



Heathrow (SP) Limited Heathrow Finance plc

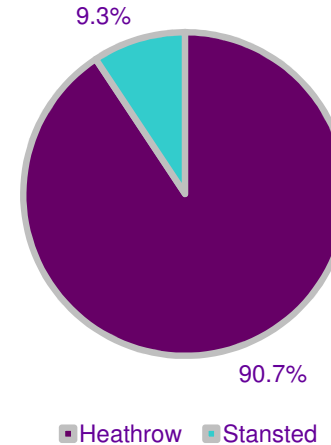
2012 Citi European Credit Conference

November 2012

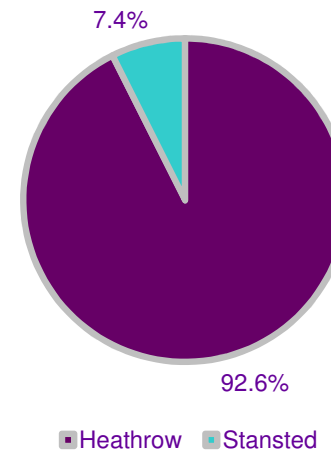
Introduction to London airports

- Heathrow and Stansted are the two largest airports owned by group
 - Heathrow dominates the group
 - Stansted to be sold in coming months
- Because of their importance, the UK Government requires Heathrow and Stansted to be independently regulated
- Civil Aviation Authority resets price caps every 5 or 6 years, protecting against cost increases and revenue downturns
- London airports ring-fenced from rest of group's airports and financed separately
- Strong security package for creditors

Split of RAB between Heathrow and Stansted
(as at 30 September 2012)

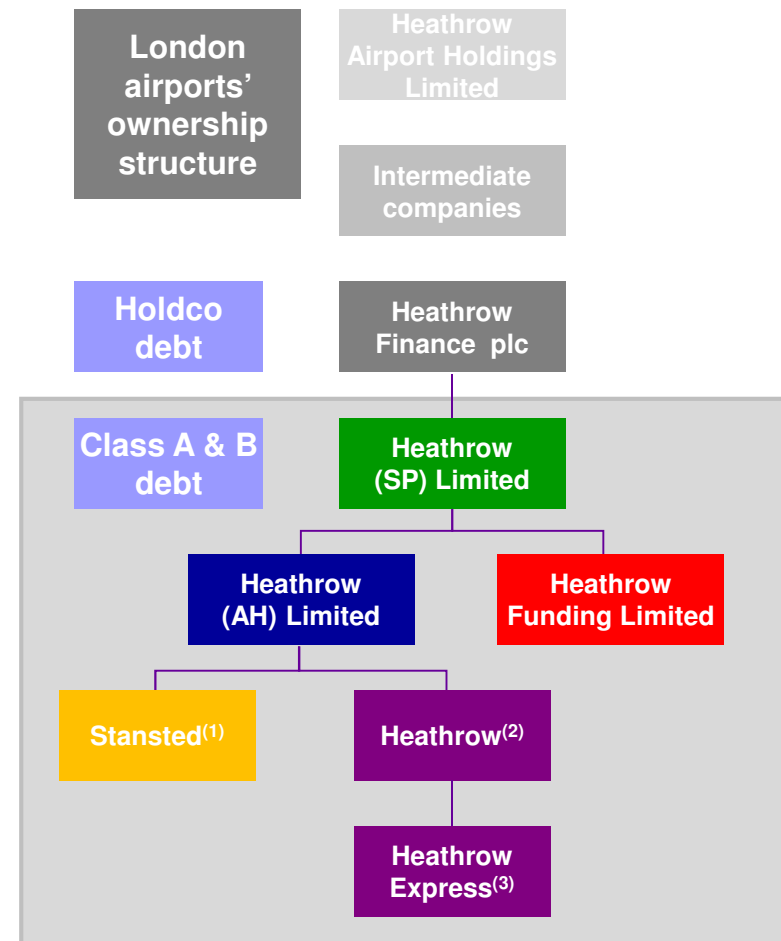


Split of Adjusted EBITDA between Heathrow and Stansted
(for 12 months ended 30 September 2012)



London airports' ownership and financing structure

- Indirectly wholly-owned by entities controlled or managed by (on Qatar Holding's share purchase completing)
 - Ferrovial: 33.65%
 - Qatar Holding: 20.00%
 - CDPQ: 13.29%
 - GIC: 11.88%
 - Alinda Capital Partners: 11.18%
 - China Investment Corporation: 10.00%
- London airports issue debt at 3 levels in capital structure
 - predominantly in capital markets
 - Heathrow Funding Limited issues Class A/B bonds rated A-/BBB respectively
 - Heathrow Finance plc issues holding company bonds rated BB+/Ba3



Notes

- (1) Stansted: Stansted Airport Limited
- (2) Heathrow: Heathrow Airport Limited
- (3) Heathrow Express: Heathrow Express Operating Company Limited

Heathrow – critical infrastructure provides strong resilience

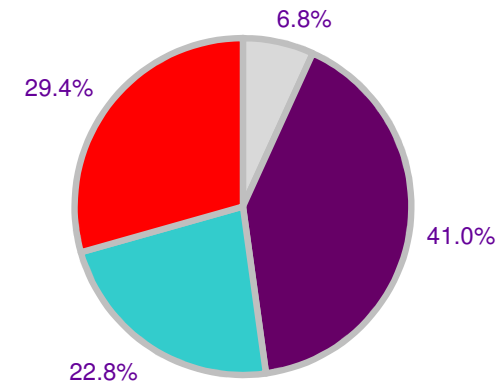
- Heathrow is London's and the UK's only hub airport
- Europe's busiest airport and world's busiest airport for international traffic
- Heathrow has 7 of the global top 10 intercontinental long haul routes
- 80% of UK scheduled long haul traffic
- British Airways' worldwide hub



Heathrow's resilience and diversity

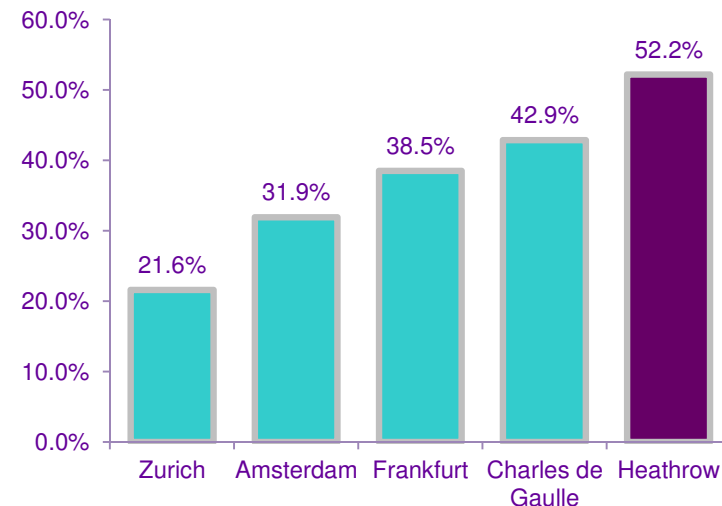
- Unique traffic resilience
 - operating close to full capacity
 - strength in high growth long haul
 - countercyclical transfer traffic
- Key global hub airport benefiting from strength of London catchment area
- Passenger and airline diversity
 - balanced business and leisure traffic
 - >50% non-UK resident passengers
 - **oneworld** accounts for 55% of traffic following acquisition of bmi by IAG
 - Aéroports de Paris: 58% SkyTeam
 - Frankfurt: 77% Star Alliance
 - Schiphol: 61% SkyTeam
 - Zurich: 69% Star Alliance

Heathrow passenger traffic by origin/destination in year ended 31 December 2011



Legend: Domestic (grey), European (purple), North Atlantic (teal), Other long haul (red)

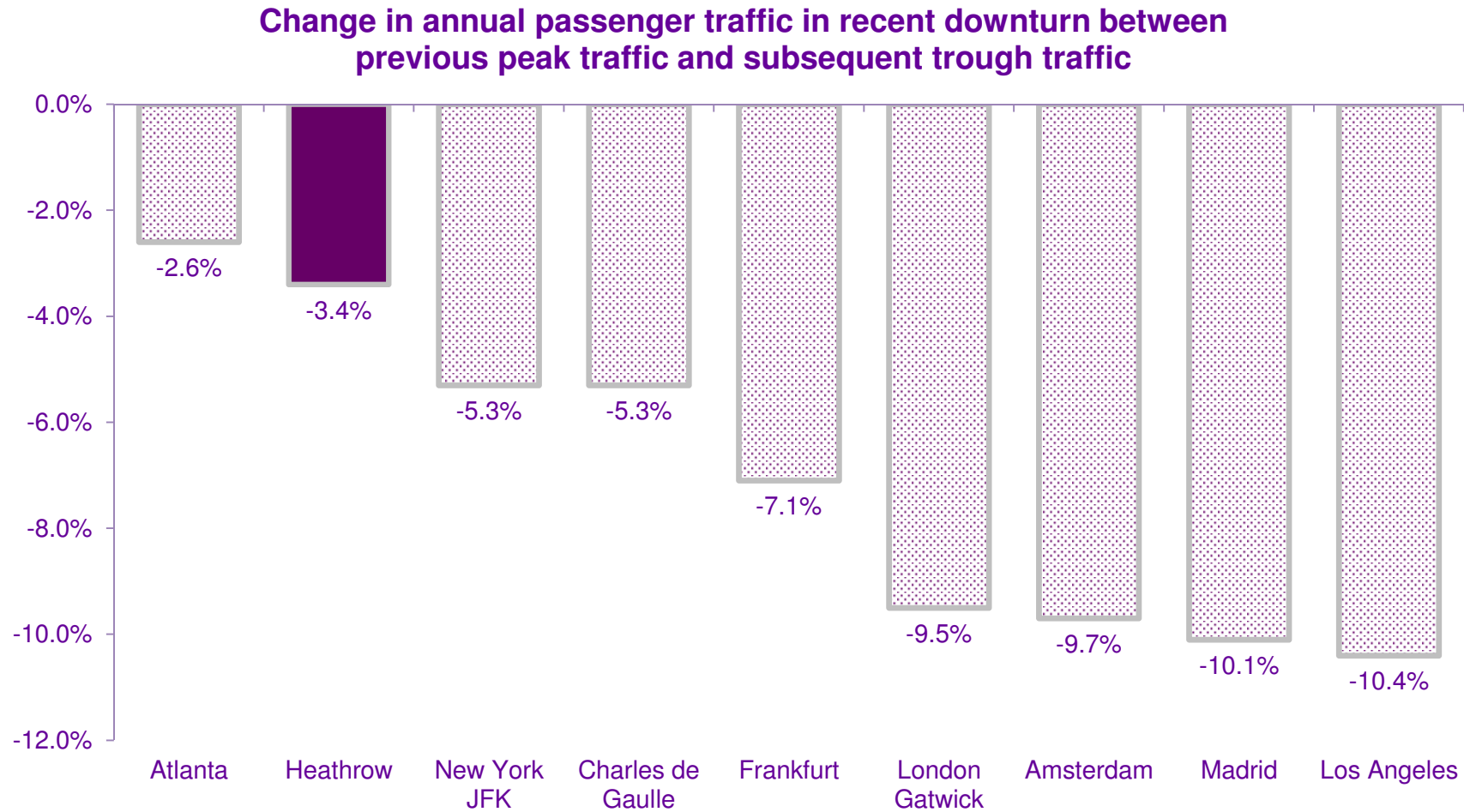
Proportion of long haul traffic (2011)



Heathrow 

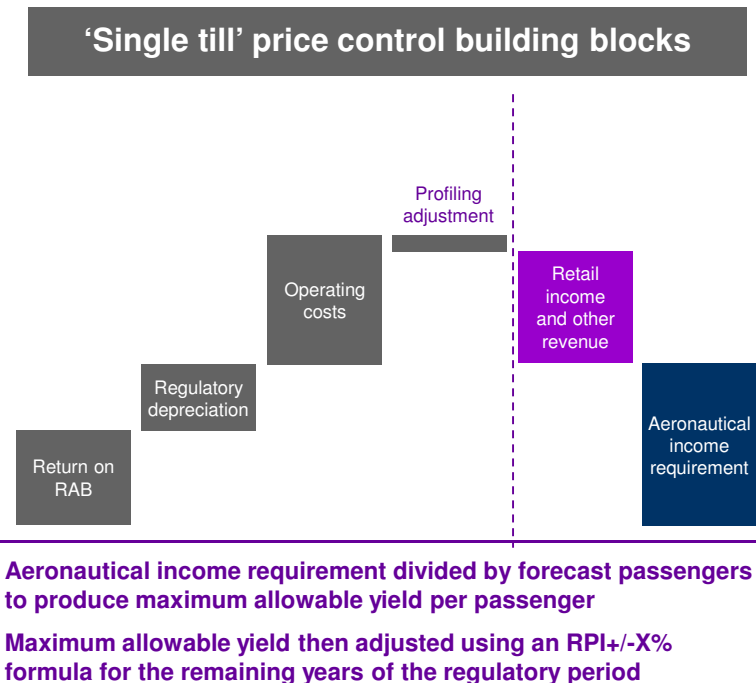
Making every journey better

Heathrow's exceptional resilience in 2008-2009 downturn



Stable regulatory framework provides cash flow predictability and mitigates market risk

- Tariffs allow recovery of cost of capital, operating costs and capital investment
 - tariffs increasing at RPI+7.5% at Heathrow and RPI+1.63% at Stansted
 - current regulatory periods run to March 2014
- Tariffs reset usually every five years
 - protects against cost and revenue volatility
 - consistent methodology for setting tariffs since 1987
- Independent regulator (Civil Aviation Authority) with role defined by UK law
 - new legislation expected to further strengthen creditor protections
- ‘Single till’ price regulation similar to other UK regulated utilities

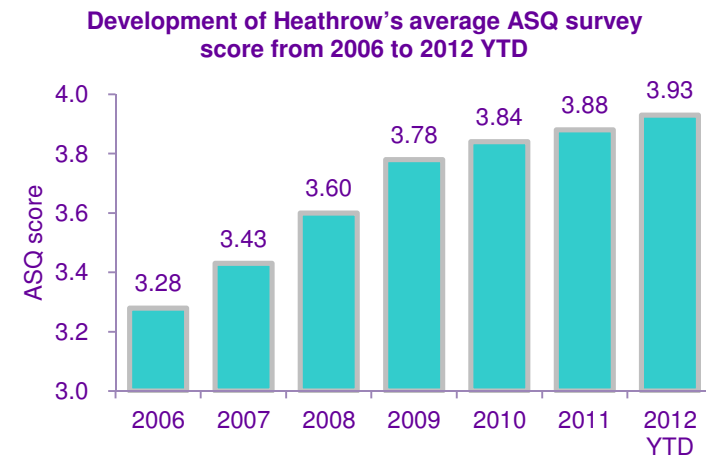


Strategy is to consolidate and develop Heathrow's leading position in UK, European and global aviation market

- Focused on developing Heathrow's position as
 - world's busiest international airport
 - Europe's hub airport of choice
 - the UK's gateway to the world
- Support and develop Heathrow's role as a global hub by
 - investing in further capacity
 - lowering airline operating costs
 - improving passenger experience and service standards
 - upgrading rail links
 - enhancing operational flexibility and resilience

Focus on service improvements has driven Heathrow passenger satisfaction towards top of European peer group

- Consistently improving passenger satisfaction in external surveys
 - ranked second amongst 5 largest European airports
 - Terminal 5 voted world's best airport terminal
- 2011 punctuality best in over a decade
 - Heathrow: 79% (2010: 71%)
 - Stansted: 88% (2010: 78%)
- Improved baggage performance
 - Heathrow 2011 baggage misconnect rate of 15 per 1,000 passengers (2010: 18)
- Strong performance during Olympics
- Operational freedom during disruption could improve service further



Transforming infrastructure to enhance competitive position

- Investing about £1 billion per annum
 - agreed in advance with airlines and regulator
 - capital expenditure added to RAB which then earns regulated revenues for BAA
- New Terminal 2 under construction
 - >£2.2 billion cost and due to open in 2014
 - airline occupancy under review following acquisition of bmi by IAG
- Significant spend on baggage systems
- By 2014
 - 70% of passengers using new terminals and 30% using refurbished terminals
 - newest major European airport infrastructure



Terminal 2 site – July 2012

Key current issues

- **Sale of Stansted airport**
 - formal sale process commenced
 - net sale proceeds to be applied in reducing debt
- **Next regulatory period ('Q6')**
 - Heathrow initial business plan submitted in July 2012
 - report on constructive engagement with airlines submitted in December 2012
 - final business plan submitted end January 2013
 - CAA's initial and final price cap proposals expected in April and September 2013
- **Hub airport capacity and aviation policy review**
 - commission established to identify options for maintaining UK's aviation hub status
 - by end 2013, set out steps required to maintain hub status and immediate actions to improve use of existing runways
 - by summer 2015, recommend optimum ways to meet long-term connectivity needs

Record Heathrow traffic for 2012 to date

- Monthly Heathrow records in January, April, June and September
- Business and leisure traffic lower in July and August
 - performance normalised in September and October
- North Atlantic driving Heathrow growth
- Summer traffic shortfall unlikely to be recovered in rest of 2012
 - 2012 Heathrow traffic previously forecast to be 70.9 million

Passenger traffic

10 months ended 31 October
2011 (m) 2012 (m) Change

By airport

Heathrow	58.7	59.0	0.6%
Stansted	15.7	15.0	-4.5%
Total	74.4	74.0	-0.5%

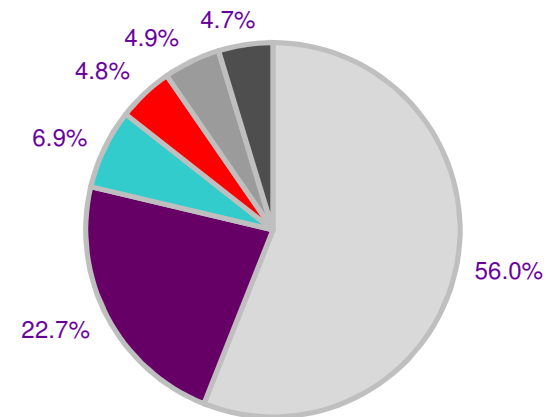
By market served

UK	5.2	5.0	-3.9%
Europe	38.1	37.8	-0.8%
Long haul	31.1	31.2	0.5%
Total	74.4	74.0	-0.5%

Diverse and growing revenue streams

- **Aeronautical income charged to airlines**
 - mix of departing passenger, landing and parking charges
 - tariffs increasing annually by RPI+7.5% at Heathrow and RPI+1.63% at Stansted
- **Retail income mainly from concessions**
 - key revenue streams: duty and tax-free, airside specialist shops and car parking
 - long term success lowers tariffs
 - Heathrow retail income per passenger up nearly 30% between 2008 and 2011
- **Other revenues include**
 - operational facilities and utilities charged to airlines and other airport users
 - property rental for use of airport premises
 - rail income from Heathrow Express (also up nearly 30% between 2008 and 2011)

London airports' total revenue – 2011



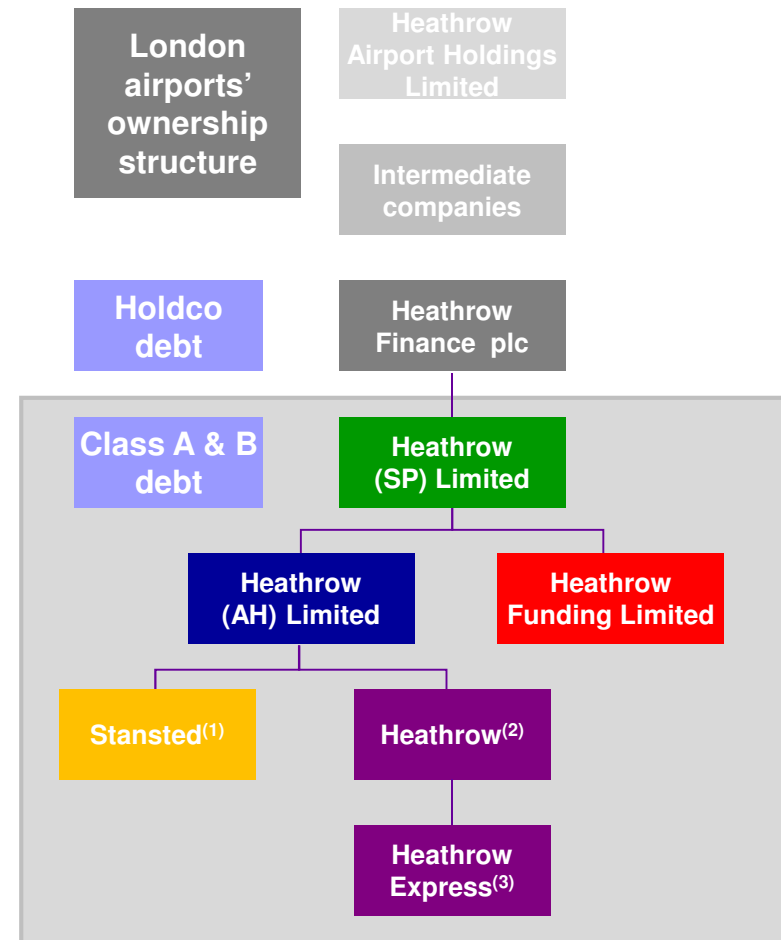
■ Aeronautical ■ Retail ■ Facilities/utilities ■ Property rental ■ Rail ■ Other

Track record of strong revenue and Adjusted EBITDA growth



Strong creditor protections of Heathrow (SP) Limited financing

- **First ranking security**
 - mortgage over two airports' 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 triggers (distribution lock-ups)**
 - leverage and interest cover
 - minimum BBB+ rating for Class A debt
 - minimum 12 months liquidity
 - restrictions on business activities, acquisitions and disposals
- **Significant additional liquidity support**
- **Minimum hedging requirement**



Notes

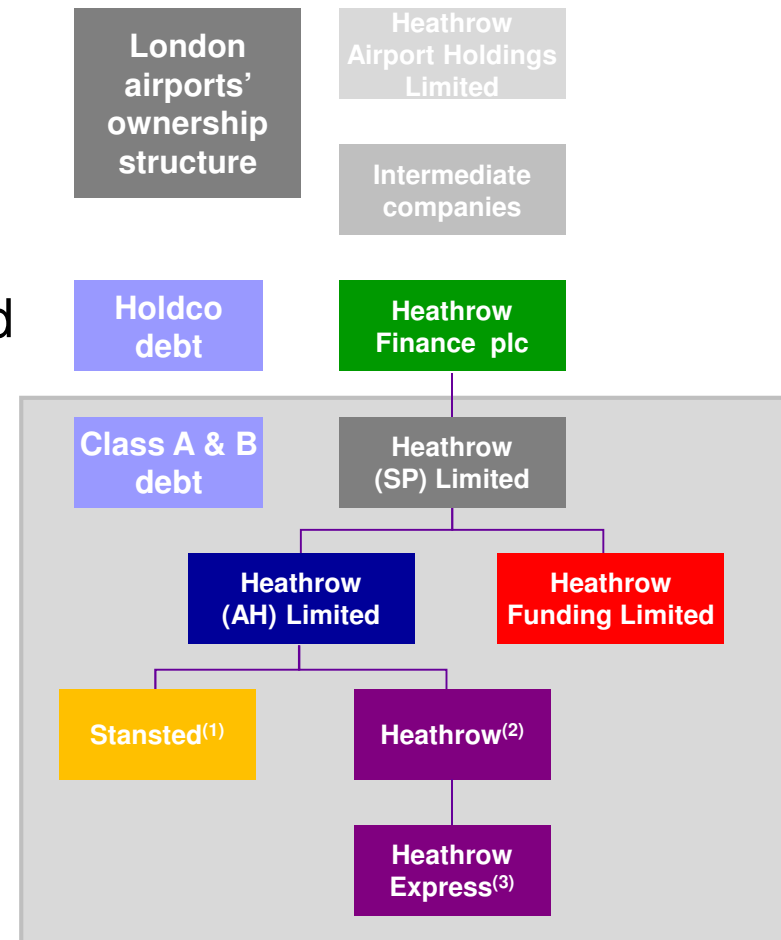
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Strong creditor protections of Heathrow Finance plc financing

- Debt serviced through distributions from Heathrow (SP) Limited
 - distribution regime cannot be made stricter
- Pledge over Heathrow Finance plc and Heathrow (SP) Limited shares
 - all Heathrow Finance debt ranks pari-passu
- Financial covenants – leverage and interest cover
- Differing distribution lock-ups ensure liquidity buffer at Heathrow Finance
 - Class B lock-up of 85% at Heathrow (SP) Limited but 82% at Heathrow Finance
- Indirect benefit from Heathrow (SP) Limited triggers and covenants
- Existing 2017 notes rated BB+/Ba3



Notes

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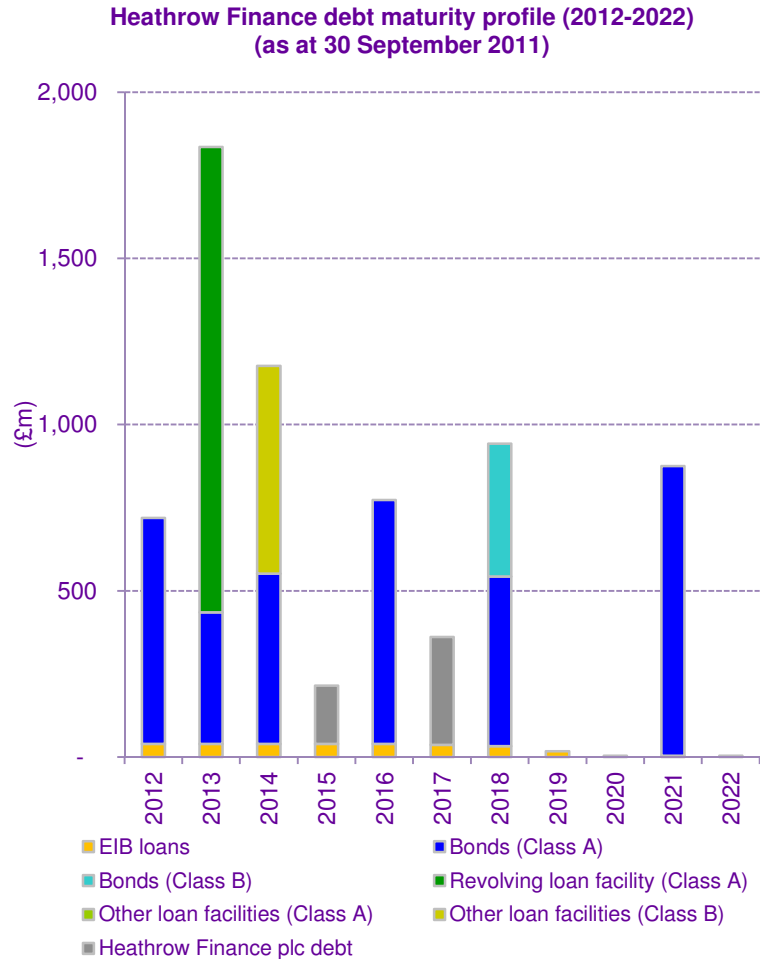
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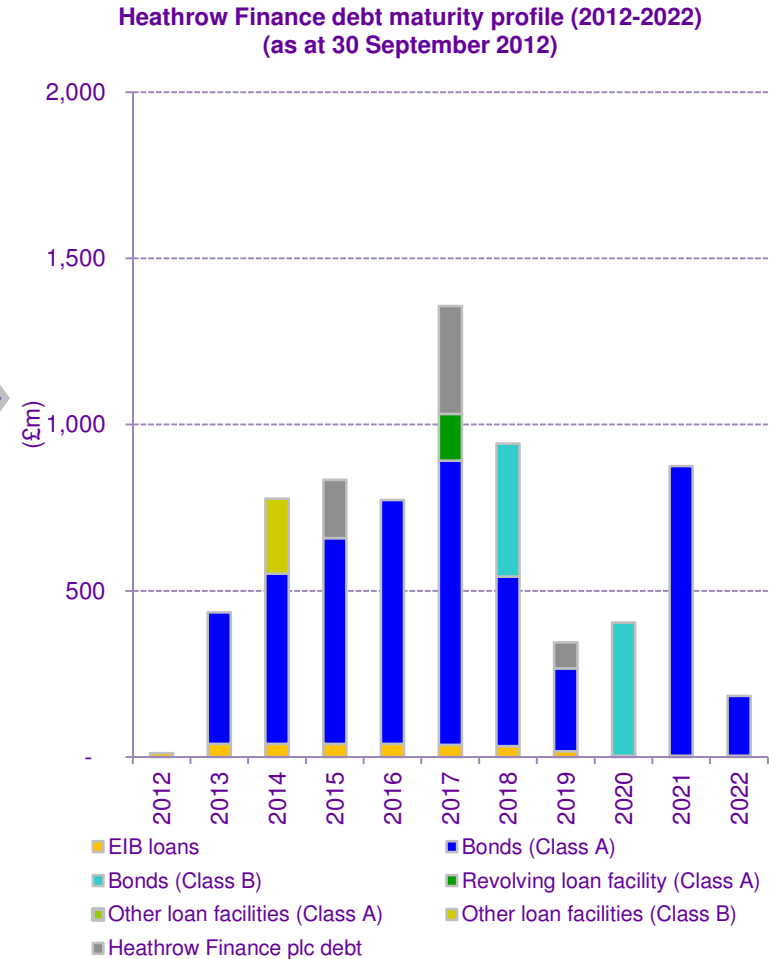
Financing transformed in last 3 years

	September 2009		September 2012	Change
Average life of debt	6.0 years	→	10.4 years	+4.4 years
Debt due within 3 years	£5.4 billion	→	£2.0 billion	-£3.4bn
Bond proportion of total debt	40%	→	92%	+52pp
Liquidity horizon	12 months	→	24 months	+100%
Bond issue currencies	2	→	5	+3
Foreign currency bonds	£1.7bn (38%)	→	£3.6bn (34%)	+£1.9bn

Significantly improved debt maturity profile



£3.7 billion maturing beyond 2022



£4.5 billion maturing beyond 2022

Significant headroom maintained against financial ratios

Gearing ratios (RAR)					
	Trigger/covenant levels	31 Dec 2009 (actual)	31 Dec 2010 (actual)	31 Dec 2011 (actual)	31 Dec 2012 (forecast)
Heathrow (SP) Senior RAR	70.0%	67.5%	68.8%	68.0%	66.6%
Heathrow (SP) Junior RAR	85.0%	73.1%	77.7%	75.4%	77.5%
Heathrow Finance RAR	90.0%	86.5%	81.4%	79.4%	81.4%

Interest cover ratios (ICR)					
	Trigger/covenant levels	Year ended 31 December			
		2009 (actual)	2010 (actual)	2011 (actual)	2012 (forecast)
Heathrow (SP) Senior ICR	1.40x	1.62x	2.08x	2.76x	2.78x
Heathrow (SP) Junior ICR	1.20x	1.48x	1.85x	2.34x	2.44x
Heathrow Finance ICR	1.00x	1.15x	1.55x	2.17x	2.23x

Key future financing themes

- **Average annual financing requirement declining to less than £1.5 billion**
 - completed refinancing of loan facilities
 - expected reduced capital programme
 - expected continued growth in operating cash flows
- **Liquidity till second half of 2014**
 - supported by newly refinanced 5 year revolving credit facility
 - Stansted sale proceeds will enhance liquidity and reduce near term financing needs
- **Optimising use of established long term financing platform**
 - continue considering issuance in different currency markets
 - combine ‘syndicated’ bonds with taps/private placements
 - consider more actively managing existing debt portfolio
 - increased selectivity

Investment highlights

- Stability and resilience of world's leading international hub airport
 - 7 of top 10 intercontinental long haul routes
 - number 1 airport globally for international passengers
- Resilient and growing cash flow post debt service underpinned by stable independent regulatory environment
 - regular tariff resets protect against revenue and cost volatility
- Strong security package available to senior creditors
- Continued improvement in operational performance
- Capital investment to enhance competitive position

Notes, sources and defined terms

- **Page 2**
 - RAB: Regulatory Asset Base
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- **Page 4**
 - Sources: relevant airport websites other than Haneda; data for Haneda derived from Airports Council International data
 - Number of top 10 intercontinental routes involving Heathrow sourced from OAG based available seats on non stop flights over 2,800 nautical miles for week commencing 25 June 2012
 - Proportion of UK scheduled long haul traffic derived from CAA data for year ended 31 December 2011
- **Page 5**
 - Proportions of traffic from main airline alliance are for 2011 and for Aéroports de Paris is taken from page 28 of Aéroports de Paris' '2011 Registration Document', for Frankfurt is taken from page 9 (slide 16) of the 'Fraport 2011 Visual Fact Book', for Schiphol is taken from page 25 of its 'Traffic Review 2011' document and for Zurich is taken from page 38 of its 'Analysts' Presentation – 2011 Financial Results' document
 - Proportion of long haul traffic data taken or derived from data on relevant airport websites
- **Page 6**
 - Figures derived from traffic statistics taken from relevant airport websites
 - Peak to trough traffic performance reflects change in rolling 12 months traffic typically from peak that happened around or just before the onset of the main part of the global financial crisis in September 2008 to the subsequent trough in traffic during 2009. For European airports it excludes the effect of the subsequent disruption from volcanic ash in April 2010
- **Page 9**
 - Source of data in chart: Quarterly Airport Service Quality ('ASQ') surveys by Airports Council International. Survey scores can range between 0 and 5 with 5 the best possible score
 - Terminal 5 voted best airport terminal in the world in 2012 SKYTRAX World Airport Awards
 - 2006 ASQ score is average from second quarter onwards which is when Heathrow joined the survey; 2012 ASQ score is average up to the third quarter of the year
- **Page 12**
 - Totals and percentage change calculated using un-rounded passenger numbers
 - European traffic includes North African charter traffic
- **Page 14**
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Figures are in respect of continuing operations only (i.e. exclude Gatwick between 2007 and 2009)
- **Page 17**
 - Figures are in respect of Heathrow Finance plc external nominal debt
 - Bond proportion of total debt is proportion of gross debt excluding index-linked accretion
 - Proportion of foreign currency bonds is as a proportion of total bond debt
- **Page 19**
 - Gearing ratio or RAR is the ratio of nominal net debt (including index-linked accretion) to RAB. Net debt at 31 December 2009 excludes £143 million restricted cash from the Gatwick disposal held to meet potential pension payments
 - Forecast RARs at 31 December 2012 taken from investor report issued on 26 June 2012
 - Interest cover ratio or ICR is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid
 - Forecast ICRs for the year ended 31 December 2012 taken from investor report issued on 26 June 2012

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