



Heathrow (SP) Limited

Results for year ended 31 December 2013

24 February 2014

Heathrow
Making every journey better

Strong operational and financial performance in 2013

- Passenger satisfaction at record high and over 72 million passengers used Heathrow
- Strong financial performance underpins major capital investment
- Transformation continues: Terminal 2 opening in June 2014
- Next regulatory period starts 1 April 2014
- Proposals for expansion of Heathrow shortlisted by Airports Commission

2013 highlights

Traffic and retail performance

Heathrow passenger traffic	+3.4%
NRI per passenger	+2.6%

Key financial highlights

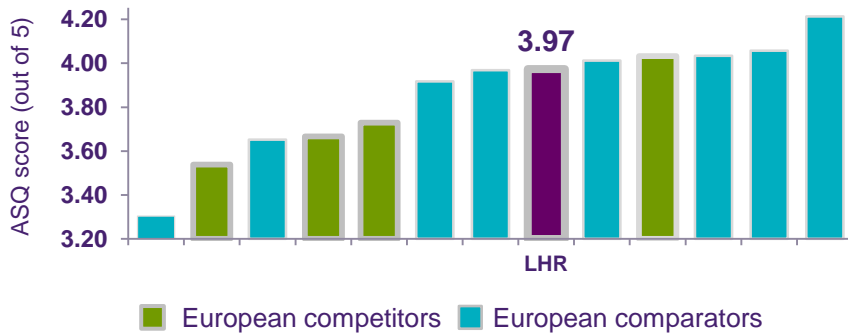
Revenue	+11.3%
Adjusted EBITDA	+23.1%

Investment and financing

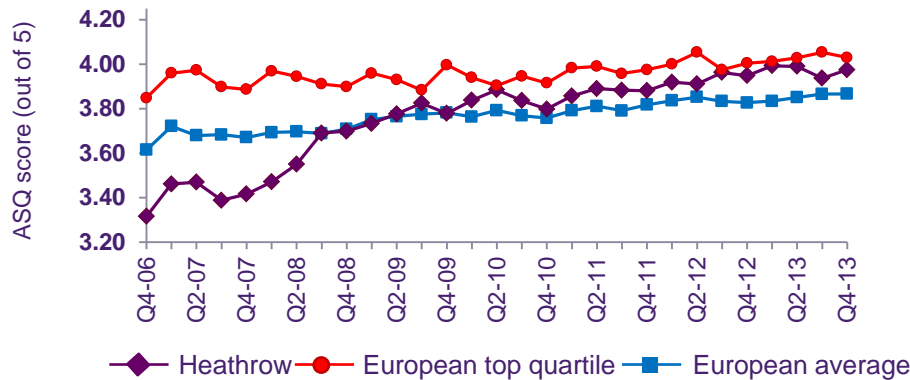
	£bn
Capital expenditure	1.3
Net debt (senior and junior)	11.3
RAB	14.6

75% passengers rate Heathrow as 'Excellent' or 'Very Good'

2013 passenger satisfaction European ranking



Quarterly passenger satisfaction



Terminal 5 - World's Best Airport Terminal
Heathrow – World's Best Airport Shopping

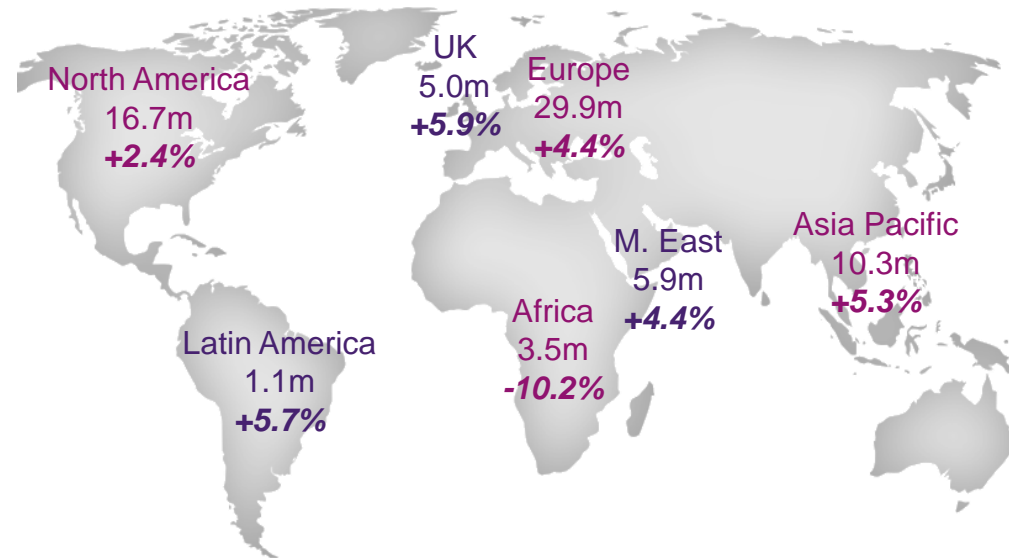


2013 Europe's Best Airport
(over 25 million passengers)

Record traffic despite operating near full capacity

- 3.4% rise in traffic, underlying growth estimated at 2.3%
- Growth through larger and fuller aircraft
- 2013 performance boosted by European traffic
- Intercontinental traffic growth strong in Asia Pacific and Middle East
- Momentum maintained in early 2014

2013 passenger traffic by market (% change versus 2012)



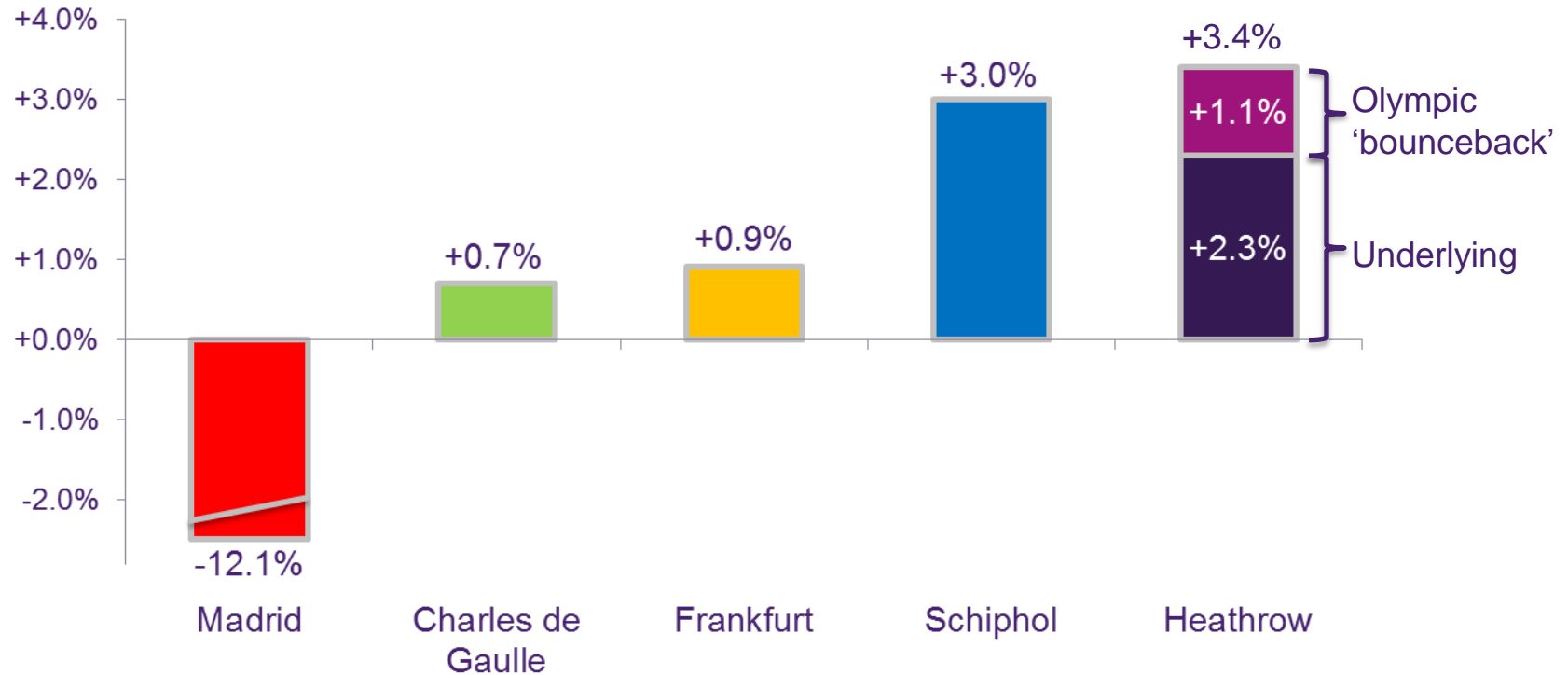
Total Heathrow passengers

72.3 million +3.4%

excluding Olympics c.+2.3%

Heathrow's traffic robust versus major European hub airports

2013 change in passenger traffic at European hubs



Transforming Heathrow's infrastructure

- £1.3 billion capital investment in 2013
- Terminal 2 – The Queen's Terminal opens June 2014
 - handed over to operational readiness as planned in November 2013
 - extensive trials and familiarisation underway
 - 26 airlines and home to Star Alliance at Heathrow
- Baggage infrastructure investment
 - underground system between T3 and T5 fully operational
 - Terminal 3 Integrated Baggage system on track for 2015 operations



Improving Heathrow through the next regulatory period: 'Q6'

- CAA headline tariff change RPI minus 1.5%
- Next regulatory period starts 1 April 2014
- Aims of Heathrow Q6 business plan
 - improve service and resilience
 - deliver operating efficiencies
 - grow revenue streams
- Tough Q6 settlement creates challenge to continue delivering improvements
- Change programmes underway to deliver operating efficiencies
- 2013 performance provides solid foundation



Airports Commission shortlists Heathrow's north west runway proposal

- Airports Commission interim findings
 - clear case for one net new runway in South East of England
 - shortlisted Heathrow's north west expansion
 - short-term improvements also recommended
- Public consultation underway
- Refined proposal to be submitted May 2014
- Heathrow is best placed for passengers, taxpayers and business
- Airports Commission final recommendation summer 2015



Shaping Heathrow's north west runway proposal

A public consultation – 3 February to 16 March 2014

Heathrow

Heathrow's strategic priorities



Opening Terminal 2



Continuing to transform Heathrow under a tough settlement



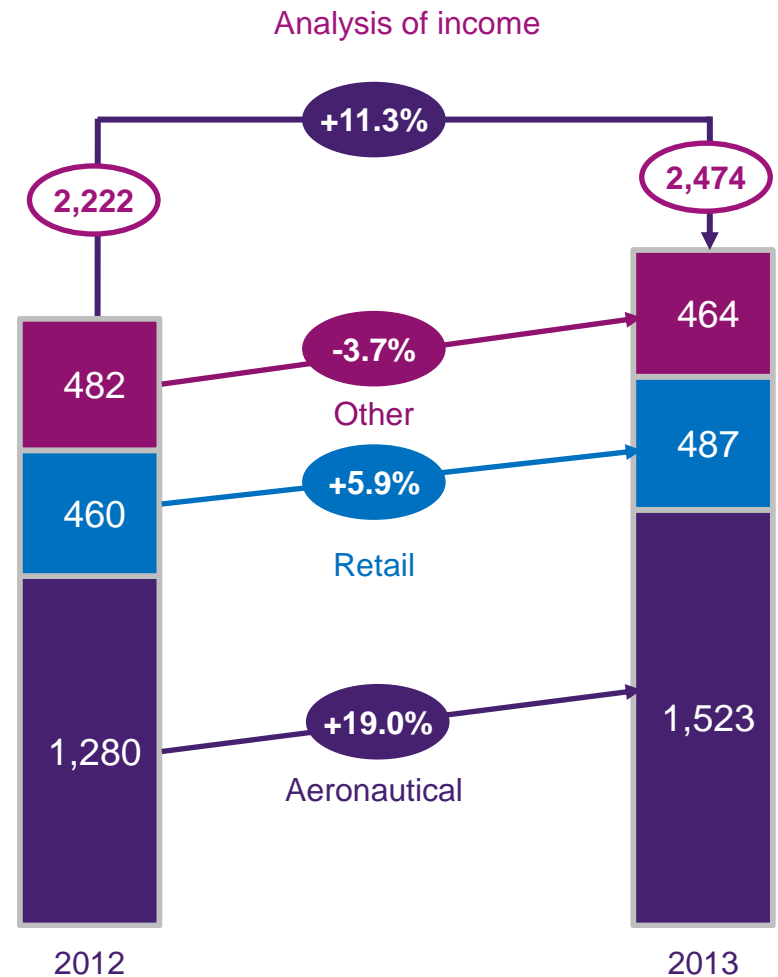
Making Heathrow's case for hub expansion

Strong financial performance in 2013

(£m)	FY 2012	FY 2013	
Revenue	2,222	2,474	 +11.3%
Adjusted operating costs	1,068	1,053	 -1.4%
Adjusted EBITDA	1,154	1,421	 +23.1%
Consolidated Heathrow (SP) net debt	11,360	11,264	 -0.8%
Consolidated Heathrow Finance net debt	12,086	12,025	 -0.5%
RAB (Regulatory Asset Base)	14,814	14,585	 -1.5%
RAB Heathrow only	13,471	14,585	 +8.3%

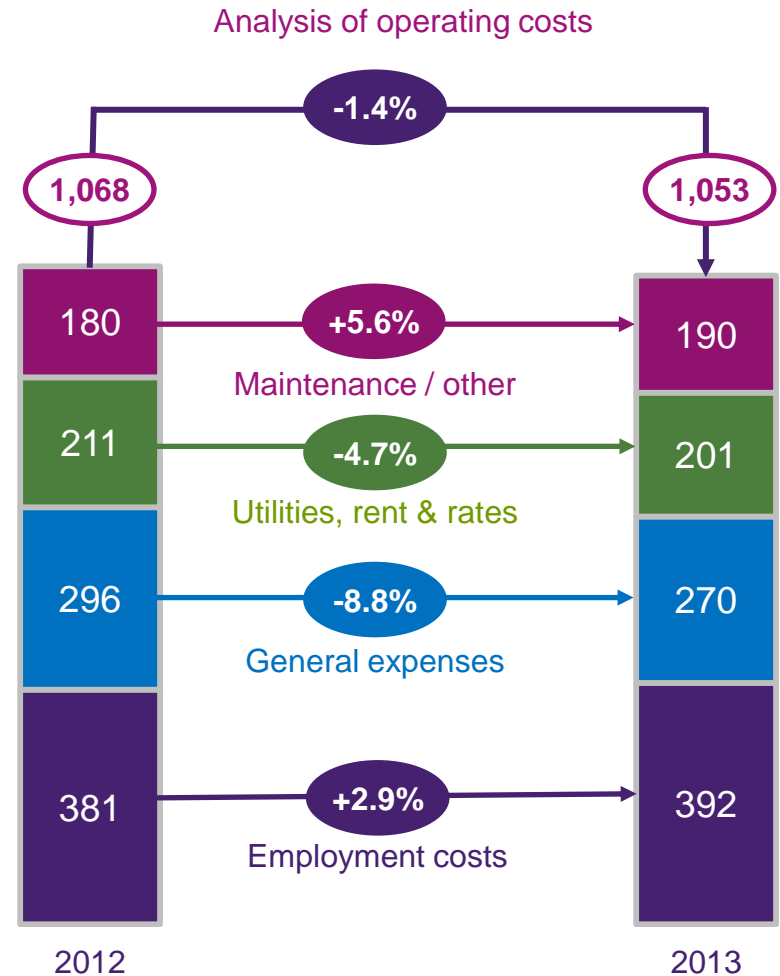
Good revenue momentum...

- Aeronautical growth from combination of factors
 - passenger traffic and tariff increases
 - ‘K’ factor recovery of 2011/12 yield dilution
 - compounded by 2013/14 yield concentration and 2012/13 yield dilution
- Net retail income (‘NRI’) per passenger up 2.6% to £6.37
 - driven by car parking, car rental and specialist shops
 - increase in European traffic moderated retail income per passenger
- Reduction in other income reflects change in intra-group recharge

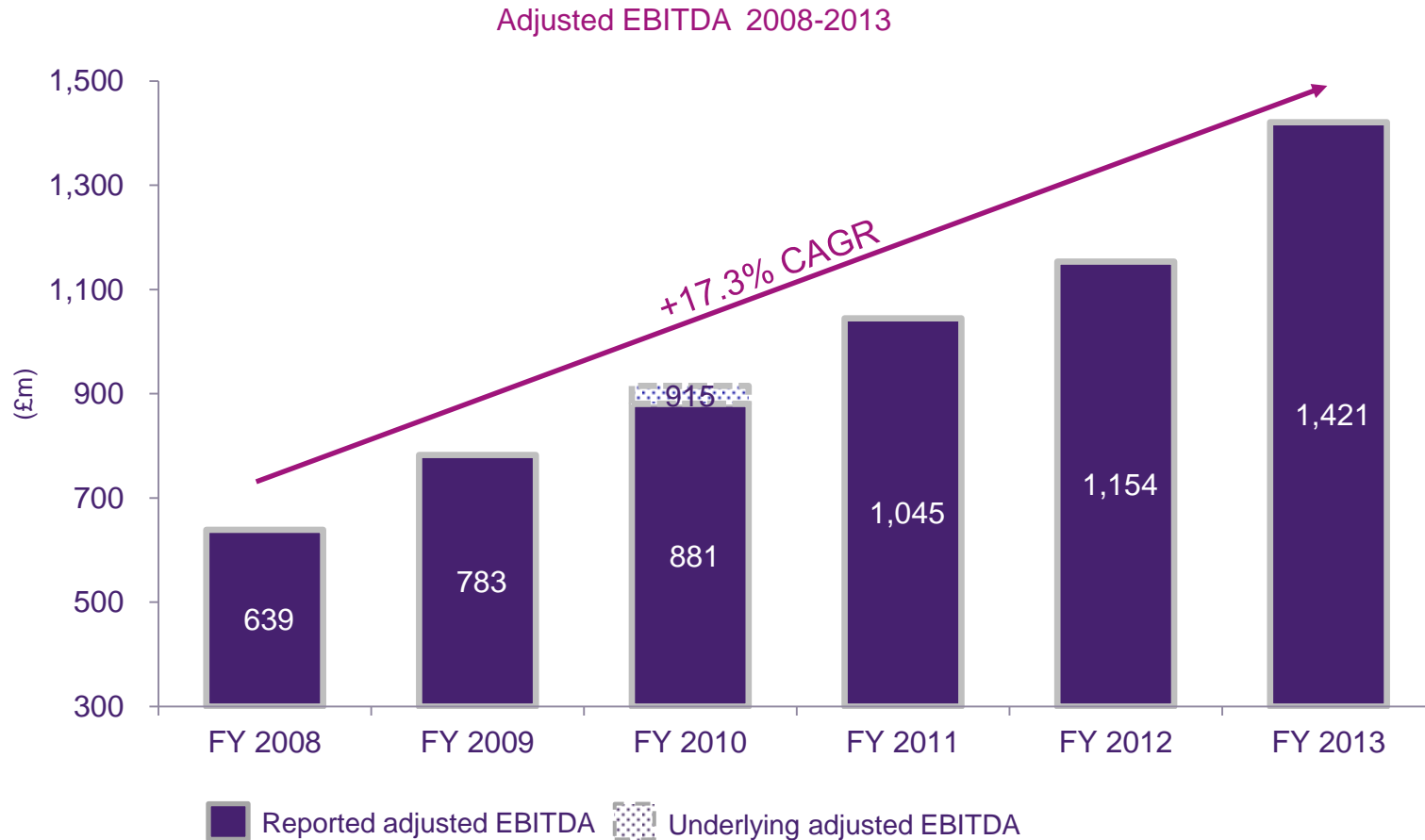


...outweighing underlying operating cost performance...

- Employment costs remain key focus
 - management pay freeze and headcount savings partially offset contractual pay rises
 - ongoing savings to be realised from restructure programme
- One-off cost impacts to drive Q6 benefit
 - c.£100 million benefits in Q6 from baggage contract changes
- Underlying operating costs rose broadly in line with inflation
 - 2012 includes c. £25 million Olympic impact
 - lower general expenses reflects change in intra-group charging, offset in other revenue

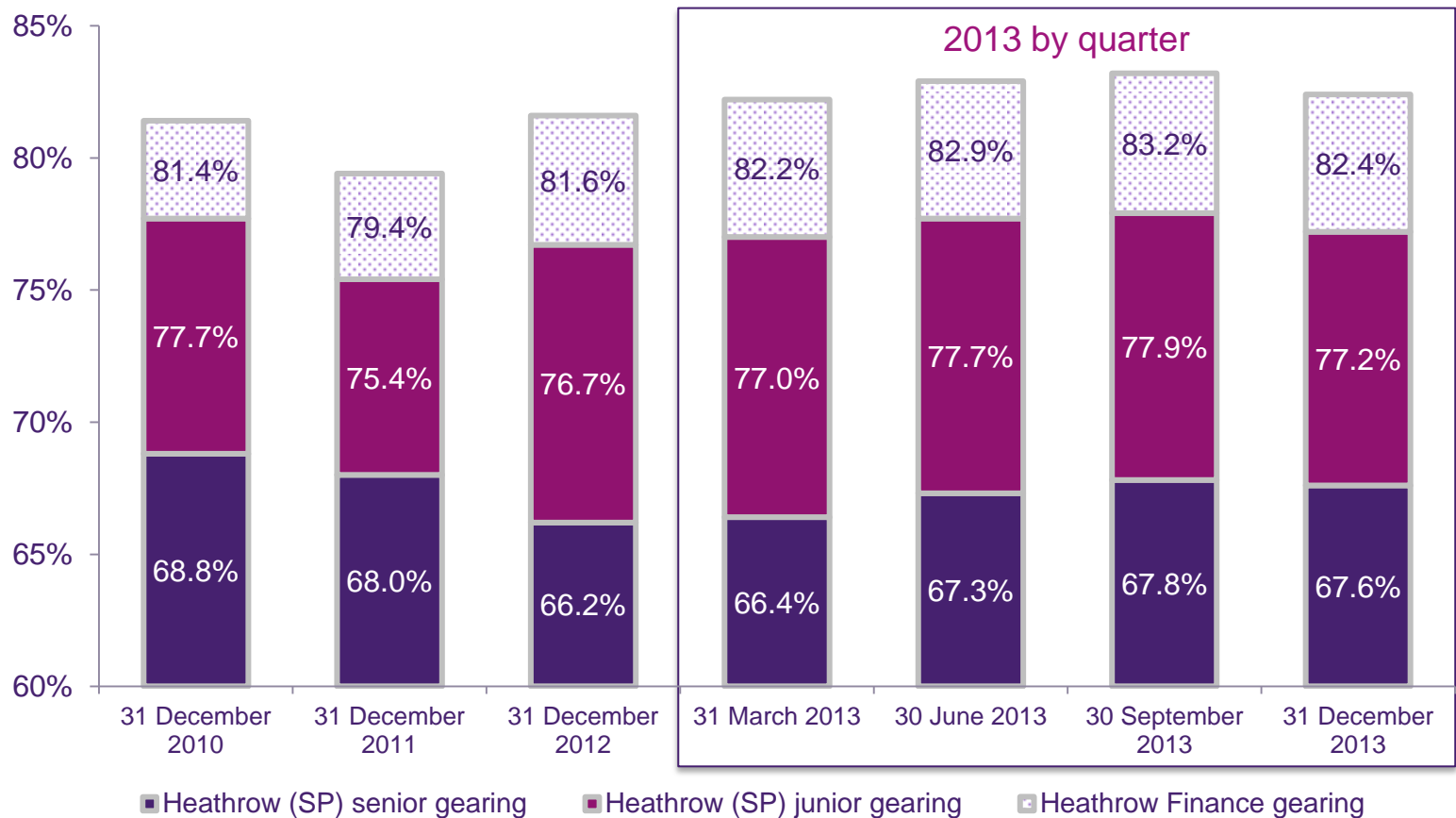


...driving strong Adjusted EBITDA to support investment



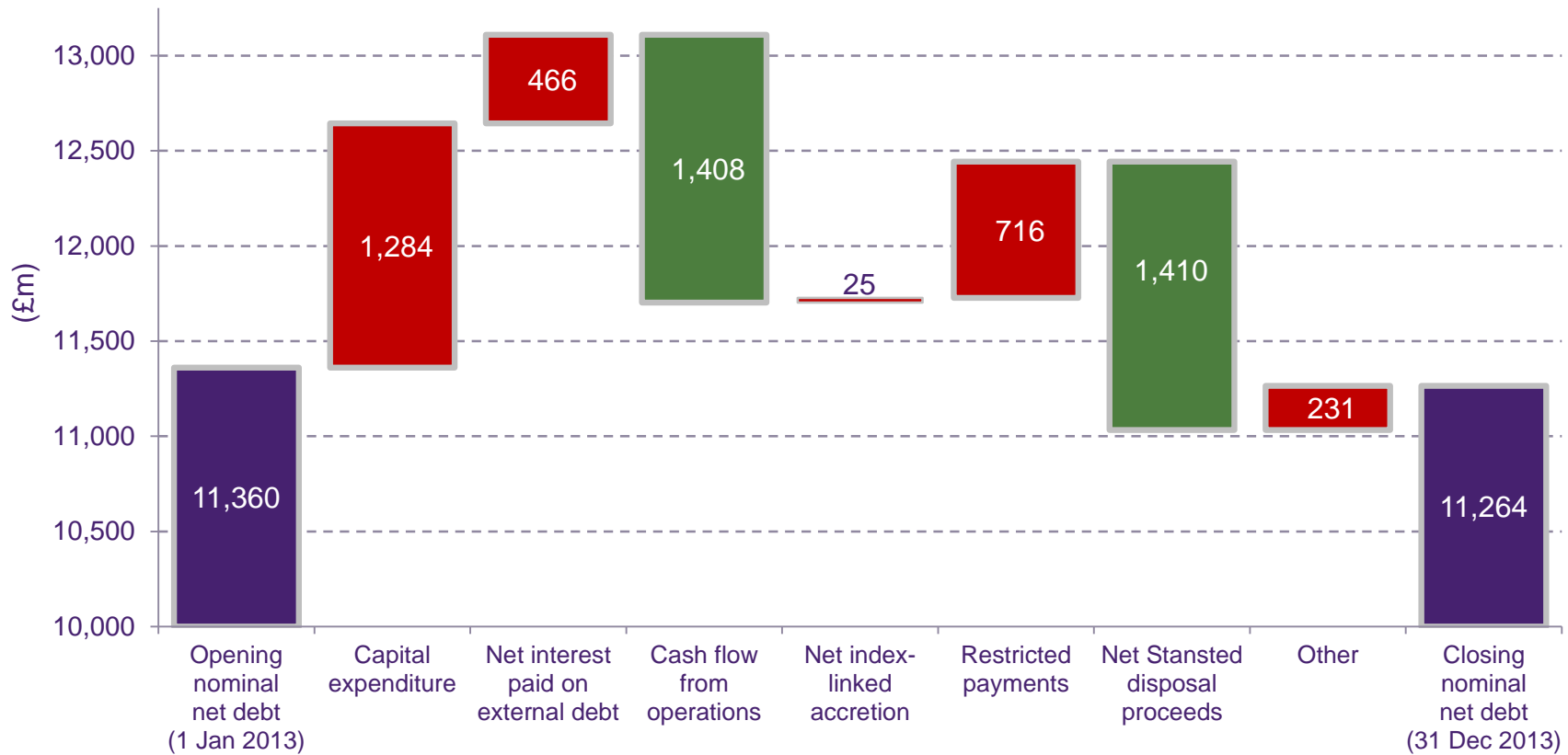
Gearing headroom remains substantial

Development of gearing ratios



Reduction in net debt, with cash flow after interest covering 70% of capital expenditure

Net debt bridge (January 2013 – December 2013)



Recent successful financings optimise long-term cost of debt and extend debt maturity profile

- Nearly £1 billion of new debt raised in 2013 with £300 million raised since start of 2014
- Key transaction in 2013
 - £750 million, 33 year, Class A bond at 4.625% - lowest ever long dated sterling coupon
- Other funding since start of 2013
 - £275 million Class A and Class B Revolving Credit Facilities, enabling cancellation of £200 million of more expensive core RCF
 - £200 million Class A index-linked bonds with single investor
- Average life of debt increased from 10.1 years to 11.4 years
- Liquidity horizon now extends to early 2016
- 2014 funding target in region of £750 million

2014 outlook

- Continued growth in revenue, Adjusted EBITDA and operating cash flow in 2014
- Main drivers higher passenger traffic, increased aeronautical charges and operating efficiencies. In combination, mitigating costs of operating an additional terminal from June
- Traffic momentum maintained in early 2014
- Incremental change to Q6 tariff formula announced in January does not materially impact previously published 2014 forecasts
- Other than Terminal 2 operational readiness costs now being classified as exceptional items...
- ...at this early stage in year, outlook for 2014 remains consistent with the guidance set out in the December 2013 Investor Report

Summary

- Passenger satisfaction at record high and Heathrow welcomed over 72 million passengers
- Strong financial performance underpins major capital investment
- Transformation continues: Terminal 2 opening in June 2014
- Next regulatory period starts on 1 April 2014
- Heathrow north west runway proposal shortlisted by Airports Commission, consultation underway to refine proposal
- Guidance remains consistent with December 2013 investor report

Appendix

Heathrow (SP)'s consolidated net debt at 31 December 2013

		Amount and features of individual financings			
		Local currency	S&P/Fitch rating	Maturity	
		(m)	(£m)		
Senior (Class A)					
Bonds		750	513	A-/A-	2014/16
		300	300	A-/A-	2015/17
		500	319	A-/A-	2015/17
		300	300	A-/A-	2016/18
		434	434	A-/A-	2016/18
		584	700	A-/A-	2017/19
		272	400	A-/A-	2017/19
		510	750	A-/A-	2018/20
		250	400	A-/A-	2019/21
		250	250	A-/A-	2021/23
		621	1,000	A-/A-	2021/23
		189	189	A-/A-	2022/24
		750	750	A-/A-	2023/25
		700	700	A-/A-	2026/28
		200	200	A-/A-	2028/30
		900	900	A-/A-	2031/33
		42	50	A-/A-	2032/34
		42	50	A-/A-	2032/34
		538	538	A-/A-	2039/41
		750	750	A-/A-	2041/43
		750	750	A-/A-	2046/48
Total bonds			9,214		
Loans	EIB Facilities	215	215	n/a	2014/22
	Revolving/Working Capital Facilities	80	1,775	n/a	2015/17
Total loans			1,990		
Total senior debt			9,509		11,204
Junior (Class B)					
Bonds		400	400	BBB/BBB	2018
		400	400	BBB/BBB	2020
		600	600	BBB/BBB	2024
Loans	Revolving Credit Facility	0	400	n/a	2017
Total junior debt			1,400		1,800
Gross debt			10,909		13,004
Cash			-93		
Index-linked derivative accretion			448		
Net debt			11,264		

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

Notes, sources and defined terms

- Page 2
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items; NRI: net retail income; RAB: Regulatory Asset Base
 - Net debt is consolidated Heathrow (SP) Limited figure calculated on a nominal basis excluding intra-group loans and including index-linked accretion
- Page 3
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 0 up to 5
 - SKYTRAX World Airport Awards : Terminal 5 voted Best Airport Terminal in World (2012 & 2013) and Heathrow voted Best Airport Shopping in World (2013)
 - ACI Europe Best Airports Awards 2013: Heathrow awarded Best European Airport with over 25 million passengers
- Page 5
 - Sources: airport websites
- Page 10
 - Revenue, adjusted operating cost and Adjusted EBITDA are in respect of continuing operations only. Net debt and RAB include Stansted at December 2012.
 - 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
- Page 12
 - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 13
 - Adjusted EBITDA: Heathrow only (i.e. excludes Gatwick and Stansted) earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 14
 - Gearing ratio: external nominal net debt (including index-linked accretion) to RAB (regulatory asset base)
- Page 15
 - Opening and closing nominal net debt includes index-linked accretion
 - Net index-linked accretion reflects accretion charge for the period of £202 million offset by accretion paydowns of £177 million
 - 'Other' movement mainly reflects £177 million accretion paydowns to reverse amount included in net index-linked accretion given that accretion is already included in opening net debt

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