



Heathrow (SP) Limited (formerly BAA (SP) Limited)  
Results for three months ended 31 March 2013

April 2013

**Heathrow**  
Making every journey better

- Robust financial performance continues into early 2013
- Record Q1 Heathrow traffic
- Highest ever passenger satisfaction
- Stansted disposal completed
- CAA publishing initial price cap proposals imminently

## Q1 2013 highlights

### Traffic and retail performance

Heathrow passenger traffic	+1.8%
NRI per passenger	+1.2%

### Key financial highlights

Revenue	+6.1%
Adjusted EBITDA	+10.4%

### Investment and financing

Capital expenditure	£275m
Net debt (senior and junior)	£10,569m
RAB	£13,727m

# Continuing record traffic

- Strong traffic performance through first quarter – adjusting for leap year growth was 3.0%
- Growth continued to reflect record load factors and larger aircraft
- Strong European growth driven by British Airways' acquisition of bmi
- Middle East performance benefitting from increased capacity

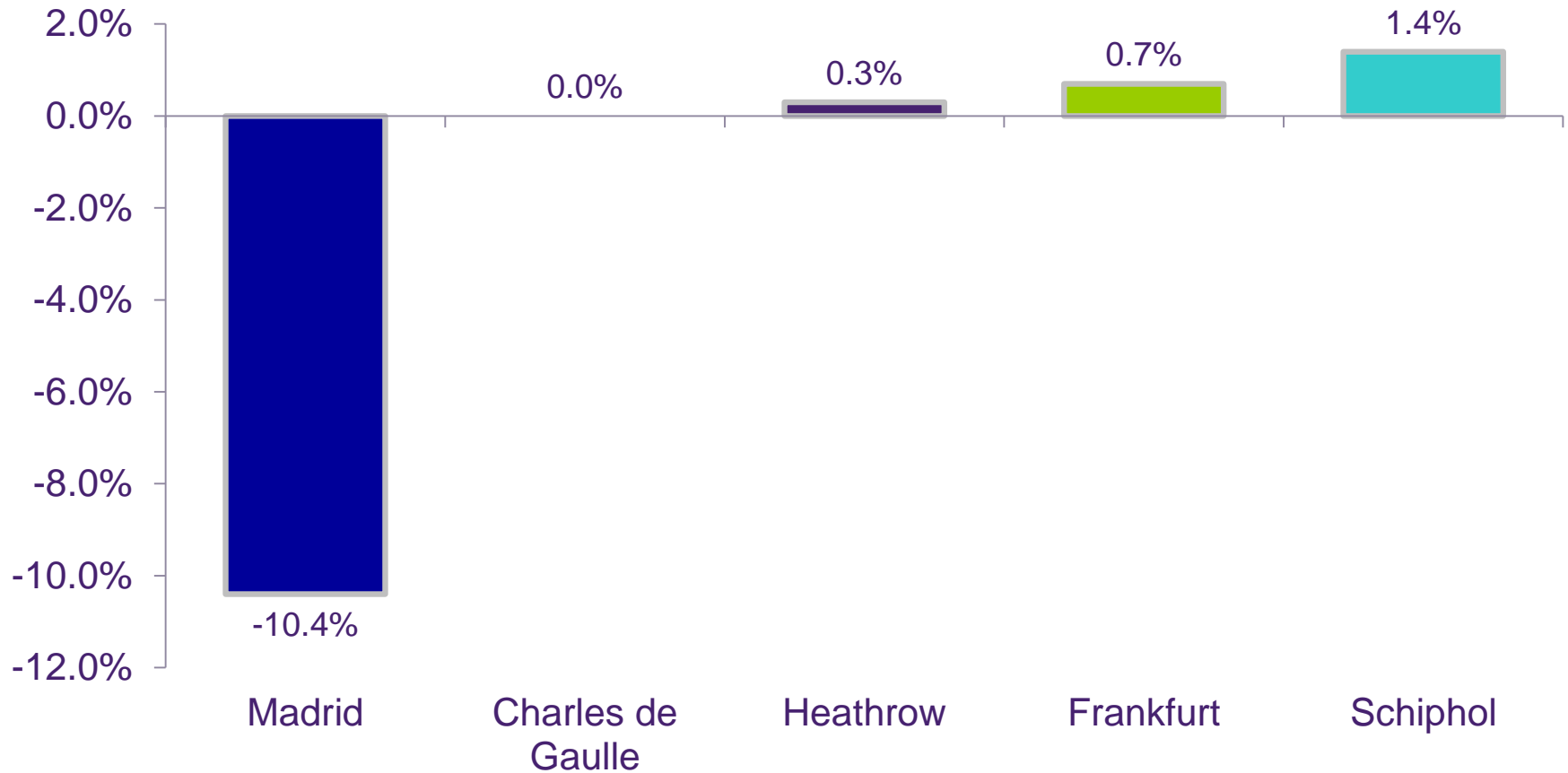
## Passenger traffic

3 months ended 31 March

	2012 (m)	2013 (m)	Change
<i>By market served</i>			
UK	1.1	1.1	-2.9%
Europe	6.3	6.6	4.7%
North America	3.3	3.3	0.7%
Asia Pacific	2.5	2.5	0.2%
Middle East	1.3	1.4	6.3%
Africa & Latin America	1.2	1.1	-7.1%
<b>Total</b>	<b>15.7</b>	<b>16.0</b>	<b>1.8%</b>

# Heathrow's traffic performance remains robust versus other major European hub airports, outperforming in last 6 months

Change in passenger traffic in year ended 31 March 2013

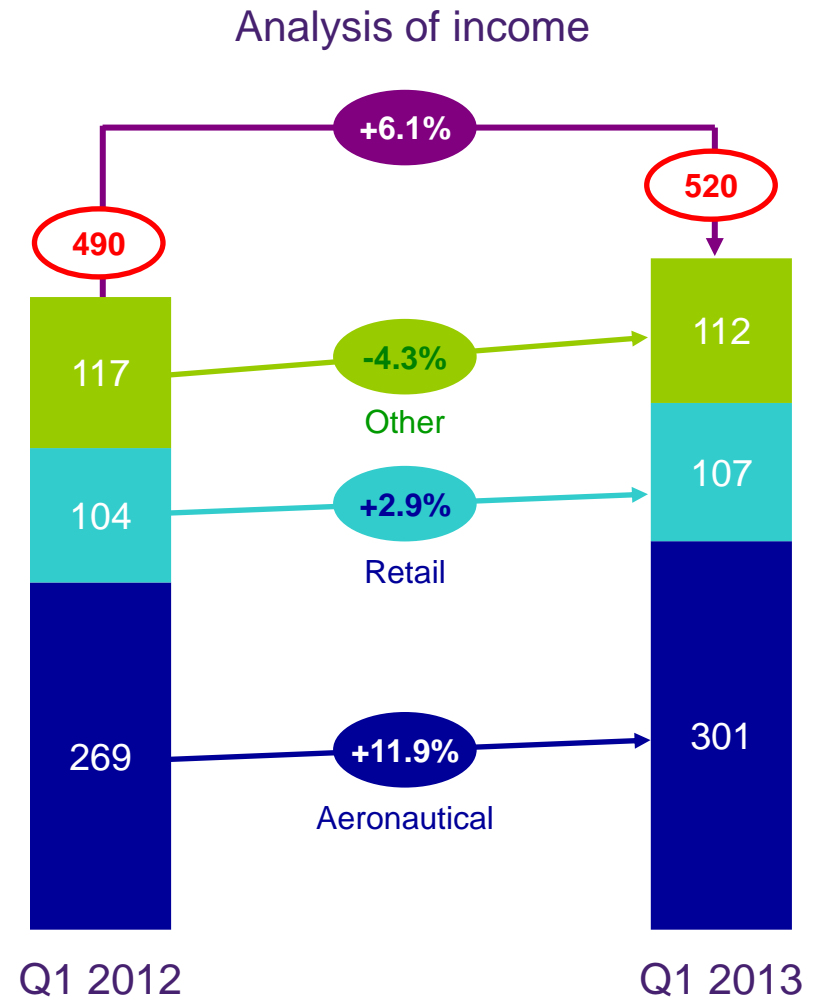


# Good start to 2013

(figures in £m)	Q1 2012	Q1 2013	Change
Revenue	490	<b>520</b>	+6.1%
Adjusted operating costs	269	<b>276</b>	+2.6%
Adjusted EBITDA	221	<b>244</b>	+10.4%
Consolidated Heathrow (SP) net debt	11,360	<b>10,569</b>	-7.0%
Consolidated Heathrow Finance net debt	12,086	<b>11,289</b>	-6.6%
RAB (Regulatory Asset Base)	14,814	<b>13,727</b>	-7.3%

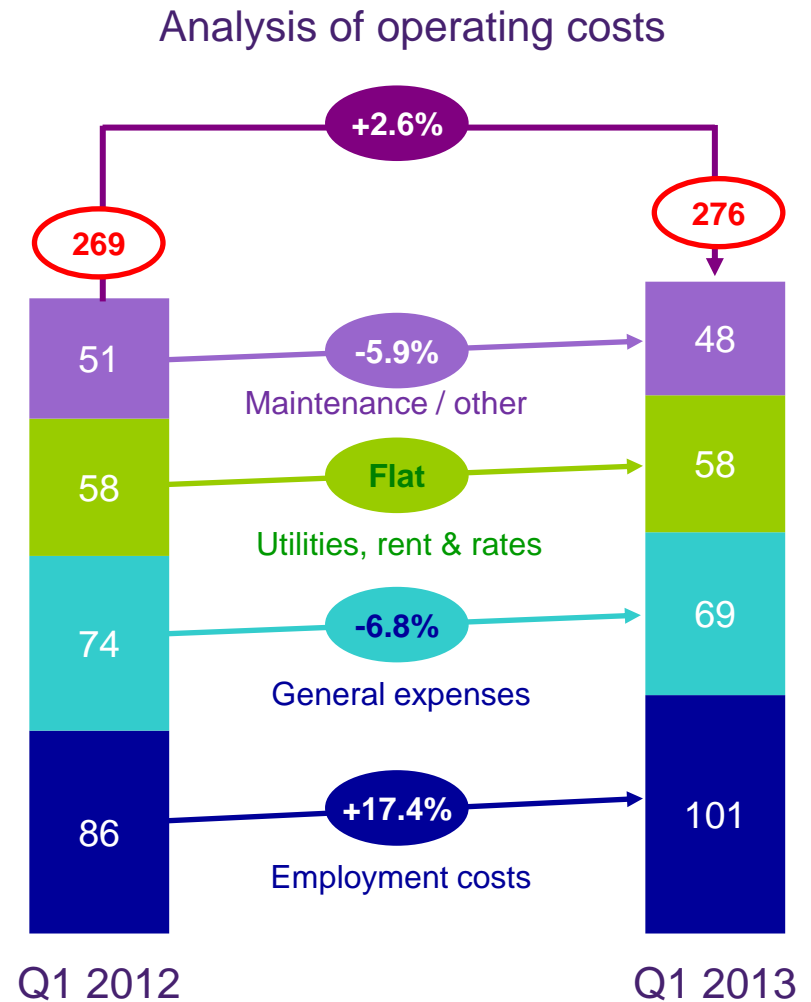
# Year starts with good revenue momentum...

- Continued aeronautical income growth
  - record passenger traffic combined with tariff increases
- Retail income continues growing ahead of passenger numbers
- Net retail income ('NRI') per passenger up 1.2% to £6.33
  - growth in bureaux de change and car parking
  - likely adverse impact by shift in mix to European traffic
  - slower luxury retail growth
  - closure of HMV stores, outlets due to reopen shortly with new retailers
- Reduction in other income reflects change in intra-group recharge

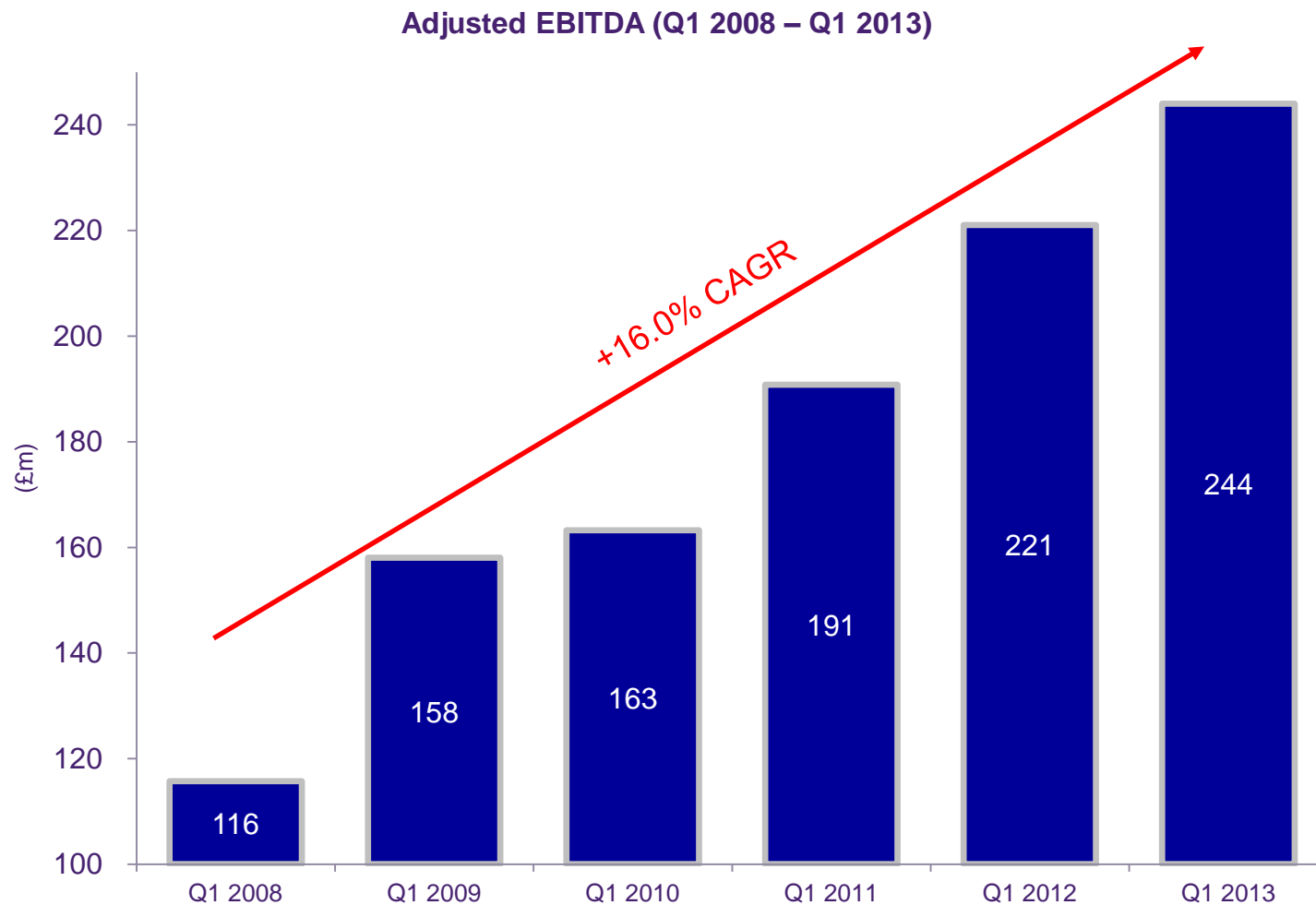


# ...which outpaced cost increase...

- Good underlying cost performance
- One-off items impact employment costs
  - one-off impact of redundancy related pension charges and efficiency related incentives
- Remaining employment cost rose c.8%
  - higher non-cash pension service charges
  - contractually agreed pay increases
  - growth rate to moderate over remainder of year
- Lower general expenses reflects change in intra-group recharge
  - Offset by reduction in other revenue



...resulted in further strong growth in Adjusted EBITDA





# Reconciliation of interest payable with interest paid

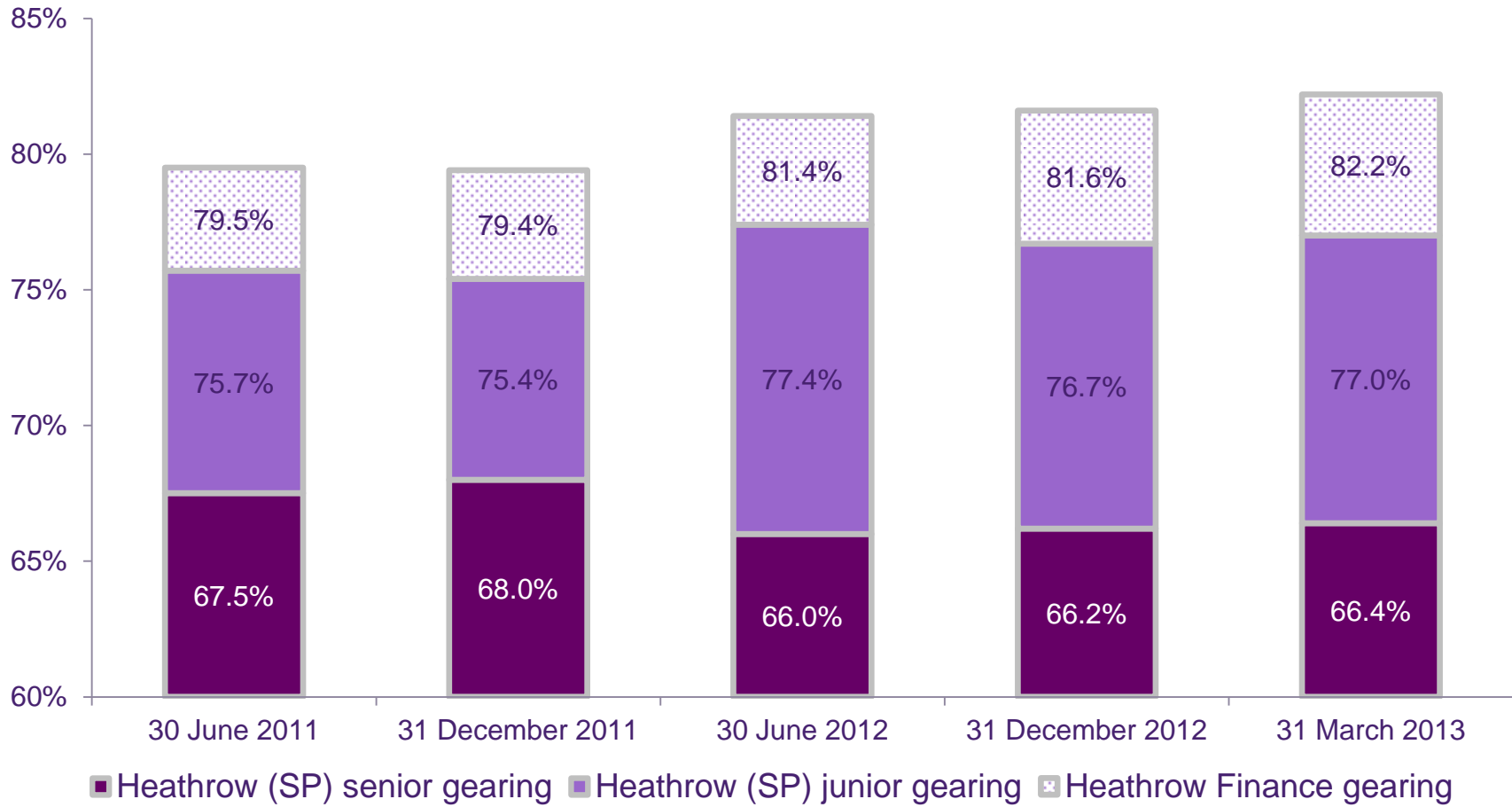
	Q1 2012	Q1 2013		
(figures in £m)	Total	SP debenture	External debt	Total
Net interest payable (profit and loss account)	(205)	(14)	(592)	(606)
Adjust for fair value loss/(gain) on financial instruments	22	0	433	433
Net interest payable net of fair value loss/(gain)	(183)	(14)	(159)	(173)
Amortisation of financing fees and fair value adjustments	10	0	13	13
Interest capitalised	(14)	0	(34)	(34)
Underlying net interest payable	(187)	(14)	(180)	(194)
<b>Other adjustments to reconcile to interest paid</b>				
Derivative interest prepayment amortisation	14	0	0	0
Movement in interest accruals/accretion/other	84	(13)	40	27
Net interest paid (cash flow statement)	(89)	(27)	(140)	(167)

# Use of Stansted sale proceeds

- Debt repayment
  - £639 million of revolving credit facility
  - £100 million of Class B loan
- £300 million 'equity' element of proceeds distributed out of Heathrow (SP) / Heathrow Finance
  - pay down part of ADI Finance debt
  - make a return to shareholders on their historic investment in Stansted
- £339 million cash remains on balance sheet at period end
- Remainder used for general corporate purposes

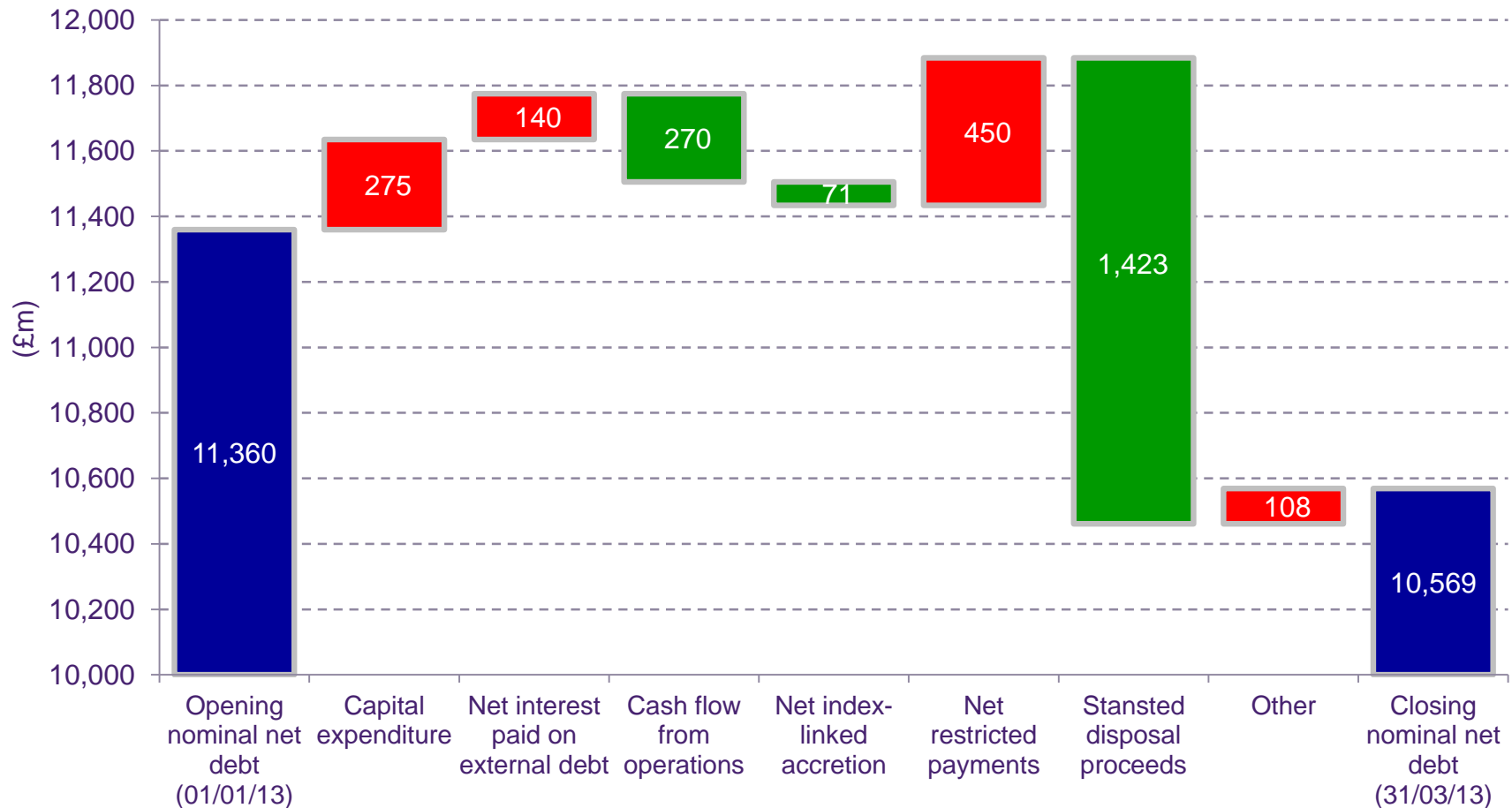
# Deleveraging from Stansted disposal offset by impact of seasonal cash flow and interest payments

Recent development in London airport's gearing ratios



# Reduction in net debt reflects Stansted disposal

## Net debt bridge (January 2013 – March 2013)



# Conclusion

- Good start to year
- Record Q1 Heathrow traffic and highest ever passenger satisfaction
- Stansted disposal completed
- CAA publishing initial price cap proposals imminently
- Outlook for 2013 remains consistent with December 2012 investor report

# Appendix

# Heathrow (SP)'s consolidated net debt at 31 March 2013

		Amount		Amount and features of available facilities				
		(£m)		Local currency	S&P/Fitch rating		Maturity	
				(m)	(£m)			
<b>Senior (Class A)</b>								
Bonds		396	396	396	396	A-/A-		2013/15
		513	513	750	513	A-/A-		2014/16
		300	300	300	300	A-/A-		2015/17
		319	319	500	319	A-/A-		2015/17
		300	300	300	300	A-/A-		2016/18
		434	434	500	434	A-/A-		2016/18
		584	584	700	584	A-/A-		2017/19
		272	272	400	272	A-/A-		2017/19
		510	510	750	510	A-/A-		2018/20
		250	250	400	250	A-/A-		2019/21
		250	250	250	250	A-/A-		2021/23
		621	621	1,000	621	A-/A-		2021/23
		185	185	185	185	A-/A-		2022/24
		750	750	750	750	A-/A-		2023/25
		700	700	700	700	A-/A-		2026/28
		200	200	200	200	A-/A-		2028/30
		900	900	900	900	A-/A-		2031/33
		42	42	50	42	A-/A-		2032/34
		42	42	50	42	A-/A-		2032/34
		527	527	527	527	A-/A-		2039/41
		750	750	750	750	A-/A-		2041/43
<b>Total bonds</b>		<b>8,845</b>	<b>8,845</b>	<b>8,845</b>	<b>8,845</b>			
Bank debt	EIB Facilities	246	246	246	246	n/a		2013/22
	Revolving/Working Capital Facilities	0	0	1,600	1,600	n/a		2017
<b>Total bank debt</b>		<b>246</b>	<b>246</b>	<b>1,846</b>	<b>1,846</b>			
<b>Total senior debt</b>		<b>9,091</b>	<b>9,091</b>	<b>10,691</b>	<b>10,691</b>			
<b>Junior (Class B)</b>								
Bonds		400	400	400	400	BBB/BBB		2018
		400	400	400	400	BBB/BBB		2020
		600	600	600	600	BBB/BBB		2024
Bank debt	Term Loan Facility	50	50	50	50	n/a		2014
	Revolving Facility	0	0	400	400	n/a		2017
<b>Total junior debt</b>		<b>1,450</b>	<b>1,450</b>	<b>1,850</b>	<b>1,850</b>			
<b>Gross debt</b>		<b>10,541</b>	<b>10,541</b>	<b>12,541</b>	<b>12,541</b>			
<b>Cash</b>		<b>(339)</b>	<b>(339)</b>					
<b>Index-linked derivative accretion</b>		<b>367</b>	<b>367</b>					
<b>Net debt</b>		<b>10,569</b>	<b>10,569</b>					

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 2012
  - 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
- Page 3
  - Totals and percentage change calculated using un-rounded passenger numbers
- Page 5
  - 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 the same period of 2012, except for net debt and RAB where the change is relative to 31 December 2012
- Page 7
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 8
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Adjusted EBITDA for all years is in respect of continuing operations only, i.e. excluding Gatwick and Stansted
- Page 11
  - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)
- Page 12
  - Net index-linked accretion reflects accretion charge for the period of £53 million offset by accretion prepayments of £124 million
  - Stansted disposal proceeds of £1,423 million reflects £1,500 million gross proceeds adjusted principally for cash set aside to meet pension-related liabilities and transferred to Stansted on disposal
  - Other net debt movement reflects mainly £124 million accretion prepayment to reverse the amount included in net index-linked accretion given that accretion is already included in opening net debt



# Heathrow

*Making every journey better*