



Heathrow (SP) Limited

Results for nine months ended 30 September 2014

29 October 2014

Heathrow
Making every journey better



Year to date highlights

John Holland-Kaye, CEO

2014 year to date highlights

1

Operational highlights

- 4.04 ASQ: highest ever passenger satisfaction
- Record traffic +1.5% from intercontinental demand
- 26 airlines successfully moved into Terminal 2

2

Financial performance

- Revenue up 8.2% and EBITDA up 12.4%, providing robust start to new regulatory period
- Over £1.6 billion of attractively priced debt financing secured in public and private markets

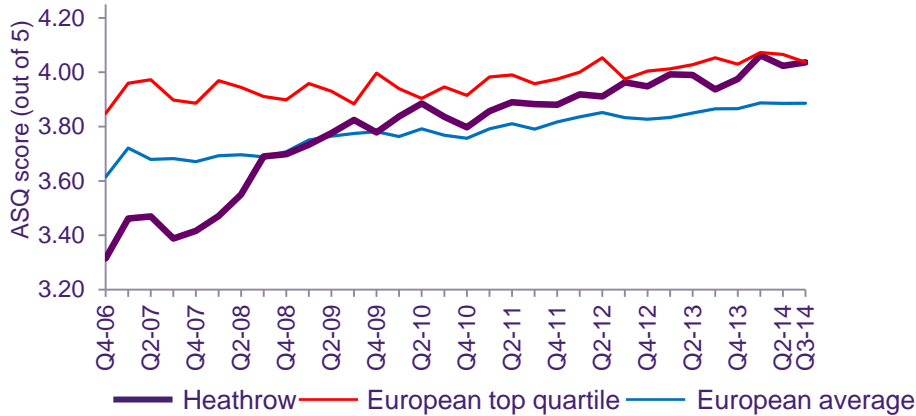
3

Strategic aims

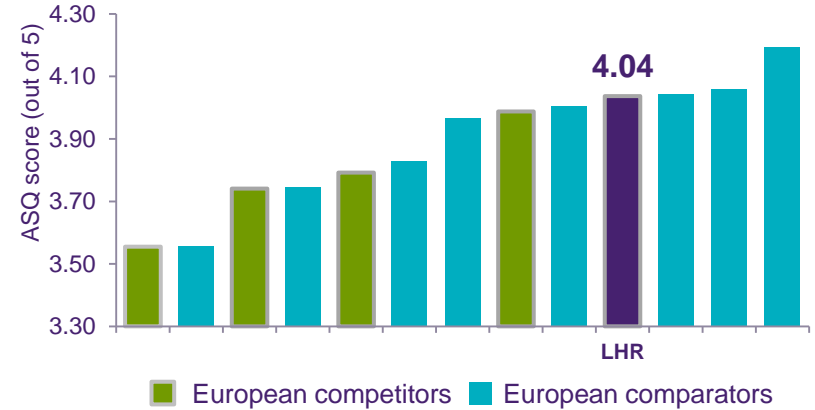
- #1 major hub in Europe
- Growing support for expansion at Heathrow

#1 major hub in Europe for passenger satisfaction

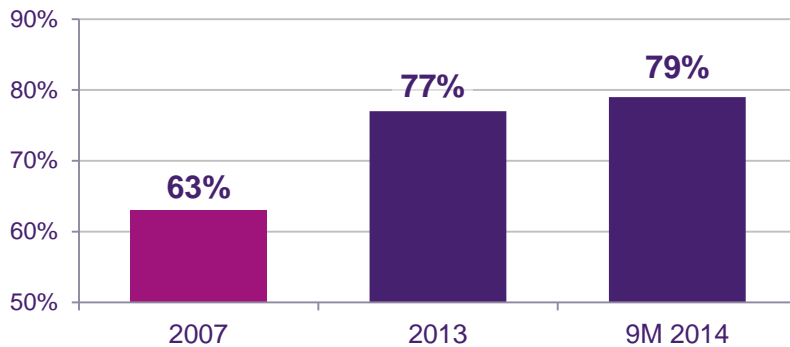
Quarterly passenger satisfaction
Q4 2006 – Q3 2014



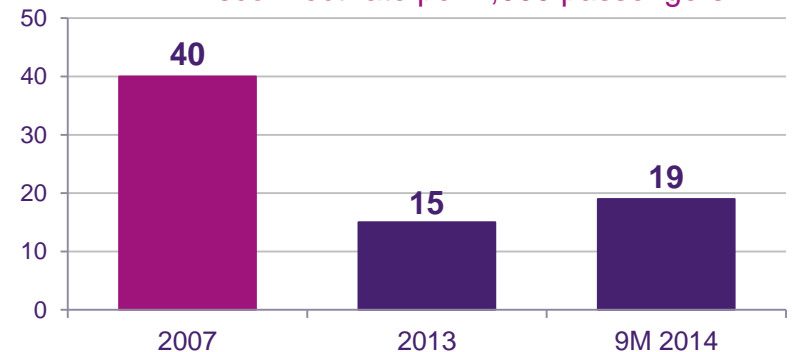
Passenger satisfaction European ranking
Q3 2014



Departures
within 15 minutes of schedule



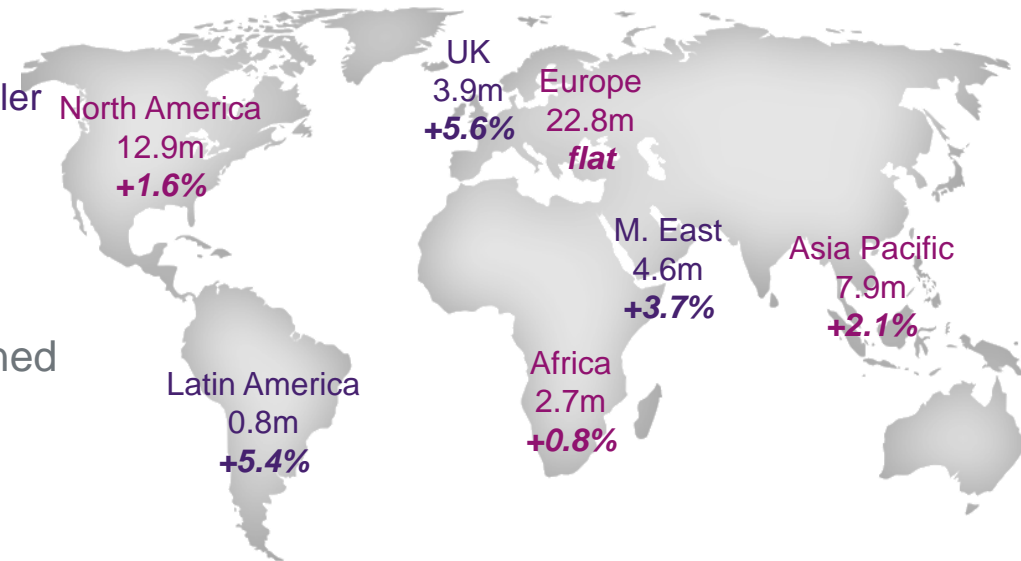
Baggage performance
misconnect rate per 1,000 passengers



Traffic growth from intercontinental routes

- Strong growth in intercontinental traffic
 - North American growth supported by new destinations and increased frequencies
 - Middle East growth from more flights and fuller planes
 - solid growth in China, Hong Kong, India and Mexico
- 2013 European traffic step change retained
- Cargo growth of 5% driven by China, Japan, Brazil and USA
- 73.1 million passengers used Heathrow in the twelve months to September 2014
- 2014 full year traffic forecast increased to 73.4 million passengers, 1.5% growth versus 2013

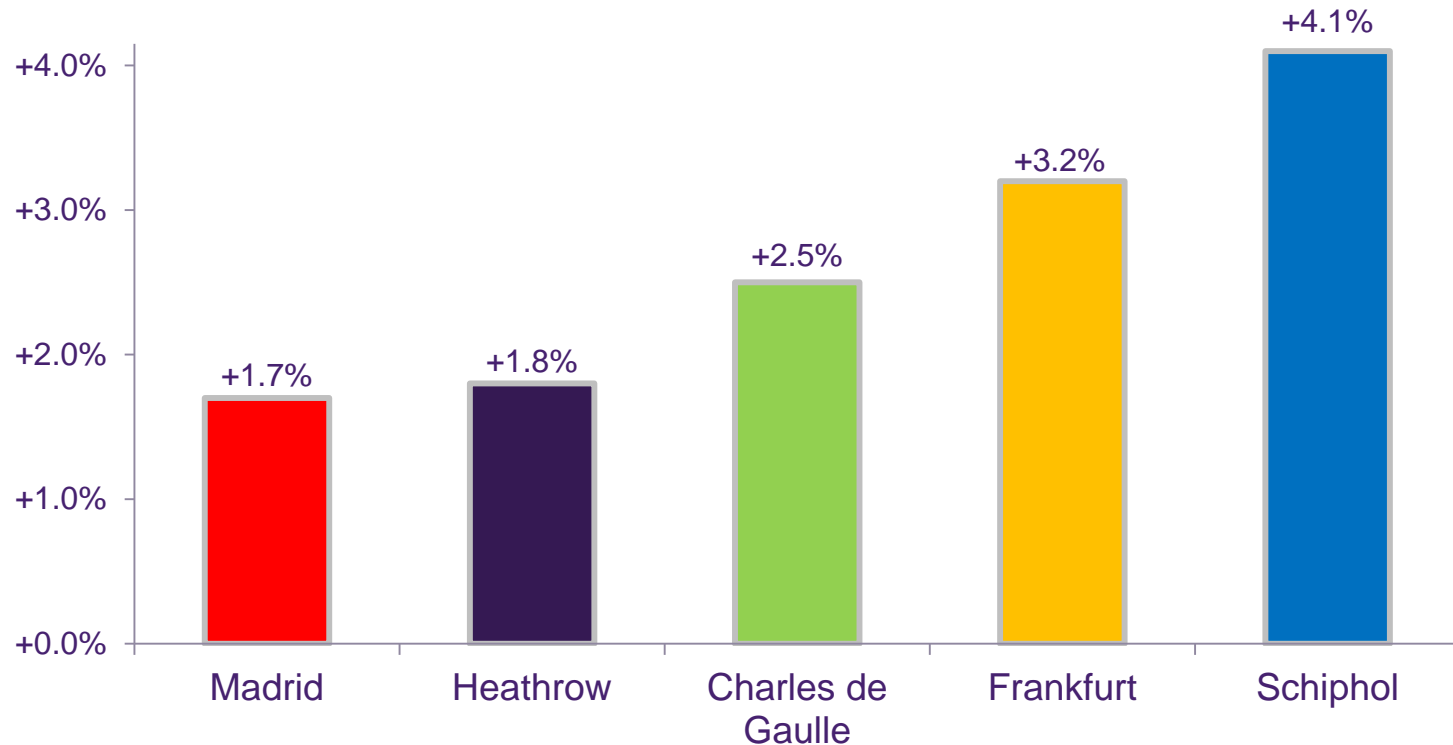
Passenger traffic by market 9M 2014 versus 9M 2013



55.7 million passengers
+1.5%

Moderate traffic growth relative to major European hubs given capacity constraint

Change in passenger traffic at European hubs
for 12 months to 30 September 2014



Total annual
passengers (m)

41.0

73.1

63.2

59.5

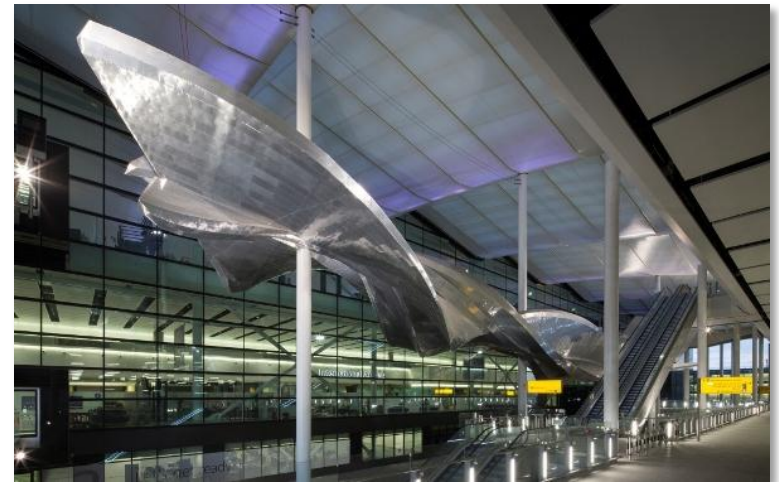
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Terminal 2 - The Queen's Terminal: 26 airlines moved successfully

- Terminal 2 – The Queen's Terminal
 - £2.5 billion investment, on time and on budget
 - main terminal building, satellite building, car park and energy centre
 - single terminal for Star Alliance improves connection times and efficiencies
- Her Majesty the Queen officially opened the Terminal on 23 June
- Phased transition successfully completed
 - migration of 26 airlines completed on time
 - operating 173 daily departures and over 40,000 daily passengers
 - STAR Alliance CEO commends Terminal 2 for the sea-change in customer service it enables



Terminal 2 departure lounge and retail area



Terminal 2 'Slipstream' sculpture



Financial review

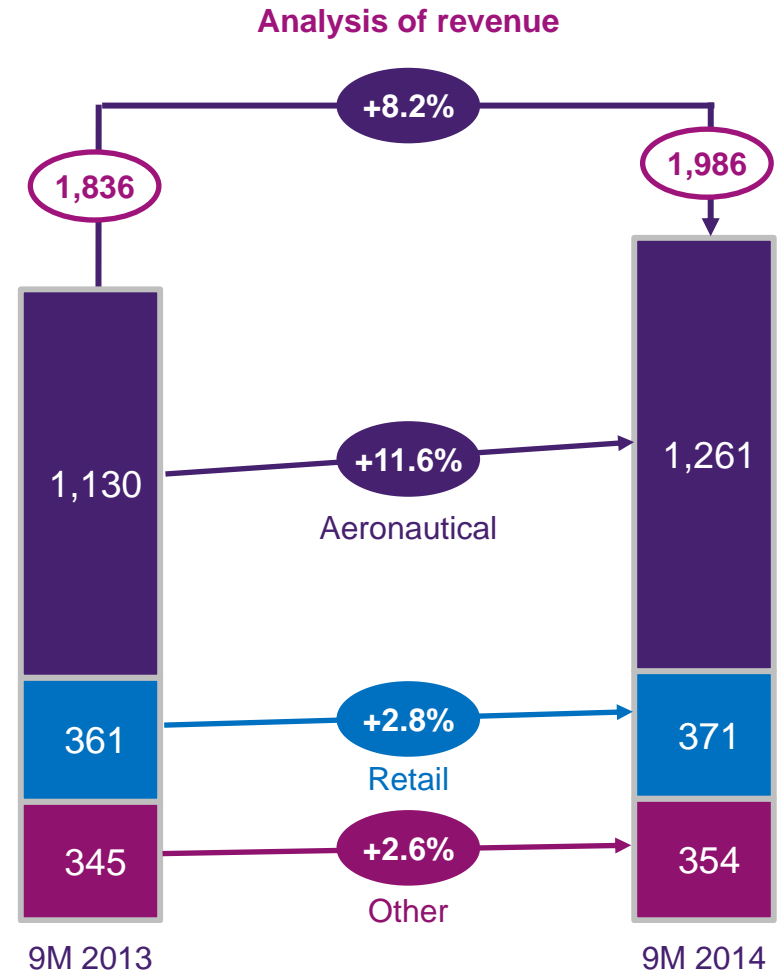
Jose Leo, CFO

Financial highlights

(£m unless otherwise stated)	9M 2014	9M 2013	Versus 9M 2013
Revenue	1,986	1,836	+8.2%
Adjusted operating costs	814	793	+2.6%
Adjusted EBITDA	1,172	1,043	+12.4%
Capital expenditure	689	946	-27.2%
	Sep 2014	Dec 2013	Change from Dec 13
Consolidated nominal net debt			
Heathrow (SP)	11,762	11,264	+4.4%
Heathrow Finance	12,517	12,025	+4.1%
RAB	14,844	14,585	+1.8%

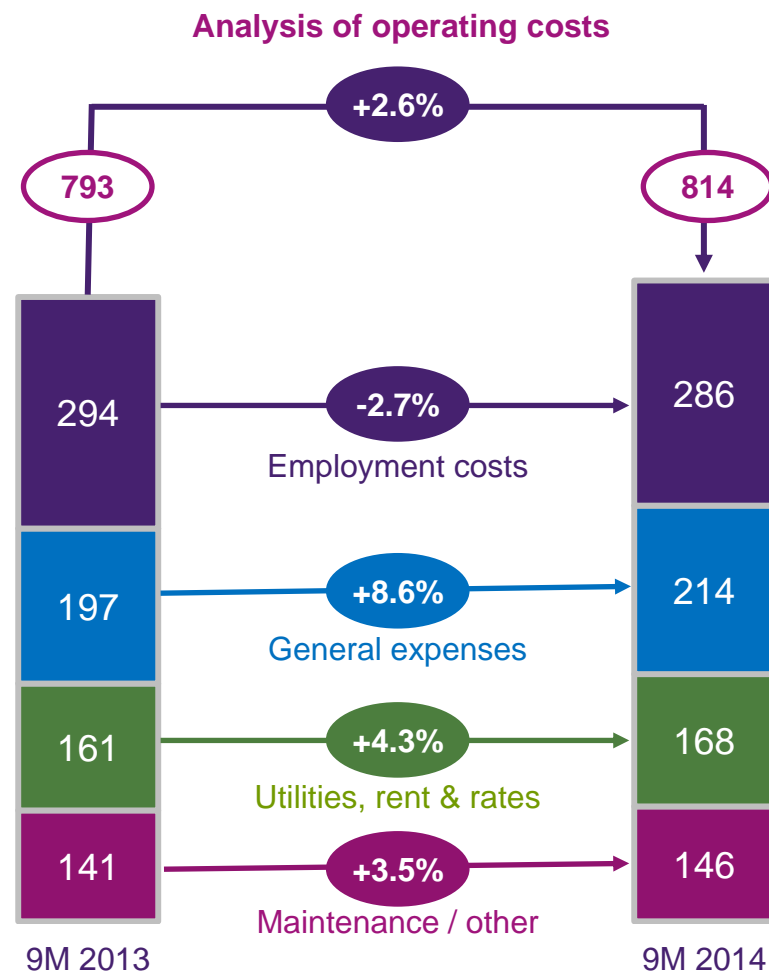
Aeronautical revenue growth driving revenue increase

- Aeronautical revenue drives overall growth
 - RPI+7.5% tariff increase in Q1
 - K factor recovery condensed into H2
 - in addition 1.5% traffic growth, Q6 tariff increase and non-repeat of 2013 yield dilution and capital triggers
- Net retail income per passenger up 1.7% to £6.34
 - strength in car parking, car rental and advertising
 - retail store growth moderated by:
 - sterling strength
 - Terminal 5 luxury retail refurbishment
 - Terminal 2 airline moves
- Substantial commercial benefits secured for regulatory period
 - Terminal 5 luxury retail relaunch pre-Christmas
 - World Duty Free agreement extension
 - bureaux de change supplier agreements

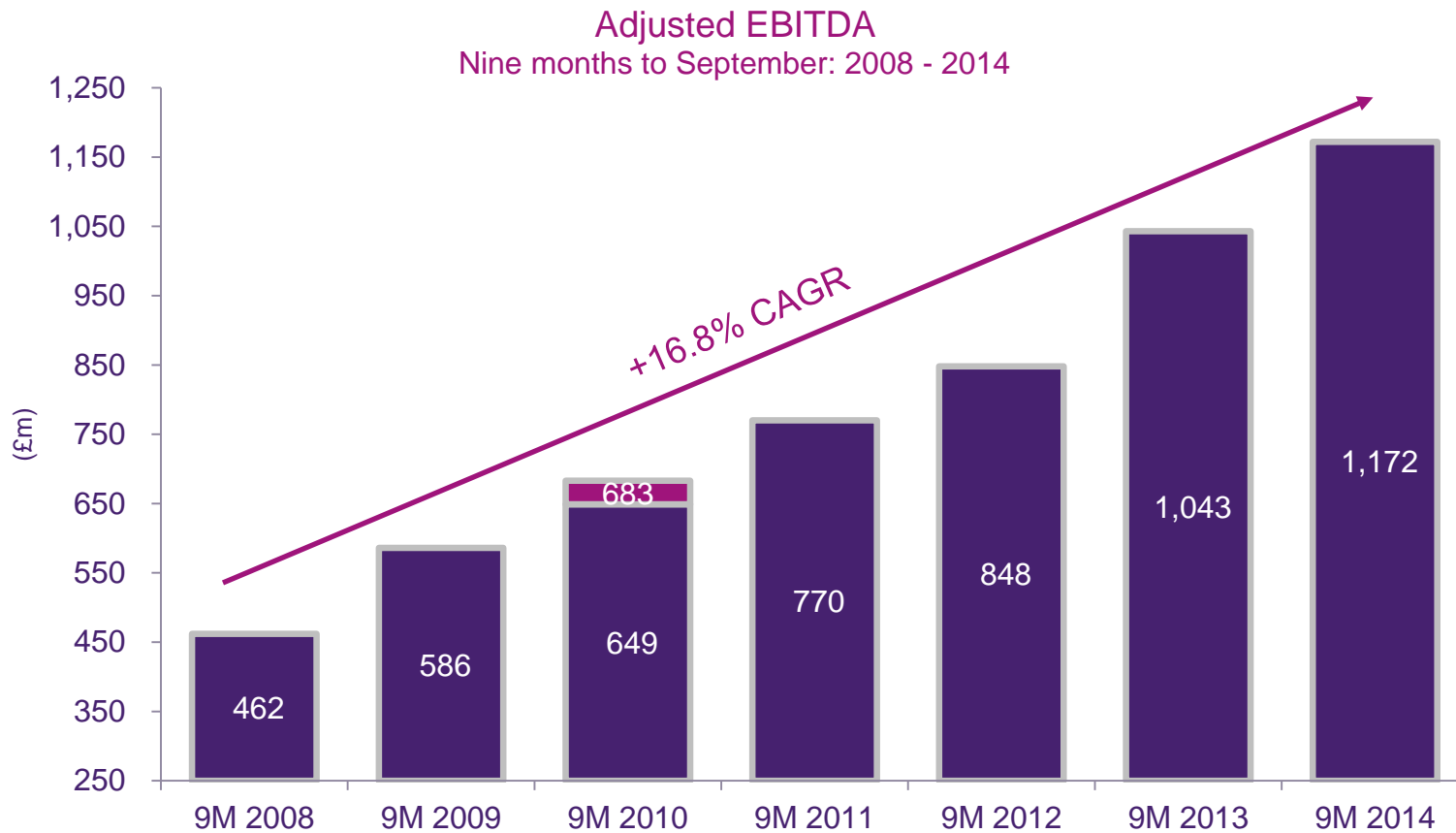


Robust cost performance delivering efficiencies

- Terminal 2 operations from 4 June drive additional operating costs
 - impact of c.£24 million for first 4 months of operations
- Increased activities to win approval for expansion driving additional £5 million spend
- Progress in 2014 on costs – employment costs remain key focus
 - corporate centre restructure
 - 2014 management pay freeze
 - two-year pay deal to deliver benefit over Q6
 - supplier efficiencies secured in baggage, car parking and inter-terminal coaching

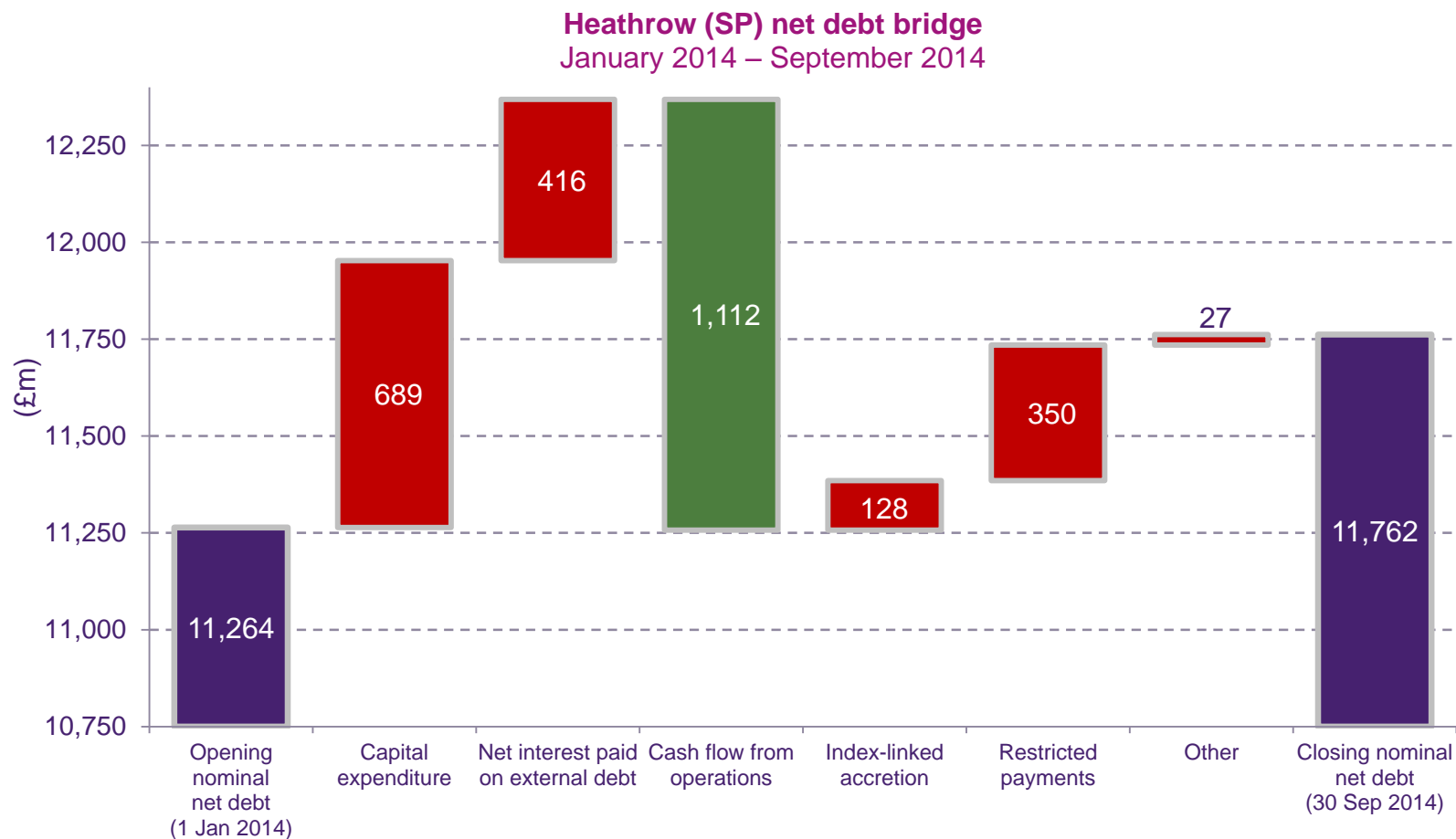


...driving continued EBITDA growth



■ Reported adjusted EBITDA ■ Underlying adjusted EBITDA

Capital expenditure fully funded by cash flow from operations



Gearing headroom remains substantial



Heathrow has successfully raised over £1.6 billion in debt financing in 2014

- Three public offerings have raised almost £1 billion
 - May 2014: €600 million, 8 year Class A bond, 1.875% coupon, extended Heathrow's Euro curve
 - June 2014: C\$450 million, 7 year Class A bond, 3.0% coupon, established Heathrow as a repeat issuer in Canada
 - October 2014: £250 million, 10.5 year Heathrow Finance bond, 5.75% coupon, significantly extends maturity profile at this level of the capital structure
- Six private placements completed, raising over £600 million
 - five Class A transactions including £300 million in index-linked funding
 - one Class B transaction raising £155 million
- Launched £2.15 billion refinancing of revolving credit (£1.4 billion) and liquidity (£750 million) facilities
- Liquidity horizon currently extends up to December 2016

Nine months to September performance and outlook

- Continued strong overall passenger satisfaction
- Traffic growth driven by intercontinental passengers
- Successful transition of 26 airlines to Terminal 2: The Queen's Terminal
- Financial performance provides robust start to regulatory period
- Strengthened Heathrow's funding with £1.6 billion of attractively priced debt
- Traffic forecast increased to 73.4 million given ongoing trends
- Given operating performance the forecast turnover and Adjusted EBITDA for 2014 increased to approximately £2.69 billion and £1.56 billion respectively



Strategic agenda

John Holland-Kaye, CEO

Strategic agenda

1

Beat the regulatory settlement

2

Continuously improve

3

Win approval for expansion

4

Get our mojo back

Heathrow is best hub airport in Europe

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

Questions?



Appendices

Heathrow (SP)'s consolidated net debt at 30 September 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	A-/A-	2015/17	
	US\$500m 2.5%		319	500	319	A-/A-	2015/17	
	£300m 12.45%		300	300	300	A-/A-	2016/18	
	€500m 4.125%		434	500	434	A-/A-	2016/18	
	€700m 4.375%		584	700	584	A-/A-	2017/19	
	CHF400m 2.5%		272	400	272	A-/A-	2017/19	
	€750m 4.6%		510	750	510	A-/A-	2018/20	
	C\$400m 4%		250	400	250	A-/A-	2019/21	
	£250m 9.2%		250	250	250	A-/A-	2021/23	
	C\$450m 3%		246	450	246	A-/A-	2021/23	
	US\$1,000m 4.875%		621	1,000	621	A-/A-	2021/23	
	£180m RPI +1.65%		193	193	193	A-/A-	2022/24	
	€600m 1.875%		490	600	490	A-/A-	2022/24	
	£750m 5.225%		750	750	750	A-/A-	2023/25	
	£700m 6.75%		700	700	700	A-/A-	2026/28	
	£200m 7.075%		200	200	200	A-/A-	2028/30	
	£900m 6.45%		900	900	900	A-/A-	2031/33	
	€50m Zero Coupon		42	50	42	A-/A-	2032/34	
	£75m RPI +1.366%		76	76	76	A-/A-	2032/34	
	€50m Zero Coupon		42	50	42	A-/A-	2032/34	
	£50m 4.171%		50	50	50	A-/A-	2034/36	
	€50m Zero Coupon		40	50	40	A-/A-	2034/36	
	£50m RPI +1.382%		51	51	51	A-/A-	2039/41	
	£460m RPI +3.334%		548	549	549	A-/A-	2039/41	
	£100m RPI +1.238%		101	100	100	A-/A-	2040/42	
	£750m 5.875%		750	750	750	A-/A-	2041/43	
	£750m 4.625%		750	750	750	A-/A-	2046/48	
	£75m RPI +1.372%		76	76	76	A-/A-	2049/51	
Total bonds			9,845		9,845			
Loans	Loan facilities		287	287	287	n/a	2014/26	
	Revolving/Working capital facilities		0	1,325	1,325	n/a	2015/17	
Total loans			287		1,612			
Total senior debt			10,132		11,457			
Junior (Class B)								
Bonds	£400m 6.25%		400	400	400	BBB/BBB	2018	
	£400m 6%		400	400	400	BBB/BBB	2020	
	£600m 7.125%		600	600	600	BBB/BBB	2024	
	£155m 4.221%		155	155	155	BBB/BBB	2026	
Loans			25	450	450	n/a	2017/18	
Total junior debt			1,580		2,005			
Gross debt			11,712		13,462			
Cash			-508					
Index-linked derivative accretion			558					
Net debt			11,762					

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 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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Heathrow

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