



Heathrow (SP) Limited

Results for six months ended 30 June 2014

25 July 2014

Heathrow
Making every journey better



Half year highlights

John Holland-Kaye, CEO

2014 half year highlights

1

Operational highlights

- 4.02 ASQ rating, passenger satisfaction growing
- Traffic up 1.9% driven by intercontinental demand
- Terminal 2 successfully started operations

2

Financial performance

- Revenue up 7.4% and EBITDA up 15.4%, providing steady start to new regulatory period
- £1.3 billion of attractively priced debt financing secured

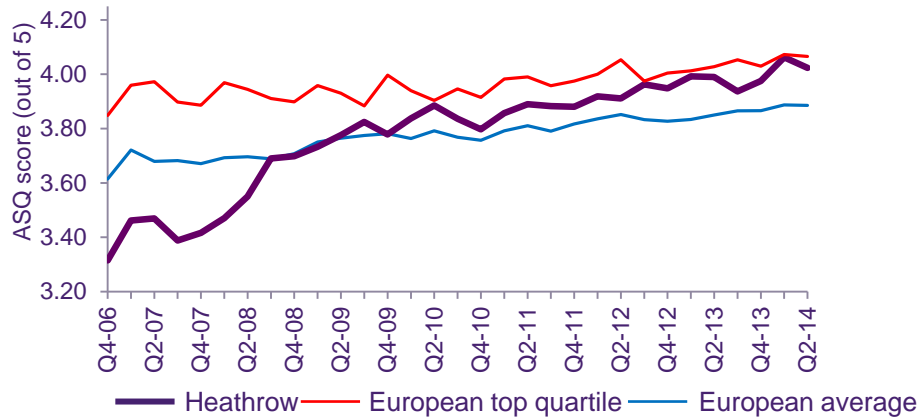
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Strategic aims

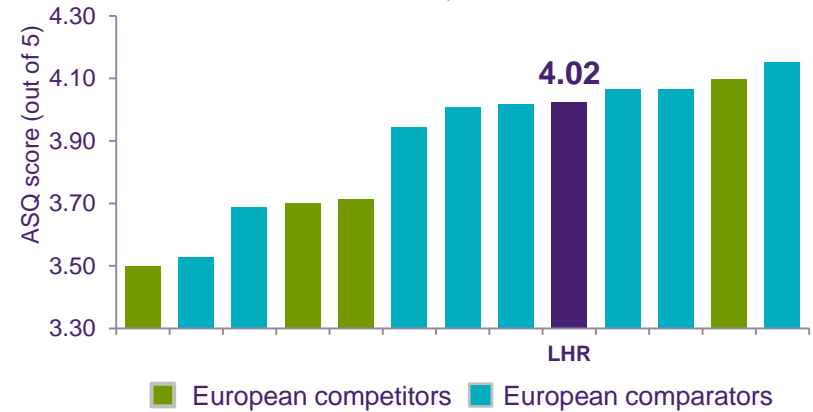
- Heathrow is now among best airports in Europe
- Our ambition is to be as good as the world's best

Heathrow achieves record passenger satisfaction

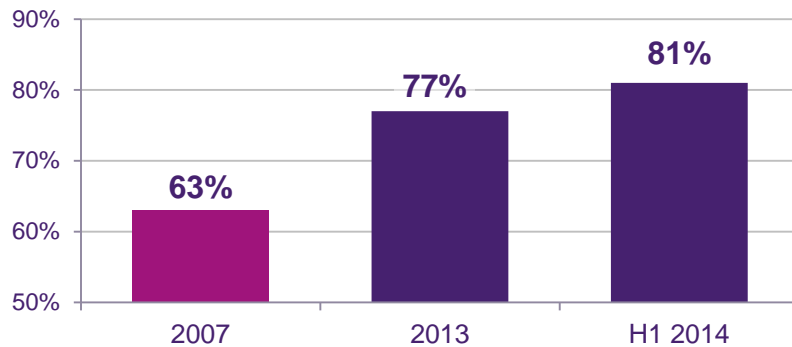
Quarterly passenger satisfaction
Q4 2006 – Q2 2014



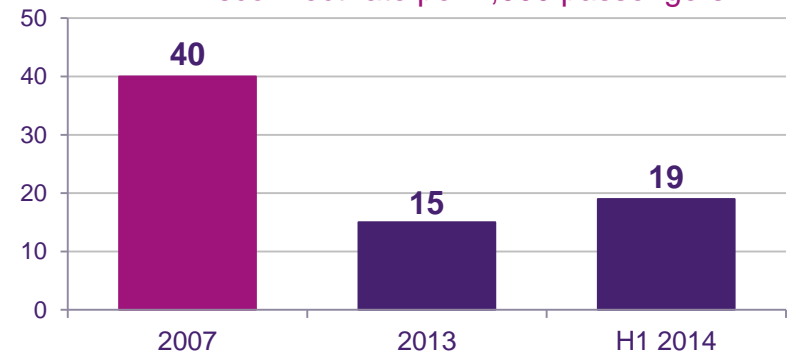
Passenger satisfaction European ranking
Q2 2014



Departures
within 15 minutes of schedule



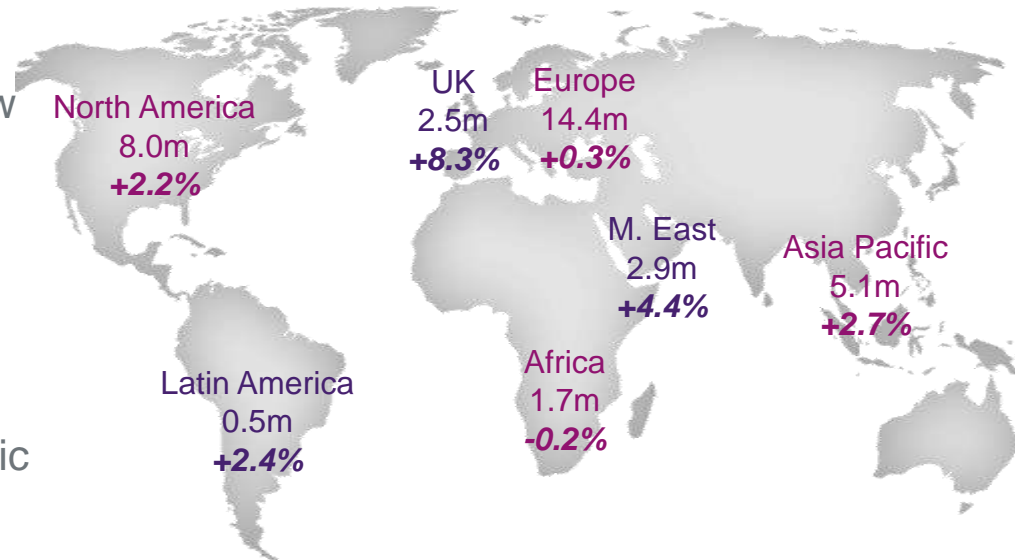
Baggage performance
misconnect rate per 1,000 passengers



Traffic growth from intercontinental routes

- Growth in intercontinental traffic from new routes and additional frequencies
- North American growth supported by new destinations and increased frequencies
- Increase in other long haul markets supported by growth in China, Japan, Hong Kong and Mexico
- Rise in domestic traffic from Virgin Atlantic Little Red services
- European traffic growth moderate, retaining step change from 2013
- Cargo growth of 4% driven by China, Japan, Brazil and USA

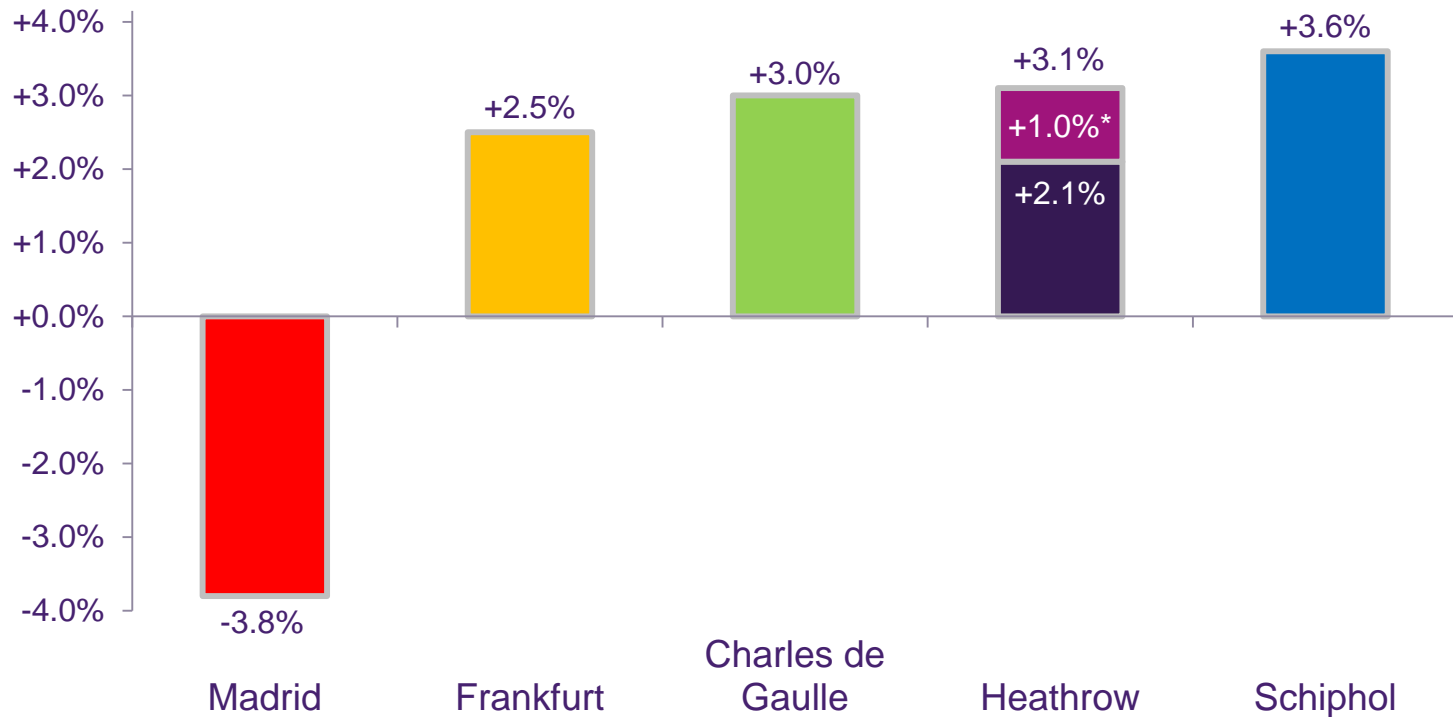
Passenger traffic by market H1 2014 versus H1 2013



35.1 million passengers
+1.9%

Traffic growth consistent with major European hubs despite capacity constraint

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



* 12 months to June 2013 contains impact of Olympic Games

Terminal 2 - The Queen's Terminal successfully started operations on 4 June

- 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
- Eight airlines moves completed
 - United Airlines, Air Canada, Air China, All Nippon Airways, Avianca, Eva Air, Aegean Airlines and Aer Lingus
 - phased transition from 17 daily departures , one airline on day one to 176 daily departures, 26 airlines by October



Terminal 2 departure lounge



Financial review

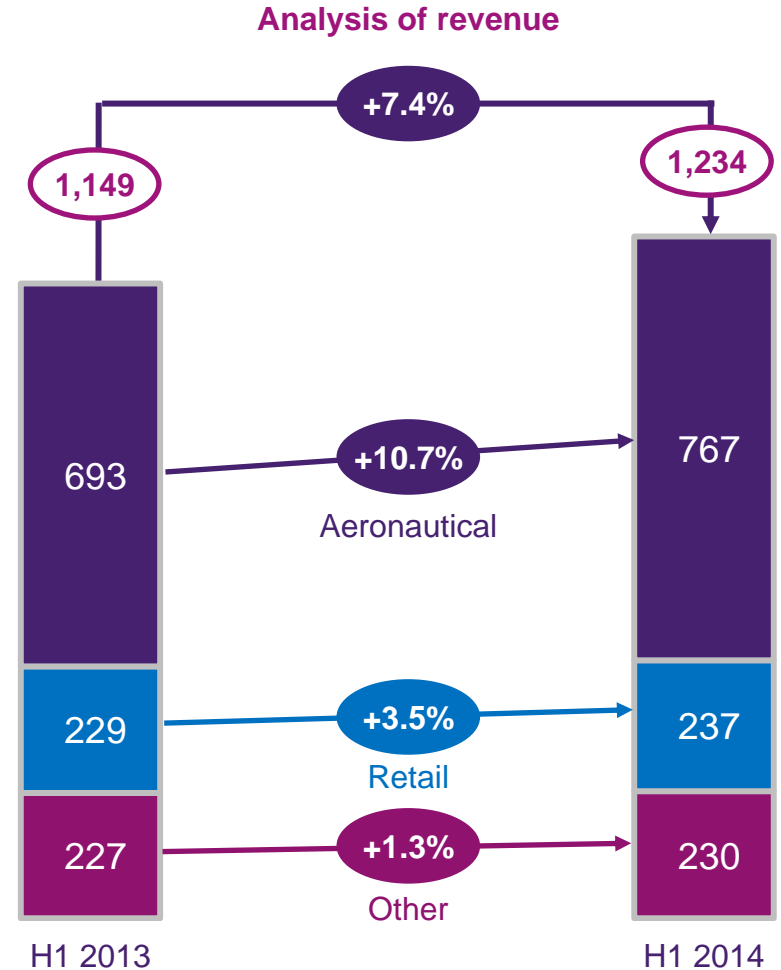
Jose Leo, CFO

Financial highlights

(£m unless otherwise stated)	H1 2014	H1 2013	Versus H1 2013
Revenue	1,234	1,149	+7.4%
Adjusted operating costs	530	539	-1.7%
Adjusted EBITDA	704	610	+15.4%
Capital expenditure	496	606	-18.2%
	June 2014	Dec 2013	Change from Dec 13
Consolidated nominal net debt			
Heathrow (SP)	11,662	11,264	+3.5%
Heathrow Finance	12,421	12,025	+3.3%
RAB	14,871	14,585	+2.0%

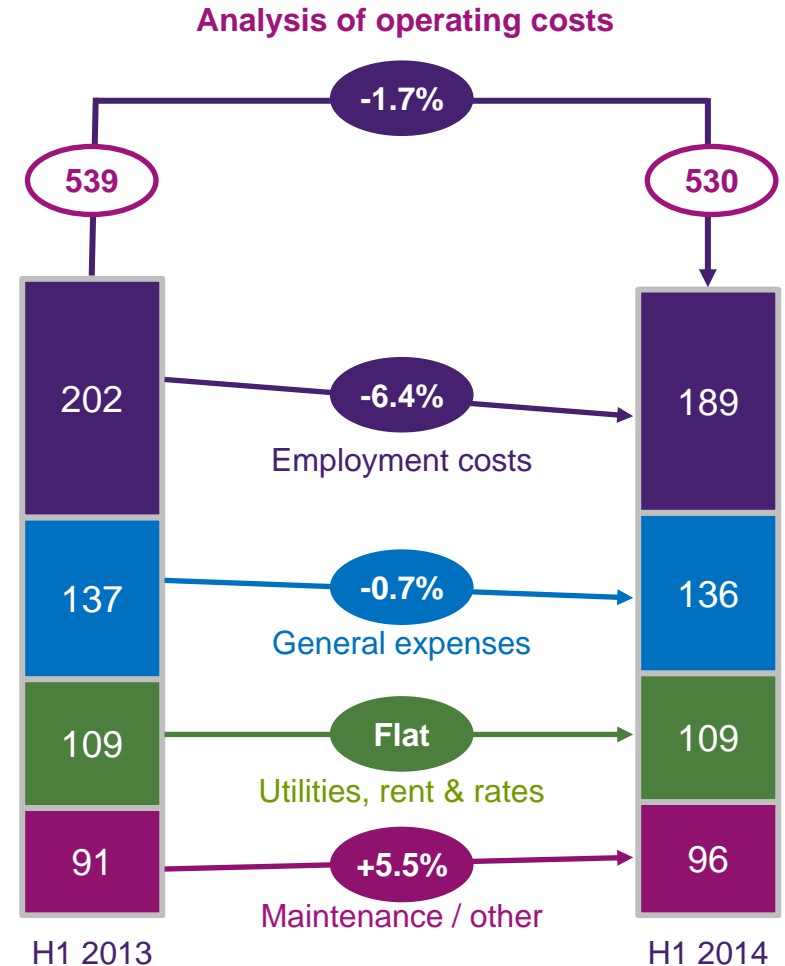
Aeronautical growth driving revenue increase

- Aeronautical revenue drives overall growth
 - primarily from RPI+7.5% tariff increase in Q1
 - in addition 1.9% traffic growth, non-repeat of 2013 yield dilution and modest 2014 yield concentration
- Net retail income per passenger up 2.2% to £6.42
 - strength in car parking, car rental and advertising
 - bureaux de change supplier change yielding benefits since April
 - growth moderated by Terminal 5 luxury retail refurbishment and sterling strength

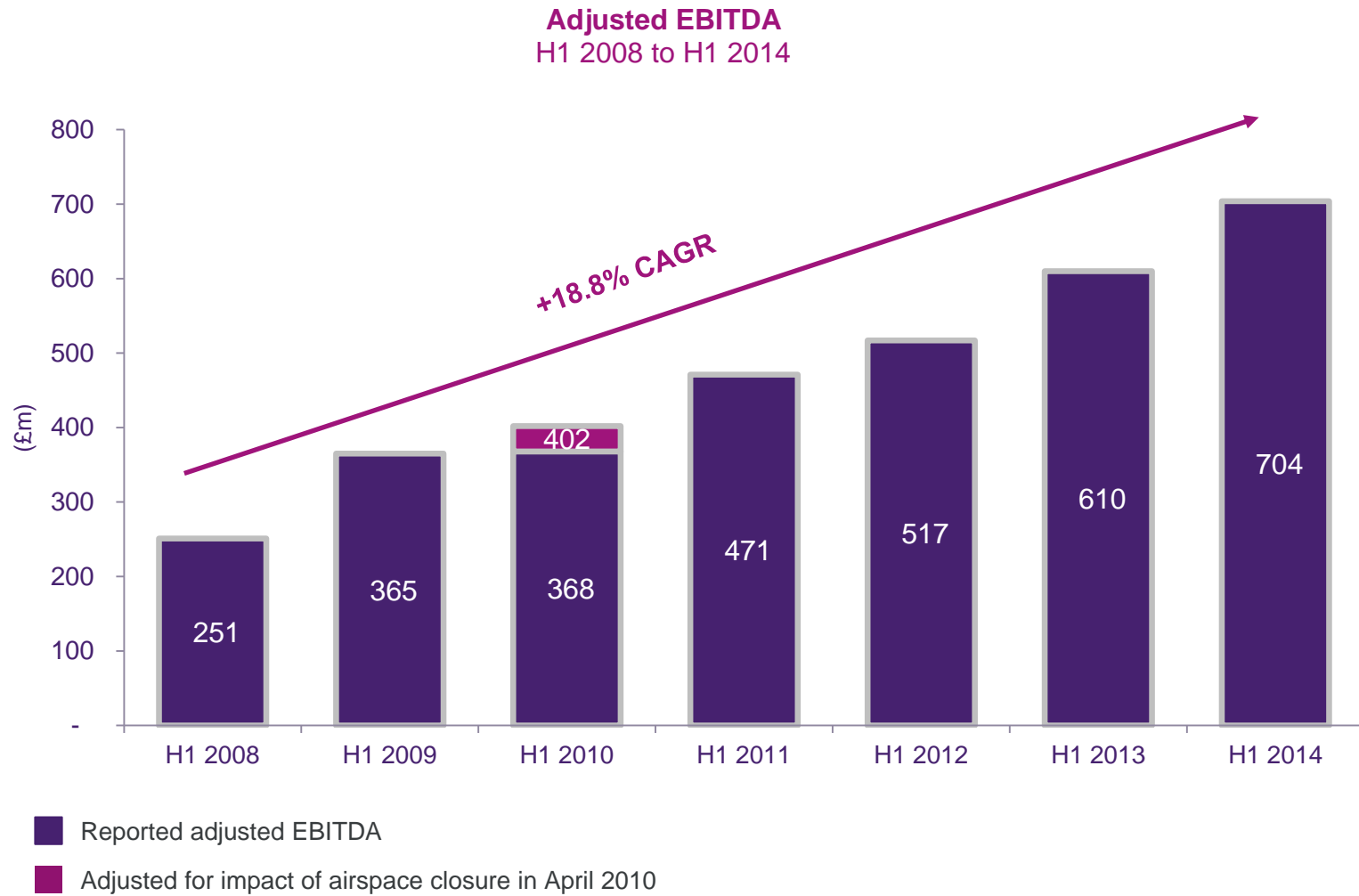


Cost performance on track

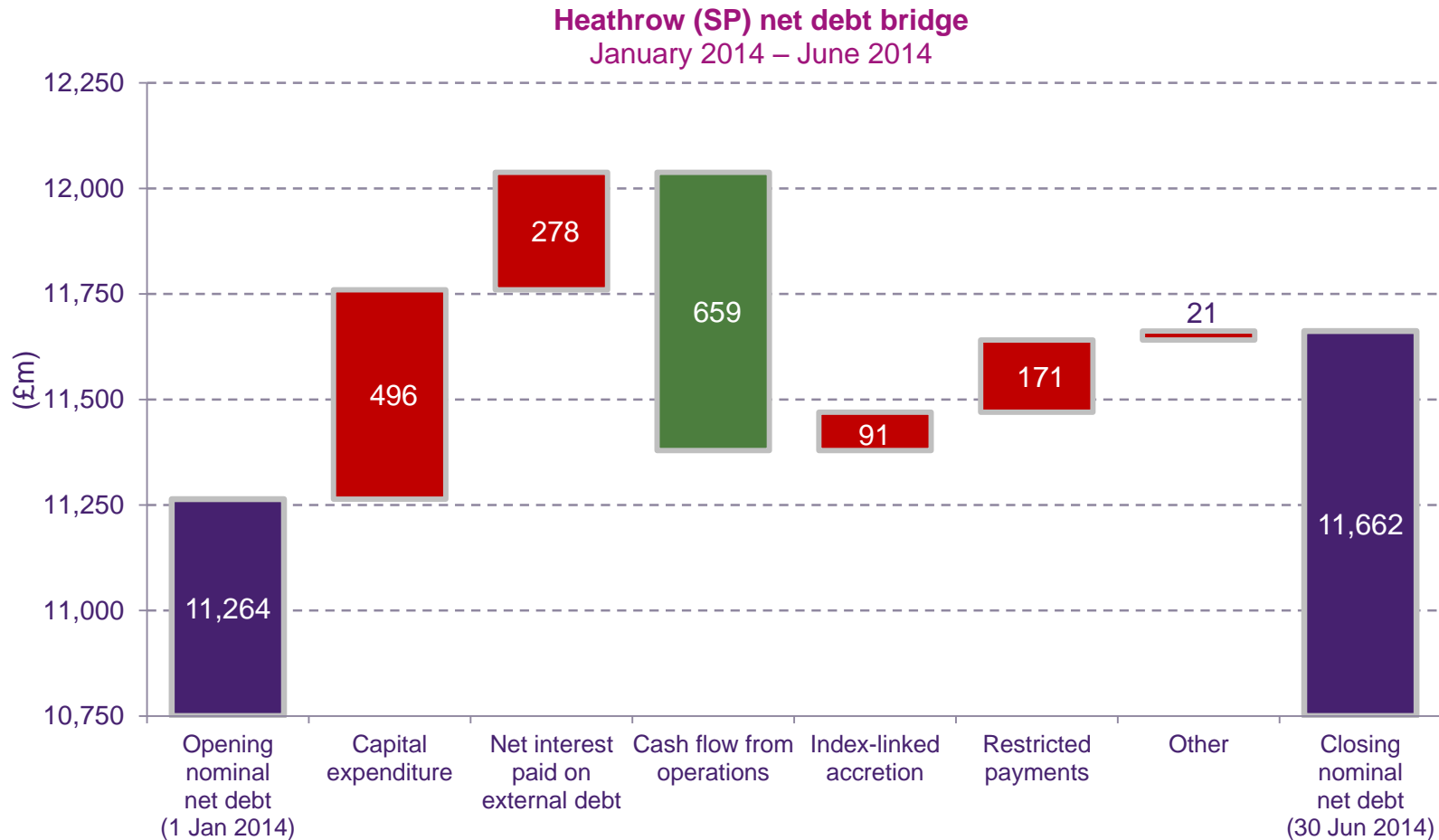
- Underlying performance flat to last year
 - 2013 includes one-off employment costs
- Terminal 2 operations from 4 June drives additional operating costs
 - impact of additional terminal for seven months, expected to be £60 million
- Progress continues on costs for new regulatory period – employment costs remain key focus
 - corporate centre restructure largely complete
 - 2014 management pay freeze
 - two-year pay agreement to deliver benefit over Q6



Double digit Adjusted EBITDA growth to support investment

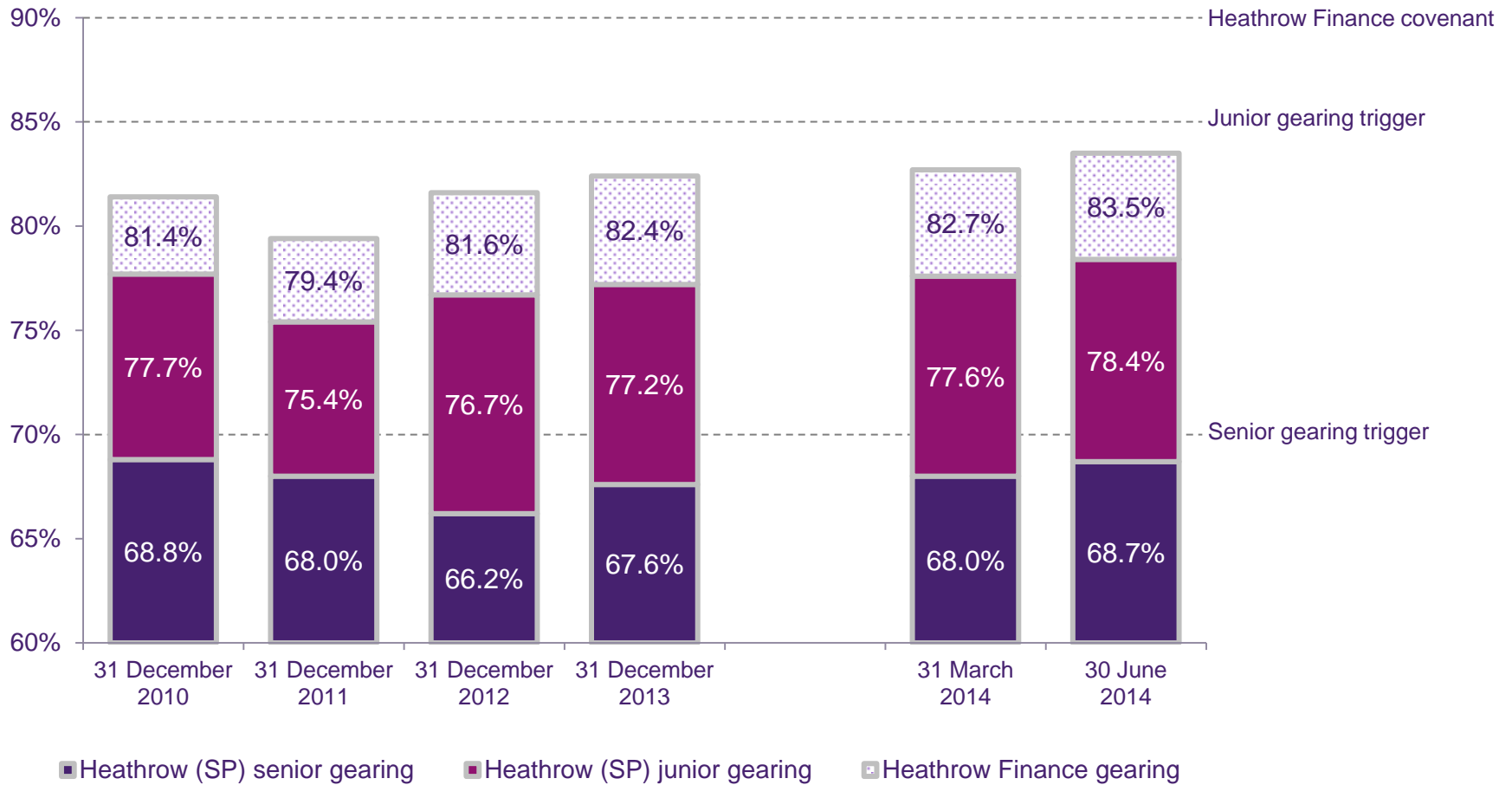


Cash flow from operations covering majority of capital expenditure and interest payments



Gearing headroom remains substantial

Evolution of gearing ratios



Heathrow has capitalised on attractive debt financing opportunities

- Over £1.3 billion in attractively priced debt financing raised since start of 2014
- Two successful Class A public offerings in Euro and Canadian markets raising almost £750 million
- Six private placements raising £600 million in 2014
 - five Class A transactions including £300 million in index-linked funding
 - one Class B transaction raising £110 million
- Selectively pursue further attractive financing over remainder of 2014 if such opportunities arise
- Liquidity horizon now extends up to December 2016

Half year performance and outlook

- Continued strong overall passenger satisfaction
- Traffic growth driven by intercontinental passengers
- Terminal 2: The Queen's Terminal successfully started operations on 4 June
- Financial performance provides steady start to regulatory period
- Strengthened Heathrow's global financing platform
- Turnover and Adjusted EBITDA for 2014 expected to be consistent with forecasts set out in June Investor Report



Strategic update

John Holland-Kaye, CEO

Strategic agenda

1

Beat the regulatory settlement

2

Continuously improve

3

Win approval for a third runway

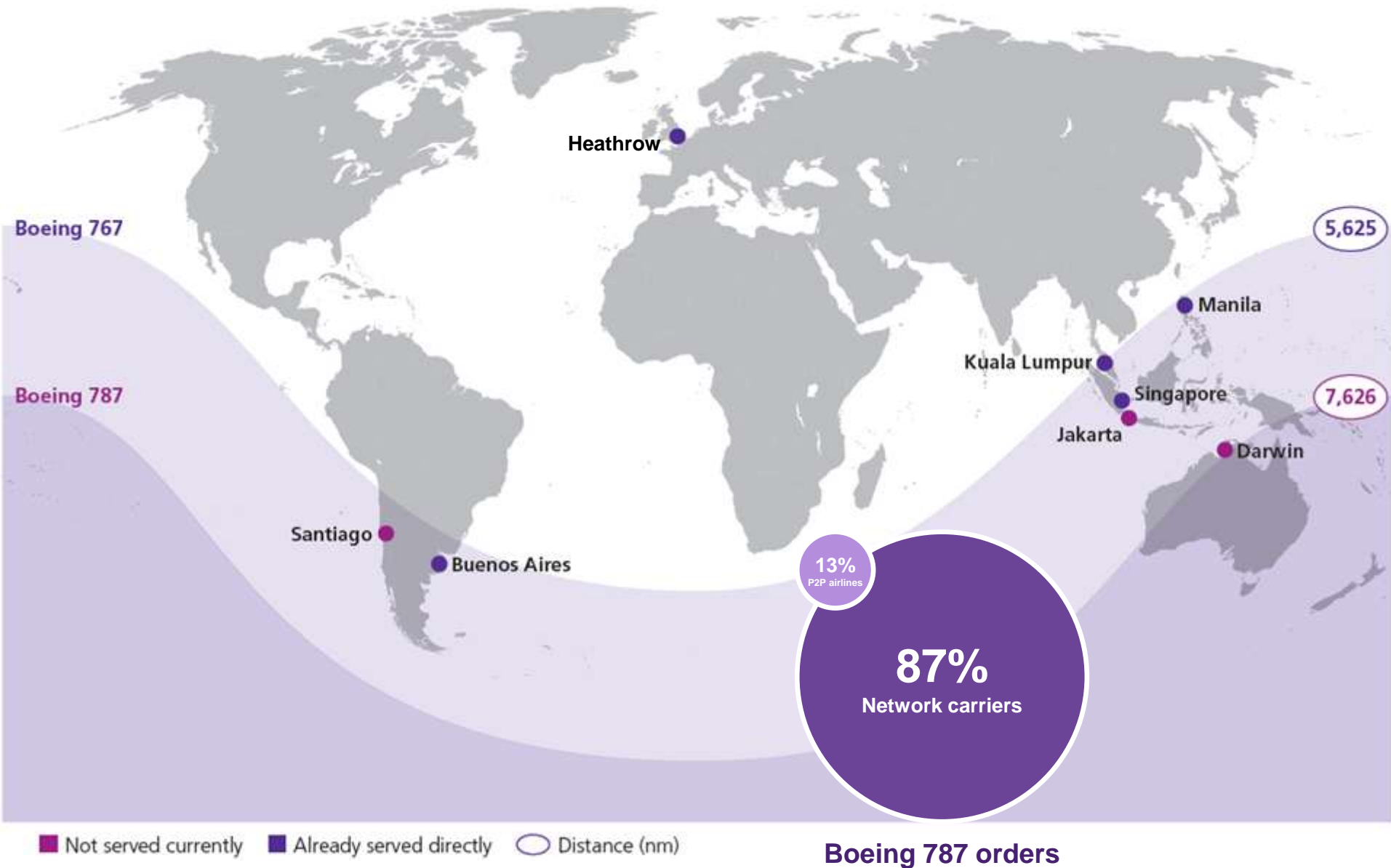
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Get our mojo back

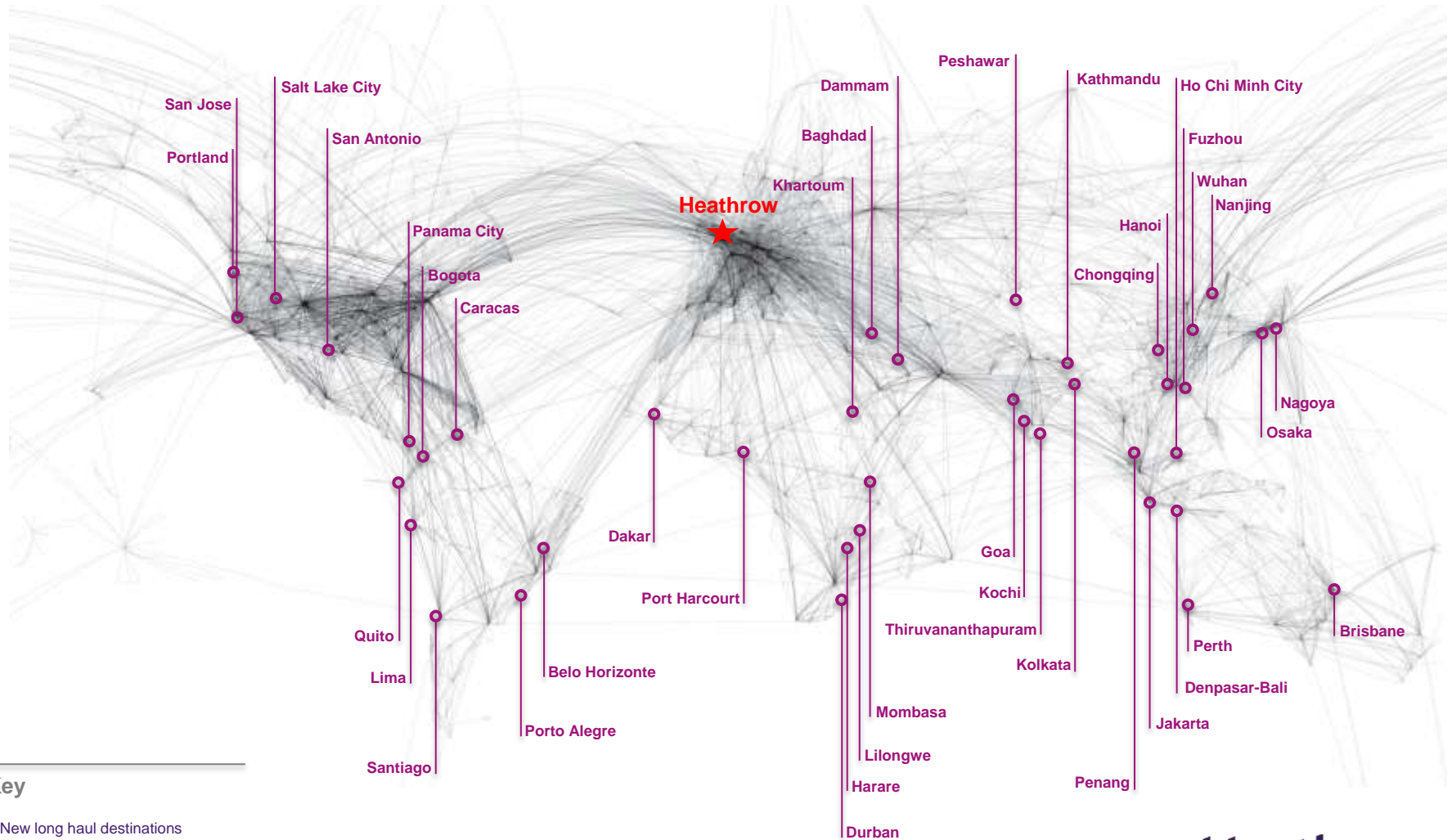
Heathrow now among the best airports in Europe

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

Heathrow is well placed to access global markets and new aircraft like the Boeing 787 reinforce the hub model



With a third runway Heathrow can serve 40 new long-haul destinations by 2030



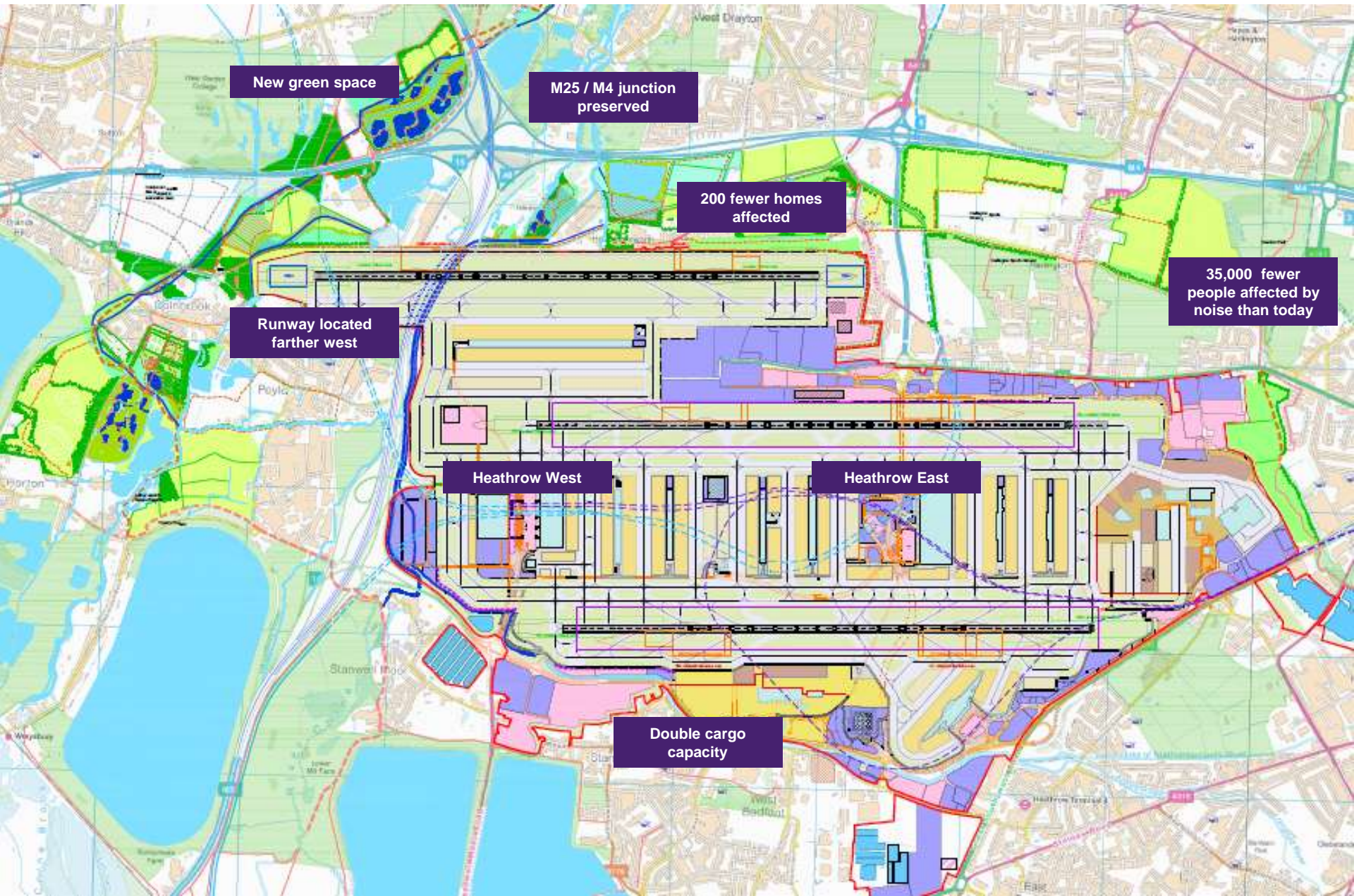
Key

○ New long haul destinations served by Heathrow in 2030 if unconstrained

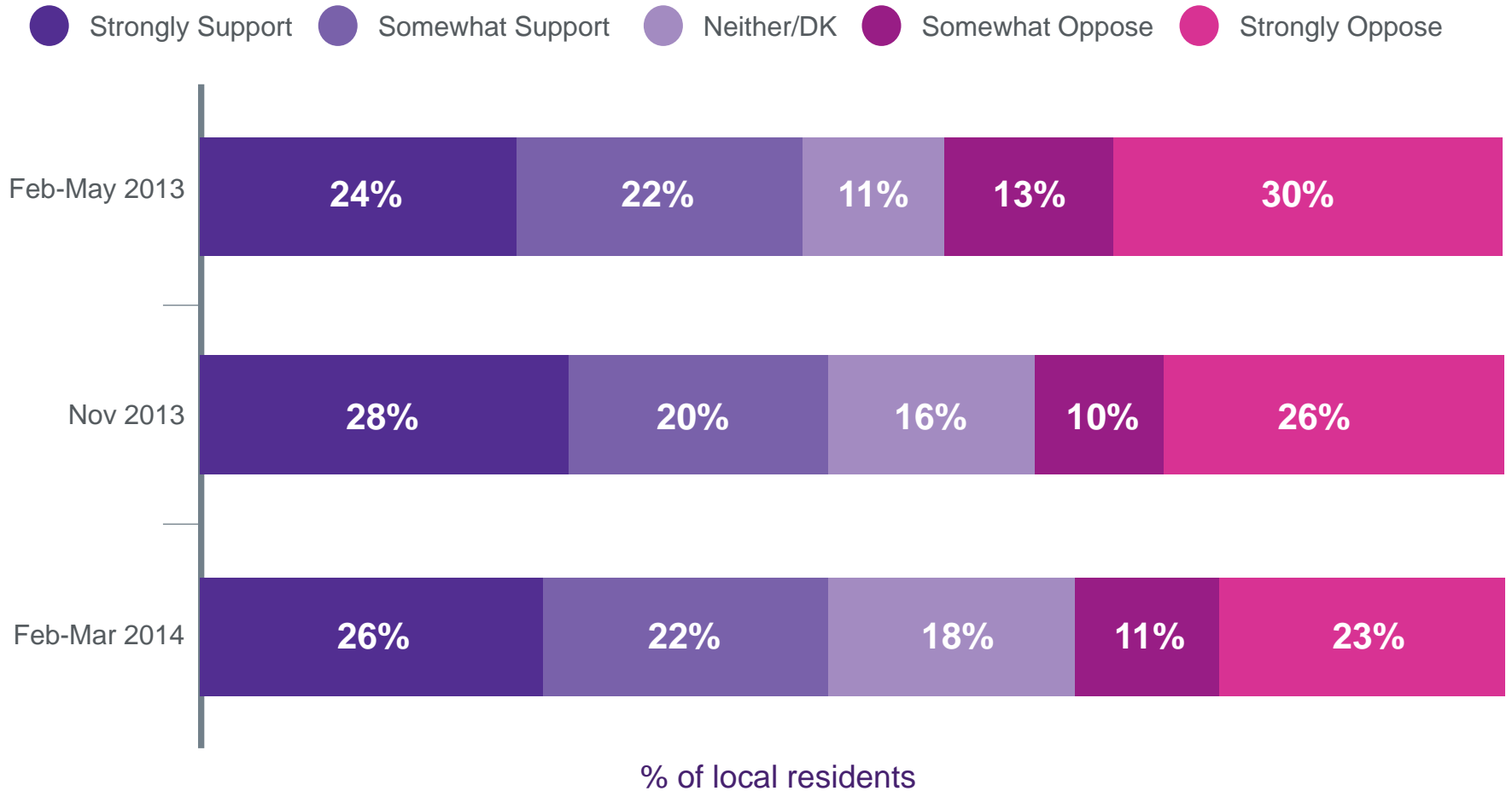
— All international flight routes

Heathrow
Making every journey better

May 2014 – refined plan locates runway further west



Heathrow's proposals have local support



Heathrow proposals generate greatest benefit and is deliverable

£100 billion
economic benefit

	May 2014 proposal
Airport infrastructure	11.1
Surface access	0.9
Community and environment	3.6
Total	£15.6 billion

A family of four is walking through a modern airport terminal. The father is in the center, wearing a dark sweater and khaki pants, pulling a pink suitcase. The mother is on the right, wearing a black top and black pants, holding a young child in a pink sweater. A young girl in a pink sweater with a large pink star is walking to the left, also pulling a pink suitcase. The terminal has a high ceiling with a grid of lights and large white pillars. The floor is polished and reflects the lights.

1

Only Heathrow will connect the whole of the UK to global growth

2

Heathrow's proposals are deliverable

3

Britain faces a choice

Questions?



Appendices

Heathrow (SP)'s consolidated net debt at 30 June 2014

		Amount	Amount and features of individual financings			
		(£m)	Local currency	S&P/Fitch rating	Maturity	
			(m)	(£m)		
Senior (Class A)						
Bonds	€750m 4.6%	513	750	513	A-/A-	2014/16
	£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%	192	192	192	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 RPI +1.382%	50	50	50	A-/A-	2039/41
	£460m RPI +3.334%	545	545	545	A-/A-	2039/41
	£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		10,212		10,212		
Loans	EIB Facilities	196	196	196	n/a	2014/22
	Revolving/Working Capital Facilities	0	1,325	1,325	n/a	2015/17
Total loans		196		1,521		
Total senior debt		10,408		11,733		
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
Loans		50	450	450	n/a	2017/18
Total junior debt		1,450		1,850		
Gross debt		11,858		13,583		
Cash		-723				
Index-linked derivative accretion		527				
Net debt		11,662				

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
 - 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 6
 - Sources: airport websites
- Page 9
 - Revenue, adjusted operating cost 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 Gatwick and 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)

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