



Heathrow (SP) Limited

Results for six months ended 30 June 2015

24 July 2015

Heathrow
Making every journey better



2015 half year highlights

John Holland-Kaye, CEO

Heathrow

Making every journey better

Great start to 2015

1

Operational highlights

- Strong operational performance with busiest days ever
- Record levels of passenger satisfaction
- Passenger endorsement with Skytrax Best Airport in Western Europe and ACI Europe Best Airport award

2

Financial performance

- Revenue up 5.9%, underlying costs broadly flat
- EBITDA up 6.3% to £748 million
- £1.1 billion funding raised this year

3

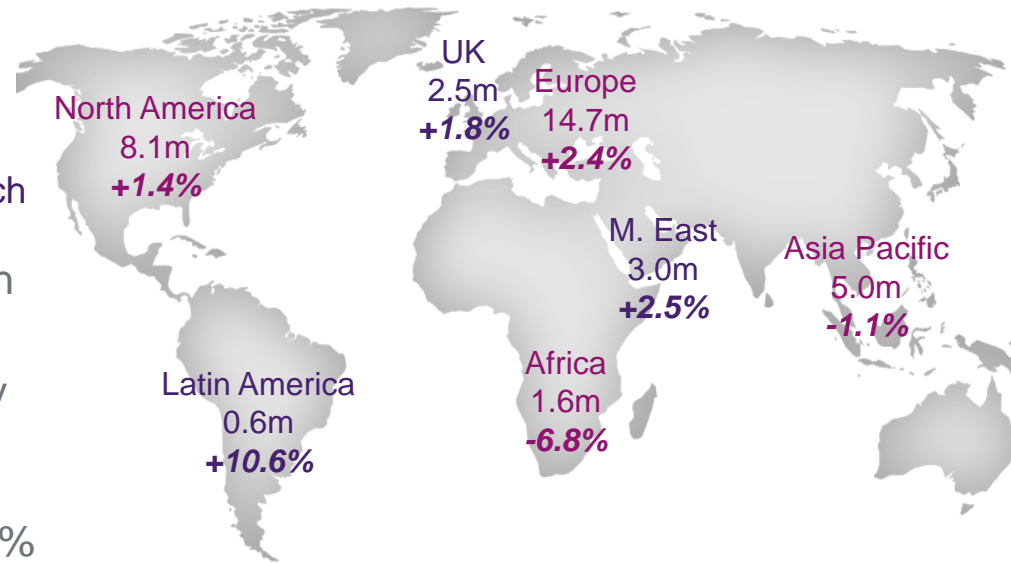
Strategic aims

- Giving passengers the best airport service in the world
- Delivery of cost efficiency and revenue initiatives
- Unanimous and clear recommendation for Heathrow's new North West runway

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
- 2015 forecast is now 74.2 million, up 1.1%

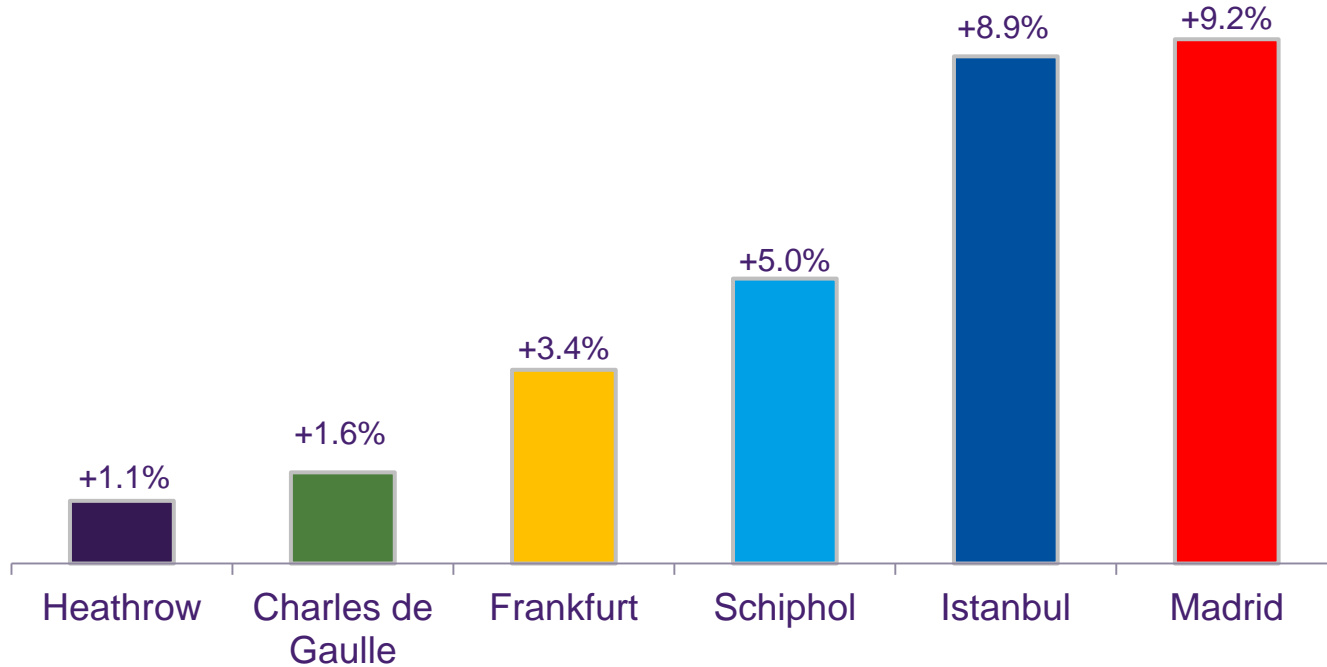
Passenger traffic by market H1 2015 versus H1 2014



35.5 million passengers
+1.3%

Capacity constraints holding back UK growth

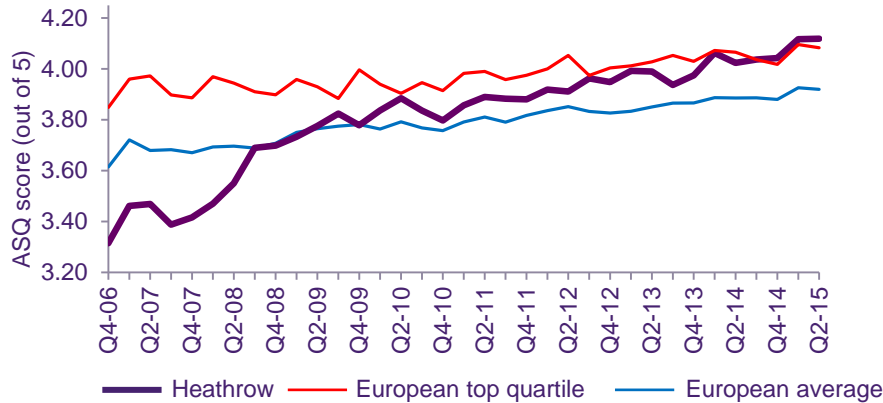
Passenger traffic at European hubs
for 12 months to 30 June 2015



| | | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Passengers (m) | 73.8 | 64.3 | 60.7 | 56.2 | 58.6 | 44.1 |
| Runways | 2 | 4 | 4 | 6 | 3 | 4 |

Best ever passenger service levels

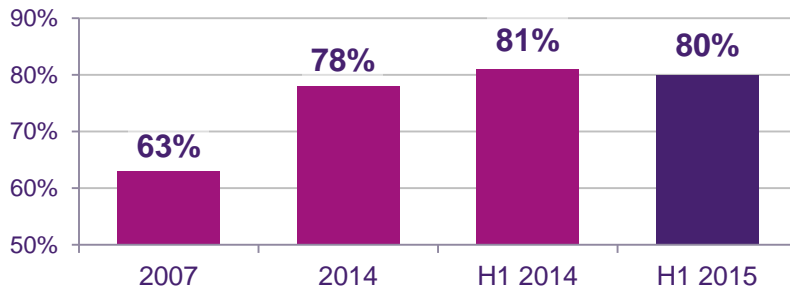
Quarterly passenger satisfaction
Q4 2006 – Q2 2015



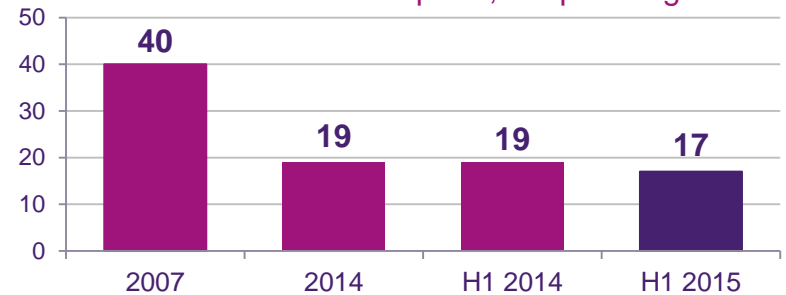
Passenger satisfaction European ranking
Q2 2015



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 14)
 - improving air quality (April 15)
 - 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

AIRPORTS COUNCIL
INTERNATIONAL

Heathrow
Making every journey better



Financial review

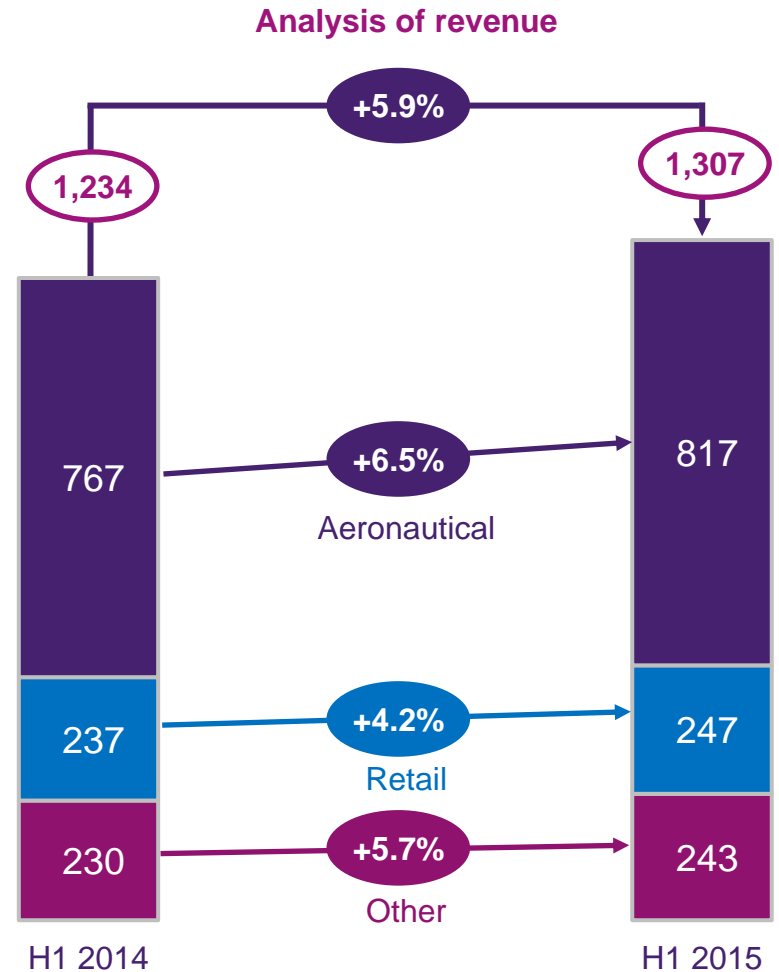
Michael Uzielli, CFO

Financial highlights

| (£ million) | H1 2015 | H1 2014 | Versus H1 2014 |
|-------------------------------|-------------|-------------|--------------------------|
| Revenue | 1,307 | 1,234 | +5.9% |
| Adjusted operating costs | 559 | 530 | +5.5% |
| Adjusted EBITDA | 748 | 704 | +6.3% |
| Capital expenditure | 322 | 496 | -35.1% |
| | Jun 2015 | Dec 2014 | Change from Dec 14 |
| Consolidated nominal net debt | | | |
| Heathrow (SP) | 11,746 | 11,653 | +0.8% |
| Heathrow Finance | 12,650 | 12,560 | +0.7% |
| RAB | 14,870 | 14,860 | +0.1% |

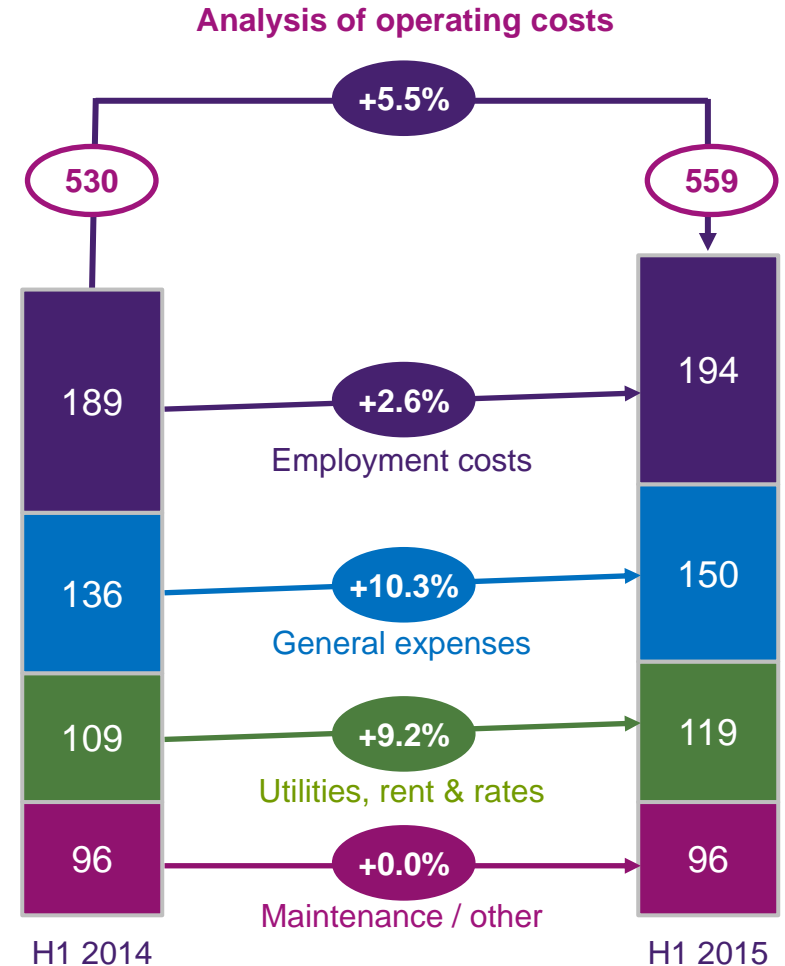
Solid revenue performance

- Aeronautical revenue drives overall growth
 - £32 million from traffic and tariff changes
 - absence of capital triggers partly offset by non-recurrence of K factor
- Strong retail performance. Net retail income per passenger up 3.9%
 - car parking driving growth with additional capacity and yield management
 - further extension of T5 luxury retail offering
 - higher catering income in Terminal 2 and Terminal 5 outlets
- Revenue growth to moderate in second half
 - reflecting concentration of nine months tariff increase into final six months of 2014



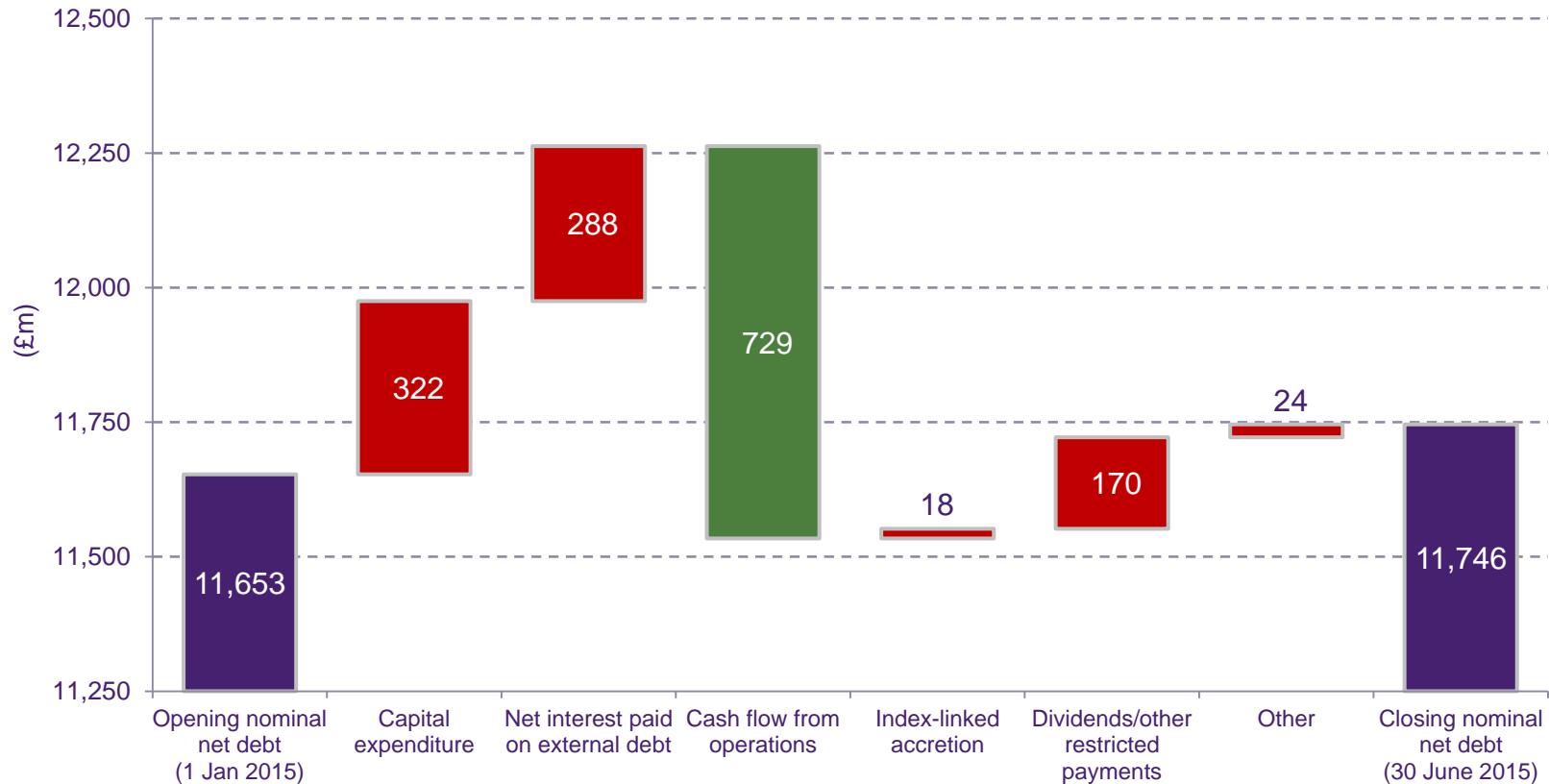
Continued focus on cost efficiencies

- Underlying cost performance broadly flat
 - reported operating costs up 5.5%
 - underlying costs adjust for ~£30 million related to Terminal 2, Terminal 3 Integrated Baggage and expansion planning
- Performance reflects delivery of efficiencies
 - improved supplier agreements
 - increased productivity and headcount reduction
 - new starter terms and conditions
- Securing further benefits
 - early closure of Terminal 1 on 30 June
 - voluntary severance programme
 - completion of DB pension scheme consultation
- Reported costs expected to fall in H2
 - reflecting Terminal 1 closure and cost savings

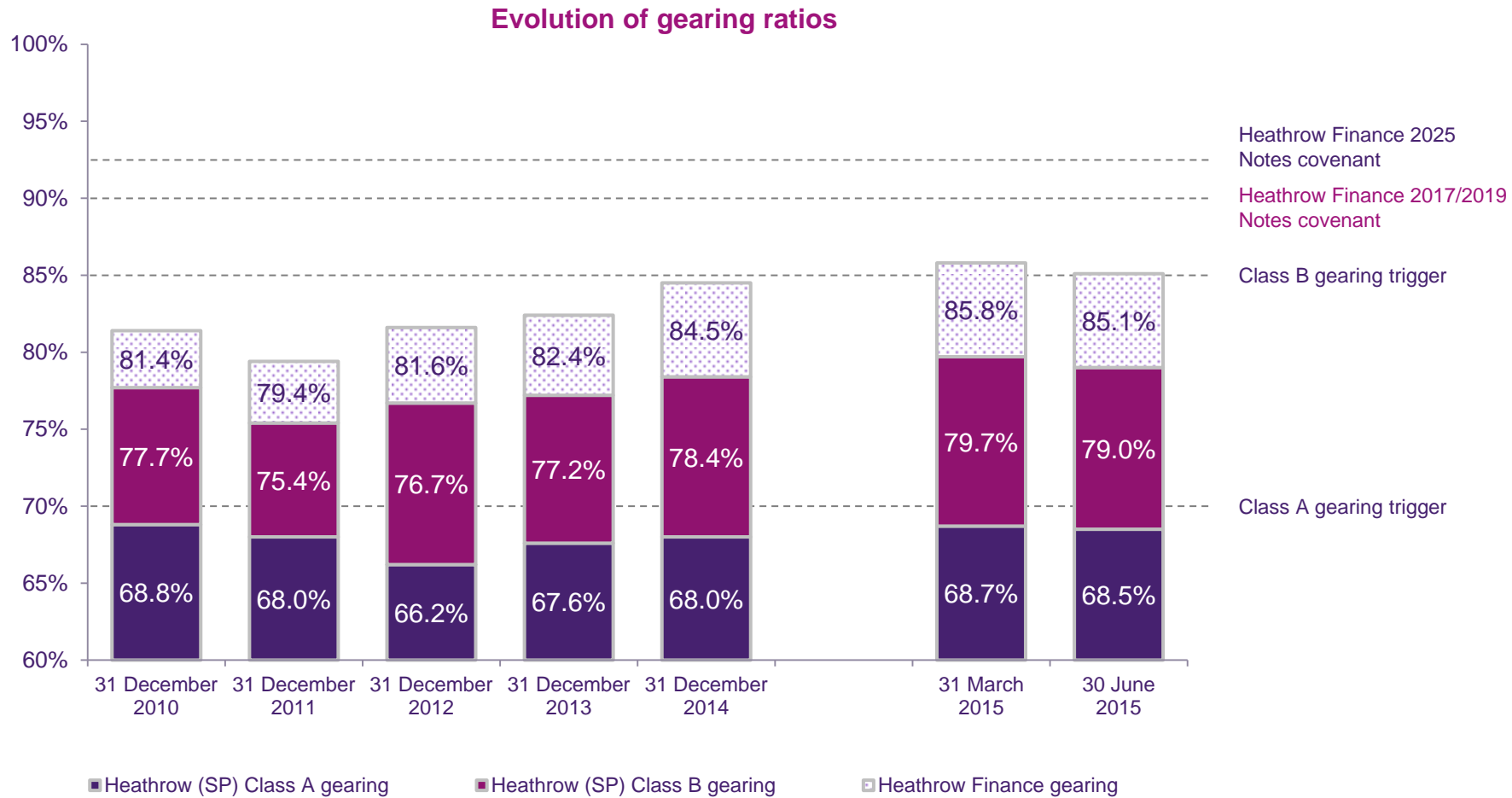


Operating cash flow significantly exceeds capital expenditure and interest payments

Heathrow (SP) net debt bridge
January 2015 – June 2015



Buffer to triggers and covenants maintained



Over £1.1 billion long-term funding raised globally this year, strengthening Heathrow's financing position

- 2015 funding extends duration, diversifies sources of funding and increases resilience
- Over £800 million in public bond issuance
 - €750 million 15 year in February 2015
 - C\$500 million 10 year in May 2015
- Nearly £300 million in long-term private placements
 - NOK 1 billion with 12.5 year maturity
 - £150 million with 15 to 20 year maturities from non-£ sources
 - Heathrow Finance £50 million, 10 year term loan
- Over £600 million in Heathrow Funding bonds matured in June
- ~£50 million buyback programme of Heathrow Finance notes completed
- Liquidity horizon extends to March 2017

Strong start to 2015

- Record passenger satisfaction and strong operational performance with busiest days ever
- Solid financial performance in first half, driven by initiatives to 'beat the plan'
- Substantial investor appetite globally for Heathrow: £1.1 billion funding raised
- 2015 EBITDA forecast reflects strong traffic, retail revenue and improved operating costs
- Revenue £2.74 billion, up 1.8% and operating costs £1.14 billion up 1.3%
- 2015 EBITDA forecast £1.6 billion, in line with June Investor Report



Strategic update
John Holland-Kaye, CEO

Giving passengers the best airport service in the world

1 Mojo

2 Transform customer service

3 Beat the plan

4 Win support for expansion

Delivered

- ✓ Grade simplification
- ✓ Expanding community activity
- ✓ £10 vouchers

- ✓ Highest ever passenger satisfaction
- ✓ World-class baggage facility
- ✓ Time based separation
- ✓ Security improvements

- ✓ T1 closure 30 June
- ✓ Improved key supplier terms
- ✓ HEX office co-location
- ✓ Pensions consultation

- ✓ Airports Commission clear and unanimous recommendation

To come

- Share in Success saver plan
- Talent development website
- Runway marathon

- Smoother T5 transfers
- SMILE programme
- heathrow.com
- More immigration e-gates

- More great stores in T5, e.g. Hermès
- Energy demand initiatives
- Workforce efficiencies

- Early Government decision
- Traffic surveys
- Skills taskforce, supply chain

Unanimous and clear recommendation for Heathrow



Airports Commission published its final report on 1 July 2015

Over 5,000 pages of technical information following three years of robust assessment

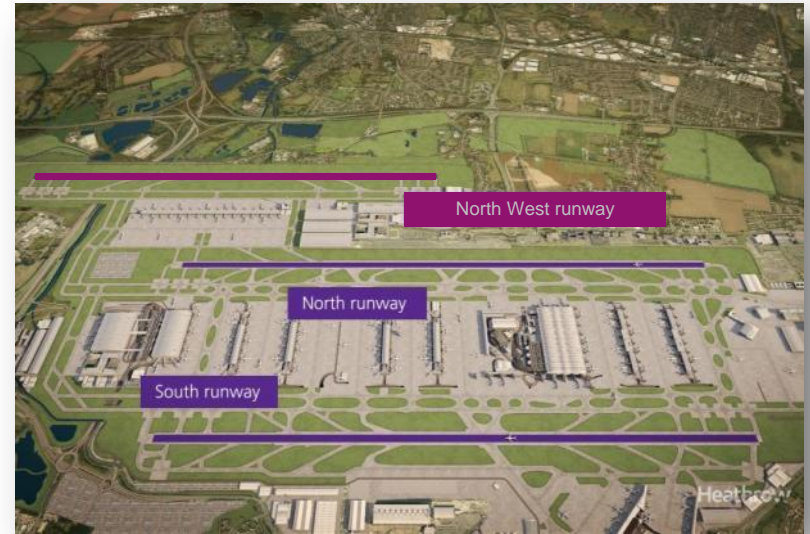
Unanimous conclusion that Heathrow's new North West runway is the best option



Heathrow expansion: new North West runway

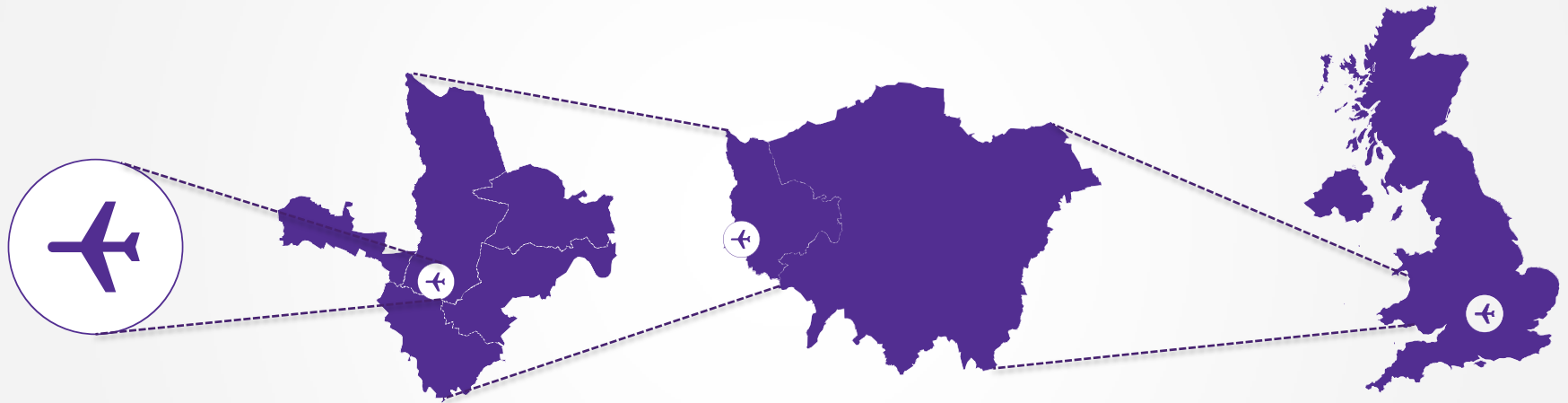
- Connecting all regions and nations of the UK to global growth, rebalancing the economy
- Up to £211 billion of economic benefit to UK
 - ~40 new long haul destinations
 - double freight capacity
 - 740,000 flights and 130 million passengers annually
- Lowest noise levels since 1970s
- Expanded Heathrow goes beyond meeting local Air Quality limits
- At the heart of the UK's most integrated transport hub

Heathrow's new North West runway



Airports Commission recognised benefits expansion will bring

Growth delivered by Heathrow expansion: 2040 employment projections



Our local
area
40,000+
new jobs

London and
SE
70,000+
new jobs

Across the
UK
180,000+
new jobs

Overwhelming support from business, communities, airlines and politicians



Planning consent to drive funding timing

- Process to obtain planning consent to take four years
 - Government policy decision by end 2015
 - aiming for Secretary of State approval in 2019
- Construction begins after planning consent
 - construction assumed from 2020
 - runway operational from 2025 with further development phases through to 2030
 - building in timing optionality on capital programme
- £16 billion expansion programme includes:
 - 3,500 metre North West runway
 - main terminal building and satellite
 - baggage facilities and track transit
 - community compensation and land purchase
- No substantial change to funding levels expected until 2019
 - pre-construction spend expected to be in £100s millions
 - phased investment over 10 years

Builds on solid foundations of Heathrow credit

1

Strong and resilient asset

- Overwhelming evidence of strength of demand to operate at Heathrow
- Case for expansion builds on existing strengths

2

Stable regulatory framework

- RAB-based regulation appropriate
- Stable regulation has supported investment over last ten years

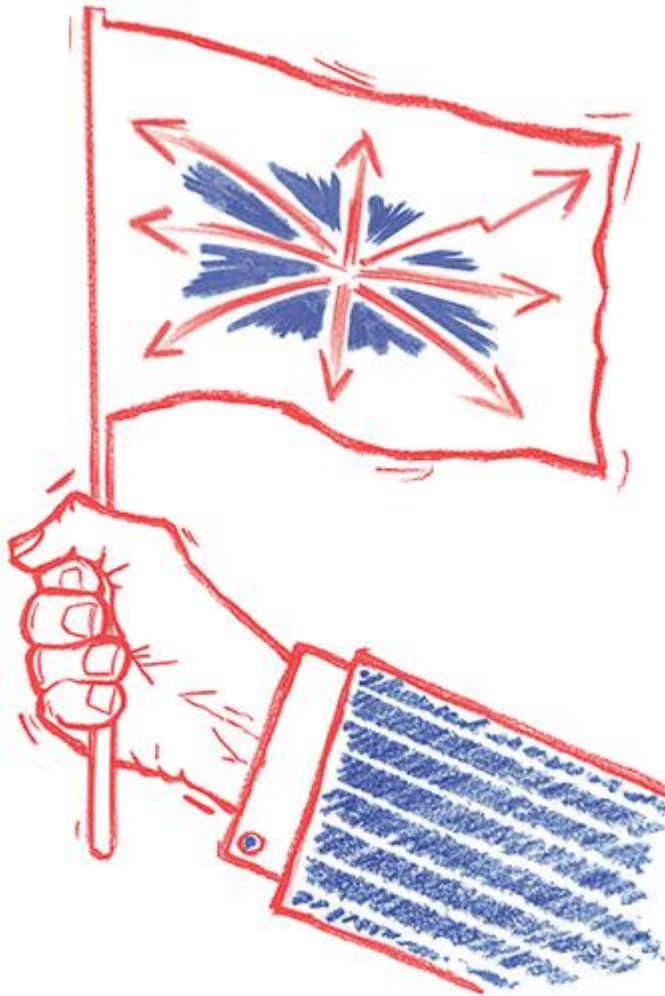
3

Strong set of creditor protections

- Existing financing platform demonstrably scalable
- Aim to maintain current investment grade credit ratings
- Backing of all shareholders

Next steps

- Government requires space to understand and assess the detailed analysis
- Work with Government and stakeholders on the best way to jointly deliver Heathrow expansion
- Prepare for planning consent process
 - ongoing engagement with local communities
 - conduct road traffic survey
- Engage with supply chain
 - spread of supply chain economic benefits across the UK and beyond
 - identifying current and future skills need
- Government committed to decision before the end of the year



Best for Britain - connecting the nation to global growth

Backed by Britain – wide and growing support

A new approach – local community at the core of the plan

Ready to build – we need a quick Government decision

Questions?



Appendices

Heathrow nominal net debt at 30 June 2015

| Heathrow (SP) Limited | Amount | Available | Maturity |
|--------------------------------------|---------------|---------------|----------|
| Senior debt | (£m) | (£m) | |
| £300m 12.45% | 300 | 300 | 2016/18 |
| €500m 4.125% | 434 | 434 | 2016/18 |
| €700m 4.375% | 584 | 584 | 2017/19 |
| CHF400m 2.5% | 272 | 272 | 2017/19 |
| €750m 4.6% | 510 | 510 | 2018/20 |
| C\$400m 4% | 250 | 250 | 2019/21 |
| £250m 9.2% | 250 | 250 | 2021/23 |
| C\$450m 3% | 246 | 246 | 2021/23 |
| US\$1,000m 4.875% | 621 | 621 | 2021/23 |
| £180m RPI +1.65% | 194 | 194 | 2022/24 |
| €600m 1.875% | 490 | 490 | 2022/24 |
| £750m 5.225% | 750 | 750 | 2023/25 |
| C\$500m 3.25% | 266 | 266 | 2025/27 |
| £700m 6.75% | 700 | 700 | 2026/28 |
| NOK1,000m 2.65% | 84 | 84 | 2027/29 |
| £200m 7.075% | 200 | 200 | 2028/30 |
| €750m 1.5% | 566 | 566 | 2030/32 |
| £900m 6.45% | 900 | 900 | 2031/33 |
| €50m Zero Coupon (1) | 42 | 42 | 2032/34 |
| £75m RPI +1.366% | 77 | 77 | 2032/34 |
| €50m Zero Coupon (2) | 42 | 42 | 2032/34 |
| £50m 4.171% | 50 | 50 | 2034/36 |
| €50m Zero Coupon (3) | 40 | 40 | 2034/36 |
| £50m RPI +1.382% | 51 | 51 | 2039/41 |
| £460m RPI +3.334% | 549 | 549 | 2039/41 |
| £100m RPI +1.238% | 100 | 100 | 2040/42 |
| £750m 5.875% | 750 | 750 | 2041/43 |
| £750m 4.625% | 750 | 750 | 2046/48 |
| £75m RPI +1.372% | 77 | 77 | 2049/51 |
| Total senior bonds | 10,145 | 10,145 | |
| Term debt | 256 | 256 | 2015/26 |
| Index-linked derivative accretion | 279 | 279 | Various |
| Revolving/working capital facilities | 0 | 1,100 | 2019 |
| Total other senior debt | 535 | 1,635 | |
| Total senior debt | 10,680 | 11,780 | |
| Heathrow (SP) Limited cash | (489) | | |
| Senior net debt | 10,191 | | |

| Heathrow (SP) Limited | Amount | Available | Maturity |
|---|---------------|--------------|----------|
| Junior debt | (£m) | (£m) | |
| £400m 6.25% | 400 | 400 | 2018 |
| £400m 6% | 400 | 400 | 2020 |
| £600m 7.125% | 600 | 600 | 2024 |
| £155m 4.221% | 155 | 155 | 2026 |
| Total junior bonds | 1,555 | 1,555 | |
| Junior revolving credit facilities | 0 | 450 | 2018/19 |
| Total junior debt | 1,555 | 2,005 | |
| Heathrow (SP) Limited group net debt | 11,746 | | |

| Heathrow Finance plc | Amount | Available | Maturity |
|--|-------------|------------|----------|
| | (£m) | (£m) | |
| £325m 7.125% | 293 | 293 | 2017 |
| £275m 5.375% | 262 | 262 | 2019 |
| £250m 5.75% | 250 | 250 | 2025 |
| Total bonds | 805 | 805 | |
| £78m | 78 | 78 | 2019 |
| £25m | 25 | 25 | 2020 |
| £50m | 50 | 50 | 2022 |
| Total loans | 153 | 153 | |
| Total Heathrow Finance plc debt | 958 | 958 | |
| Heathrow Finance plc cash | (54) | | |
| Heathrow Finance plc net debt | 904 | | |

| Heathrow Finance plc group | Amount | Available |
|--|---------------|---------------|
| | (£m) | (£m) |
| Heathrow (SP) Limited senior debt | 10,680 | 11,780 |
| Heathrow (SP) Limited junior debt | 1,555 | 2,005 |
| Heathrow Finance plc debt | 958 | 958 |
| Heathrow Finance plc group debt | 13,193 | 14,743 |
| Heathrow Finance plc group cash | (543) | |
| Heathrow Finance plc group net debt | 12,650 | |

Notes, sources and defined terms

- Page 3
 - EBITDA refers to Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 5
 - Sources: airport websites
- Page 6
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 0 up to 5
- 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: 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 11
 - Operating costs refer to Adjusted operating costs that exclude depreciation, amortisation and exceptional items
- Page 12
 - Opening and closing nominal net debt includes index-linked accretion
 - 'Other' movements mainly reflects £38 million decrease in amount owed to LHR Airports Limited. Other flows included in 'Other' include group relief payments, fees paid in relation to bond issues and discounts on bonds issued
- Page 13
 - 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 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
- Page 22
 - Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing

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Heathrow

Making every journey better