



Heathrow
European Credit Conference 2015
Bank of America Merrill Lynch

9 September 2015

Heathrow
Making every journey better

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Today's presenters

- Andrew Efiong – Director of Treasury

Andrew has led Heathrow's treasury department since 2012 and is responsible for all aspects of Heathrow's c.£13 billion debt funding, managing one of the UK's largest sterling corporate bond programmes, multi-currency bond issuance, a multi-billion pound derivative programme and sizeable bank facilities. Andrew joined Heathrow in 2008 as Head of Debt Investor Relations, having previously been Director at UBS Investment Bank, particularly involved in the debt advisory practice; and Corporate Development Director at Marlborough Stirling plc, a software and outsourcing business.

- Anne Hurn – Deputy Treasurer

Anne joined Heathrow in 2013 and is responsible for Heathrow's multi billion pound debt issuance in the capital markets. She also leads the company's engagement with debt investors, ensuring the credit market has a strong understanding of the Heathrow credit. Anne has an aviation background having joined from IAG, the owner of British Airways and Iberia. Her responsibilities at IAG and British Airways included equity investor relations, M&A, joint ventures and commercial alliances.

Foundations of Heathrow credit

1

Strength and resilience
of the asset

2

Cash flow predictability
from stable regulatory
framework

3

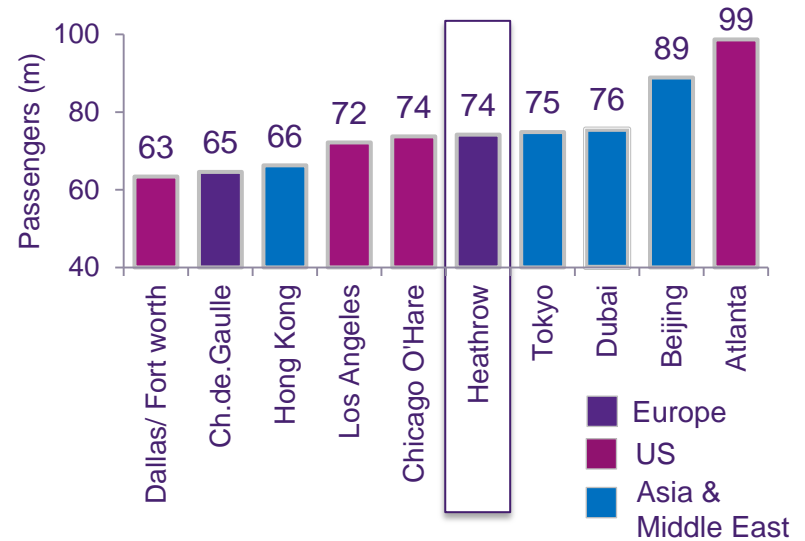
Strong set of creditor
protections



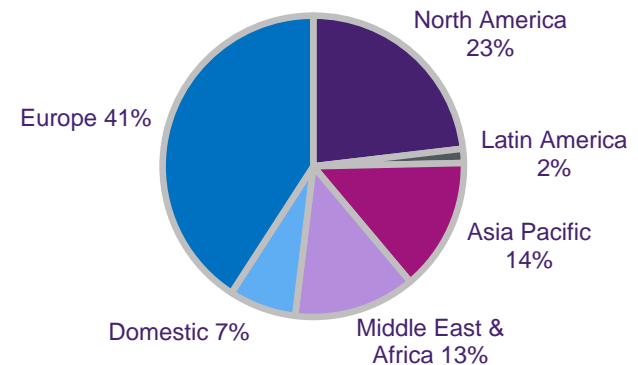
Heathrow is the primary airport in the world's largest aviation market

- Demand to fly to and from London is 15% higher than the next largest market
- One of the world's busiest airports
- 5 of global top 10 intercontinental long haul routes operate at Heathrow
- 80% of UK long haul scheduled traffic with ~80 long haul routes
- Over 80 airlines operate at Heathrow, over two thirds operating long haul services
- Balanced and diverse mix drives resilience
- Operates close to full capacity
- Less reliant on single airline or alliance

Top 10 busiest global airports
12 months to 31 July 2015



Heathrow passenger traffic mix
12 months to 31 August 2015



Heathrow

Making every journey better

Potential expansion at Heathrow builds from strength

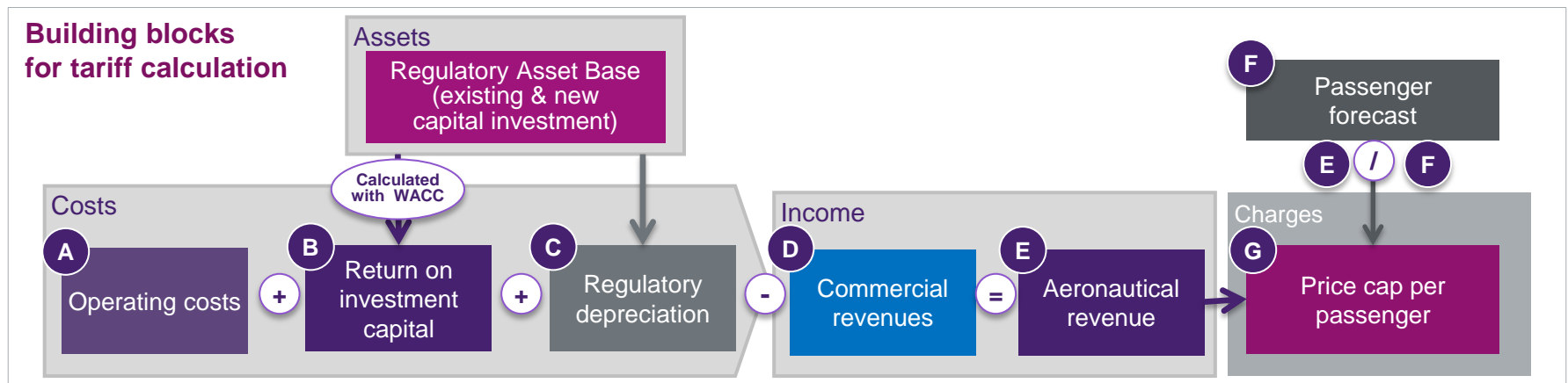
- Airports Commission unanimous conclusion that Heathrow's new runway is the best option
- Up to £211 billion of economic benefit to UK
 - 740,000 flights & 130 million annual passengers
 - ~40 new long haul destinations
 - double freight capacity
- Heathrow builds from strength and is best placed for passengers, taxpayers and business
- Invested £11 billion over past 10 years transforming Heathrow
- Expansion investment of £16 billion phased over c.10 years with no substantial change to funding levels expected until 2019
- Third runway construction could start in 2020
- UK Government policy decision by end of 2015, aiming for Secretary of State approval in 2019

Heathrow's proposed north west runway



Stable regulatory framework provides cash flow predictability

- Heathrow is regulated by UK Civil Aviation Authority, with role defined by UK law
- CAA set tariff every five years, providing cost and revenue predictability
- Tariff set using a 'building block' principle and allows recovery of capital investment, operating costs and cost of capital
- Regulatory Asset Base is close to £15 billion, representing virtually all assets in business
- 'RAB based' price regulation similar to other UK regulated utilities
- Current regulatory period, 'Q6', started 1 April 2014, providing regulatory visibility to 2018



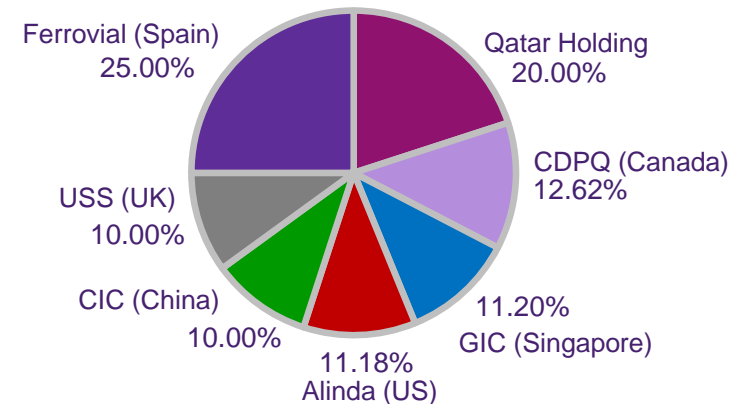
Good start to regulatory period

- Business plan for regulatory period improves service and operational resilience, delivers cost efficiencies and grows revenue streams
- Passenger growth driven by fuller and larger aircraft. Traffic in last twelve months was 74.2 million compared with average 73 million annual passenger allowance
- Estimated £400 million of cost efficiencies secured over plan period out of £600 million required in Q6. Commercial actions set to deliver over £100 million over plan period
- Efficiencies include consolidated baggage maintenance contracts, NATS strategic partnership, changes to defined benefit pension scheme and early closure of Terminal 1
- Lower capital programme for regulatory period following major investment phase: £2.9 billion committed with scope to expand programme to £3.6 billion
- Change in annual per passenger tariff of RPI-1.5% reflects lower capital programme
- Heathrow cash flow positive after capital expenditure and interest payments since 2014

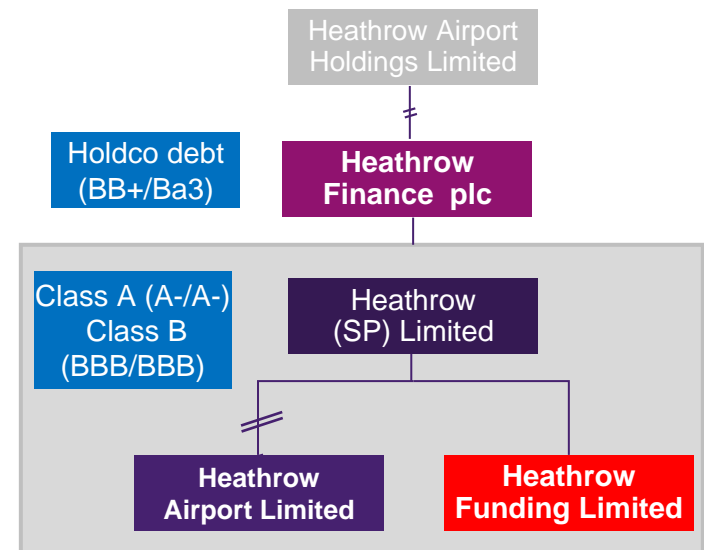
Overview of Heathrow financing

- Largest wholly-privately financed airport globally, owned by seven international investors
- Established debt financing platform with issuance in 6 currencies
- Debt issued predominantly in senior (Class A), junior (Class B) and Heathrow Finance formats
- Common terms agreement governs all Class A and Class B debt
- All debt across capital structure benefits from covenants, limitations on distributions and security over assets
- Net debt at 30 June 2015
 - **Class A: £10,191 million**
 - Class B: £1,555 million
 - Heathrow Finance: £904 million

Heathrow ownership



Summary Heathrow financing structure



Heathrow

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Heathrow provides a strong suite of creditor protections

- Class A creditors have first ranking security
 - mortgage over Heathrow Airport freehold land, runways, terminals and other fixed assets
 - share pledge over Group companies and charge over receivables
 - bonds and loans rank pari-passu at each level of capital structure
- Operational and financial covenants and distribution lock-ups provide creditor protections
- Information covenants including semi-annual investor report with financial forecasts
- Substantial public disclosures in addition to documented information covenants
- Restrictions on business activities, acquisitions and disposals

Summary operational and financial covenants and lock-ups

Regulatory Asset Ratio (Net Debt/RAB)

Class A trigger	70.0%/72.5%
Class B trigger	85.0%
Holdco covenant	90.0%/92.5%

Interest Cover Ratios (ICR)

Class A trigger	1.40x
Class B trigger	1.20x
Holdco covenant	1.00x

Other protections at Heathrow (SP)

Minimum liquidity	>12 months
Minimum Class A credit rating	BBB+
Currency risk on non-£ debt	100% swap to £
Debt maturities:	
- in any two year period	<30% RAB
- in any Five Year Period	<50% RAB
Minimum interest rate hedging:	
- current regulatory period	>75% debt
- next regulatory period	>50% debt

Financing strategy

- Capitalise on established long term financing platform
 - optimise issuance in different currencies and different levels in the capital structure
 - combine public issuance with private placements
- Maintain capital structure discipline
 - buffers to leverage triggers and covenants at each level in capital structure
 - diversified debt maturities: ~10% maximum maturities in any single year
 - target average life of debt of at least 10 years
- Heathrow's average annual financing requirement slightly over £1 billion to 2018
 - mainly refinancing existing debt maturities
 - likely to focus on Class A (bonds) and Heathrow Finance (bonds and term loans)
- Recent financing has extended maturity profile and reduced long-term cost of debt
 - €750 million 15 year public bond completed in February 2015
 - C\$500 million 10 year public bond completed in May 2015
 - raised approximately £300 million in long-term private placements in 2015
 - over £600 million in Heathrow Funding bonds matured in June 2015

Investment highlights

1

Strength and resilience
of the asset

2

Cash flow predictability
from stable regulatory
framework

3

Strong set of creditor
protections



Supplementary information



Recent operational developments

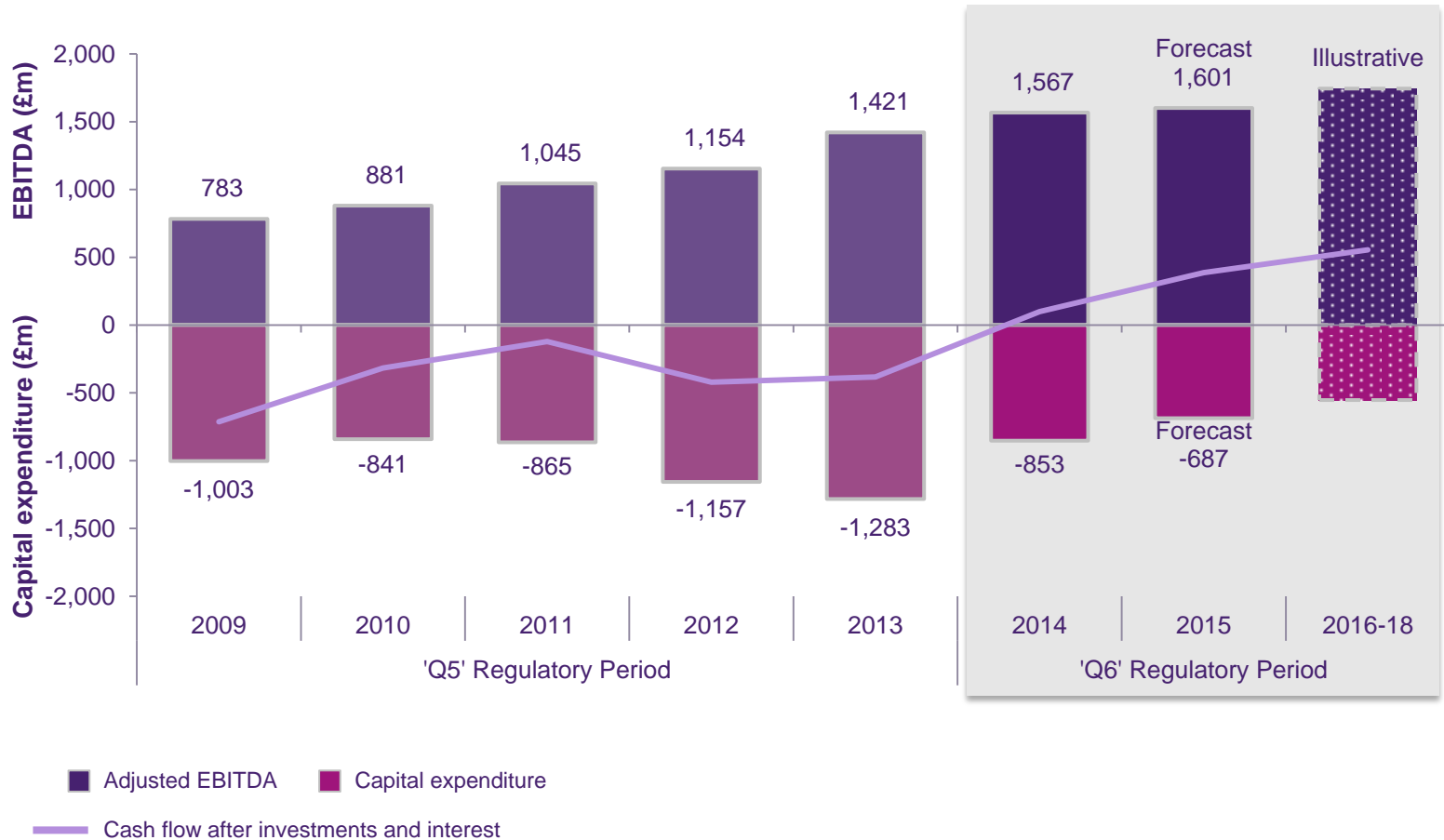
Financial highlights

(£m unless otherwise stated)	H1 2015	H1 2014	Versus H1 2014	2014	2013	Versus 2013
Revenue	1,307	1,234	+5.9%	2,692	2,474	+8.8%
Adjusted operating costs	559	530	+5.5%	1,125	1,053	+6.8%
Adjusted EBITDA	748	704	+6.3%	1,567	1,421	+10.3%
Capital expenditure	-322	-496	-35.1%	853	1,285	-33.6%

	Jun 2015	Dec 2014	Change from Dec 14	Dec 2014	Dec 2013	Change from Dec 13
Consolidated nominal net debt						
Heathrow (SP)	11,746	11,653	+0.8%	11,653	11,264	+3.5%
Heathrow Finance	12,650	12,560	+0.7%	12,560	12,025	+4.4%
RAB	14,870	14,860	+0.1%	14,860	14,585	+1.9%

Cash flow generation following heavy capital investment

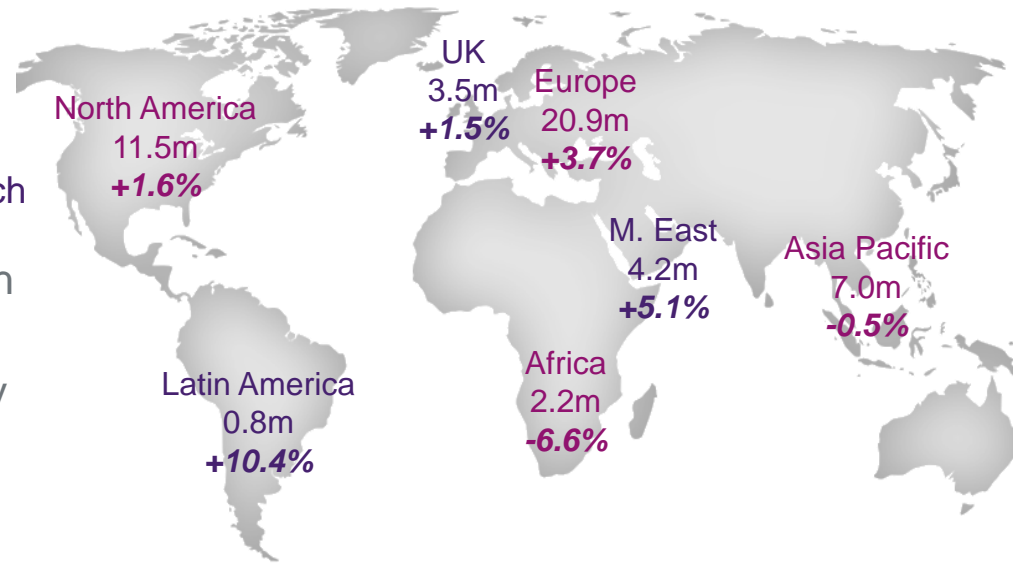
Evolution of EBITDA, capital expenditure and cash flow



Traffic growth from increased seat capacity

- Intercontinental traffic from more flights and larger planes
 - 8 airlines operating A380s at Heathrow with 23 daily flights
 - traffic to China and Hong Kong up 10%
 - Vietnam Airlines moved to Heathrow in March
- BA seat capacity drives European growth
- Cargo growth of 2.1% driven primarily by North America

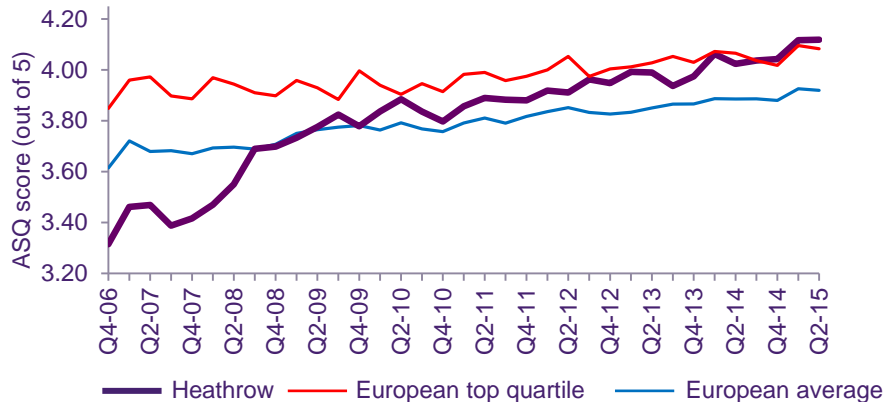
Passenger traffic by market
Jan-Aug 2015 versus Jan-Aug 2014



50.1 million passengers
+2.2%

Best ever passenger service levels

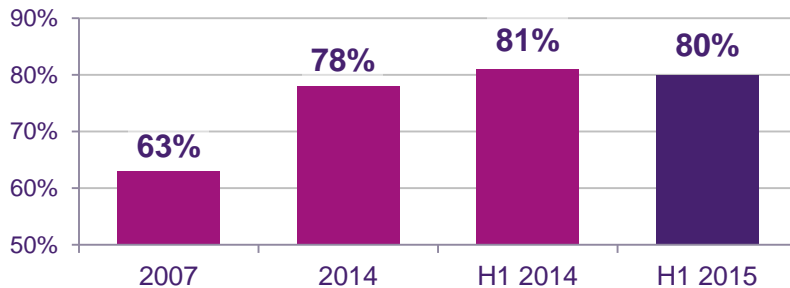
Quarterly passenger satisfaction
Q4 2006 – Q2 2015



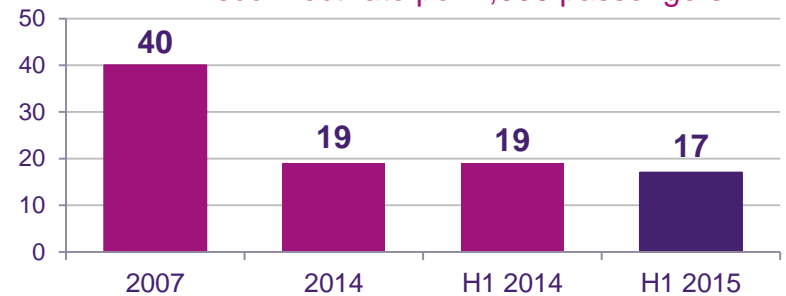
Passenger satisfaction European ranking
Q2 2015



Departures
within 15 minutes of schedule



Baggage performance
misconnect rate per 1,000 passengers



2015 Europe's Best Airport
(over 25 million passengers)



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
 - parallel loading security lanes in T4 and T5
 - Terminal 3 Integrated Baggage
 - 800 space business car park
 - expanded retail offer in Terminal 5
- Improving operational resilience and efficiency
 - 30x A380 stands for larger, quieter, cleaner planes
 - time-based separation
 - taxiway widening for A380s
- Blueprints for a sustainable Heathrow
 - reducing noise impact (November 2014)
 - improving air quality (April 2015)
 - public transport (July 2015)
- Innovation to reduce environmental impact
 - change operating procedures: single engine taxiing
 - increasingly quieter aircraft
 - Heathrow cycling scheme



Terminal 3 Integrated Baggage facility



2015 Eco-Innovation award: Heathrow

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Terminal 2 is the latest phase in £11 billion investment, transforming the airport for passengers and airlines

Terminal 5 A, B & C

- £4.3bn investment
- Enabler of 'masterplan'
- Winner of Skytrax award for world's best airport terminal
- Home of British Airways

Integrated baggage

- Automated hub connecting baggage across all terminals
- 110m bags a year

Terminal 1

- Refurbished check-in, departure lounge, and passport control
- Site of future T2 phase 2

Terminal 2 A and B

- £2.5bn investment
- Opened 4 June 2014
- Home of Star Alliance

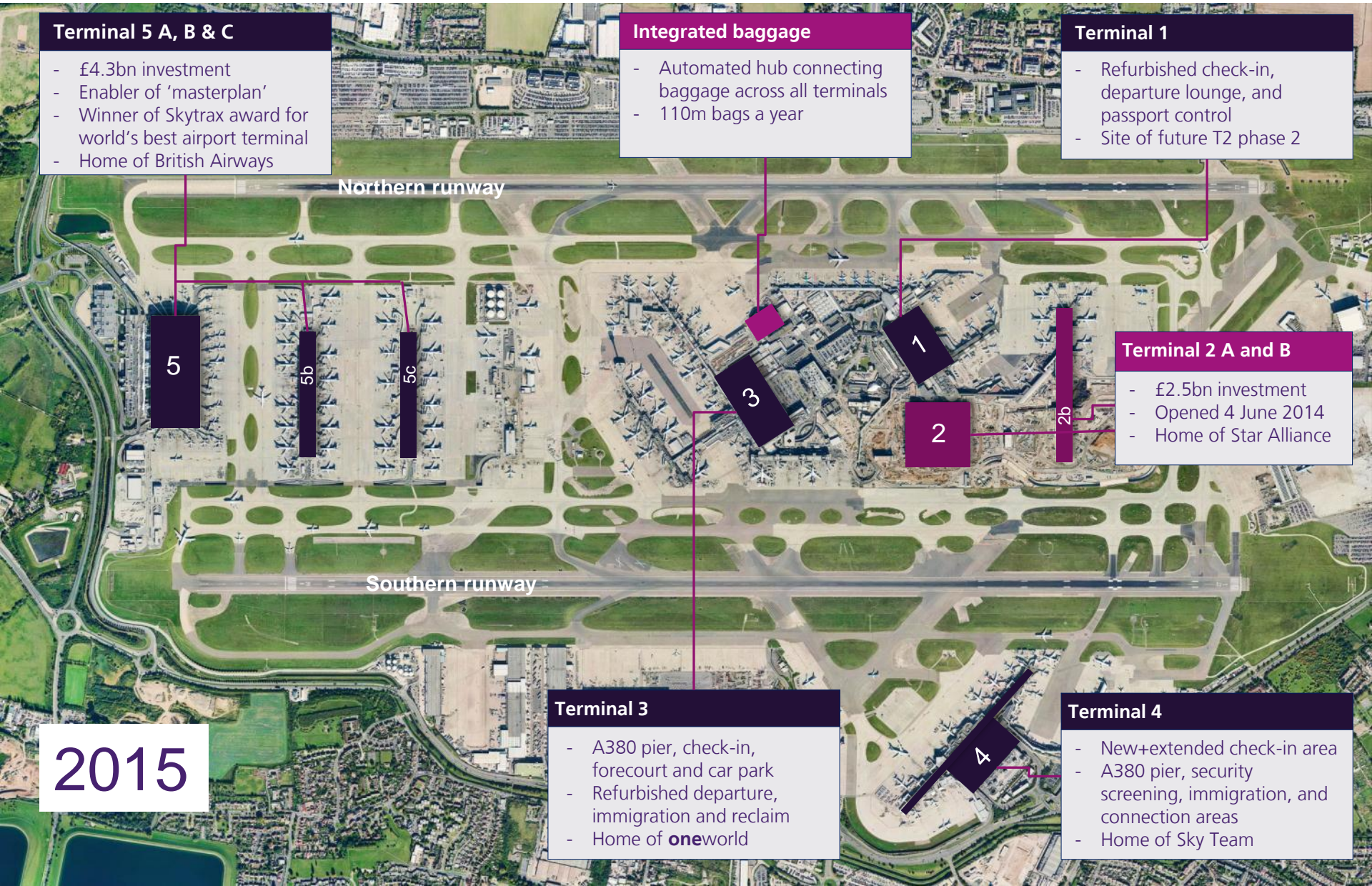
Terminal 3

- A380 pier, check-in, forecourt and car park
- Refurbished departure, immigration and reclaim
- Home of **oneworld**

Terminal 4

- New+extended check-in area
- A380 pier, security screening, immigration, and connection areas
- Home of Sky Team

2015





Funding

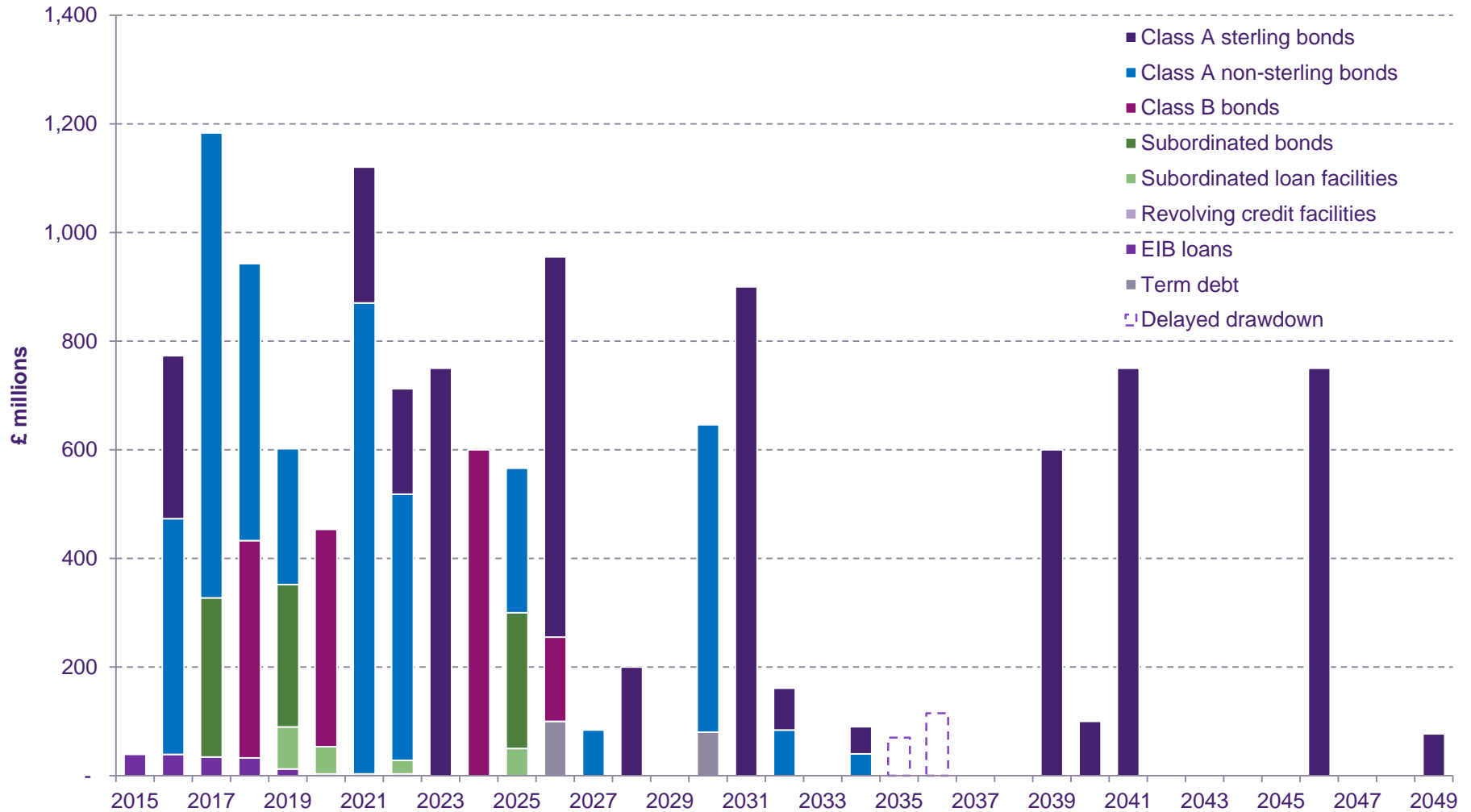
Heathrow's £13 billion debt financing strongly supported by global fixed income markets

- Strengthened financing position substantially in recent years
 - liquidity horizon currently extends to March 2017
 - average life of debt ~11 years
- Over the last 6 years, Heathrow has raised average of £2.0 billion per annum in debt
- In the same period, over 50% of Class A debt has been issued in non-sterling currencies

<i>Figures in £m and as at 30 June 2015</i>	Sterling bonds	Non-sterling bonds	Term notes and loans	Index-linked derivative accretion	Cash	Total net debt
Heathrow (SP) Class A	5,698	4,447	256	279	(489)	10,191
Heathrow (SP) Class B	1,555	-	-	-	-	1,555
Consolidated Heathrow (SP)	7,253	4,447	256	279	(489)	11,746
Heathrow Finance	805	-	153	-	(54)	904
Consolidated Heathrow Finance	8,058	4,447	409	279	(543)	12,650

Diversified debt maturities

Heathrow airport debt maturity profile
(Heathrow (SP) Limited and Heathrow Finance plc at 31 August 2015)



Robust and improved financial ratios

	Trigger / covenant	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014
RAR: Regulatory Asset Ratio (Net debt/RAB)						
Heathrow (SP) Class A RAR	70.0%/72.5%	68.8%	68.0%	66.2%	67.6%	68.0%
Heathrow (SP) Class B RAR	85.0%	77.7%	75.4%	76.7%	77.2%	78.4%
Heathrow Finance RAR	90.0/92.5%	81.4%	79.4%	81.6%	82.4%	84.5%
Gearing ratios (Net debt/Adjusted EBITDA)						
Heathrow (SP) Class A gearing		9.1x	8.3x	7.8x	6.9x	6.4x
Heathrow (SP) Class B gearing		10.3x	9.2x	9.0x	7.9x	7.4x
Heathrow Finance gearing		10.8x	9.7x	9.6x	8.5x	8.0x
ICR: Interest Cover Ratio						
Heathrow (SP) Senior ICR	1.40x	2.08x	2.76x	2.62x	3.08x	2.98x
Heathrow (SP) Junior ICR	1.20x	1.85x	2.34x	2.30x	2.43x	2.43x
Heathrow Finance ICR	1.00x	1.55x	2.17x	2.08x	2.22x	2.23x

Disclosure and transparency is key for Heathrow

Annual and half year statutory accounts for all entities

Heathrow (SP) Limited
Annual report and financial statements for the year ended 31 December 2013

Traffic Summary December 2014

Monthly traffic stats

Terminal Passengers (000s)	Month	% Change	Jan to Dec 2014	% Change	Jan 2014 to Dec 2014	% Change
Heathrow	5,826	2.4	73,375	1.4	73,375	1.4
Air Transport Movements	Month	% Change	Jan to Dec 2014	% Change	Jan 2014 to Dec 2014	% Change
Heathrow	37,267	2.0	470,695	0.2	470,695	0.2
Cargo (Metric Tonnes)	Month	% Change	Jan to Dec 2014	% Change	Jan 2014 to Dec 2014	% Change
Heathrow	126,134	6.2	1,499,081	5.3	1,499,081	6.3

Market comparison (000s)

Market	Month	% Change	Jan to Dec 2014	% Change	Jan 2014 to Dec 2014	% Change
UK	438	9.8	5,284	5.5	5,284	5.5
Europe	2,308	3.5	29,987	0.2	29,987	0.2
Africa	303	-5.1	3,526	-0.2	3,526	-0.2
North America	1,364	1.9	16,972	1.7	16,972	-0.2
Middle East	94	6.8	1,118	6.3	1,118	1.7
Asia / Pacific	543	-1.2	6,047	3.4	6,047	3.4
Total	887	2.4	10,442	1.5	10,442	1.5

Note: Origin and destination is classified according to ultimate origin or destination of aircraft in the case of multi sector flights.

Quarterly results

News release

Heathrow (SP) Limited Results for the nine months ended 30 September 2014

- Heathrow (SP) Limited (Heathrow) and together with its subsidiaries is referred to as the Group. Heathrow Finance plc is the parent company of Heathrow (SP) Limited.
- Heathrow delivers three quarters of record passenger satisfaction.
- Strong traffic performance, with 55.7 million passengers using Heathrow, growth of 1.5% driven by performance with 14.2% increase and EBITDA up 12.4% to £1,172 million.
- Recorded an 8.2% to £1,260 million and EBITDA up 12.4% to £1,172 million.
- Successful transport of 26 tonnes as the best solution to the UK's high capacity crisis as the Airport Commission considers its national consultation on airport expansion.

	2014	2013	Change (%)
Revenue	1,260	1,036	8.2
Adjusted EBITDA*	1,172	1,043	11.0
Operating profit	584	588	0.9
Profit before tax	1,172	1,036	11.0
Profit after tax	584	588	0.9
Adjusted EBITDA*	1,172	1,036	11.0
Operating profit	1,260	1,036	11.0
Profit before tax	1,172	1,036	11.0
Profit after tax	584	588	0.9

Quarterly results calls



Heathrow (SP) Limited
Results for year ended 31 December 2014

Heathrow
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Semi-annual Investor Report with forecasts

...even more on Investor Centre

Base prospectus updated annually

Prospectus dated 16 December 2014

Heathrow (SP) Limited and Heathrow Finance plc Investor Report

12 December 2014

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Making every journey better

Notes, sources and defined terms

- Page 5
 - Source of market size: Airports Commission Interim Report 17 December 2013, PwC and Sabre
 - Source of airport rankings Airports Council International (“ACI”) data to 31 July 2015
 - Number of top 10 intercontinental routes involving Heathrow sourced from OAG based available seats on non stop flights over 2,200 nautical miles for 2015
- Page 9
 - Heathrow Airport Limited has a wholly-owned subsidiary, Heathrow Express Operating Company Limited that sits within the ringfence financing structure
 - Class A net debt includes Class A nominal debt, index-linked accretion and cash
- Page 10
 - Regulatory asset ratio (RAR) is nominal net debt (including index-linked accretion) to RAB. Interest cover ratio (ICR) is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid
 - RAR is trigger event at Class A and Class B and financial covenant at Heathrow Finance; Class A RAR trigger ratio increases to 72.5% from 1 April 2018; two Class B triggers apply: at Heathrow Finance it is 82.0%)and Heathrow (SP) Limited it is 85.0%; Heathrow Finance RAR covenant is 90.0% until Heathrow Finance 2017 Notes and 2019 Notes and Heathrow Finance facilities either mature or are repaid from when its RAR covenant moves to 92.5%
 - Five Year Period is each consecutive five year period from 1 April 2008
- Page 15
 - 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 16
 - Adjusted EBITDA: Heathrow only (i.e. excludes Gatwick and Stansted) earnings before interest, tax, depreciation and amortisation and exceptional items
 - Cash flow after investment and interest is net cash generated from operations after capital expenditure and net interest paid
 - Cash flow from operations and capital expenditure relate to Heathrow only (i.e. excludes Gatwick and Stansted). Net interest paid relate to the reported figures for the Heathrow (SP) group (i.e. includes Gatwick and Stansted). Cash flow after investment and interest would be higher if the interest applicable to non-Heathrow airports were to be removed.
- Page 17
 - Commentary as at 30 June 2015, data updated to July 2015
- Page 18
 - 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 : global awards for the World's Best Airports, voted by travellers from over 160 countries in the largest airport Customer Satisfaction survey
- Page 22
 - Calculation of annual average debt raised and proportion of Class A debt issued in non-sterling currencies for the 6 year period ending June 2015 and includes debt entered into and yet to be drawn
- Page 23
 - Debt maturity profile excludes index-linked derivative accretion. Debt maturity profile based on debt outstanding at 30 June 2015, rolled forward to include scheduled drawdown of debt in July 2015
- Page 24
 - Refer to note relating to page 10 for definitions and notes on RAR and ICR

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