



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

Results for six months ended 30 June 2013

July 2013

Heathrow
Making every journey better

- Record passenger satisfaction and solid delivery of service standards
- Strong traffic at 34.4 million passengers
- EBITDA supports historical and future investment in Heathrow
- Terminal 2 on track for 2014 opening
- Disappointing Q6 proposals from CAA
- Heathrow expansion options to Airports Commission

H1 2013 highlights

Traffic and retail performance

Heathrow passenger traffic	+2.4%
NRI per passenger	+1.9%

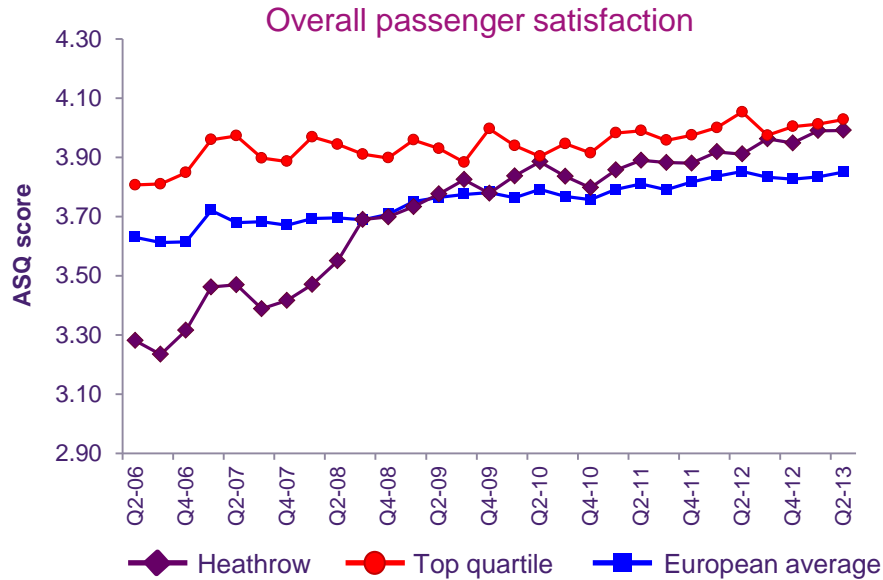
Key financial highlights

Revenue	+9.2%
Adjusted EBITDA	+18.0%

Investment and financing

Capital expenditure	609
Net debt (senior and junior)	10,868
RAB	13,985

Passenger satisfaction at record levels



Terminal 5 - World's Best Airport Terminal
Heathrow – World's Best Airport Shopping



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

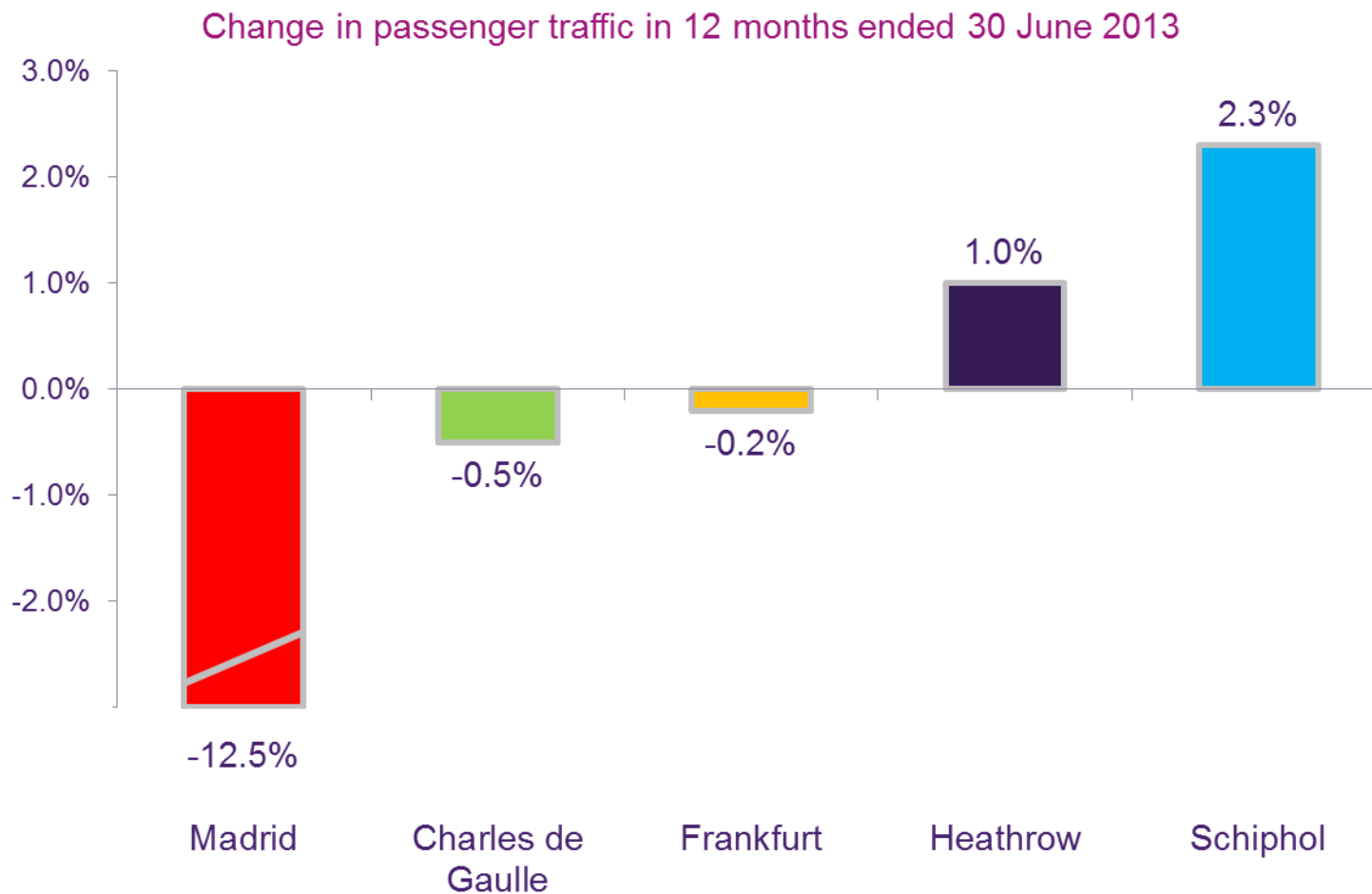
Strong traffic performance

- Growth generated with higher load factors and larger aircraft
- British Airways' acquisition of bmi driving increased European traffic
- Intercontinental traffic strong in most regions
- Pace of growth accelerated in Q2

Passenger traffic

	6 months ended 30 June		
	2012	2013	Change
<i>By market served</i>	(m)	(m)	
UK	2.3	2.3	0.4%
Europe	13.7	14.3	4.9%
North America	7.7	7.8	1.3%
Asia Pacific	4.8	4.9	2.2%
Middle East	2.7	2.8	4.0%
Africa & Latin America	2.4	2.2	-7.8%
Total	33.6	34.4	2.4%

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



Heathrow transformation continues

- Terminal 2 – the Queen’s Terminal
 - £2.5 billion total investment
 - construction completes late 2013
 - terminal and satellite weather-tight; systems fit-out underway; aircraft stands under construction
 - operations begin 4 June 2014
 - 26 airlines and home for Star Alliance at Heathrow
- Baggage infrastructure investment
 - underground system between T3 and T5 fully operational
 - Terminal 3 Integrated Baggage system remains on track for 2015 operations
- £1.4 billion capital investment in 2013



Disappointing Q6 proposals from CAA

- CAA's Initial Proposals favour short-term price cuts to the detriment of future passenger experience
 - WACC fails to incentivise investment
 - unrealistic level of opex savings
 - passengers are willing to pay for service improvements
- Revised Business Plan delivers £2 billion essential investment to sustain and selectively enhance passenger experience
- Want to deliver a £3 billion capital investment plan with fair and reasonable final proposals
- CAA final proposals for consultation due 4 October

Heathrow hub expansion options submitted

- Heathrow is best placed for passengers, taxpayers and business
- Three options to deliver a third runway between 2025 and 2029
- Capacity up to 130 million passengers and 740,000 flights per year
- £14–18 billion phased investment over c.15 years
- UK economic benefit: £100 billion present value
- Each three runway option can be expanded to add a fourth runway

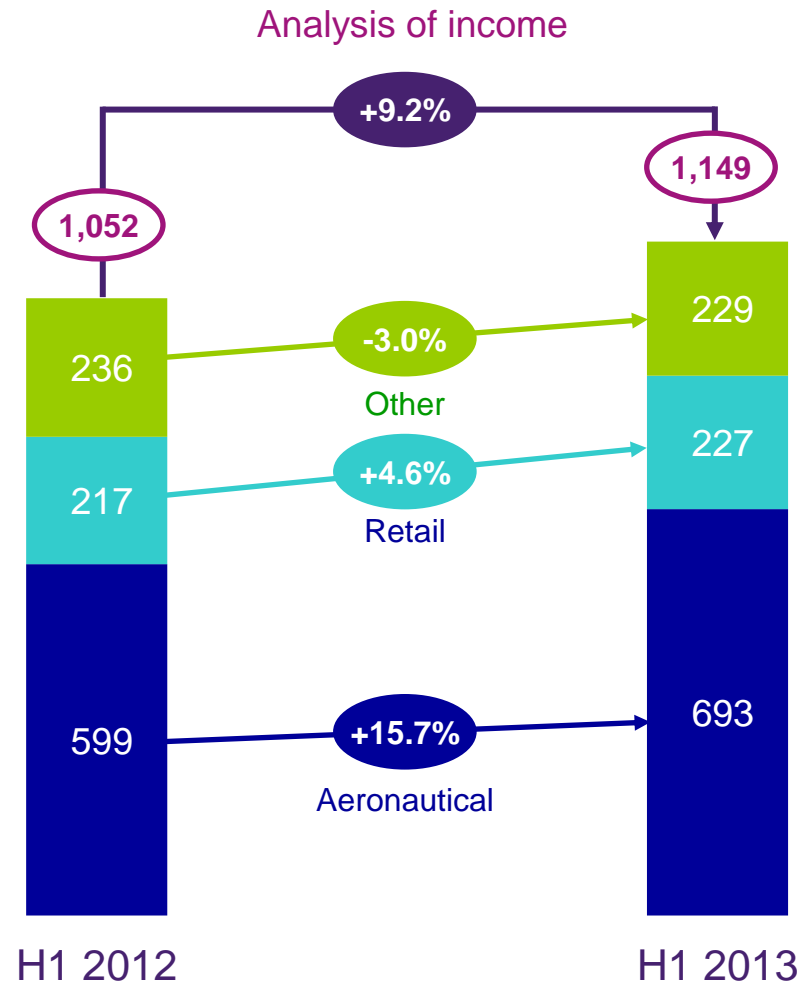


Strong H1 2013 financial performance

(figures in £m)	H1 2012	H1 2013	
Revenue	1,052	1,149	+9.2%
Adjusted operating costs	535	539	+0.7%
Adjusted EBITDA	517	610	+18.0%
	Dec 2012	Jun 2013	
Consolidated Heathrow (SP) net debt	11,360	10,868	-4.3%
Consolidated Heathrow Finance net debt	12,086	11,595	-4.1%
RAB (Regulatory Asset Base)	14,814	13,985	-5.6%

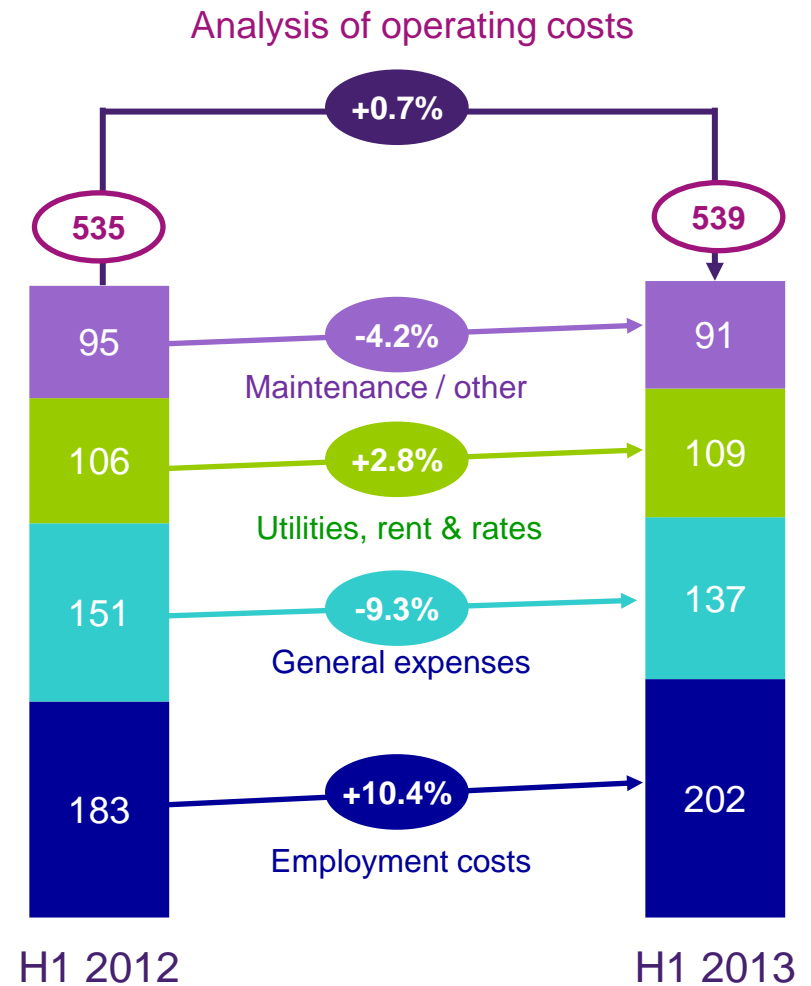
Good revenue momentum from strong traffic...

- Continued aeronautical income growth
 - strong passenger traffic combined with tariff increases
 - ‘K’ factor recovery relating to 2011/12 shortfall
 - non-recurrence of Q2 2012 yield dilution
- Net retail income (‘NRI’) per passenger up 1.9% to £6.22
 - Q2 accelerated rate of growth
 - main overall drivers duty free, car parking and bureaux de change
 - likely adverse impact by shift in mix to European traffic
- Reduction in other income reflects change in intra-group recharge

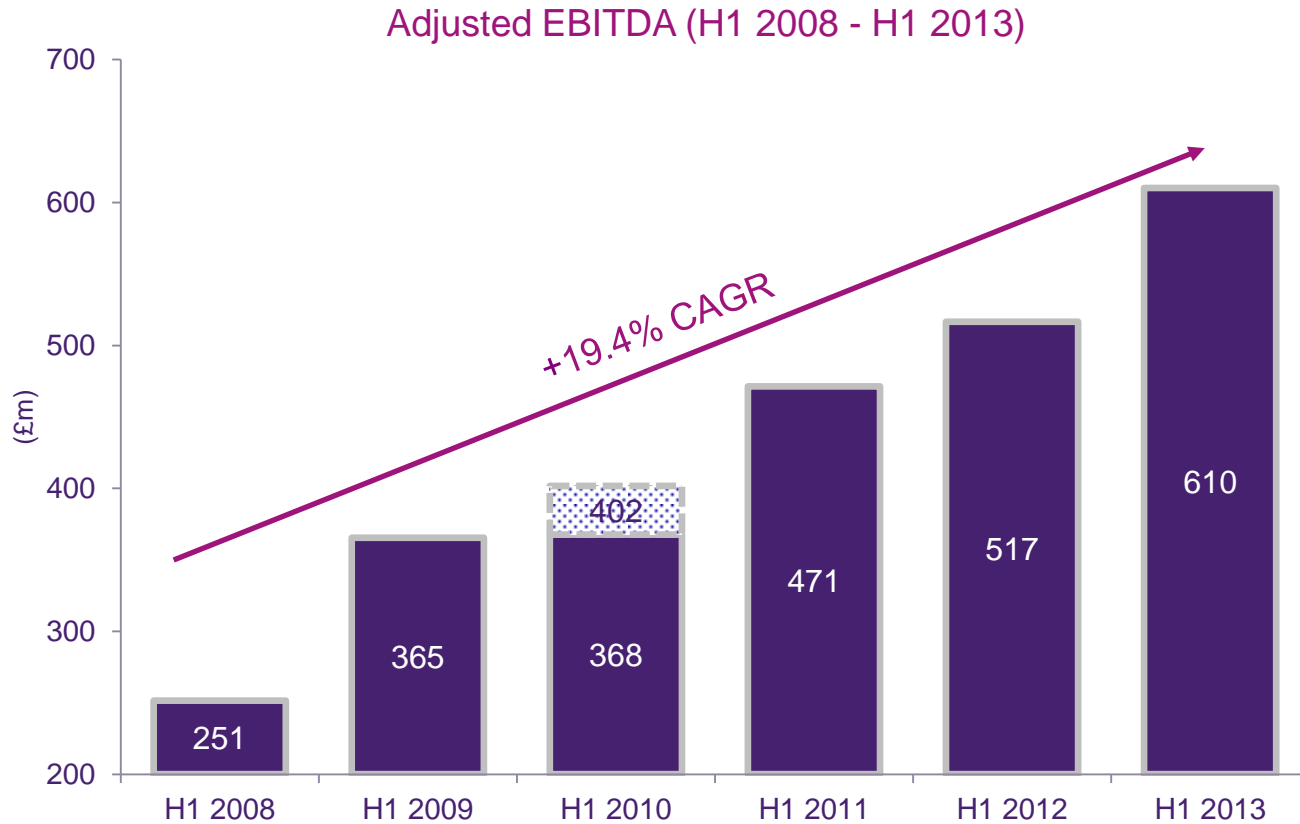


...which outpaced operating cost increase...

- Underlying cost performance on track
- One-off costs in each year
 - c. £11 million Olympic related cost in H1 2012
 - c. £10 million employment restructure costs and efficiency related incentive in H1 2013
- Remaining employment cost rise driven by non-cash pension service charge increase
- General expenses reflects change in intra-group charges
 - offset by reduction in other revenue



...driving strong Adjusted EBITDA supporting investment



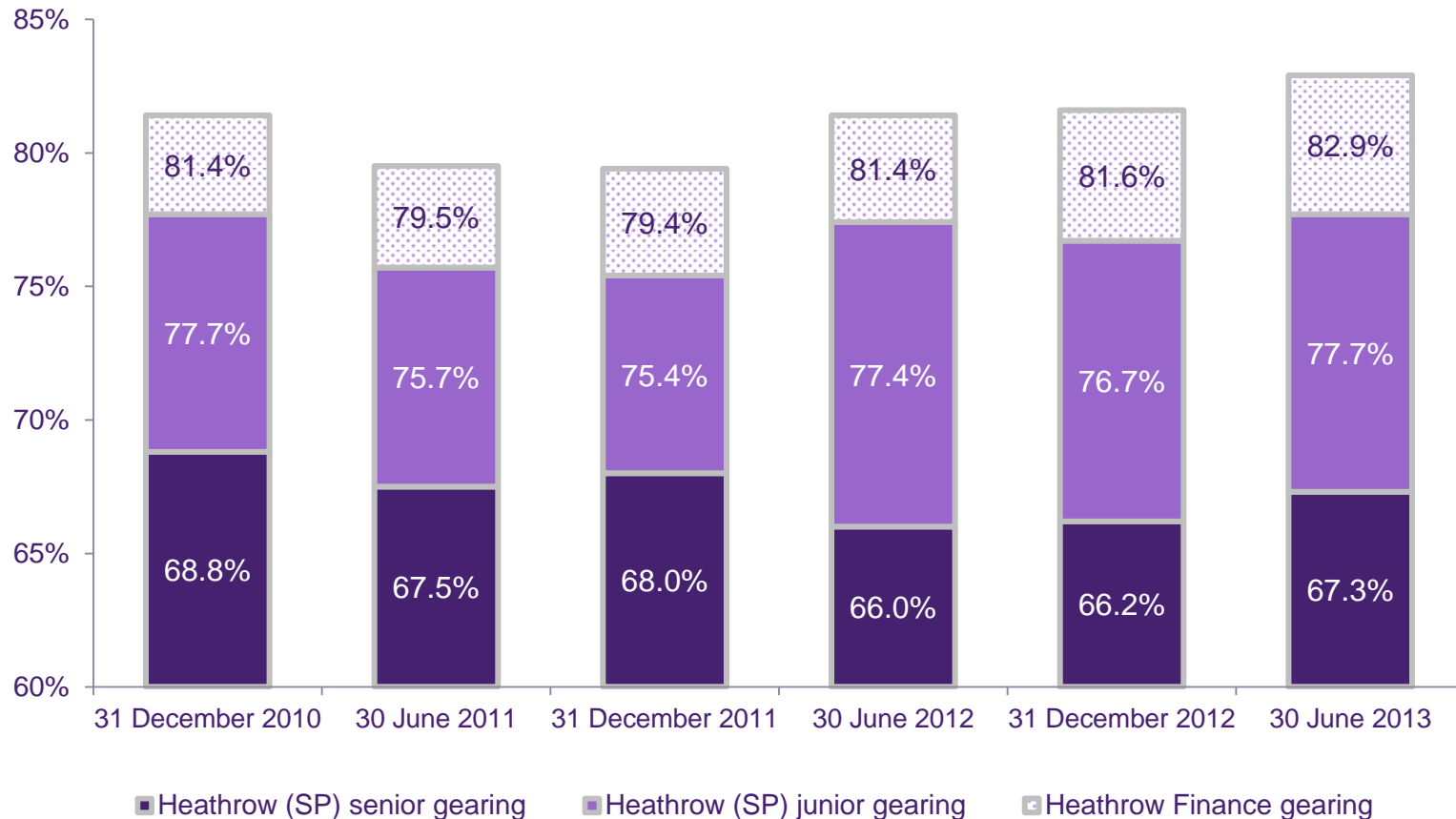
■ Reported adjusted EBITDA ■ Underlying adjusted EBITDA

Reconciliation of interest payable with interest paid

(figures in £m)	H1 2012	H1 2013		H1 2013
	Total	SP debenture	External debt	Total
Net interest payable (income statement)	(219)	(27)	(454)	(481)
Adjust for fair value loss/(gain) on financial instruments	(152)	-	143	143
Net interest payable net of fair value loss/(gain)	(371)	(27)	(311)	(338)
Amortisation of financing fees and fair value adjustments	25	-	21	21
Interest capitalised	(39)	-	(74)	(74)
Underlying net interest payable	(385)	(27)	(364)	(391)
Reconciliation of underlying net interest payable to net interest paid				
Derivative interest prepayment amortisation	28	-	-	-
Movement in interest accruals/accretion/other	142	-	96	96
Net interest paid (cash flow statement)	(215)	(27)	(268)	(295)

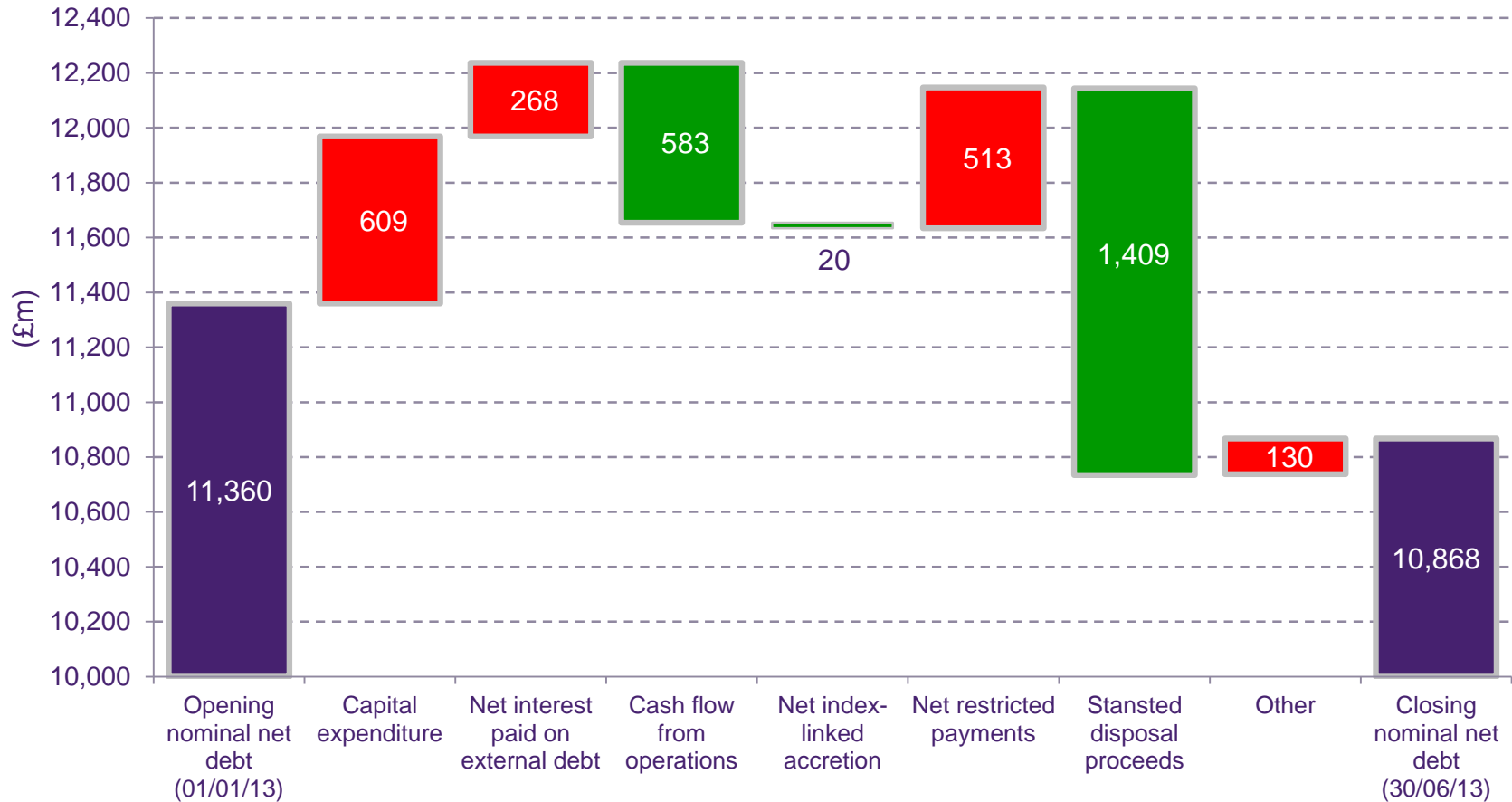
Deleveraging from Stansted disposal offset by phasing of interest payments and cash flows

Recent development in gearing ratios



Reduction in net debt reflects Stansted disposal

Net debt bridge (January 2013 – June 2013)



Conclusion

- Record passenger satisfaction with high passenger traffic
- EBITDA growth supports historical and future investment in Heathrow
- Terminal 2: The Queen's Terminal on track for opening in June 2014
- Contesting CAA's disappointing proposals for Q6
- Three options for a third runway at Heathrow – all cheaper and quicker than building a new hub airport
- Expect to slightly exceed the full year revenue and EBITDA forecasts of £2,446 million and £1,325 million provided in the latest Investor Report

Appendix

Heathrow (SP)'s consolidated net debt at 30 June 2013

		Amount		Amount and features of available facilities			
		(£m)		Local currency	S&P/Fitch rating		Maturity
				(m)	(£m)		
Senior (Class A)							
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
		187	187	187	187	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
		531	531	531	531	A-/A-	2039/41
		750	750	750	750	A-/A-	2041/43
Total bonds		8,851	8,851		8,851		
Bank debt	EIB Facilities	235	235	235	235	n/a	2013/22
	Revolving/Working Capital Facilities	160	160	1,600	1,600	n/a	2017
Total bank debt		395	395		1,835		
Total senior debt		9,246	9,246		10,686		
Junior (Class 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
Total junior debt		1,450	1,450		1,850		
Gross debt		10,696	10,696		12,536		
Cash		-239	-239				
Index-linked derivative accretion		411	411				
Net debt		10,868	10,868				

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 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 9
 - 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 11
 - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 12
 - 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 14
 - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)
- Page 15
 - 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 £116 million offset by accretion paydowns of £136 million
 - Stansted disposal proceeds of £1,409 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 £136 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