



Heathrow

BNP Paribas High Yield and Leveraged Finance Conference

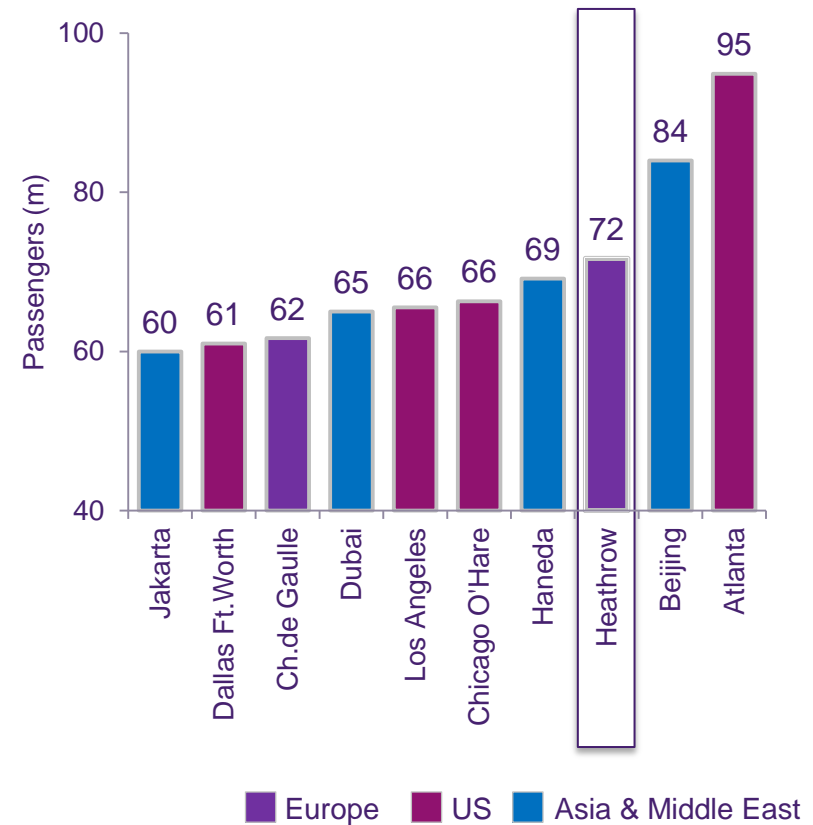
January 2014

Heathrow
Making every journey better

Heathrow is critical infrastructure for global aviation

- World's third busiest airport and busiest international airport
- 7 of the global top 10 long haul routes operate at Heathrow
- UK's only hub airport and British Airways' global hub
- Operates busiest two runways globally, capacity is capped at 480,000 flights p.a.
- Operates 80% of UK's long haul scheduled traffic
- Over 80 airlines operate at Heathrow, over two thirds operating long haul services

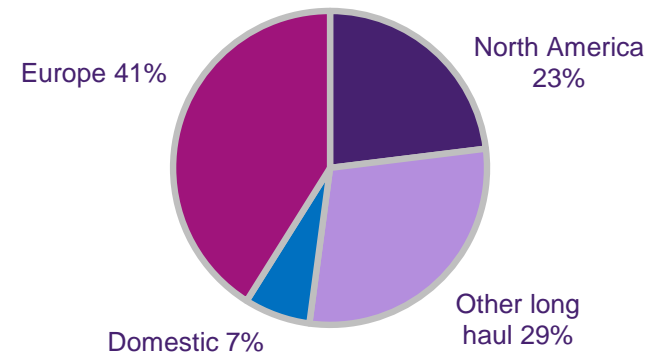
Top 10 busiest global airports
12 months to October 2013



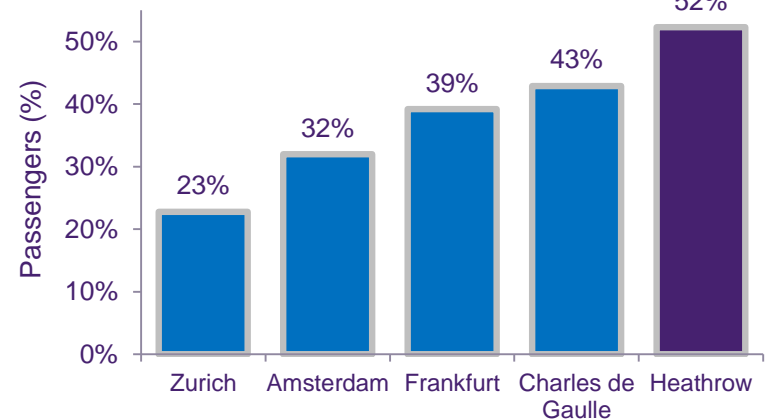
Demand at Heathrow is diverse and resilient

- Key global hub benefiting from strength of London catchment area
- Unique traffic resilience
 - operating close to full capacity
 - strength in high growth long haul
 - countercyclical transfer traffic
- Passenger diversity
 - balanced business and leisure traffic
 - >50% non-UK resident passengers
- Less reliant on single airline or alliance
 - Heathrow: ~57% **oneworld**
 - CDG & AMS: ~66% SkyTeam
 - FRA: 78% Star Alliance; ZRH: 69% Star Alliance

Heathrow passenger traffic by region
12 months to December 2013



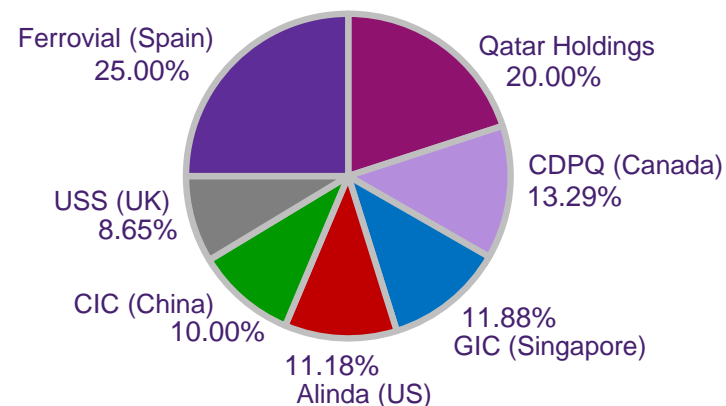
Proportion of long haul traffic



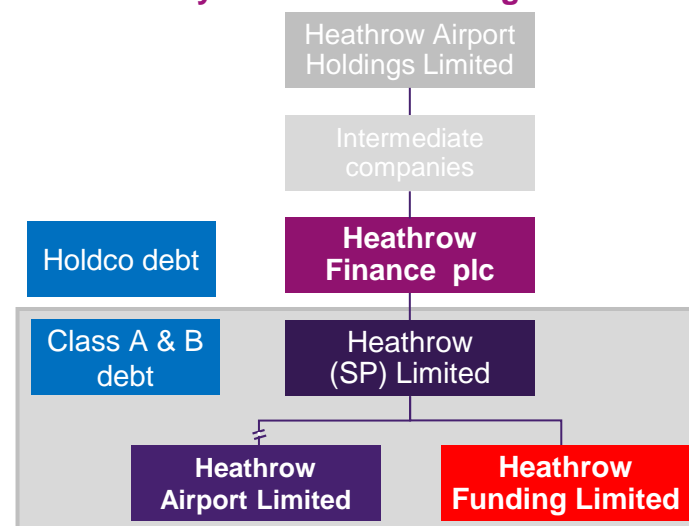
Heathrow has strong shareholders and provides robust creditor protections

- Heathrow is indirectly wholly-owned by seven global investors
- Heathrow represents 96% of group EBITDA
 - remaining 4% of group comprises Aberdeen, Glasgow and Southampton airports
 - Heathrow includes airport and Heathrow Express operations
- Heathrow is ring-fenced from rest of group and financed with 3 classes of debt
 - Heathrow Funding issues Class A/B debt rated A-/BBB
 - Heathrow Finance issues holding company debt rated BB+/Ba3
 - all 3 classes of debt provide strong security package for creditors

Heathrow shareholders

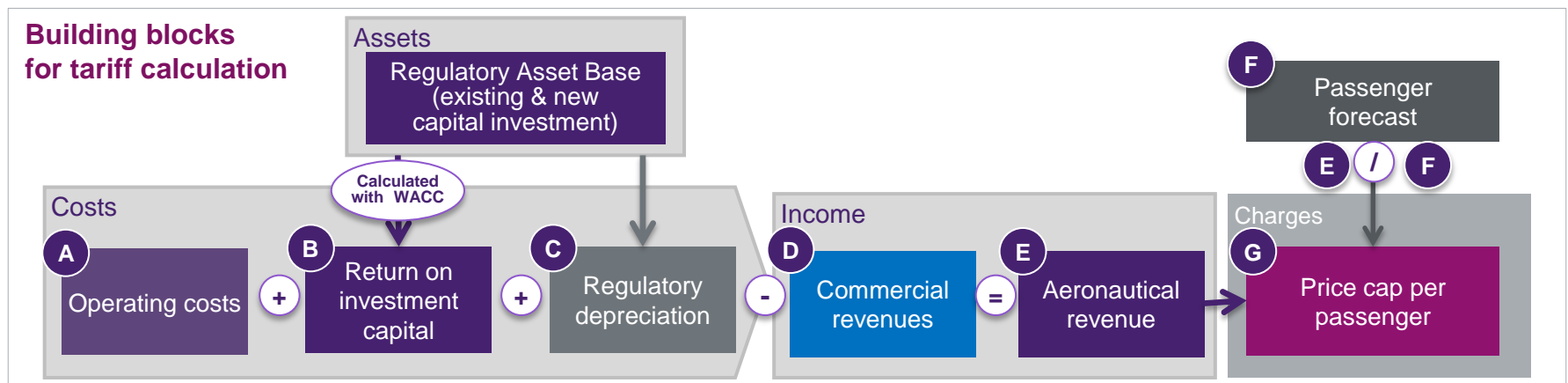


Summary Heathrow financing structure



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
- 'Single till' operation where commercial revenue offsets aeronautical charges
- 'RAB based' price regulation similar to other UK regulated utilities
- Next regulatory period, 'Q6', starts 1 April 2014



CAA set Q6 headline annual tariff change at RPI -1.5%

- Following consultation, CAA issued Q6 decision on 10 January 2014
- Most notable differences since CAA Final Proposal: CAA assumes lower cost of equity and higher passenger forecast
- Q6 to be 4 years and 9 months to align regulatory year with financial year
- CAA forecast £3 billion Q6 capital investment
- Q5 capital investment £5 billion
- Heathrow Q6 business plan improves service and resilience, delivers operating efficiencies and grows revenue streams

CAA Q6 final decision

Adjusted to five-year aggregate for comparability

(5 -year aggregate) (£m unless stated) (11/12 prices)	CAA Q6 decision (Jan 2014)	CAGR	Change from CAA Final Proposal (Oct 2013)
Passengers (m)	364.9	+0.8%	+5.7m
Aeronautical income	7,248	-0.4%	-195
Non aeronautical income	4,683	+1.3%	+33
Operating costs	4,962	-2.0%	+18
EBITDA	6,969	+1.9%	-180
Capital investment(£bn)	3.0		-
WACC (pre-tax real)	5.35%	-	-25 bps
Price cap per passenger (p.a.)	RPI – 1.2%	-	-120bps

Heathrow has invested £11 billion between 2003 and 2014 – 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 BA

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
- Opening 2014
- Future home of STAR Alliance

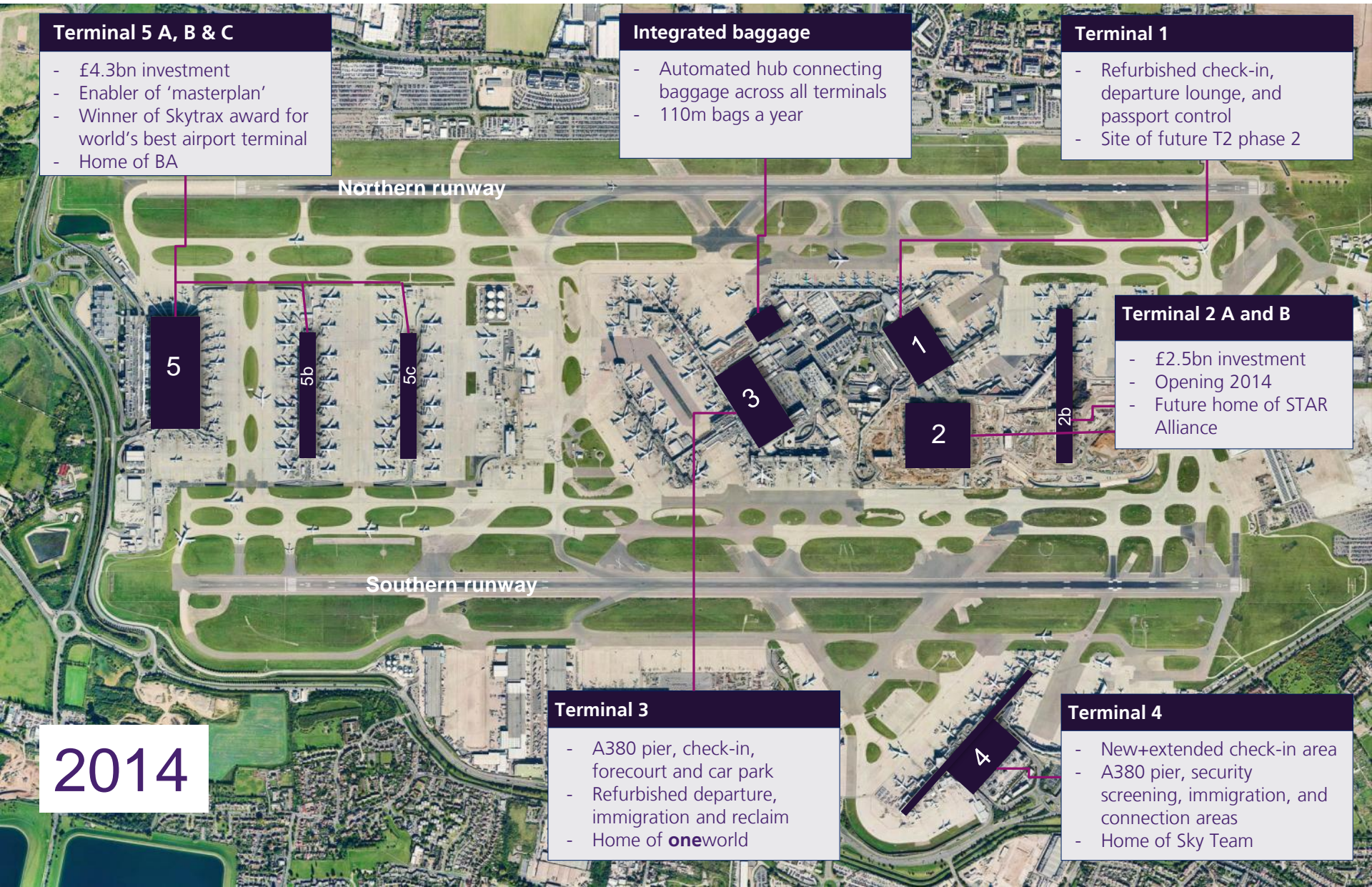
Terminal 3

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

Terminal 4

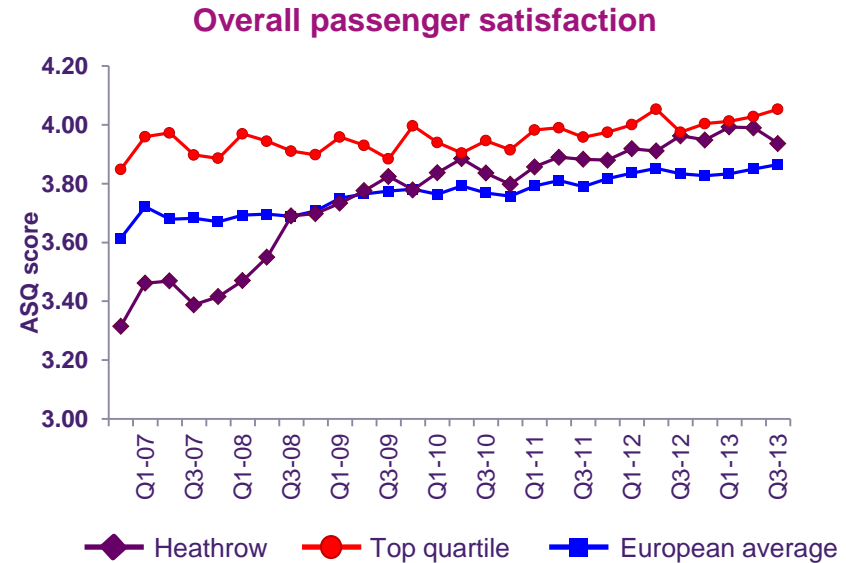
- New+extended check-in area
- A380 pier, security screening, immigration, and connection areas
- Home of Sky Team

2014



Transforming the experience for passengers and airlines

- Consistently improving passenger satisfaction in external surveys
 - Heathrow now close to top quartile of major European airports for overall passenger satisfaction
 - 74% passengers rate Heathrow as ‘Very good’ or ‘Excellent’ (2007: 48%)
- Departures within 15 minutes of schedule 78% in 2013, consistent performance
 - strong performance when operating at 98% capacity
 - notable improvement since 2007 (63%)
- Baggage performance improved
 - Heathrow 2013 baggage misconnect rate of 15 per 1,000 passengers (2007: 40 per 1,000)



World's Best Airport Terminal
Heathrow Terminal 5

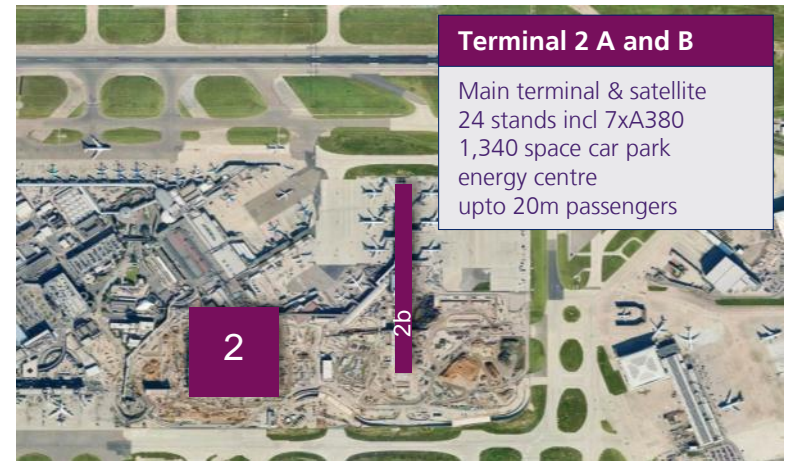


2013 Europe's Best Airport
(over 25 million passengers)

Heathrow
Making every journey better

In June 2014 Terminal 2: The Queen's Terminal opens

- Terminal 2 continues the transformation
 - £2.5 billion investment
 - 26 airlines and home for Star Alliance at Heathrow
 - Handed over to operational readiness as planned in November 2013
 - operations begin 4 June 2014
- T2 is latest phase of 'masterplan'
 - masterplan layout transforms operating efficiency
 - 'toast-rack' design: terminal buildings perpendicular to runways for most efficient access
- Upto £3bn capital plan for 'Q6'
 - Terminal 2: airline moves, extra stands, phase 2
 - Terminal 3 Integrated Baggage System
 - runway and taxiway works
 - terminal space by 2016 c.837,000 square metres (2007: 329,000 square metres)



Terminal 2 A and B

Main terminal & satellite
24 stands incl 7xA380
1,340 space car park
energy centre
upto 20m passengers



Heathrow

Making every journey better

Airports Commission short-listed Heathrow's hub expansion proposal for third runway to north-west of airport

- Airports Commission interim findings
 - clear case for one net new runway by 2030 in London/ South East
 - short-listed Heathrow's north-west expansion option
 - short-term improvements also recommended
- Heathrow north-west third runway proposal
 - hub capacity up to 130 million passengers and 740,000 flights per year
 - £17 billion investment over c.15 years of which c. £11 billion is airport infrastructure
 - estimated UK economic benefit: £100bn present value
- Heathrow is best placed for passengers, taxpayers and business
- Airports Commission final recommendation summer 2015

Heathrow hub expansion: north-west runway



Traffic continues growing despite operating at full capacity

Passenger traffic by market

(Jan-Dec 2013 versus Jan-Dec 2012)

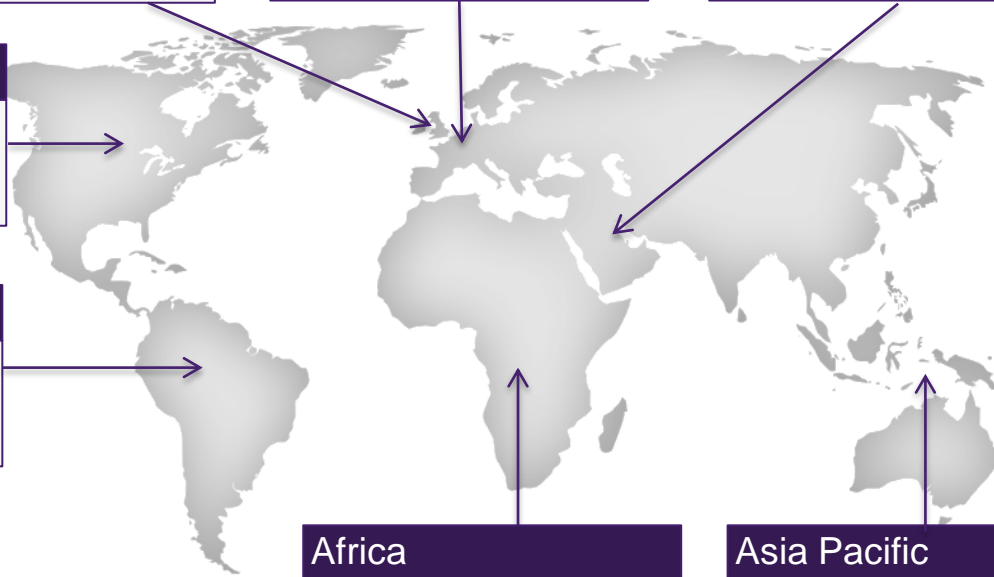
UK
Passengers: 5.0m
Change:+5.9%

Europe
Passengers: 29.9m
Change:+4.4%

Middle East
Passengers: 5.8m
Change:+4.4%

North America
Passengers: 16.7m
Change:+2.4%

Latin America
Passengers: 1.1m
Change:+5.7%



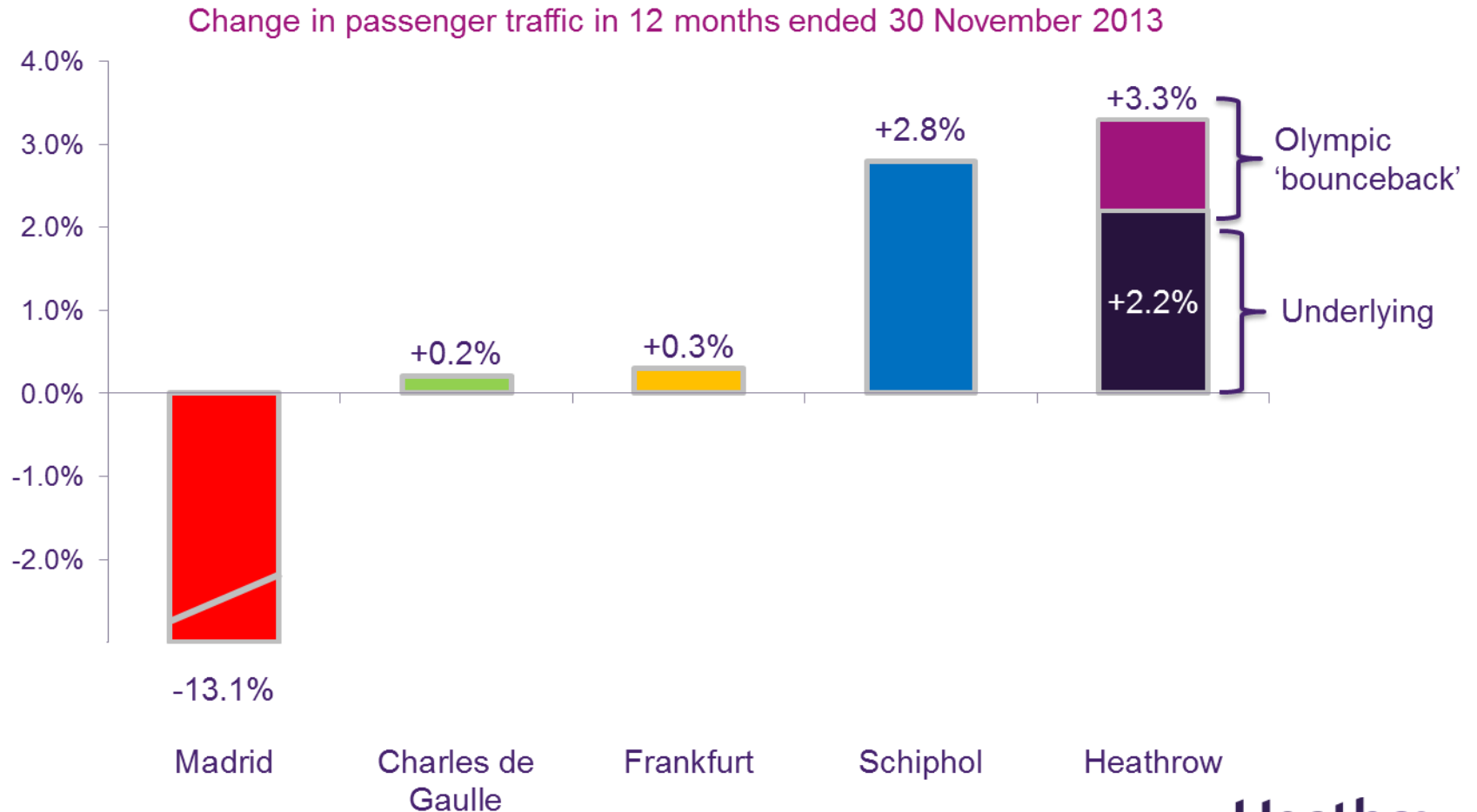
Total
Passengers: 72.3m
Change¹:+3.4%

¹ Excluding Olympic 'bounceback' growth estimated +2.3%

Africa
Passengers: 3.5m
Change:-10.2%

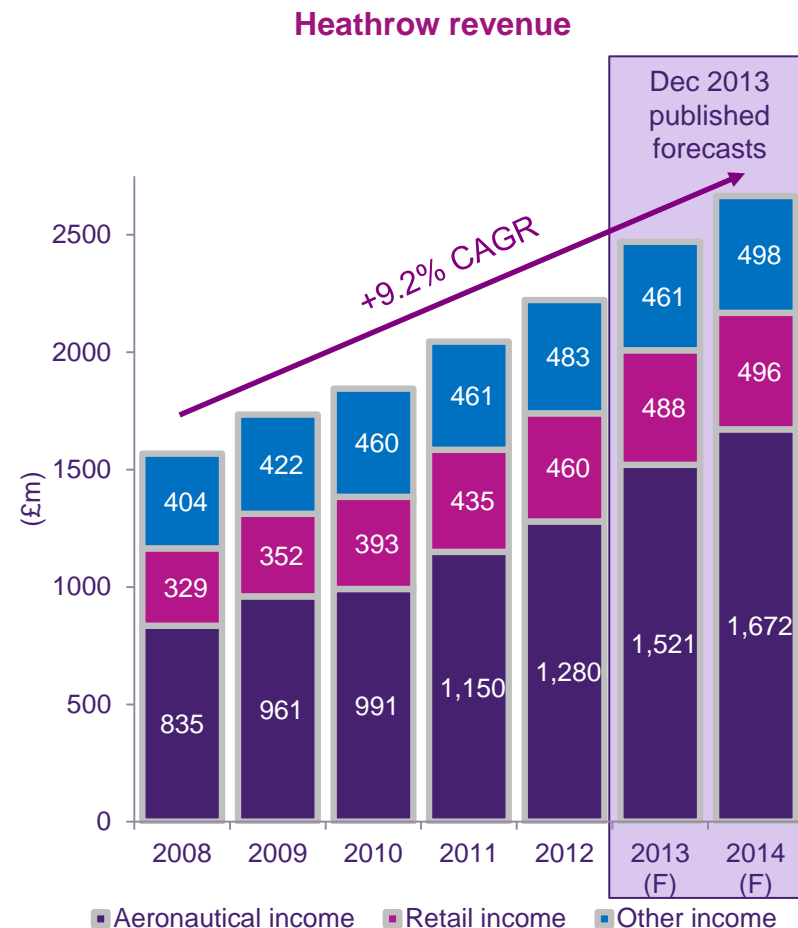
Asia Pacific
Passengers: 10.3m
Change:+5.3%

Heathrow's traffic robust versus major European hub airports

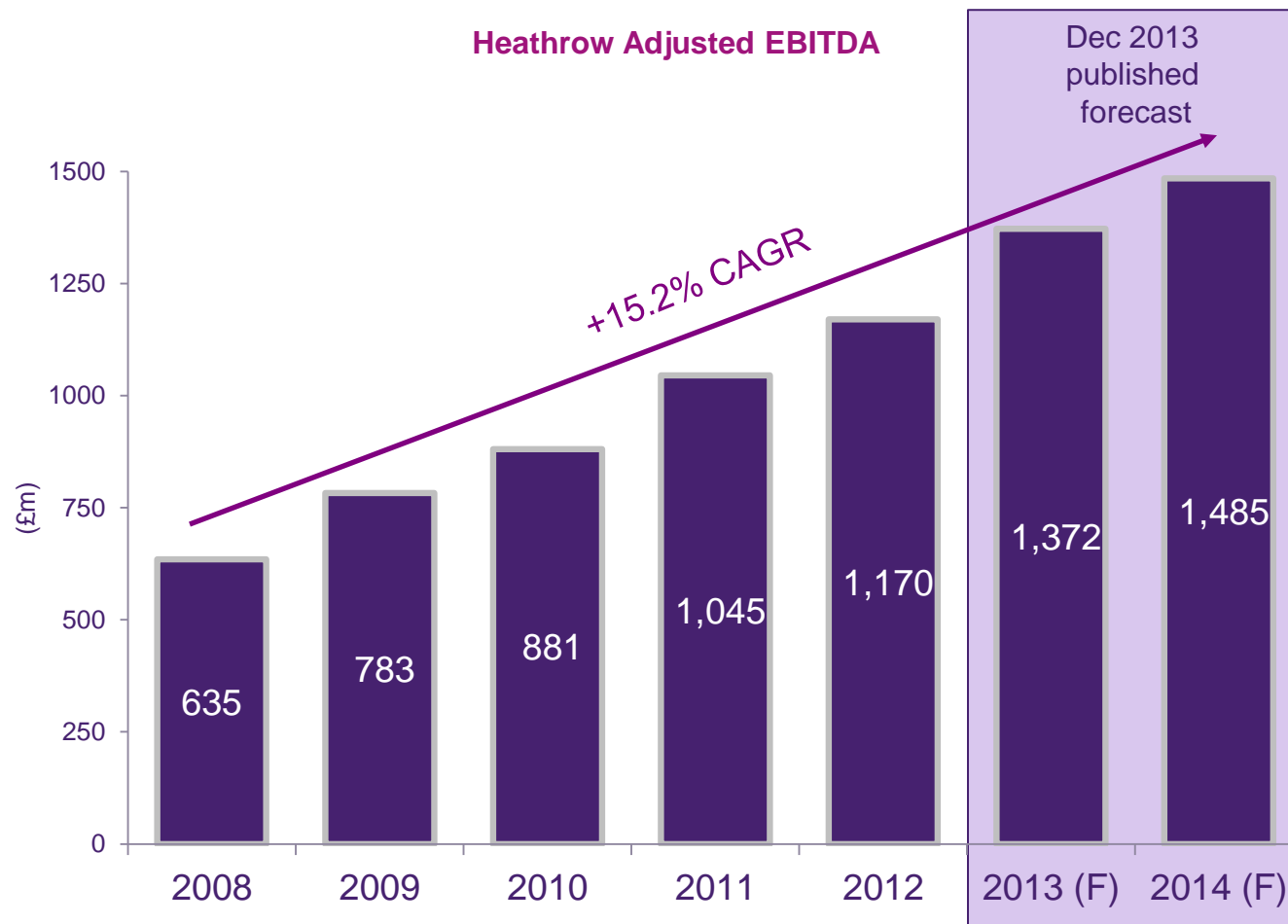


Revenue momentum across the single till

- Continued aeronautical income growth
 - driven by passenger traffic and tariff increases
- Heathrow delivers world class retail revenue contributing to the single till
 - 2012: Heathrow £6.21; Frankfurt £3.72; Copenhagen: £4.76; Gatwick: £4.76
- Net retail income ('NRI') per passenger £6.18 in 9 months to Sept 13
 - driven by bureaux de change, car parking and car rental; likely adverse impact from shift in mix to European traffic
 - in 2008 NRI per passenger was £4.62
- Revenue forecast 2013: £2.47 billion; 2014: £2.67 billion



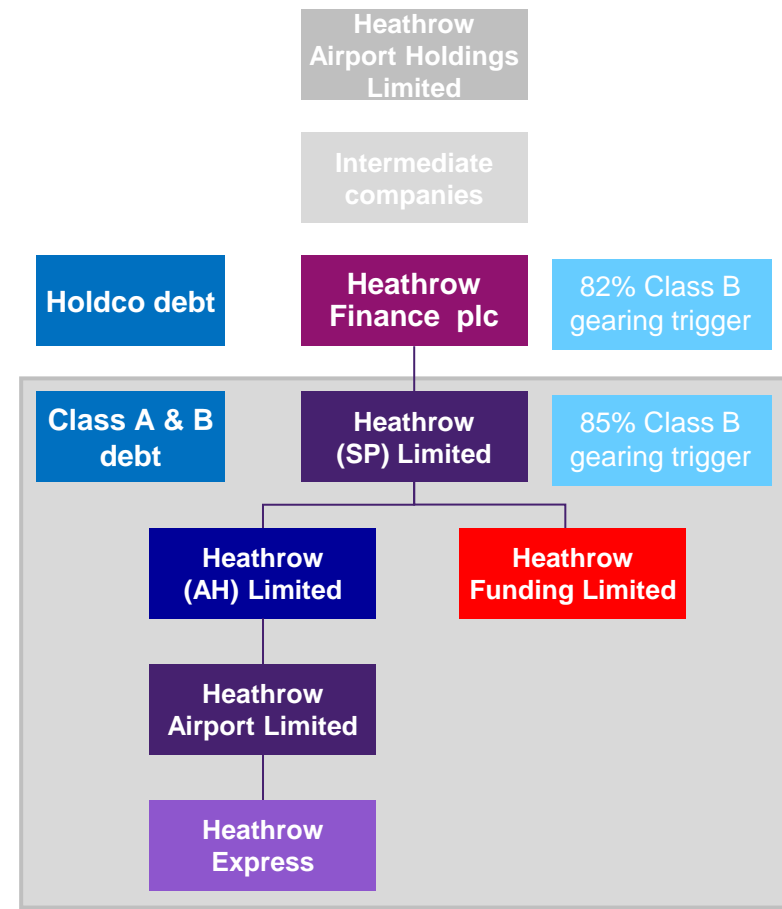
Heathrow has achieved strong growth in Adjusted EBITDA to support substantial investment



Structural features of Heathrow Finance financing

- Senior security over Heathrow (SP) shares
- Debt serviced by distributions from Heathrow (SP)
 - £400 million liquidity buffer from Heathrow (SP)
 - Class B gearing differential trigger levels (82% v 85%) for distribution lock-up
- Indirect benefit of Heathrow (SP) financial and operational covenants and triggers
 - leverage & interest cover (also at Heathrow Finance)
 - minimum 12 months liquidity
 - restrictions on business activities, acquisitions and disposals
 - minimum hedging requirements
- Heathrow Finance creditor consent required to tighten Heathrow (SP) distribution restrictions
- Cross-acceleration of Heathrow Finance debt with Heathrow (SP) debt

Heathrow financing structure



Heathrow

Making every journey better

Heathrow Finance's well established and resilient financing platform

- Debt financing in place at Heathrow Finance since £1.6 billion loan facility migrated there as part of 2008 refinancing
- Evolved to combined capital markets and loan financing in 2010
- Debt serviced through worst aviation downturn
- Heathrow currently targets around 5% of RAB in debt at Heathrow Finance

Analysis of debt servicing since 2008

Heathrow Finance debt and other subordinated parts of capital structure						
<i>figures in £m unless stated</i>	2008	2009	2010	2011	2012	2013 (F)
Heathrow Finance external interest payments	79	104	72	28	39	43
Interest and shareholder dividends distributed beyond Heathrow Finance	0	0	0	0	346	278
Gross debt at Heathrow Finance	1,566	1,566	500	550	728	763
Headroom to Heathrow (SP) Class B gearing trigger	1,173	1,392	938	1,330	1,232	1,000

Heathrow Finance's funding in broader context

- Heathrow pioneered UK regulated holding company secured capital markets financing in 2010
- Now a market of around £2.5 billion in outstanding bonds with at least 7 issuers
- 2x Heathrow issues account for around 25% of market
 - 2017 £325m 7.125%
 - 2019 £275m 5.375%

Comparison of credit metrics

UK regulated secured financing holding companies				
	Heathrow	Thames Water	Anglian Water	Kelda
Actual RAR (at 30/09/13)	83.2%	84.2%	85.6%	84.8%
RAR trigger/covenant	90.0%	92.5%/95.0%	93.0%/95.0%	95.0%
Net debt/EBITDA (at 30/09/13)	8.8x	8.9x	8.1x	8.4x
Credit ratings	BB+/Ba3	BB/B1	BB+/Ba3	BB+/BB-

Heathrow has transformed its financing position and recent £750m long-dated GBP bond improves position further

Comparison of Heathrow Finance plc financing

	December 2010		September 2013 (pro-forma*)	Change
Average life of debt	7.9 years	→	11.3 years	+3.4 years
Debt due within 3 years	£3.8 billion	→	£1.6 billion	-£2.2bn
Bond proportion of total debt	64%	→	97%	+33pp
Liquidity horizon	12 months	→	26 months	+14mo
Bond issue currencies	2	→	5	+3
Foreign currency bonds	£2.1bn (34%)	→	£3.6bn (32%)	+£1.5bn

* Pro-forma reflects intended use of proceeds from £750m GBP bond issued on 24 October 2013. Adjusts for repayment of £50m class B loan ; repayment of GBP bond maturing November 2013; repayment of revolving credit facility drawings.

Robust and improved financial ratios

Gearing ratios (RAR)						
	Trigger / covenant	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013 (F)	31 Dec 2014 (F)
Heathrow (SP) Senior RAR	70.0%	68.8%	68.0%	66.2%	68.4%	66.4%
Heathrow (SP) Junior RAR	85.0%	77.7%	75.4%	76.7%	78.2%	77.6%
Heathrow Finance RAR	90.0%	81.4%	79.4%	81.6%	83.4%	82.6%

Gearing ratios (Net debt/Adjusted EBITDA)						
		31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013 (F)	31 Dec 2014 (F)
Heathrow (SP) Senior gearing		9.1x	8.3x	7.8x	7.3x	6.8x
Heathrow (SP) Junior gearing		10.3x	9.2x	9.0x	8.3x	7.9x
Heathrow Finance gearing		10.8x	9.7x	9.6x	8.9x	8.4x

Interest Cover Ratios (ICR)						
	Trigger / covenant	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013 (F)	31 Dec 2014 (F)
Heathrow (SP) Senior ICR	1.40x	2.08x	2.76x	2.62x	2.85x	2.77x
Heathrow (SP) Junior ICR	1.20x	1.85x	2.34x	2.30x	2.25x	2.25x
Heathrow Finance ICR	1.00x	1.55x	2.17x	2.08x	2.06x	2.06x

Key future financing themes

- Heathrow's average annual financing requirement declining to less than £1.5 billion over next 5 years
 - completed refinancing of loan facilities
 - reduced capital programme
 - some further growth in operating cash flows
- September 2013 pro forma liquidity until late 2015
 - reflects recent £750 million bond resulting in significant undrawn revolving credit facilities
 - subsequent financings extend liquidity into early 2016
 - sufficient to fund capital investment, debt maturities, interest and distributions
- Optimise use of established long term financing platform
 - continue to consider issuance in different currency markets
 - continue to issue across different levels in the capital structure
 - expect Heathrow Finance to be repeat issuer

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
- Strong security package for creditors
- Resilient and growing cash flow post debt service underpinned by stable independent regulatory environment
 - regular tariff resets protect against revenue and cost volatility
- Continued improvement in operational performance
- Capital investment to enhance competitive position

Questions?

Notes and defined terms

- Page 2
 - Source of airport rankings Airports Council International data to October 2013
 - Top 10 intercontinental routes sourced from OAG based on available seats on non stop flights over 2,800 nautical miles for week commencing 2 September 2013
 - Proportion of UK scheduled long haul traffic derived from CAA data for year ended 31 December 2011
 - Page 3
 - Alliance proportions measured in Air Transport Movements (ATMs) sourced from OAG.
 - Proportion of long haul traffic, source: company websites
 - Page 6
 - Financial data in all scenarios in 2011/12 prices in line with regulatory submissions
 - Weighted average cost of capital is pre-tax and real
 - Page 8
 - Source of chart: Quarterly Airport Service Quality 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 and 2013 SKYTRAX World Airport Awards
 - Page 11
 - Total traffic and percentage changes determined using un-rounded passenger numbers
 - Page 12
 - Source company websites
 - Page 13
 - Historical revenue is for Heathrow only, excluding Gatwick and Stansted. Forecast data from Investor Report issued in December 2013
 - Retail income per passenger includes car parking; for Gatwick is for 12 months to September 2012; for Frankfurt and Copenhagen uses average 2012 exchange rates
 - Page 14
 - Historical adjusted EBITDA: Heathrow only, excludes Gatwick and Stansted. Forecast data from Investor Report issued in December 2013
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Page 15
 - Heathrow Express is Heathrow Express Operating Company Limited
 - Page 16
 - Interest and shareholder dividends in 2013 exclude Stansted related £300 million payment to shareholders and amounts used to repay at ADI Finance 1 Limited
 - Page 17
 - Source of credit metrics: relevant company investor reports and accounts. Source net debt/EBITDA Heathrow estimates.
 - Page 18
 - Figures are in respect of Heathrow Finance plc external nominal debt
 - Bond proportion of total debt is proportion of gross debt excluding index-linked derivative accretion
 - Proportion of foreign currency bonds is as a proportion of total bond nominal debt
 - Page 19
 - Gearing ratio or RAR is the ratio of nominal net debt (including index-linked accretion) to RAB.
 - 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
- 23 – Forecast figures for 2013 and 2014 taken from investor report issued in December 2013.

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