



Heathrow (SP) Limited (formerly BAA (SP) Limited)
Results for year ended 31 December 2012

February 2013

Heathrow
Making every journey better

- Second consecutive year of record Heathrow traffic and passenger satisfaction
- Strong financial results, increased investment & transformed financing
- Good progress on strategic agenda

2012 highlights

Traffic and retail performance

Total passenger traffic	+0.0%
Heathrow passenger traffic	+0.9%
NRI per passenger	+4.4%

Key financial highlights

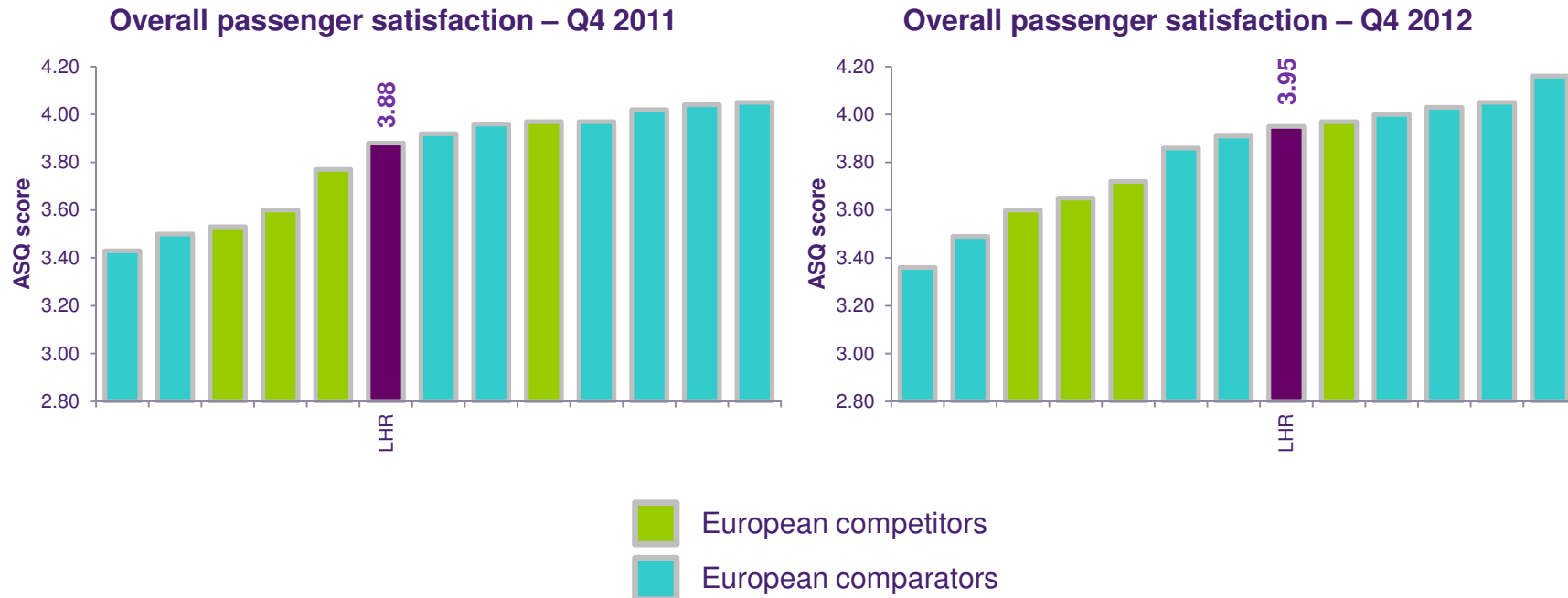
Revenue	+8.1%
Adjusted EBITDA	+11.6%

Investment and financing

Capital expenditure	£1,157.0m
Net debt (senior and junior)	£11,359.5m
RAB	£14,813.7m

Passenger satisfaction continues improving with record Heathrow ASQ scores

- Heathrow rated second of five largest airports in Europe
 - highest ever ASQ rating achieved in Q3 2012 as Heathrow delivered an outstanding welcome to thousands of Olympic and Paralympic athletes
- Terminal 5 voted best terminal globally in SKYTRAX World Airport Awards



Source : Airport Service Quality ('ASQ') surveys by Airports Council International

Heathrow transformation continues

- Terminal 2 remains centrepiece of current investment programme
 - new terminal occupancy agreed following IAG's acquisition of bmi
 - significant progress in 2012
 - terminal and satellite weather-tight; systems fit-out underway; aircraft stands under construction
 - construction completes late 2013; operations commence mid-2014
 - work will continue in early Q6 to complete satellite building
- Work continues on new Terminal 3 integrated baggage system
- Terminal 4 departure lounge refurbished
- Over £1.1 billion invested in 2012
- Q6 to see further £3 billion of private sector investment in Heathrow



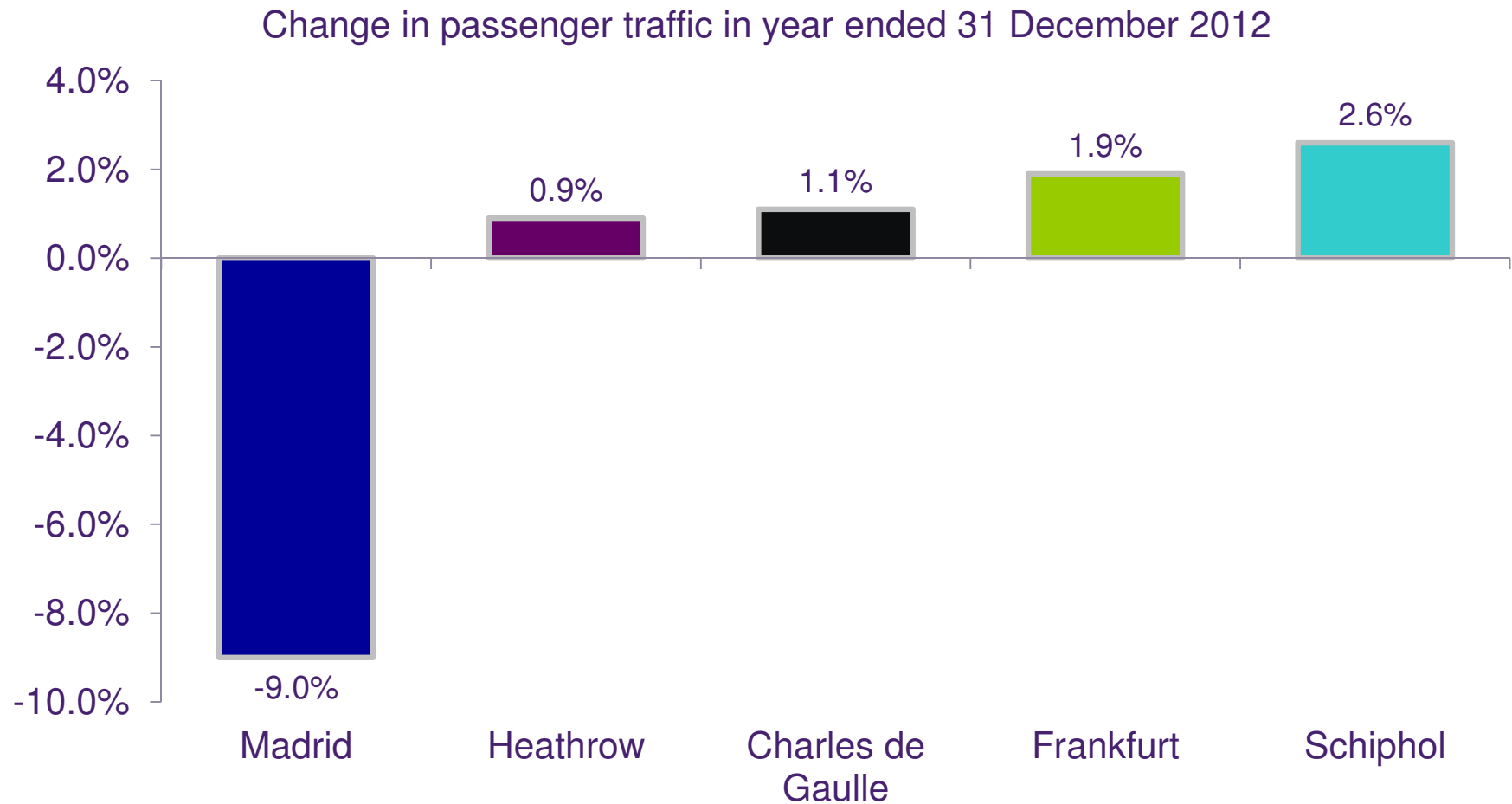
Roof of main Terminal 2 building

Record Heathrow traffic in 2012

- Second consecutive calendar year of record Heathrow traffic
- Growth driven by record load factors and larger aircraft
- North Atlantic drove Heathrow's performance

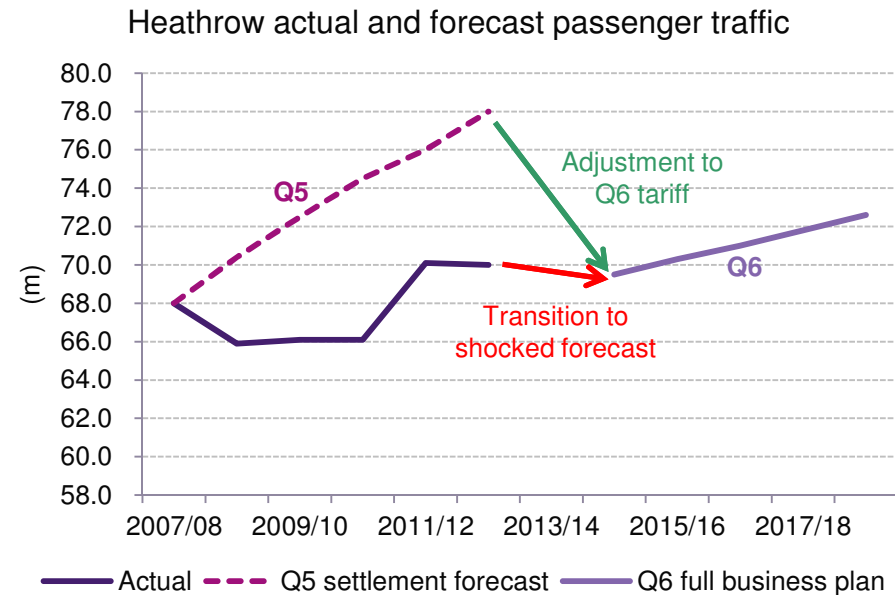
Passenger traffic			
	Year ended 31 December		
	2011 (m)	2012 (m)	Change
<i>By airport</i>			
Heathrow	69.4	70.0	0.9%
Stansted	18.0	17.5	-3.2%
Total	87.4	87.4	0.0%
<i>By market served</i>			
UK	6.2	5.9	-3.6%
Europe	44.5	44.5	0.1%
Long haul	36.8	37.0	0.5%
Total	87.4	87.4	0.0%

Heathrow's traffic performance remains robust versus other major European hub airports



Q6 regulatory discussions

- Heathrow recently issued full business plan ('FBP') for next regulatory period commencing 1 April 2014 ('Q6')
- FBP proposes £3 billion investment
 - Terminal 2: airline moves, extra stands, phase 2
 - baggage systems
 - runway and taxiway works
 - Crossrail financial contribution
- Traffic forecast of 355.2 million over Q6, adjusted for potential shocks
- RPI+5.9% per annum tariff proposed
 - adjustment of traffic forecast accounts for about half of real tariff increase
- Publication of CAA's initial price cap proposals at end April 2013



Business priorities

Making every journey better

Terminal 2

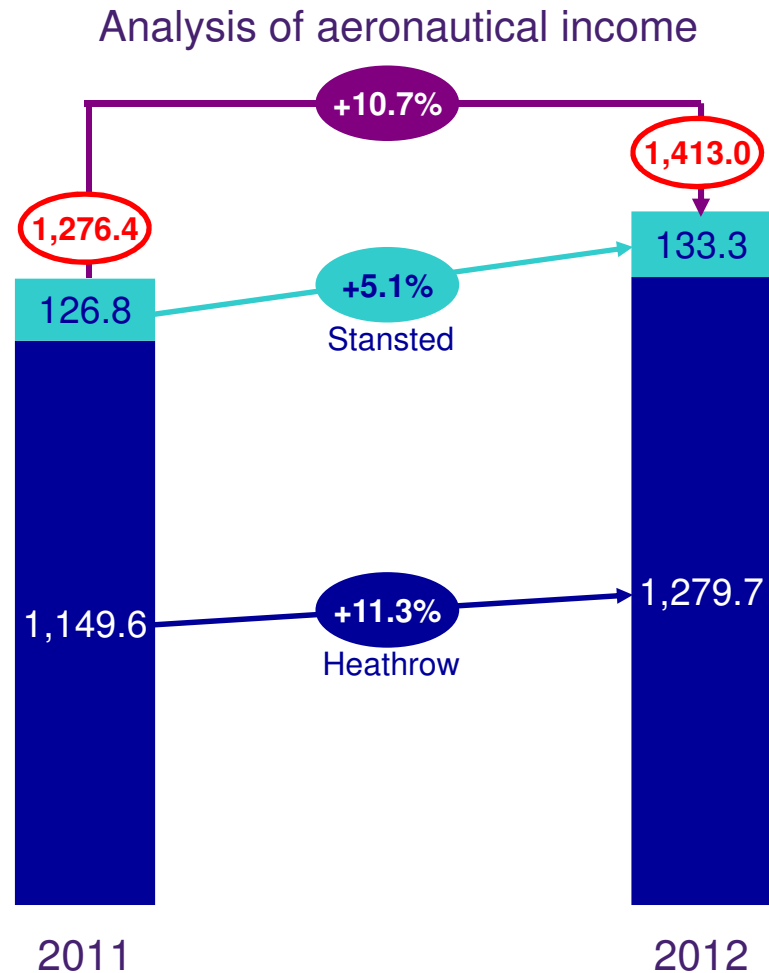
Airports Commission

Robust 2012 financial performance

(figures in £m)	2011	2012	Change
Revenue	2,280.0	2,464.0	 +8.1%
Adjusted operating costs	1,147.9	1,200.1	 +4.5%
Adjusted EBITDA	1,132.1	1,263.9	 +11.6%
Consolidated Heathrow (SP) net debt	10,442.6	11,359.5	 +8.8%
Consolidated Heathrow Finance net debt	10,992.2	12,085.8	 +9.9%
RAB (Regulatory Asset Base)	13,849.7	14,813.7	 +7.0%

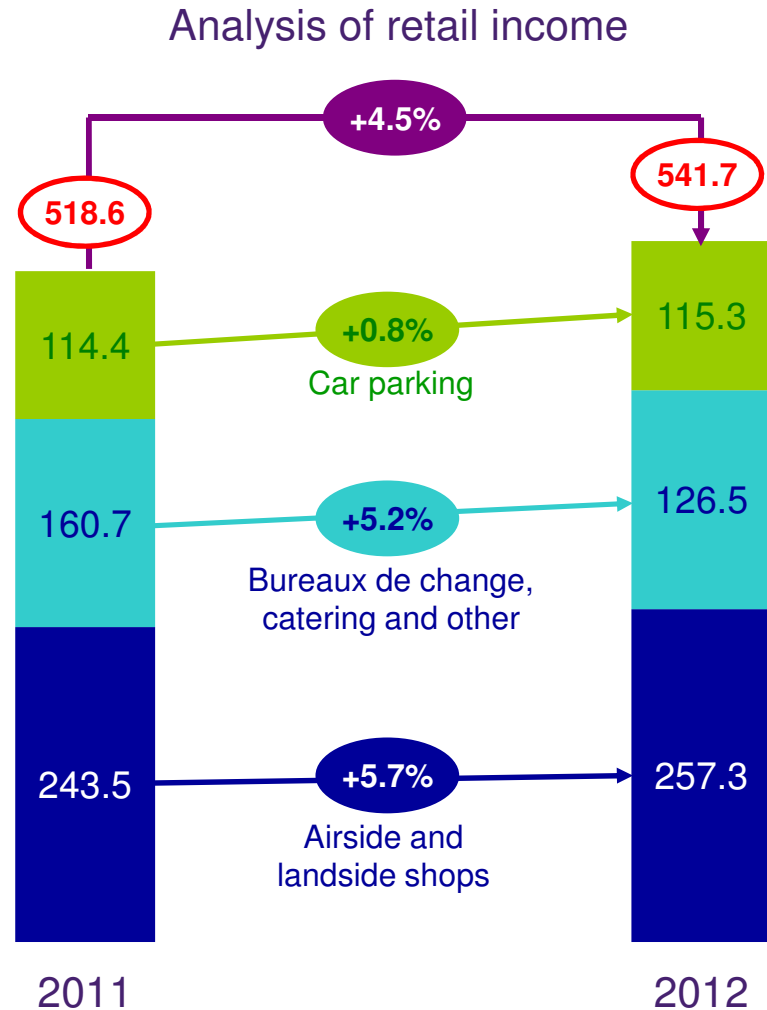
Good aeronautical income growth continued...

- 10.7% year on year growth
 - principally reflected tariff increases
- Heathrow income reflects increased tariff and traffic partially offset by yield dilution
- Heathrow yield dilution
 - around £40 million over 2012 as a whole
 - quieter aircraft, more transfer passengers and lower aircraft parking charges
 - shortfall recovered through 'K' factor in 2013/14 and 2014/15
- Stansted income
 - tariff increases and reduced tariff discounts partially offset by lower traffic
- 10.4% headline Heathrow tariff increase from 1 April 2013



...and retail delivered another good year...

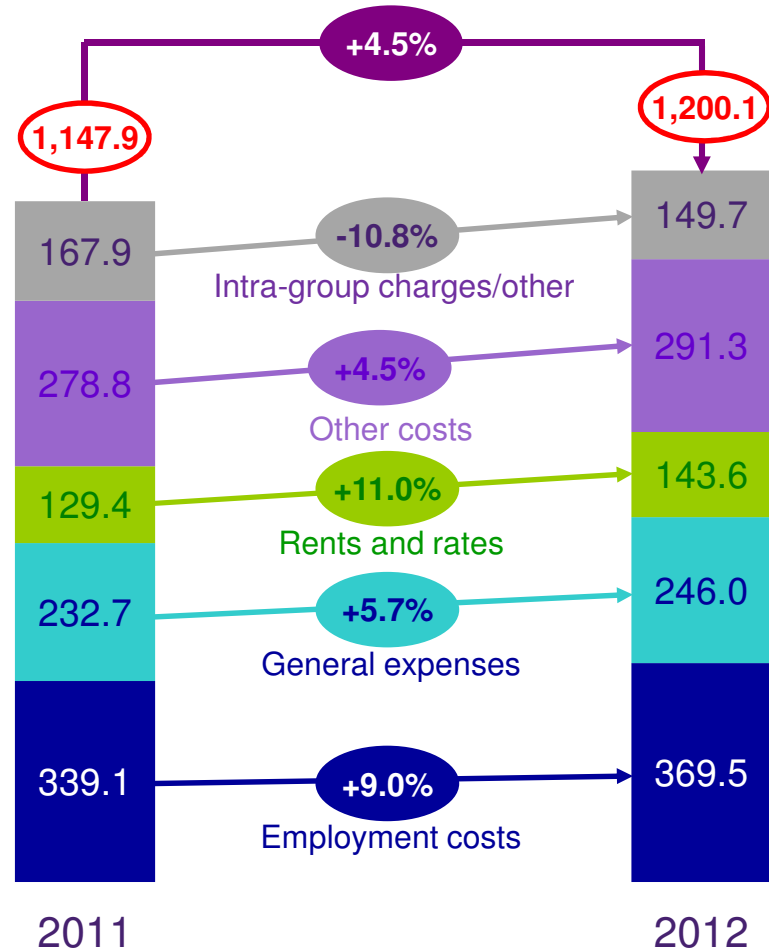
- Retail income up 4.5% on flat passenger numbers
- Net retail income ('NRI') per passenger up 4.4% to £5.82
 - growth ahead of inflation
- Heathrow
 - NRI per passenger up 4.4% (underlying: around 5.5%)
 - driven by duty and tax-free, airside specialist shops, bureaux de change, catering and advertising
- Stansted
 - NRI per passenger up 2.8%
 - due to landside shops and bookshops, catering and lower retail expenditure



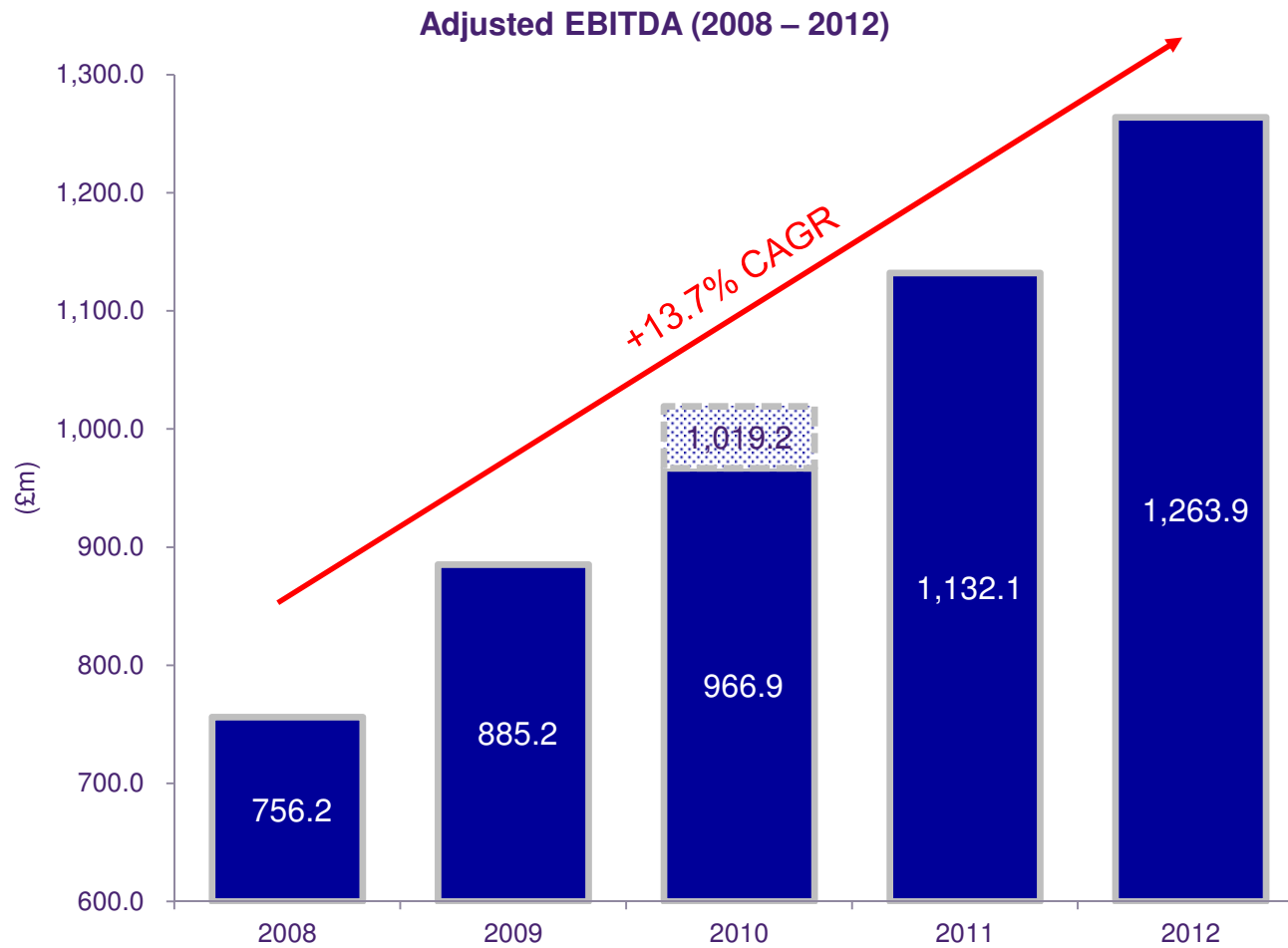
...which combined with strong underlying cost discipline...

- Strong underlying cost discipline given
 - Olympics, higher pension service charge, full year effect of additional infrastructure (T5C) and impact of inflation on third party contracts
- £25 million in Olympic-related costs (£16 million net of revenue)
 - impacted cost categories such as maintenance and general expenses
- Higher non-cash pension service charge
- Costs below earlier expectations for 2012 with performance improving as year progressed

Analysis of adjusted operating costs



...resulted in further strong growth in Adjusted EBITDA

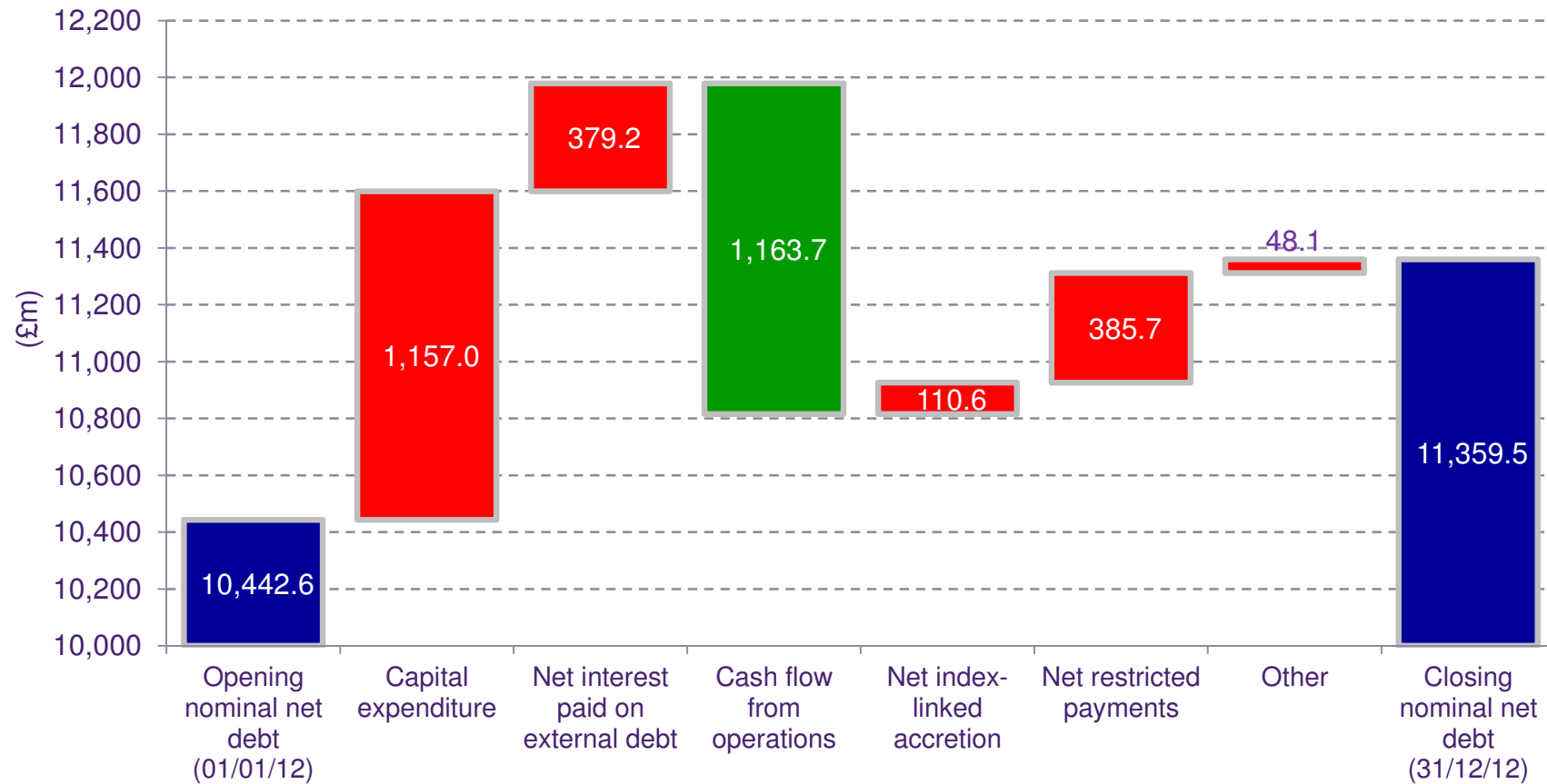


Reconciliation of interest payable with interest paid

	2011	2012		
<i>(figures in £m)</i>	Total	SP debenture	External debt	Total
Net interest payable (profit and loss account)	(835.8)	(53.3)	(541.3)	(594.6)
Adjust for fair value loss/(gain) on financial instruments	45.9	0.0	(112.4)	(112.4)
Net interest payable net of fair value loss/(gain)	(789.9)	(53.3)	(653.7)	(707.0)
Amortisation of financing fees and fair value adjustments	52.4	0.0	45.1	45.1
Interest capitalised	(27.1)	0.0	(100.0)	(100.0)
Underlying net interest payable	(764.6)	(53.3)	(708.6)	(761.9)
Other adjustments to reconcile to interest paid				
Derivative interest prepayment amortisation	62.1	0.0	38.3	38.3
Movement in interest accruals/accretion/other	313.7	4.6	291.1	295.7
Net interest paid (cash flow statement)	(388.8)	(48.7)	(379.2)	(427.9)

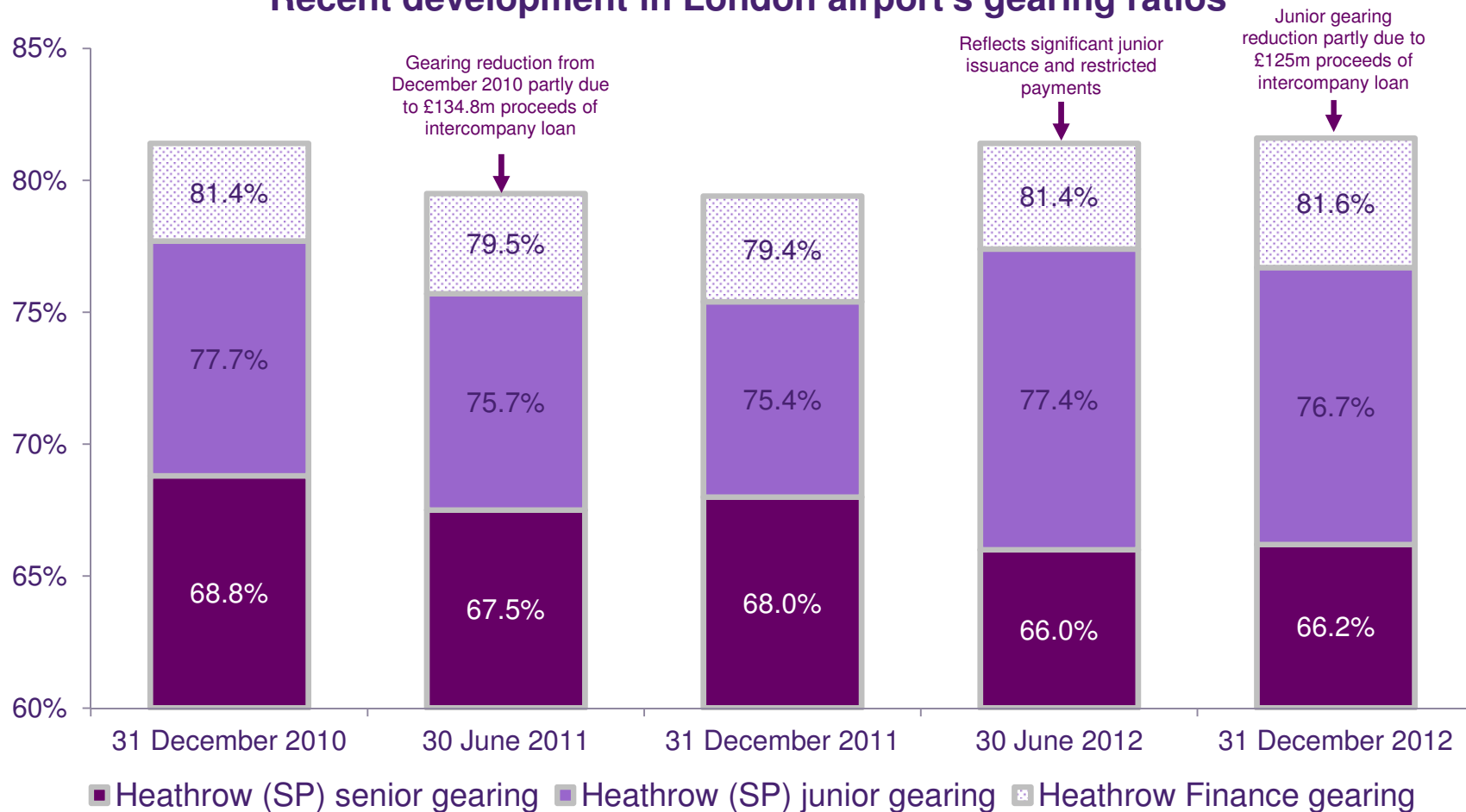
Post-interest cash flow financed over 60% of capital expenditure

Net debt bridge (January 2012 – December 2012)



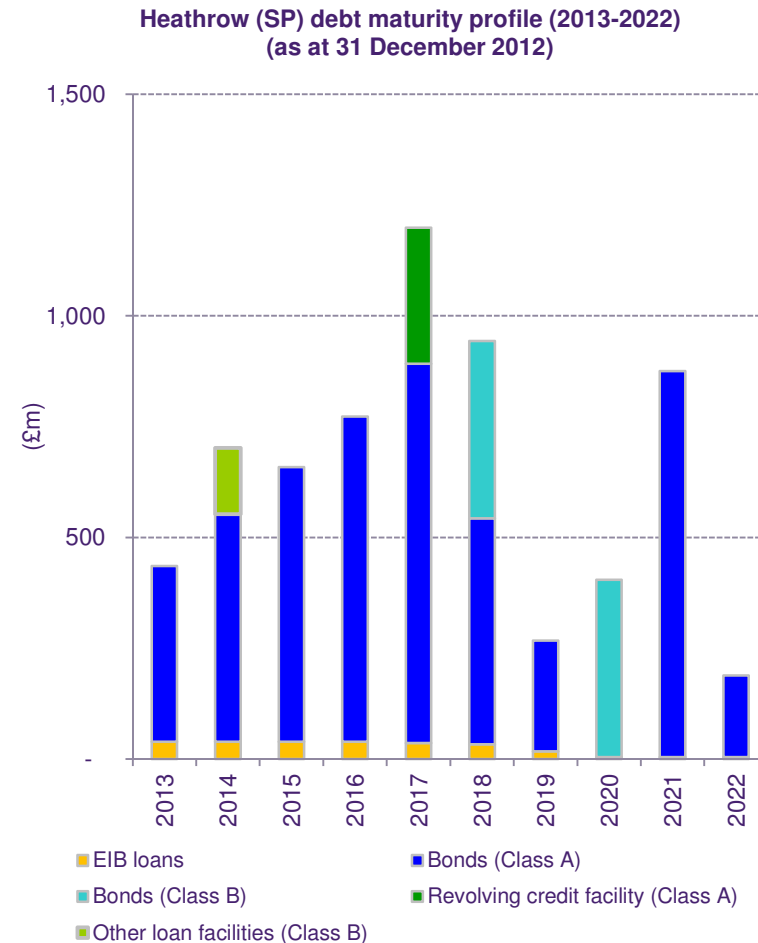
Over £1 billion gearing headroom at Heathrow (SP) and Heathrow Finance

Recent development in London airport's gearing ratios



Liquidity horizon extends to mid-2015

- Financing position transformed over last 3 years
 - over £3 billion in bond issuance in 2012
 - debt due within 3 years down since 2011 from £3.7 billion to £1.8 billion
- Business in strongest liquidity position for many years
 - £1.7 billion undrawn revolving credit facilities
 - significant Stansted proceeds received shortly
 - less capital investment and higher cash flow in medium term
- Fund capital investment, debt maturities, interest and distributions until mid-2015



£4.5 billion maturing beyond 2022

Conclusion

- Second consecutive year of record Heathrow traffic and passenger satisfaction
- Strong financial results, increased investment & transformed financing
- Good progress on strategic agenda
- Successful sale of Stansted announced
- Further increase in profitability and sustained investment in 2013

Appendix

Heathrow (SP)'s consolidated net debt at 31 December 2012

		Amount	Amount and features of available facilities			
		(£m)	Local currency	S&P/Fitch rating	Maturity	
			(m)	(£m)		
Senior (Class A)						
Bonds		396.4	396.4	396.4	A-/A-	2013/15
		512.9	749.9	512.9	A-/A-	2014/16
		300.0	300.0	300.0	A-/A-	2015/17
		319.3	500.0	319.3	A-/A-	2015/17
		299.9	299.9	299.9	A-/A-	2016/18
		433.8	500.0	433.8	A-/A-	2016/18
		583.8	700.0	583.8	A-/A-	2017/19
		272.3	400.0	272.3	A-/A-	2017/19
		510.2	750.0	510.2	A-/A-	2018/20
		249.6	400.0	249.6	A-/A-	2019/21
		249.8	249.8	249.8	A-/A-	2021/23
		621.3	1,000.0	621.3	A-/A-	2021/23
		184.5	184.5	184.5	A-/A-	2022/24
		749.6	749.6	749.6	A-/A-	2023/25
		700.0	700.0	700.0	A-/A-	2026/28
		199.9	199.9	199.9	A-/A-	2028/30
		900.0	900.0	900.0	A-/A-	2031/33
		41.6	50.0	41.6	A-/A-	2032/34
		41.9	50.0	41.9	A-/A-	2032/34
		523.0	523.0	523.0	A-/A-	2039/41
		750.0	750.0	750.0	A-/A-	2041/43
Total bonds		8,839.8		8,839.8		
Bank debt	EIB Facilities	254.5	254.5	254.5	n/a	2013/22
	Revolving/Working Capital Facilities	307.0	1,600.0	1,600.0	n/a	2017
Total bank debt		561.5		1,854.5		
Total senior debt		9,401.3		10,694.3		
Junior (Class B)						
Bonds		400.0	400.0	400.0	BBB/BBB	2018
		400.0	400.0	400.0	BBB/BBB	2020
		600.0	600.0	600.0	BBB/BBB	2024
Bank debt	Term Loan Facility	150.0	150.0	150.0	n/a	2014
	Revolving Facility	0.0	400.0	400.0	n/a	2017
Total junior debt		1,550.0		1,950.0		
Gross debt		10,951.3		12,644.3		
Cash		(36.5)				
Index-linked derivative accretion		444.7				
Net debt		11,359.5				

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

Notes and defined terms

- Page 2
 - Percentage changes are relative to 2011
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items; NRI: net retail income; RAB: Regulatory Asset Base
 - Net debt is consolidated Heathrow (SP) Limited figure calculated on a nominal basis excluding intra-group loans and including index-linked accretion
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 - Totals and percentage change calculated using un-rounded passenger numbers
 - European traffic includes North African charter traffic
- Page 9
 - 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
 - Percentage changes are relative to 2011
- Page 12
 - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 13
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Adjusted EBITDA for 2008 and 2009 is in respect of continuing operations only, i.e. excluding Gatwick
 - Underlying Adjusted EBITDA for 2010 adjusts for the estimated financial impact in that period of disruption from volcanic ash and airline industrial action
- Page 15
 - Net index-linked accretion reflects accretion charge for the year of £190.6 million offset by £80.0 million impact of accretion repayments
 - Other net debt movement reflects mainly £152.5 million inflow from Heathrow Finance on-lending part of proceeds from bond issue and increased external loan facility more than offset by repayment of index-linked accretion, swap cancellation costs, loan refinancing fees and group relief payments
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 - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)

Heathrow

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