



# Heathrow (SP) Limited

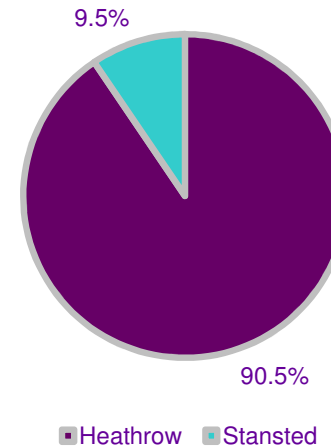
Santander Eurocredit Conference

18 October 2012

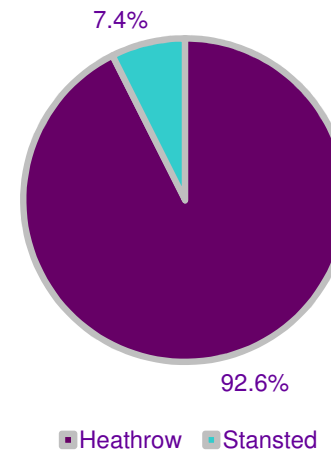
# Introduction to London airports

- 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 June 2012)

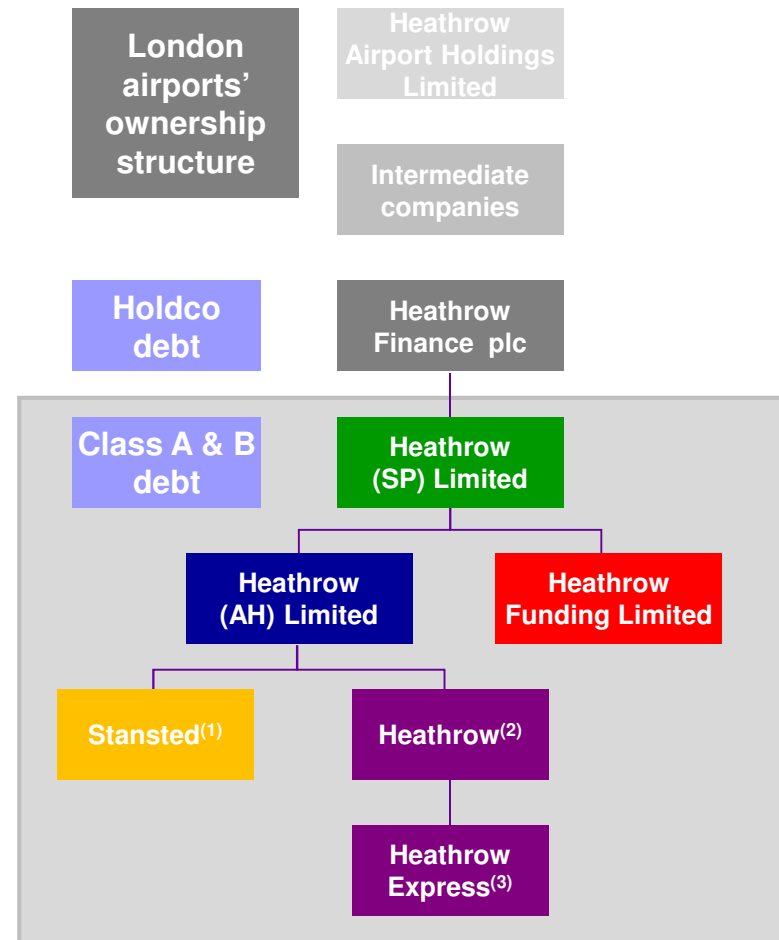


Split of Adjusted EBITDA between Heathrow and Stansted  
(for year ended 30 June 2012)



# London airports' ownership and financing structure

- Indirectly wholly-owned by entities controlled or managed by (on Qatar Holding's share purchase completing)
  - Ferrovial: 39.37%
  - CDPQ: 20.85%
  - Qatar Holding: 20.00%
  - GIC: 13.90%
  - Alinda Capital Partners: 5.88%
- 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

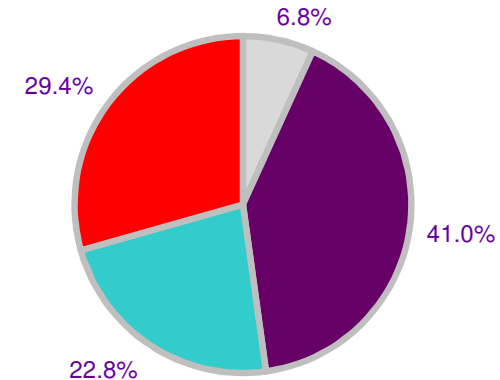
- Heathrow is London's and the UK's only hub airport
- Europe's busiest airport and world's busiest airport for international traffic
- Heathrow has 7 of the global top 10 intercontinental long haul routes
- 80% of UK scheduled long haul traffic
- British Airways' worldwide hub



# Heathrow's resilience and diversity

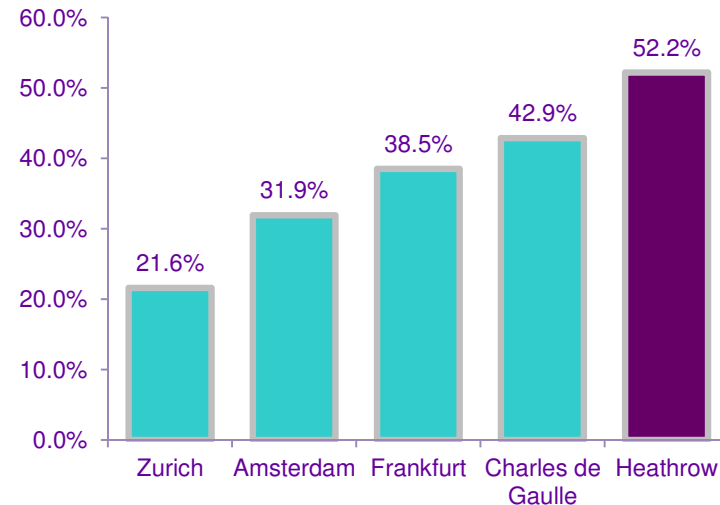
- Unique traffic resilience
  - operating close to full capacity
  - strength in high growth long haul
  - countercyclical transfer traffic
- Key global hub airport benefiting from strength of London catchment area
- Passenger and airline diversity
  - balanced business and leisure traffic
  - >50% non-UK 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)

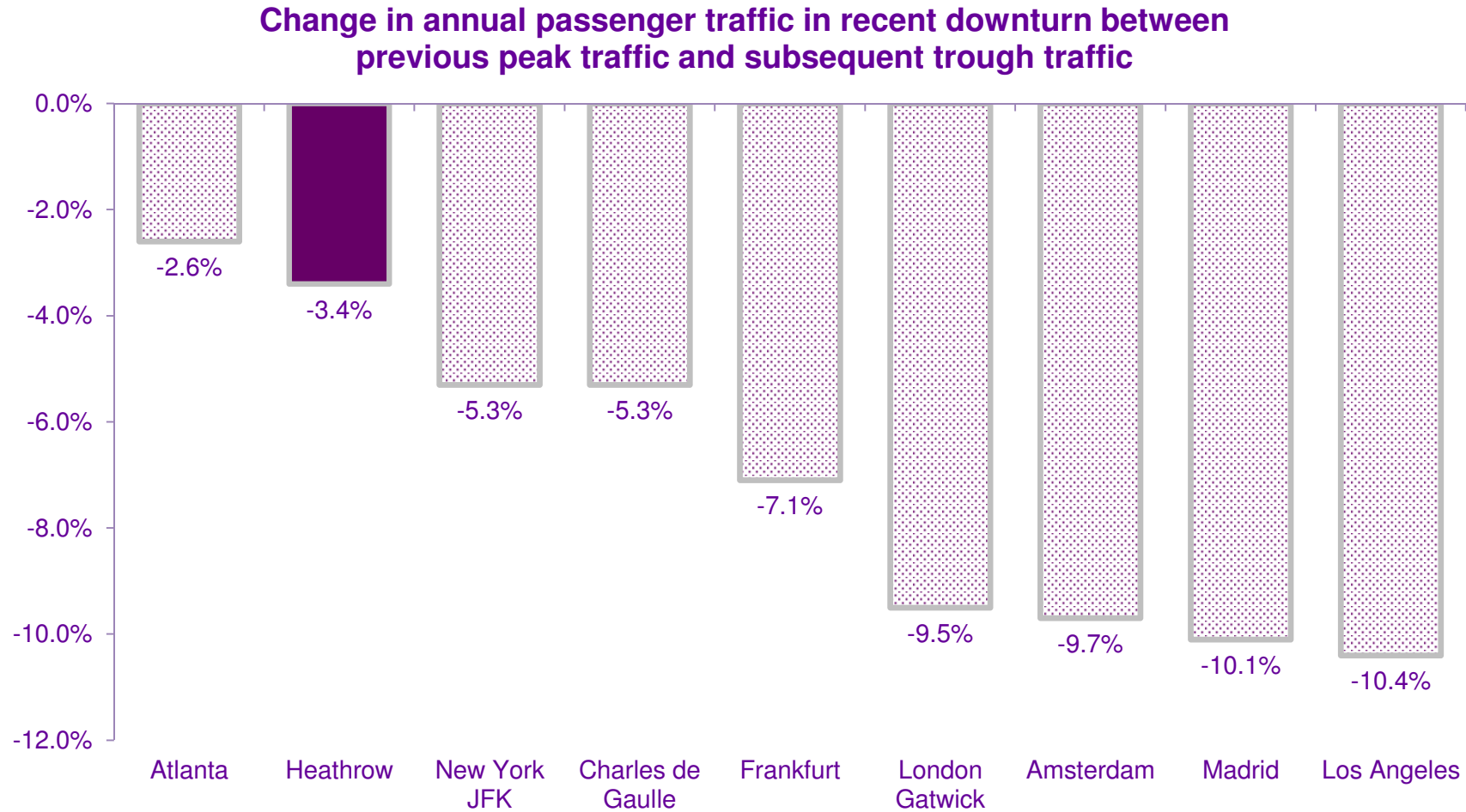
Proportion of long haul traffic (2011)



**Heathrow** 

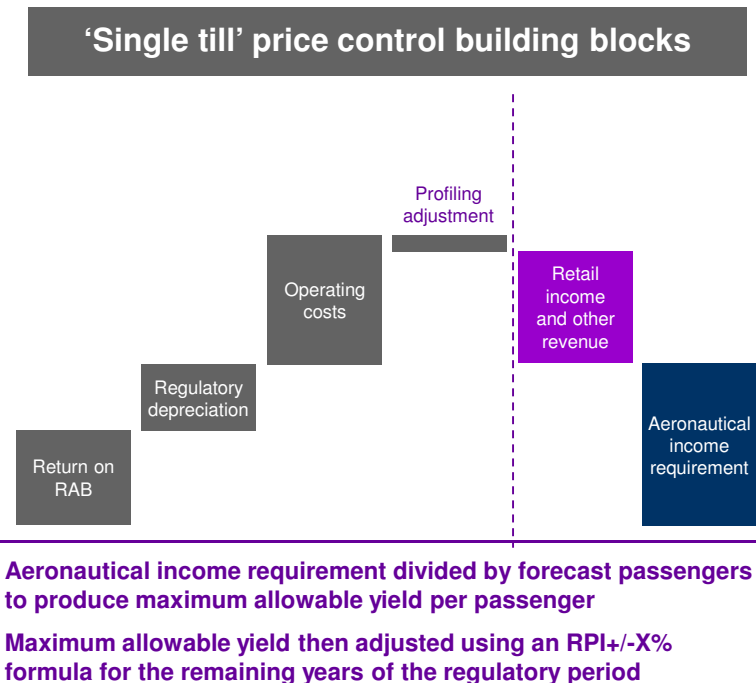
*Making every journey better*

# 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



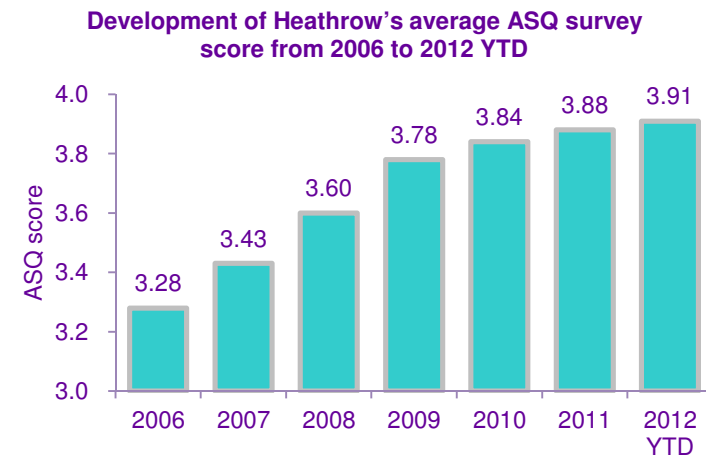
## Strategy is to consolidate and develop Heathrow's leading position in UK, European and global aviation market

- 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

## Excluding Olympics effect 2012 Heathrow traffic on track with original forecasts

- Monthly Heathrow records in January, April, June and September
- Both business and leisure traffic impacted by Olympics/Paralympics
  - performance normalised in September
- North Atlantic driving Heathrow growth
- Olympics traffic shortfall unlikely to be recovered in rest of 2012
  - prior to Olympics, 2012 Heathrow traffic forecast was 70.9 million

### Passenger traffic

9 months ended 30 September  
2011 (m) 2012 (m) Change

#### *By airport*

Heathrow	52.6	53.0	0.6%
Stansted	14.1	13.5	-4.6%
<b>Total</b>	<b>66.7</b>	<b>66.4</b>	<b>-0.5%</b>

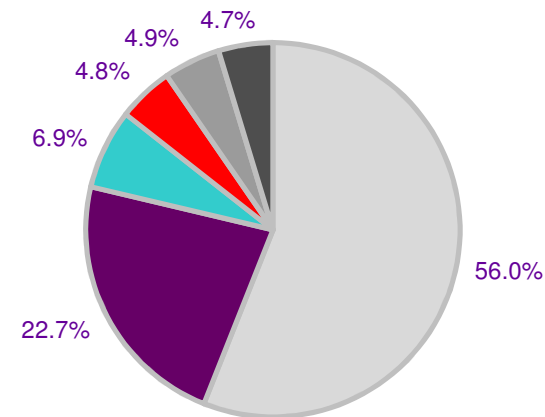
#### *By market served*

UK	4.7	4.5	-3.9%
Europe	34.2	33.8	-1.0%
Long haul	27.9	28.1	0.7%
<b>Total</b>	<b>66.7</b>	<b>66.4</b>	<b>-0.5%</b>

## Diverse and growing revenue streams

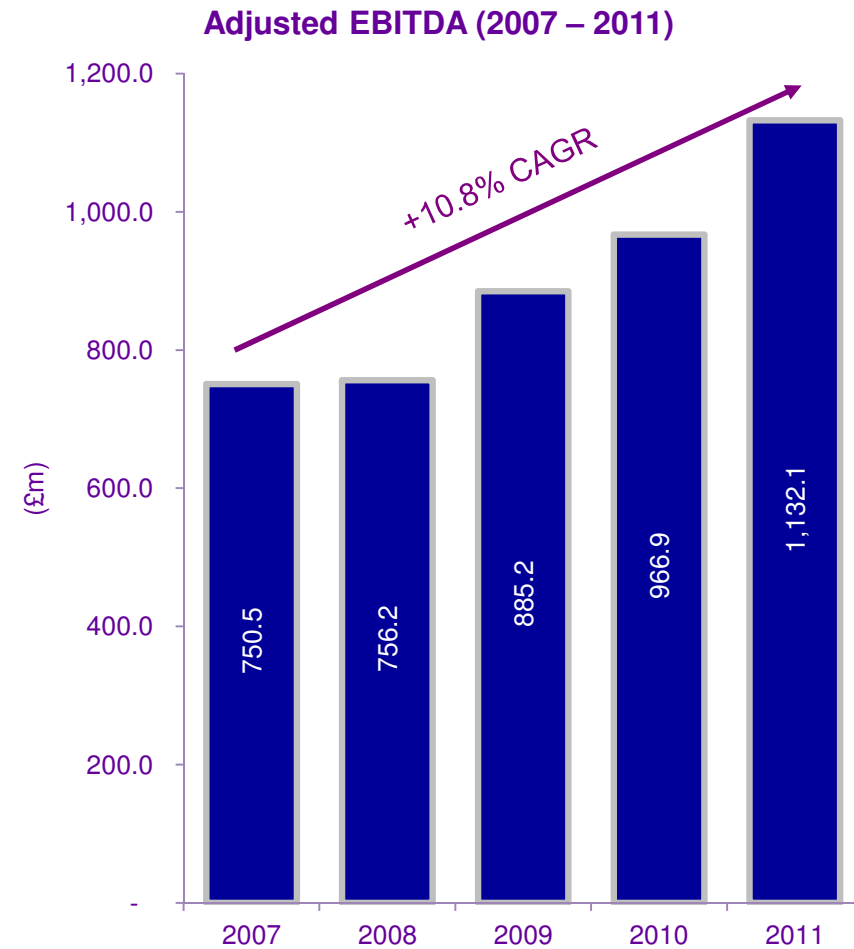
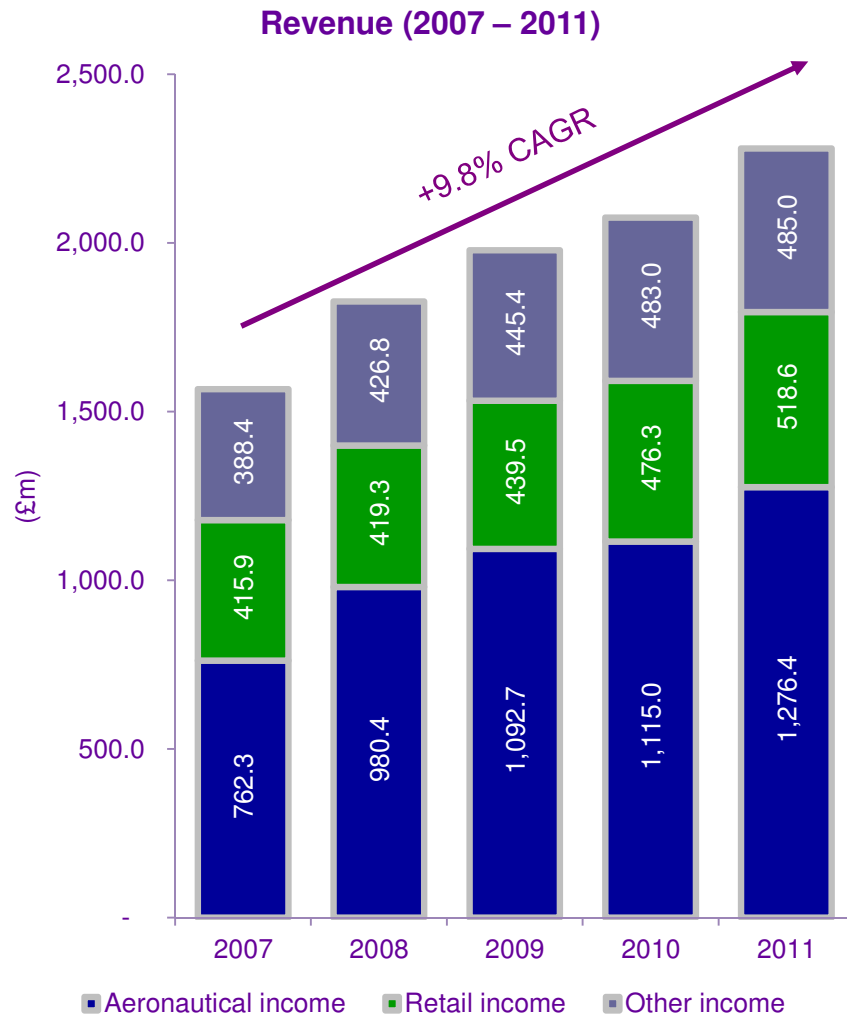
- **Aeronautical income charged to airlines**
  - mix of departing passenger, landing and parking charges
  - tariffs increasing annually by RPI+7.5% at Heathrow and RPI+1.63% at Stansted
- **Retail income mainly from concessions**
  - key revenue streams: duty and tax-free, airside specialist shops 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

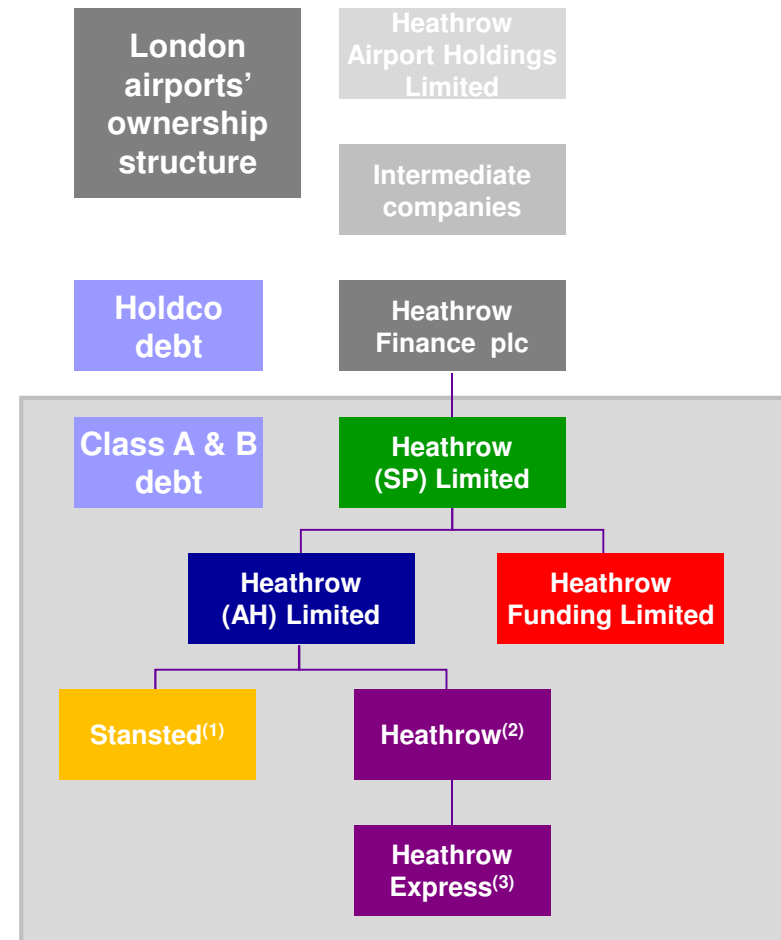


## Strong start in 2012 financial performance

(figures in £m unless otherwise stated)	H1 2011	<b>H1 2012</b>	Change
Passengers (m)	41.4	<b>41.8</b>	+0.8%
Revenue	1,073.9	<b>1,164.2</b>	+8.4%
Adjusted EBITDA	510.5	<b>555.2</b>	+8.8%
	Q4 2011	<b>H1 2012</b>	
Consolidated BAA (SP) net debt	10,442.6	<b>11,031.7</b>	+5.6%
Consolidated BAA (SH) net debt	10,992.2	<b>11,606.8</b>	+5.6%
RAB (Regulatory Asset Base)	13,849.7	<b>14,253.7</b>	+2.9%

# Financing programme provides strong creditor protections

- **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

(1) Stansted: Stansted Airport Limited

(2) Heathrow: Heathrow Airport Limited

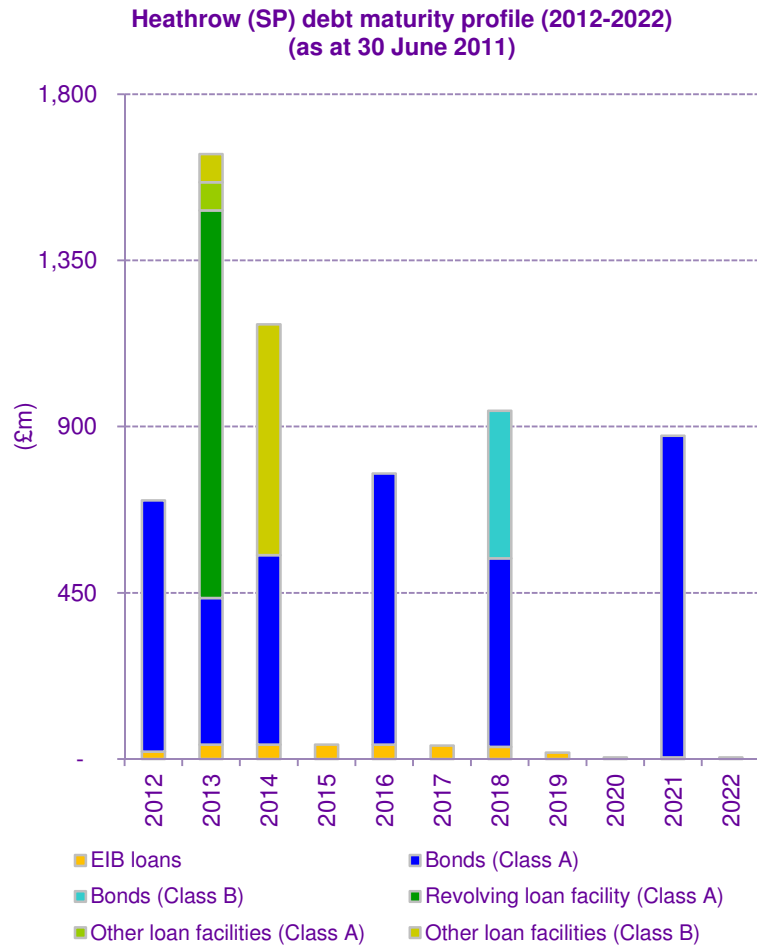
(3) Heathrow Express: Heathrow Express Operating Company Limited



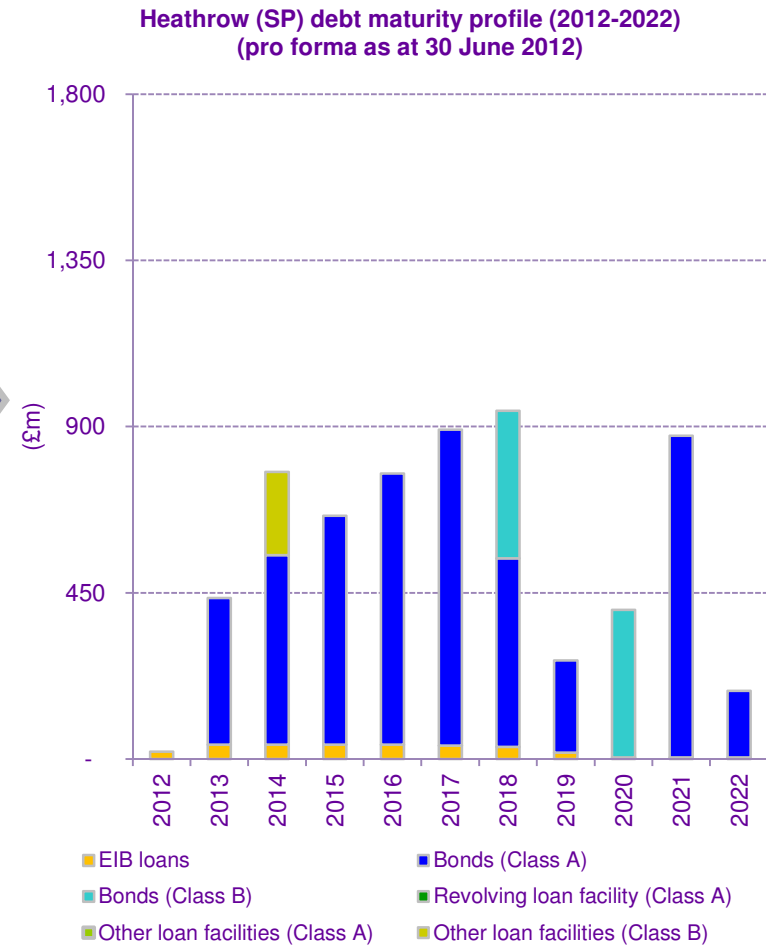
## Financing transformed in last 3 years

	September 2009		June 2012	Change
Average life of debt	6.5 years	→	10.7 years	+4.2 years
Debt due within 3 years	£3.8 billion	→	£1.9 billion	-£1.9bn
Bond proportion of total debt	46%	→	95%	+49pp
Liquidity horizon	12 months	→	30 months	+150%
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**

## 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 around end 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 (1)

- 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
- 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 15
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Consolidated net debt is calculated on a nominal basis excluding intra-group loans and including inflation-linked accretion and includes non-Sterling debt at exchange rate of hedges entered into at inception of relevant financing
  - Percentage changes are relative to the same period of 2011 except in relation to net debt and RAB where the change is relative to 31 December 2011

## Notes, sources and defined terms (2)

- Page 17
  - Figures are in respect of Heathrow (SP) Limited external nominal debt
  - Figures at 30 June 2012 assume that completion of C\$400 million 7 year Class A bond, that occurred after period end, happened on 30 June 2012
  - 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 18
  - Pro forma debt maturity profile at 30 June 2012 assumes that completion of C\$400 million 7 year Class A bond, that occurred after period end, happened on 30 June 2012

# Disclaimer

•This material contains certain tables and other statistical analyses (the “Statistical Information”) which have been prepared in reliance on publicly available information and may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Statistical Information. As such, no assurance can be given as to the Statistical Information’s accuracy, appropriateness or completeness in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Heathrow does not make any representation or warranty as to the accuracy or completeness of the Statistical Information.

•These materials contain statements that are not purely historical in nature, but are “forward-looking statements”. These include, among other things, projections, forecasts, estimates of income, yield and return, and future performance targets. These forward-looking statements are based upon certain assumptions, not all of which are stated. Future events are difficult to predict and are beyond Heathrow’s control. Actual future events may differ from those assumed. All forward-looking statements are based on information available on the date hereof and neither Heathrow nor any of its affiliates or advisers assumes any duty to update any forward-looking statements. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

•This material should not be construed as an offer or solicitation to buy or sell any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

•This document has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from Heathrow.

•Any reference to “Heathrow” will include any of its affiliated associated companies and their respective directors, representatives or employees and/or any persons connected with them.

Heathrow 

*Making every journey better*

Heathrow   
*Making every journey better*