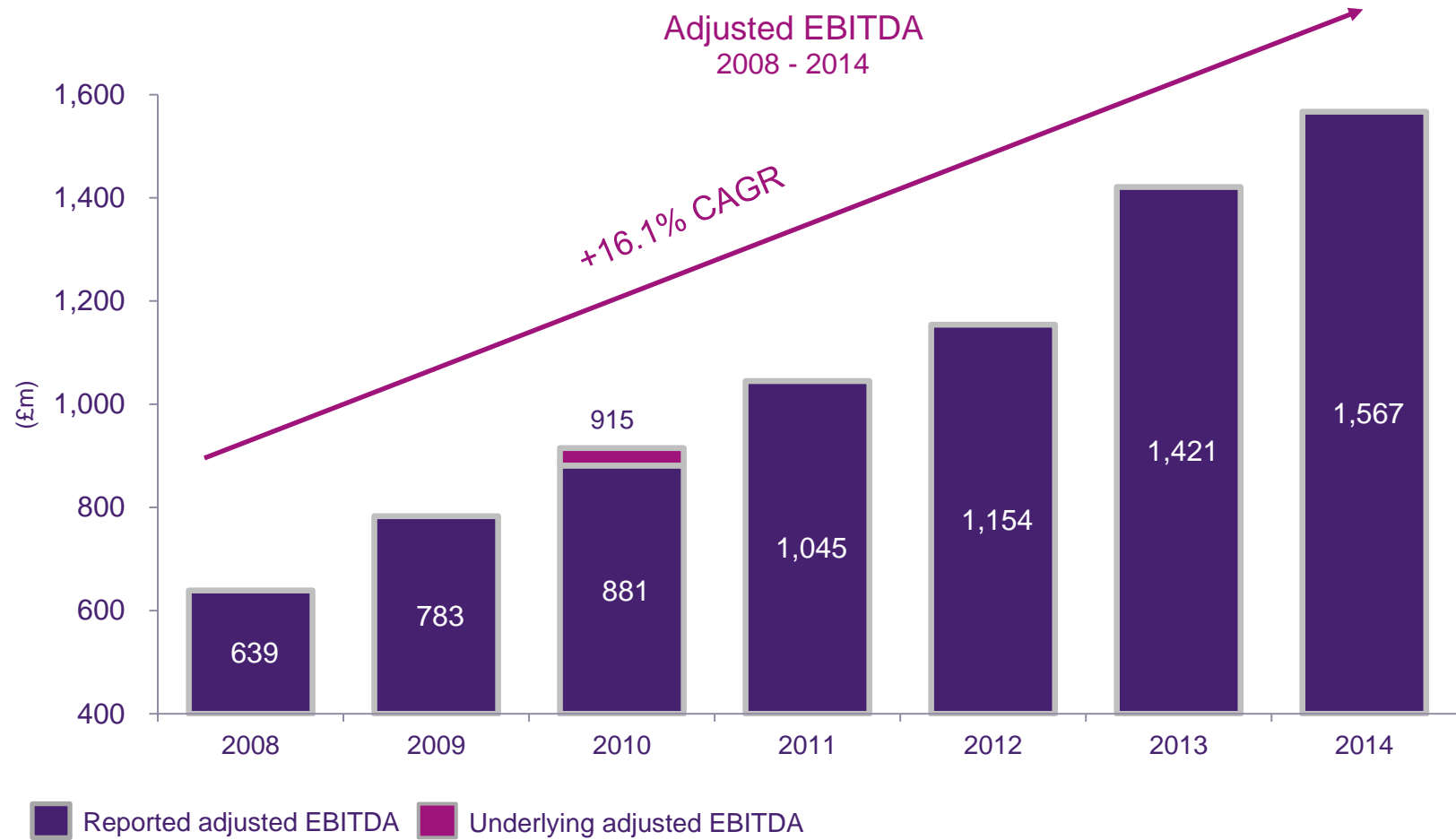


Strong underlying performance. Additional terminal driving rise in overall costs

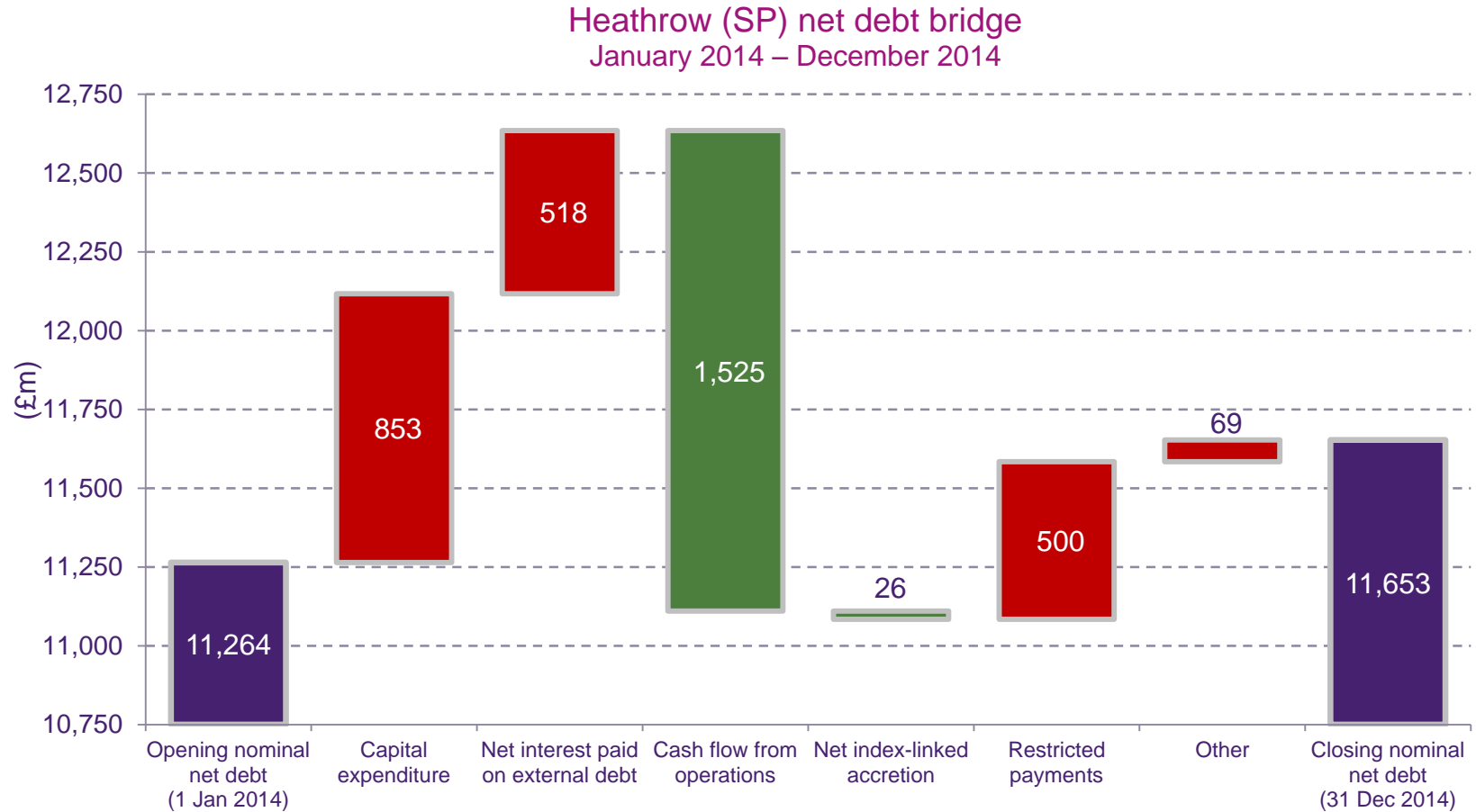
- Heathrow operating five terminals since opening of Terminal 2
 - extra ~£47 million costs from Terminal 2 operations
 - T1 closure in 2015, with full benefit from 2016
- Like for like costs up ~£30 million, excluding Terminal 2
 - employment costs down £12 million like for like: corporate centre restructure, two-year 2% pay deal and management pay freeze
 - savings offset by inflation and increased spend including expansion case and noise insulation
- Cost efficiencies c.£280 million secured to date for Q6
 - ~£80 million employment costs
 - ~£100 million baggage contract consolidation
 - ~£100 million engineering efficiencies, supplier savings and energy management



Strong EBITDA growth set to taper reflecting lighter capital investment phase

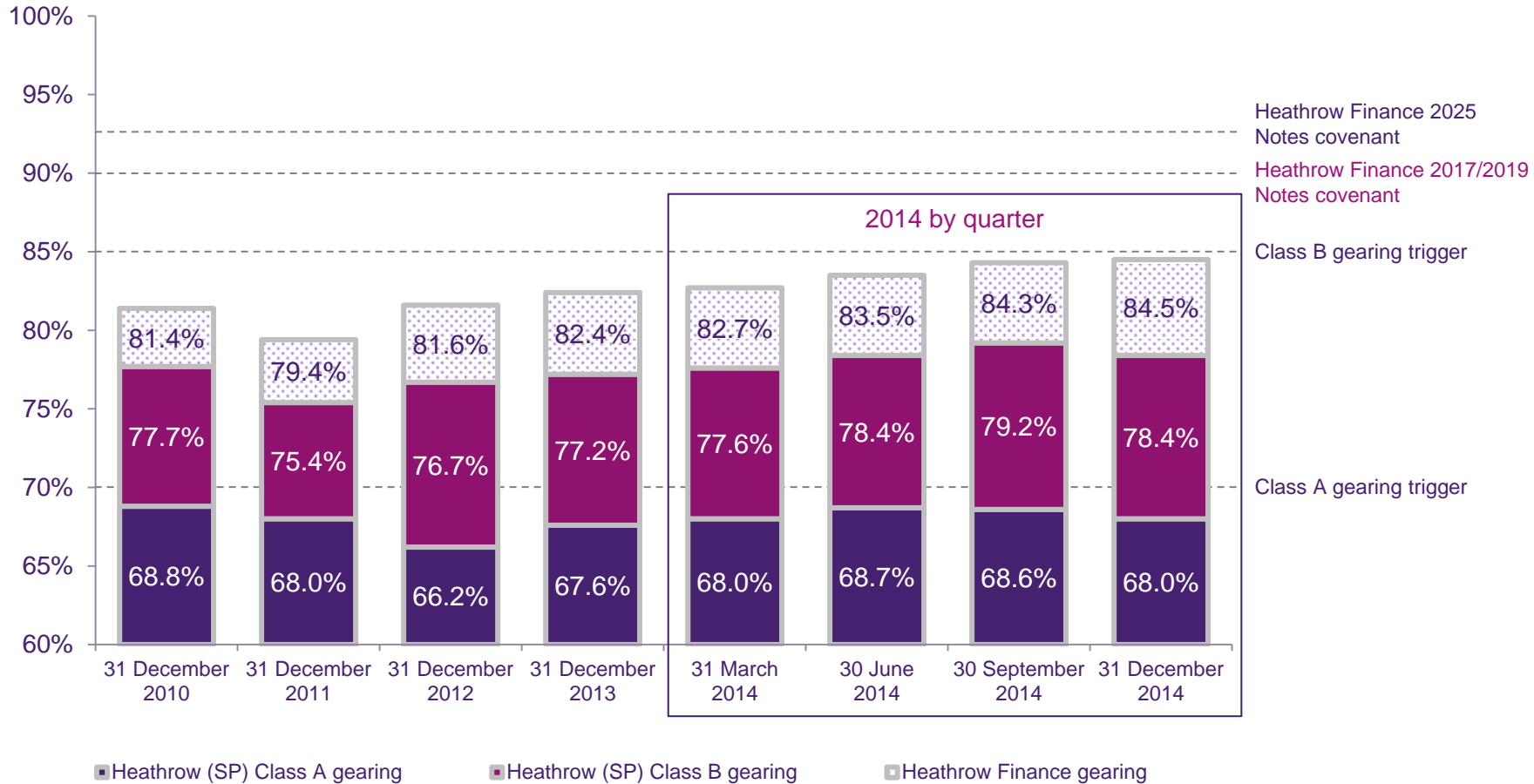


Heathrow cash flow positive after capital expenditure and interest



Gearing headroom remains substantial

Evolution of gearing ratios



2014 financing programme actively extended maturity profile and reduced long-term cost of debt

- £1.8 billion of long term debt raised in 2014 in three public offerings, seven private placements and a term loan
 - public issuance in Canada and Europe further strengthened presence in those markets
 - Heathrow Finance 10.5 year bond significantly extended maturity profile
 - over £750 million private placements provided significant access to long-dated funding
 - over £400 million of index-linked private placements including £115 million at Class B
 - £75 million Heathrow Finance term loan to be drawn by March 2015
- Refinanced £2.15 billion of revolving credit and standby liquidity facilities
 - RCF: £1.1 billion Class A and £300 million Class B; standby liquidity: £750 million
 - significantly oversubscribed by existing and new banks globally
 - secured at substantially lower cost than facilities replaced
- €750 million 15 year bond completed in February 2015
- Liquidity horizon currently extends up to December 2016

Strong performance in 2014

- Highest ever levels of passenger satisfaction and the number 1 major European hub in 2014
- Record number of passengers driven by increase in intercontinental demand
- Heathrow now has two world-class terminals following the successful opening of Terminal 2: The Queen's Terminal in June
- Financial performance provides solid start to regulatory period
- Nearly £2.5 billion of attractively priced long-term debt raised since beginning of 2014

2015 outlook

- Revenue forecast £2.73 billion, growth of £35 million (+1.3%)
 - traffic increase of 0.7% to 73.9 million passengers
 - 2015 tariff increase 1.0%
 - continued solid growth of non-aeronautical revenue
- Adjusted EBITDA forecast £1.57 billion, flat to 2014, and consistent with December 2014 Investor Report guidance
 - principally reflects non-recurrence of £50 million of 2014 revenue recovery and incremental cost of operating additional terminal for whole year, which offset underlying improvements in revenue and costs



Strategic agenda

John Holland-Kaye, CEO

Strategic agenda

1 Beat the plan

2 Transform customer service

3 Win support for expansion

4 Mojo

Heathrow is best hub airport in Europe

Our ambition is to be as good as the world's best

Beat the plan



Transform customer service





Get our MOJO back

We're Heathrow Security

Heathrow

With special Thanks to
Ross Baker, Tom Willis, Claire Good, Paul Jowett, Amber Blakley, Richard Morris and Mo Joseph

We've got MOJO

Win support for expansion



10,000 local apprenticeships.
Expand Heathrow and the benefits will extend all over Britain.

Heathrow
— Taking Britain further —
heathrow.com/takingbritainfurther #TakingBritainFurther

Expand Heathrow and the benefits will extend all over Britain.

Heathrow
— Taking Britain further —
heathrow.com/takingbritainfurther #TakingBritainFurther

Expand Heathrow and you grow up to 180,000 new jobs.

Build a new runway at Heathrow and you boost the UK economy by up to £211 billion, too.
The fact is, the best place to connect Britain to future growth – is the airport that already does.

Heathrow
— Taking Britain further —
heathrow.com/takingbritainfurther #TakingBritainFurther

heathrow.com/takingbritainfurther #TakingBritainFurther

Heathrow expansion
Those around us are behind us.

More local people support than oppose Heathrow expansion. In a recent poll, 50% of those living around the airport were in favour of expansion and 33% opposed.

Heathrow
— Taking Britain further —

Support for expansion is growing



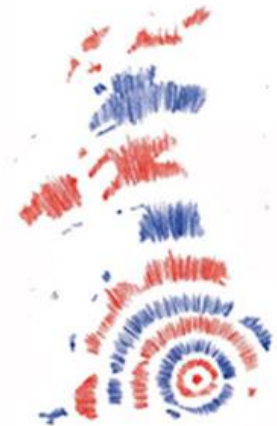
Chambers of commerce across UK



UK airports



Manufacturers, construction, exporters & others



Tech companies

Heathrow
Making every journey better

Up to £211 billion economic benefit to the UK



95% of the global economy within reach of a direct flight from Heathrow



Commission recommendation in summer



Questions?



Appendices

Heathrow (SP)'s consolidated net debt at 31 December 2014

		Amount		Amount and features of individual financings				
		(£m)		Local currency	S&P/Fitch rating		Maturity	
				(m)	(£m)			
Senior (Class A)								
Bonds	£300m 3%	300	300	300	300	A-/A-	2015/17	
	US\$500m 2.5%	319	319	500	319	A-/A-	2015/17	
	£300m 12.45%	300	300	300	300	A-/A-	2016/18	
	€500m 4.125%	434	434	500	434	A-/A-	2016/18	
	€700m 4.375%	584	584	700	584	A-/A-	2017/19	
	CHF400m 2.5%	272	272	400	272	A-/A-	2017/19	
	€750m 4.6%	510	510	750	510	A-/A-	2018/20	
	C\$400m 4%	250	250	400	250	A-/A-	2019/21	
	£250m 9.2%	250	250	250	250	A-/A-	2021/23	
	C\$450m 3%	246	246	450	246	A-/A-	2021/23	
	US\$1,000m 4.875%	621	621	1,000	621	A-/A-	2021/23	
	£180m RPI +1.65%	193	193	193	193	A-/A-	2022/24	
	€600m 1.875%	490	490	600	490	A-/A-	2022/24	
	£750m 5.225%	750	750	750	750	A-/A-	2023/25	
	£700m 6.75%	700	700	700	700	A-/A-	2026/28	
	£200m 7.075%	200	200	200	200	A-/A-	2028/30	
	£900m 6.45%	900	900	900	900	A-/A-	2031/33	
	€50m Zero Coupon	42	42	50	42	A-/A-	2032/34	
	£75m RPI +1.366%	77	77	77	77	A-/A-	2032/34	
	€50m Zero Coupon	42	42	50	42	A-/A-	2032/34	
	£50m 4.171%	50	50	50	50	A-/A-	2034/36	
	€50m Zero Coupon	40	40	50	40	A-/A-	2034/36	
	£50m RPI +1.382%	51	51	51	51	A-/A-	2039/41	
	£460m RPI +3.334%	549	549	549	549	A-/A-	2039/41	
	£100m RPI +1.238%	100	100	100	100	A-/A-	2040/42	
	£750m 5.875%	750	750	750	750	A-/A-	2041/43	
	£750m 4.625%	750	750	750	750	A-/A-	2046/48	
	£75m RPI +1.372%	77	77	77	77	A-/A-	2049/51	
Total bonds		9,847	9,847					
Loans	Term debt	276	276	276	276	n/a	2015/26	
	Revolving/Working capital facilities	0	0	1,100	1,100	n/a	2019	
Total loans and term debt		276	1,376					
Total senior debt		10,123	11,223					
Junior (Class B)								
Bonds	£400m 6.25%	400	400	400	400	BBB/BBB	2018	
	£400m 6%	400	400	400	400	BBB/BBB	2020	
	£600m 7.125%	600	600	600	600	BBB/BBB	2024	
	£155m 4.221%	155	155	155	155	BBB/BBB	2026	
Loans		0	0	425	425	n/a	2018/19	
Total junior debt		1,555	1,980					
Gross debt		11,678	13,203					
Cash		-436						
Index-linked derivative accretion		411						
Net debt		11,653						

Notes, sources and defined terms

- Page 3
 - EBITDA refers to Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 4
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 0 up to 5
- Page 6
 - Sources: airport websites
- 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: Heathrow only (i.e. excludes Stansted) earnings before interest, tax, depreciation and amortisation and exceptional items
 - Capital expenditure: cash flow impact for Heathrow only (i.e. excludes Stansted)
 - 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 exclude depreciation, amortisation and exceptional items
- Page 12
 - Adjusted EBITDA: Heathrow only (i.e. excludes Gatwick and Stansted) earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 13
 - Opening and closing nominal net debt includes index-linked accretion
 - Net index-linked accretion reflects accretion charge for the period of £159 million offset by accretion paydowns of £185 million
 - 'Other' movements reflects in particular funding of £185 million accretion paydowns included in net index-linked accretion offset by £165 million cash inflow to Heathrow (SP) Limited due to increase in amount owed to Heathrow Finance plc. Other outflows included in 'Other' include group relief payments, fees paid in relation to bond issues, private placements and refinancing of revolving credit and liquidity facilities 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

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