



# Heathrow (SP) Limited (formerly BAA (SP) Limited)

## Results for nine months ended 30 September 2013

21 October 2013

**Heathrow**  
Making every journey better

- Strong passenger satisfaction and passenger numbers
- EBITDA growth needed to support significant rate of investment
- Terminal 2 operational trials begin in November. First flight June 2014
- Formal response to CAA Final Proposals due 4 November

## Nine months 2013 highlights

### Traffic and retail performance

Heathrow passenger traffic	+3.6%
NRI per passenger	+2.6%

### Key financial highlights

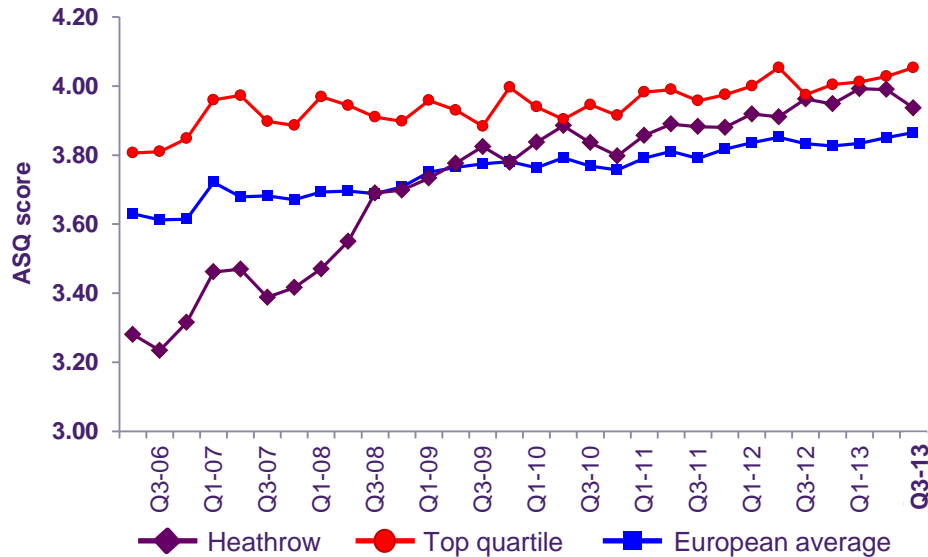
Revenue	+10.7%
Adjusted EBITDA	+22.1%

### Investment and financing

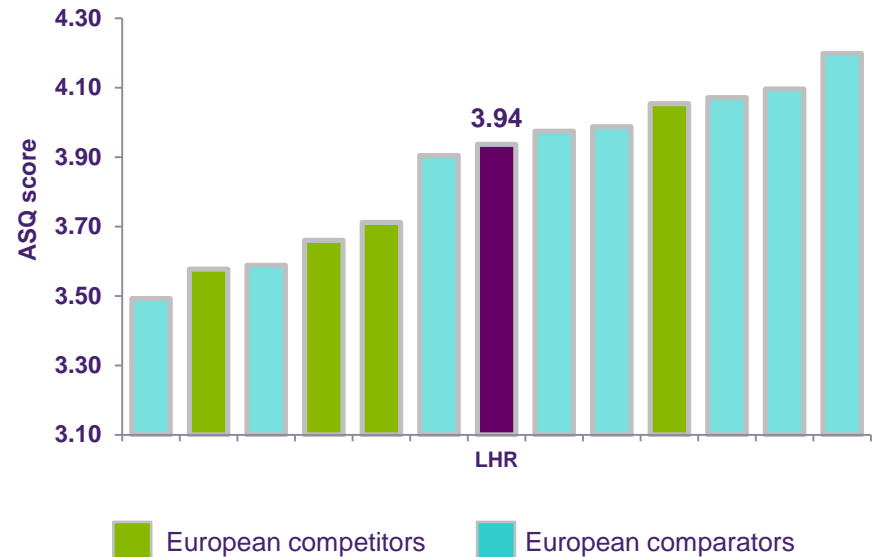
Capital expenditure	948
Net debt (senior and junior)	11,159
RAB	14,318

# Passenger satisfaction remains strong

Overall passenger satisfaction



Ranked overall passenger satisfaction – Q3 2013



Terminal 5 – World’s Best Airport Terminal  
Heathrow – World’s Best Airport Shopping



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

# Strong traffic performance

- Underlying growth estimated at 2.2%
  - adjusts for non-recurrence in Q3 of dampened demand during Olympic Games
- European traffic growth boosted by ‘bounceback’ from Olympics and British Airways’ acquisition of bmi
- Intercontinental traffic strong particularly in Asia and Middle East
- Growth through larger and fuller aircraft

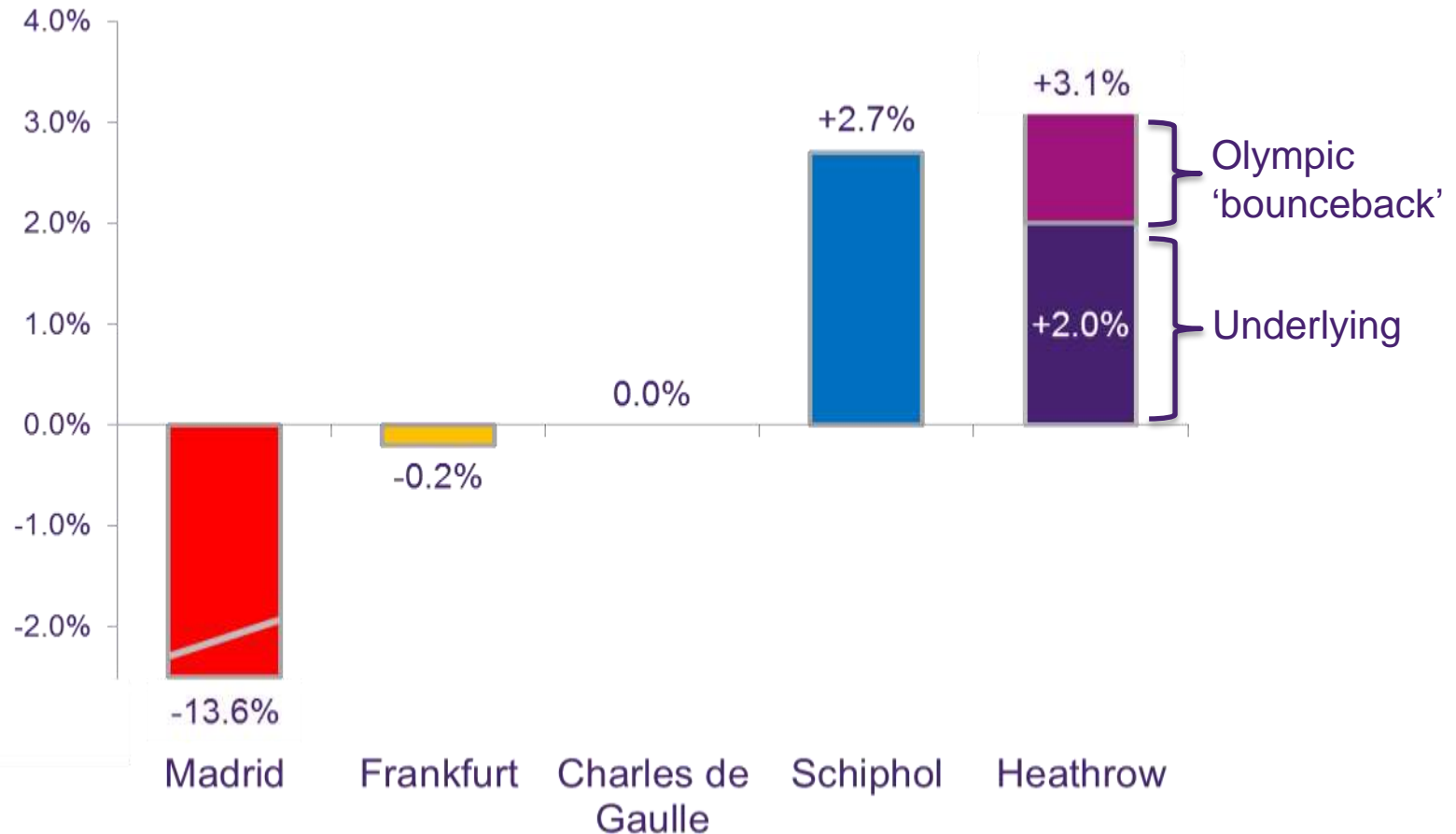
## Passenger traffic

9 months ended 30 September

<i>By market served</i>	2012 (m)	2013 (m)	Change
UK	3.6	<b>3.7</b>	+4.4%
Europe	21.6	<b>22.8</b>	+5.7%
North America	12.5	<b>12.7</b>	+1.7%
Asia Pacific	7.4	<b>7.8</b>	+5.5%
Middle East	4.2	<b>4.4</b>	+4.6%
Africa & Latin America	3.7	<b>3.4</b>	-8.3%
<b>Total</b>	<b>53.0</b>	<b>54.8</b>	<b>+3.6%</b>

# Heathrow's traffic robust versus major European hub airports

Change in passenger traffic at European hubs  
12 months ended 30 September 2013



# Heathrow transformation continues

- Terminal 2 – The Queen’s Terminal
  - £2.5 billion phase 1 investment, Terminal 2A, T2B, car park and energy centre
  - 26 airlines and home for Star Alliance at Heathrow
  - construction phase near completion, handover to operational readiness November 2013
  - operations begin 4 June 2014
- Baggage infrastructure investment
  - underground system between T3 and T5 fully operational
  - Terminal 3 Integrated Baggage system remains on track for 2015 operations



# CAA Final Proposals for Q6 regulatory period

- CAA issued Final Proposals for Q6 regulatory period on 3 October
- CAA assumes lower cost of capital and higher opex savings than Heathrow's Alternative Business Plan
- Heathrow to respond to consultation by 4 November
- CAA final determination due on 9 January 2014

(£m unless stated) (5 year aggregate) (11/12 prices)	<b>Heathrow Alternative Business Plan (Jul 2013)</b>		<b>CAA Final Proposals (Oct 2013)</b>	
		CAGR		CAGR
Passengers	357.8m	0.5%	<b>359.2m</b>	0.5%
Aeronautical income	8,478	4.9%	<b>7,443</b>	0.6%
Non aeronautical income	4,618	0.9%	<b>4,646</b>	1.2%
Operating costs	5,120	-0.8%	<b>4,944</b>	-2.0%
<b>EBITDA</b>	7,977	6.4%	<b>7,149</b>	<b>+2.8%</b>
Capital investment (£bn)	3.0	-	<b>2.9</b>	-
Price cap per passenger p.a.	RPI +4.6%	-	<b>RPI +0%</b>	-
WACC (pre-tax real)	6.7%	-	<b>5.6%</b>	-

CAGR: compound annual growth rate over Q6, against 2013/14(E)

All figures in 2011/12 prices

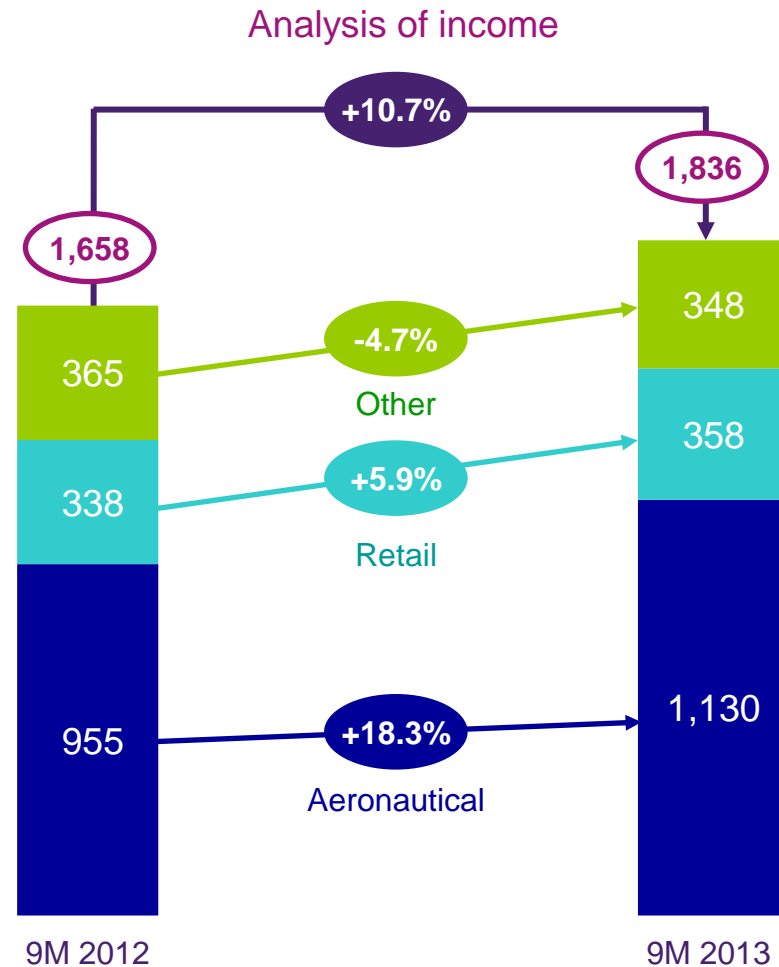
# Strong financial performance

(figures in £m)	9M 2012	9M 2013	
Revenue	1,658	<b>1,836</b>	+10.7%
Adjusted operating costs	810	<b>801</b>	-1.1%
Adjusted EBITDA	848	<b>1,035</b>	+22.1%
	<b>Dec-12</b>	<b>Sep-13</b>	
Consolidated Heathrow (SP) net debt	11,360	<b>11,159</b>	-1.8%
Consolidated Heathrow Finance net debt	12,086	<b>11,916</b>	-1.4%
RAB (Regulatory Asset Base)	14,814	<b>14,318</b>	-3.3%



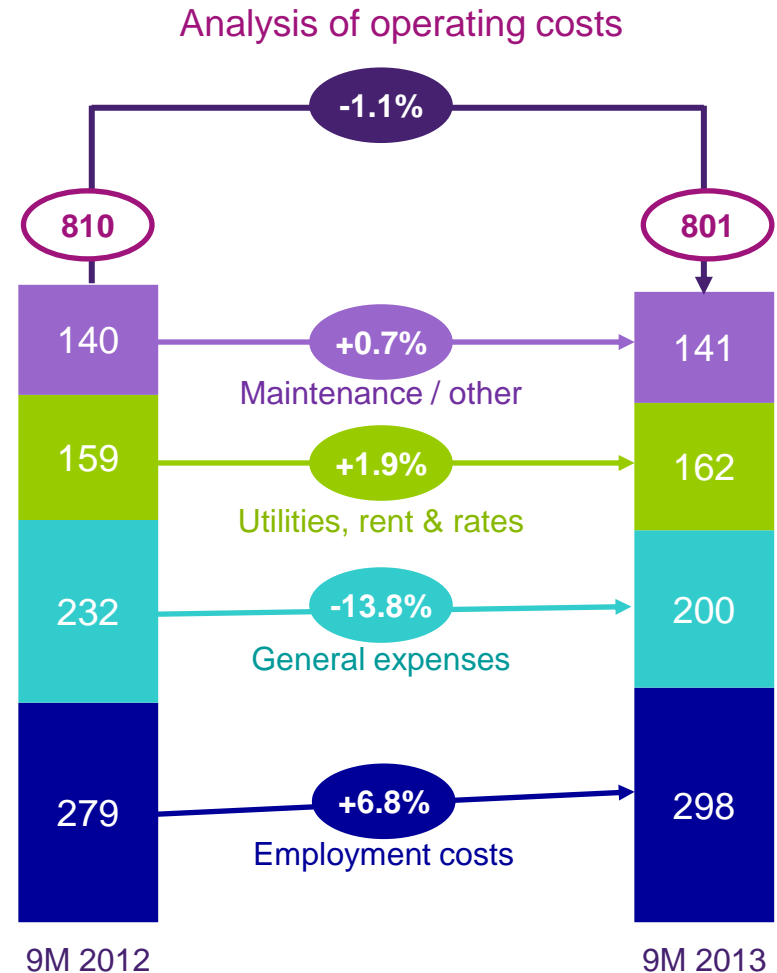
# Good revenue momentum...

- Continued aeronautical income growth
  - passenger traffic and tariff increases
  - 'K' factor recovery of 2011/12 yield dilution
  - compounded by 2013/14 yield concentration and 2012/13 yield dilution
- Net retail income ('NRI') per passenger up 2.6% to £6.18
  - driven by bureaux de change, car parking and car rental
  - likely adverse impact from shift in mix to European traffic
- Reduction in other income reflects change in intra-group recharge

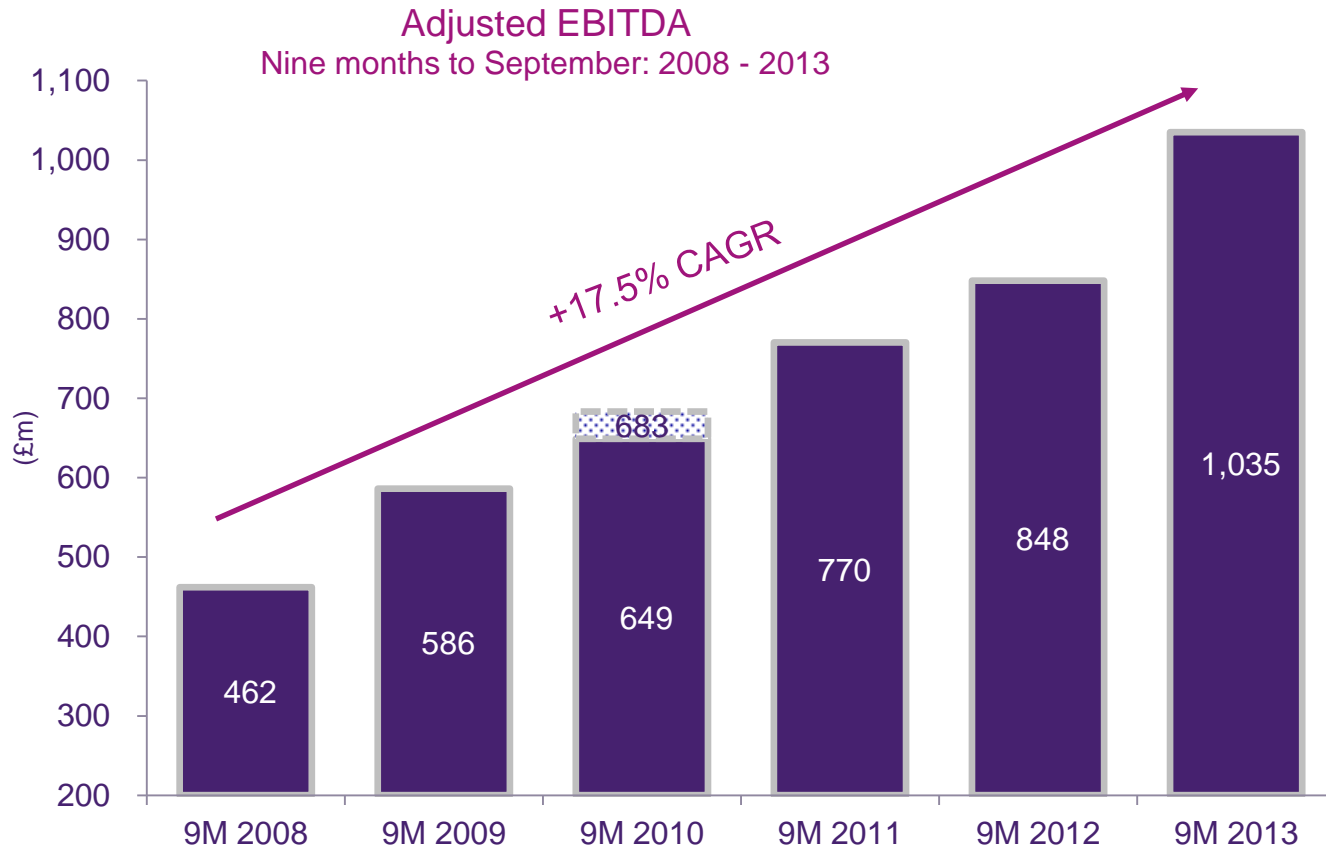


# ...combined with decline in operating costs...

- Costs include one-offs
  - 2012 includes Olympic related costs
  - 2013 includes one-off restructure costs
- Employment costs
  - c.£13 million non-cash pension service charge
  - over £10 million employment restructure costs and efficiency related incentive in 2013
  - management pay freeze and headcount savings partially offset contractual pay rises
- Maintenance costs
  - one-off costs incurred in baggage contract changes, driving future benefits
- General expenses reflects change in intra-group charges
  - offset by reduction in other revenue



# ...driving strong Adjusted EBITDA supporting investment



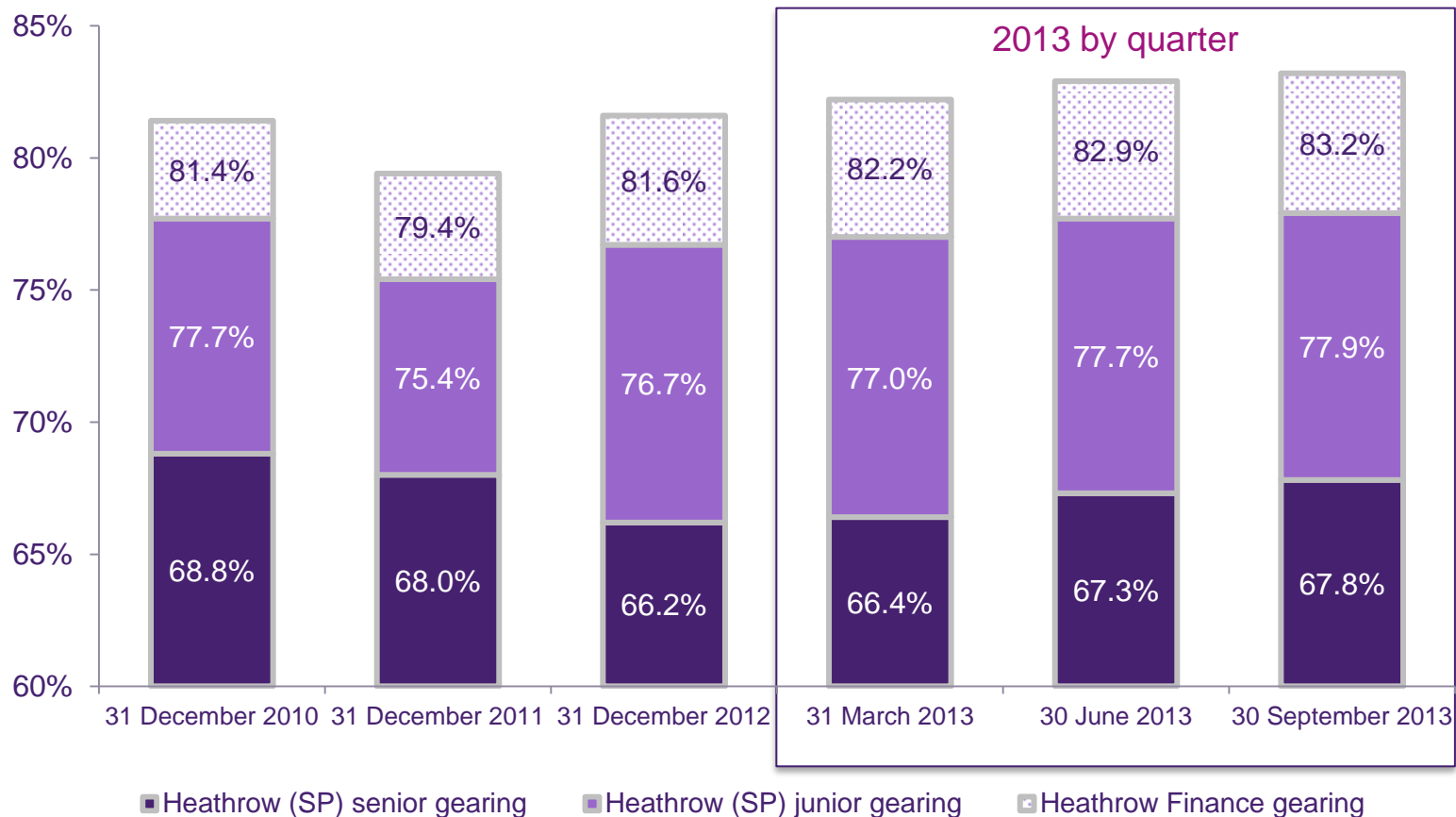
■ Reported adjusted EBITDA    ■ Underlying adjusted EBITDA

# Reconciliation of interest payable with interest paid

(figures in £m)	9M 2012	9M 2013		9M 2013
	Total	SP debenture	External debt	Total
<b>Net interest payable (income statement)</b>	(287)	(41)	603	(644)
Adjust for fair value loss/(gain) on financial instruments	(251)		159	159
<b>Net interest payable net of fair value loss/(gain)</b>	<b>(538)</b>	(41)	<b>(444)</b>	<b>(485)</b>
Amortisation of financing fees and fair value adjustments	35	-	31	31
Interest capitalised	(70)	-	(116)	(116)
<b>Underlying net interest payable</b>	<b>(573)</b>	(41)	<b>(529)</b>	<b>(570)</b>
<b>Adjustments to reconcile to net interest paid</b>				
Derivative interest prepayment amortisation	39	-	-	-
Movement in interest accruals/accretion/other	202	(14)	126	112
<b>Net interest paid (cash flow statement)</b>	<b>(332)</b>	(55)	<b>(403)</b>	<b>(458)</b>

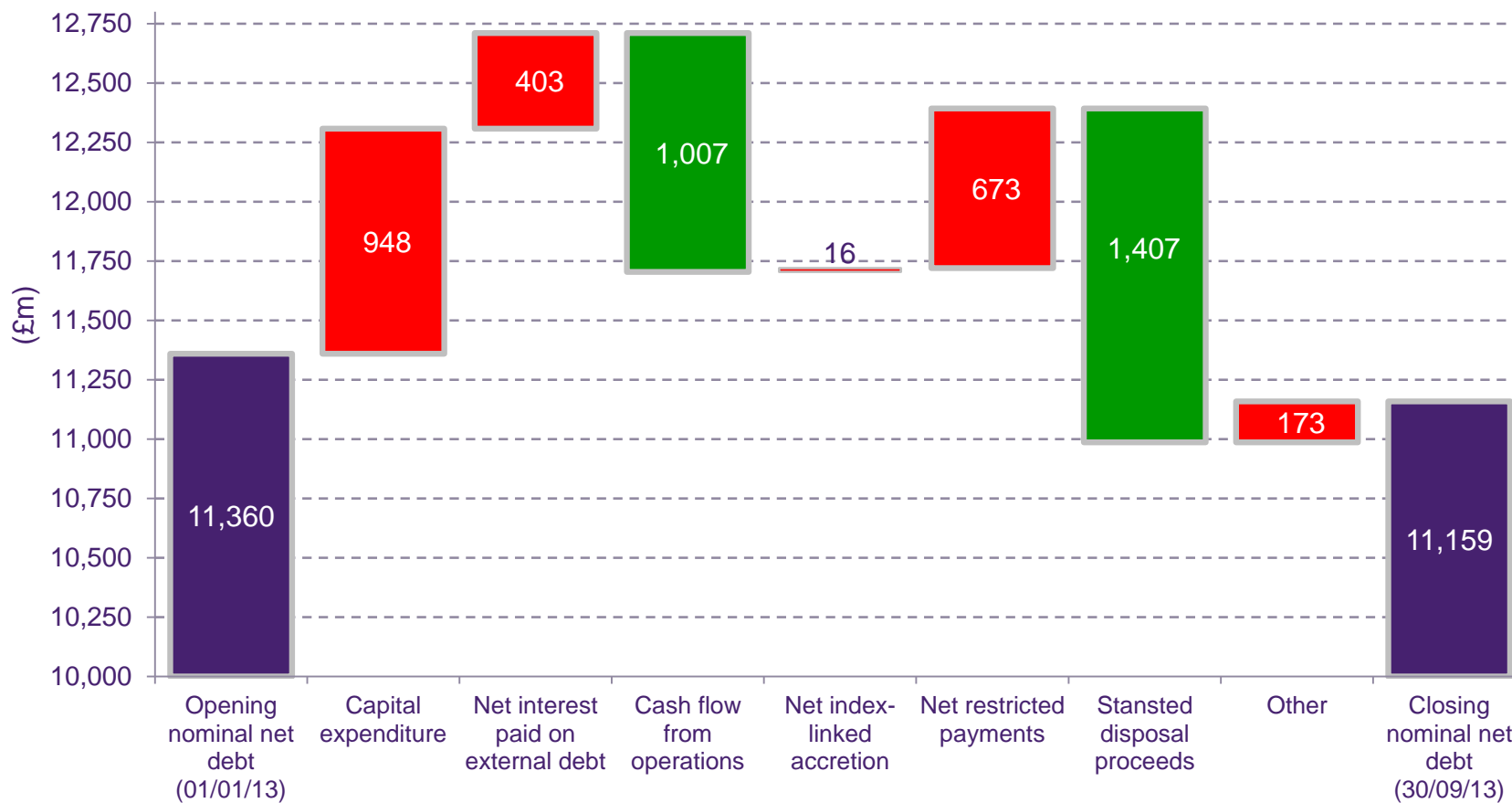
# 2013 gearing evolution reflects Q3 restricted payment and phasing of interest payments. Headroom remains substantial

Development of gearing ratios



# Reduction in net debt reflects Stansted disposal

Net debt bridge (January 2013 – September 2013)



# Summary

- Strong passenger satisfaction and passenger numbers
- Strong EBITDA growth supporting record rate of investment at Heathrow
- Terminal 2 operational readiness phase begins in November
- Formal response to CAA Final Proposals due 4 November
- Expect to exceed full year EBITDA forecast of £1,325 million by 3-4%

# Appendix



# Heathrow (SP)'s consolidated net debt at 30 September 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	A-/A-	2013/15	
		513	513	513	A-/A-	2014/16	
		300	300	300	A-/A-	2015/17	
		319	319	319	A-/A-	2015/17	
		300	300	300	A-/A-	2016/18	
		434	434	434	A-/A-	2016/18	
		584	584	584	A-/A-	2017/19	
		272	272	272	A-/A-	2017/19	
		510	510	510	A-/A-	2018/20	
		250	250	250	A-/A-	2019/21	
		250	250	250	A-/A-	2021/23	
		621	621	621	A-/A-	2021/23	
		188	188	188	A-/A-	2022/24	
		750	750	750	A-/A-	2023/25	
		700	700	700	A-/A-	2026/28	
		200	200	200	A-/A-	2028/30	
		900	900	900	A-/A-	2031/33	
		42	42	42	A-/A-	2032/34	
		42	42	42	A-/A-	2032/34	
		535	535	535	A-/A-	2039/41	
		750	750	750	A-/A-	2041/43	
<b>Total bonds</b>		<b>8,856</b>	<b>8,856</b>	<b>8,856</b>			
Bank debt	EIB Facilities		226	226	n/a	2013/22	
	Revolving/Working Capital Facilities		347	1,600	n/a	2017	
<b>Total bank debt</b>		<b>573</b>	<b>1,826</b>	<b>1,826</b>			
<b>Total senior debt</b>		<b>9,429</b>	<b>10,682</b>	<b>10,682</b>			
<b>Junior (Class B)</b>							
Bonds		400	400	400	BBB/BBB	2018	
		400	400	400	BBB/BBB	2020	
		600	600	600	BBB/BBB	2024	
Bank debt	Term Loan Facility		50	50	n/a	2014	
	Revolving Facility		0	400	n/a	2017	
<b>Total junior debt</b>		<b>1,450</b>	<b>1,850</b>	<b>1,850</b>			
<b>Gross debt</b>		<b>10,879</b>	<b>12,532</b>	<b>12,532</b>			
<b>Cash</b>		<b>-164</b>					
<b>Index-linked derivative accretion</b>		<b>444</b>					
<b>Net debt</b>		<b>11,159</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 same period of 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
  - Passenger satisfaction: quarterly Airport Service Quality surveys by Airports Council International. Survey scores can range between 0 and 5 with 5 the best possible score
  - SKYTRAX World Airport Awards 2013: Terminal 5 voted best airport terminal in world and Heathrow voted best airport shopping in world; 2012: Terminal 5 voted best airport terminal in world
  - Airports Council International : 2012 World Airport Traffic and Rankings (March 2013)
- Page 4
  - Totals and percentage change calculated using un-rounded passenger numbers
- Page 5
  - Sources: relevant airport websites
- Page 8
  - Revenue, adjusted operating cost and Adjusted EBITDA are in respect of continuing operations only whilst net debt and RAB reflect businesses owned by the Group on the relevant date
  - 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 9
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 11
  - 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 13
  - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)
- Page 14
  - Opening and closing nominal net debt includes index-linked accretion and is for Heathrow (SP) Limited
  - Net index-linked accretion reflects accretion charge for the period of £154 million offset by accretion paydowns of £138 million
  - Stansted disposal proceeds of £1,407 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 £138 million accretion paydowns 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*