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News Release

24 April 2013

Heathrow (SP) Limited

Results for the three months ended 31 March 2013

Heathrow (SP) Limited (formerly BAA (SP) Limited) owns Heathrow airport. Throughout this document, Heathrow (SP) Limited and its subsidiaries are referred to as the Group. Heathrow Finance plc is the parent company of Heathrow (SP) Limited.

- **Heathrow passenger traffic up 1.8% to a Q1 record of 16.0 million**
- **Terminal 5 voted world's best terminal again as passenger satisfaction reaches record levels**
- **Revenue up 6.1% reflecting increased traffic and higher tariffs**
- **Adjusted EBITDA up 10.4% supporting Heathrow's substantial investment programme**
- **Debt reduced due to Stansted disposal**
- **Civil Aviation Authority to publish shortly initial price cap proposals for next regulatory period**

At or for three months ended 31 March	2013	2012	Change (%)
(figures in £m unless otherwise stated)			
Revenue(1)	**520**	490	6.1
Adjusted EBITDA(1)(2)	**244**	221	10.4
Cash generated from operations(1)	**265**	240	10.4
Adjusted pre-tax profit/(loss)(3)	**(45)**	(81)	n/a
Pre-tax profit/(loss)	**(196)**	(232)	n/a
Heathrow (SP) Limited consolidated net debt(4)(5)	**10,569**	11,360	(7.0)
Heathrow Finance plc consolidated net debt(4)(5)	**11,289**	12,086	(6.6)
Regulatory Asset Base(5)	**13,727**	14,814	(7.3)
Passengers (m)(1)(6)	**16.0**	15.7	1.8
Net retail income per passenger(1)(6)	**£6.33**	£6.26	1.2

(1) Figures are for continuing operations only, i.e. Heathrow only
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(3) Adjusted pre-tax profit/(loss) is before exceptional items, gains/losses on disposals and fair value adjustments
(4) Nominal net debt excluding intra-group loans and including inflation-linked accretion
(5) 2012 net debt and RAB figures are as at 31 December 2012
(6) Changes in passengers and net retail income per passenger are calculated using unrounded passenger data

Colin Matthews, Chief Executive Officer of Heathrow, said:

"Heathrow performed strongly in the first quarter, with record passenger service scores and record financial performance. Strong cash flow is an important element in funding major current and future investment to improve Heathrow still further."

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For further information please contact

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There will be a conference call today at 3.00 pm (UK time)/4.00 pm (Central European time)/10.00 am (Eastern standard time) for bondholders and bank lenders to the Group and Heathrow Finance plc and credit analysts to discuss the results for the three months ended 31 March 2013. The call will be hosted by José Leo, Chief Financial Officer. Dial-in details for the call are: UK free phone: 0808 237 0030; US free phone: 1866 928 7517; UK local/standard international: +44 (0)20 3139 4830. Participant PIN code is 99148754#. It will also be possible to view online the presentation (using event password: 638285) as it is used during the call at:

https://arkadin-trial.webex.com/arkadin-trial/j.php?ED=249690992&UID=0&PW=NMjhjNmIzYzEy&RT=MTgjMjE%3D

Disclaimer

This material contains certain tables and other statistical analyses (the "Statistical Information") which have been prepared in reliance on publicly available information and may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Statistical Information. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. The Group does not make any representation or warranty as to the accuracy or completeness of the Statistical Information.

These materials contain statements that are not purely historical in nature, but are "forward-looking statements". These include, among other things, projections, forecasts, estimates of income, yield and return, and future performance targets. These forward-looking statements are based upon certain assumptions, not all of which are stated. Future events are difficult to predict and are beyond the Group's control. Actual future events may differ from those assumed. All forward-looking statements are based on information available on the date hereof and neither the Group nor any of its affiliates or advisers assumes any duty to update any forward-looking statements. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

Any reference to "Heathrow (SP)" or "the Group" will include any of its affiliated associated companies and their respective directors, representatives or employees and/or any persons connected with them.

Heathrow (SP) Limited

Consolidated results for the three months ended 31 March 2013

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1. Basis of presentation of results

The commentary on operating and financial performance focuses, unless otherwise indicated, on the Group's continuing business at Heathrow airport reflecting completion on 28 February 2013 of the sale of Stansted airport for £1.5 billion. This enables a more meaningful comparison of performance between 2012 and 2013.

The financial results and disposal of Stansted for the period to 28 February 2013 are included within discontinued operations in the financial information set out in Appendix 1.

2 Key business developments

2.1 Passenger traffic

Heathrow's passenger traffic by geographic segment for the three months ended 31 March 2013 is analysed below:

(figures in millions unless otherwise stated)	**2013**	2012	Change (%)[1]
UK	**1.1**	1.1	(2.9)
Europe	**6.6**	6.3	4.7
North America	**3.3**	3.3	0.7
Asia Pacific	**2.5**	2.5	0.2
Middle East	**1.4**	1.3	6.3
Africa and Latin America	**1.1**	1.2	(7.1)
Total passengers[1]	**16.0**	15.7	1.8

(1) These figures have been calculated using un-rounded passenger numbers

In the three months ended 31 March 2013, Heathrow's passenger traffic increased 1.8% to 16.0 million passengers (2012: 15.7 million), beating 2012's previous record for the first quarter of the year. Adjusting for 2012 being a leap year, underlying growth was an estimated 3.0%.

Heathrow's traffic performance in the first quarter of 2013 reflected an acceleration of the recent trends of increasing load factors and larger aircraft. Load factors reached record levels of 71.9% (2012: 69.5%) for the first quarter whilst there were 199.9 seats (2012: 195.5) per passenger aircraft. These factors more than offset the decline in flight numbers to 111,566 (2012: 115,797) that partly reflects the leap year.

On a regional basis, Heathrow's performance was driven by European traffic which increased 4.7% to 6.6 million passengers (2012: 6.3 million). Notably the integration of bmi routes into British Airways is driving increased volume. Countries such as Germany, Italy and Norway in particular contributed to the growth, due to the introduction of new routes and larger aircraft.

Middle East traffic also increased strongly, up 6.3% to 1.4 million passengers (2012: 1.3 million) with additional capacity and passenger growth from Emirates, Etihad, Qatar Airways and Saudi Airlines. Taking into account the effect of the leap year, both North American and Asia Pacific traffic grew steadily. African traffic declined with Latin American traffic broadly flat. UK traffic declined 2.9% to 1.1 million passengers (2012: 1.1 million) partly reflecting airlines' focus on domestic service reductions during the adverse weather disruption in January 2013.

Note: Since the start of 2013, Heathrow has changed the reporting of traffic statistics by geographic segment to make it consistent with international practice. The changes are set out in Appendix 2.

2.2 Enhancing Heathrow's facilities

Heathrow's investment programme has maintained its recent focus on construction of the new Terminal 2, which is on track to be completed in late 2013 with operations commencing in mid-2014. In addition, significant investment continues on Heathrow's baggage infrastructure.

In the main Terminal 2 building, retail facilities were handed over to retailers to allow fit out of the shops; and in addition, whole building systems are being completed in preparation for the phased start of operational trials from the second quarter of 2013. At the Terminal 2B satellite, air bridges have started to be installed and three airline lounges have been handed over to allow the airlines to commence their fit out. In addition, the energy centre supporting the Terminal 2 campus is now in commissioning phase.

The building for Terminal 3's new integrated baggage system will be made weather-tight in May 2013 and installation of the baggage system and related IT systems remains on track to enable operations in 2015.

Resurfacing of Heathrow's southern runway commenced in March 2013. The works are being carried out during night closures of the runway. The northern runway will be resurfaced in 2014.

2.3 Service standards

Heathrow's focus on transforming passengers' experience of travelling through the airport continues to receive significant external endorsement from the travelling public. Most importantly, for the first time Heathrow was named amongst the top 10 airports globally in the 2013 SKYTRAX World Airport Awards, whilst Terminal 5 was named the world's best airport terminal for the second consecutive year in the same awards. Supporting these achievements, Heathrow achieved its highest ever overall passenger satisfaction score of 3.99 in the Airport Service Quality survey (directed by Airports Council International) for the first quarter of 2013, beating its previous best score of 3.96 achieved in the third quarter of 2012.

In relation to individual service standards, during the three months ended 31 March 2013, departure punctuality (the proportion of aircraft departing within 15 minutes of schedule) was 76% (2012: 81%), principally caused by adverse weather conditions in January and March. Heathrow's baggage misconnect rate was 15 per 1,000 passengers (2012: 14). On security queuing, passengers passed through central security within periods prescribed under service quality rebate schemes 93% of the time (2012: 96%) compared with a 95.0% service standard.

2.4 Defining Heathrow's development for the next 5 years

Following publication of Heathrow's full business plan in January, the next steps in the regulatory review process are for the CAA to complete its own research and analysis. It is expected to publish its initial price cap proposals at the end of April 2013 for consultation. Final price cap proposals are expected to be published in October 2013. Following the enactment of the new Civil Aviation Act 2012, the CAA will also provide an initial draft airport licence alongside the initial price cap proposals.

3 Financial review

3.1 Basis of preparation

Heathrow (SP) Limited ('Heathrow (SP)') is the holding company of a group of companies that owns Heathrow airport and operates the Heathrow Express rail service (the 'Group'). The Group's statutory accounts are prepared under UK GAAP. Unaudited consolidated financial information is set out in Appendix 1 in which Stansted is treated as a discontinued operation in the current and prior year financial information.

From 1 January 2013, the reporting of certain intra-group services has changed, impacting both reported turnover and costs. Prior to this date, Heathrow incurred the costs of providing certain services to all the Heathrow Airport Holdings group (the 'HAH Group'). The related intra-group transactions were separately recorded by the Group firstly as Other Income for charges made by it to LHR Airports Limited ('LHR Airports'), the HAH Group's shared services provider, and secondly as Intra-group charges made by LHR Airports for the part of the charges attributable to the Group's airports, including Heathrow. From 1 January 2013, only services provided to non-Heathrow airports are charged out, with the corresponding settlement reported in Other Income. Consequently the 2013 amounts for Other Income and General Expenses are not directly comparable with 2012 amounts.

In order to provide a more meaningful comparison of performance between 2012 and 2013, the information presented in sections 3.2.2 to 3.2.6, 3.3.2 and 3.3.3 focuses on the Group's continuing operations by excluding Stansted from current and prior year financial information.

3.2 Profit and loss account

3.2.1 Introduction

The profit and loss account below provides more detailed disclosure than the statutory format in Appendix 1 in order to enable a better understanding of the results of Heathrow's operations.

Three months ended 31 March	**2013 £m**	2012 £m
Group turnover – total	**552**	537
Group turnover – discontinued operations	32	47
Group turnover – continuing operations	**520**	490
Adjusted Operating Costs – continuing operations[(1)]	(276)	(269)
Adjusted EBITDA – continuing operations[(2)]	**244**	221
Operating costs – exceptional – pensions – continuing operations[(3)]	**(12)**	(107)
EBITDA – continuing operations	**232**	114
Depreciation – ordinary – continuing operations	(116)	(118)

Operating profit/(loss) – continuing operations	**116**	(4)
Operating profit/(loss) – discontinued operations	**15**	(23)
Operating profit/(loss) – total	**131**	(27)
Gain on disposal of Stansted discontinued operations	**279**	-
Net interest payable and similar charges	**(173)**	(183)
Fair value (loss)/gain on financial instruments	**(433)**	(22)
Total net interest payable and similar charges	**(606)**	(205)
Loss on ordinary activities before taxation	**(196)**	(232)
Tax credit on loss on ordinary activities	**108**	88
Loss on ordinary activities after taxation	**(88)**	(144)

(1) Adjusted operating costs are stated before depreciation, amortisation and exceptional items
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(3) See section 3.2.6 for further discussion of exceptional items

3.2.2 Turnover

In the three months ended 31 March 2013, Heathrow's turnover increased 6.1% to £520 million (2012: £490 million).

Three months ended 31 March	**2013 £m**	2012 £m	Change (%)
Aeronautical income	**301**	269	11.9
Retail income	**107**	104	2.9
Other income	**112**	117	(4.3)
Total	**520**	490	6.1

3.2.2.1 Aeronautical income

Heathrow's aeronautical income increased 11.9% to £301 million (2012: £269 million). Average aeronautical income per passenger increased 9.9% to £18.87 (2012: £17.17).

The growth primarily reflects passenger traffic trends as well as the headline 12.7% increase in tariffs from 1 April 2012. This has been partially offset by lower than expected yields particularly due to factors such as more quieter aircraft and fewer overall aircraft movements.

The headline maximum allowable yield at Heathrow increased by 10.4% from 1 April 2013.

3.2.2.2 Retail income

In the three months ended 31 March 2013, Heathrow's retail income increased 2.9% to £107 million (2012: £104 million). A breakdown of retail income is provided below.

Three months ended 31 March	**2013 £m**	2012 £m	Change (%)
Car parking	**21**	20	5.0
Duty and tax-free	**27**	27	0.0
Airside specialist shops	**21**	21	0.0
Bureaux de change	**11**	10	10.0
Catering	**9**	9	0.0
Other	**18**	17	5.9
Total	**107**	104	2.9

Net retail income ('NRI') was up 3.1% to £101 million (2012: £98 million). Growth in retail income was mainly driven by increased passenger traffic supported by a 1.2% increase in NRI per passenger to £6.33 (2012: £6.26).

The rate of growth in NRI per passenger is likely to have been impacted by the shift in mix towards European traffic, as traditionally such passengers have a lower propensity to spend in Heathrow's retail outlets. It is possible that the slower rate of growth in luxury retail, included within the airside specialist shops segment, mirrors the experience that some luxury retail brands have recently reported. In addition, there have been some short term issues affecting retail income such as the closure of HMV stores following its administration (these outlets are due to reopen shortly with different retailers).

3.2.2.3 Other income

Gains in rail income, operational utilities and property totalled £2 million. On a reported basis, these gains were offset by a reduction of around £7 million relating to the change in the way win which the recharge of intra-group services is recorded. See section 3.1 Basis of Preparation.

3.2.3 Adjusted operating costs

Adjusted operating costs exclude depreciation, amortisation and exceptional items.

In the three months ended 31 March 2013, adjusted operating costs increased 2.6% to £276 million (2012: £269 million).

Three months ended 31 March	**2013 £m**	2012 £m	Change (%)
Employment costs	**101**	86	17.4
Maintenance expenditure	**42**	45	(6.7)
Utility costs	**25**	26	(3.8)
Rents and rates	**33**	32	3.1
General expenses	**69**	74	(6.8)
Retail expenditure	**6**	6	0.0
Total	**276**	269	2.6

Underlying operating cost performance was good in the quarter, when taking account of one-off items impacting employment costs in particular.

Employment costs were up 17.4%, with approximately half the increase due to one-off items including one-off pension costs arising from a restructuring programme and incentives in place to drive future cost efficiencies. A substantial part of the residual cost increase related to contractually agreed pay increases and the impact of higher non-cash pension charges.

General expenses reduced by £5 million compared with last year. This reflects a decrease of approximately £7 million relating to the change in the way in which the recharge of intra-group services is recorded. See section 3.1 Basis of Preparation. The decrease is partially offset by additional costs incurred in ensuring operations were maintained during adverse weather in January.

3.2.4 Adjusted EBITDA

In the three months ended 31 March 2013, Adjusted EBITDA increased 10.4% to £244 million (2012: £221 million), resulting in an Adjusted EBITDA margin of 47% (2012: 45%).

The significant increase in Adjusted EBITDA from 2012 reflects principally increased traffic and aeronautical tariffs.

3.2.5 Operating result

The Group recorded an operating profit for the three months ended 31 March 2013 of £116 million (2012: £4 million loss). The difference between Adjusted EBITDA and operating profit arises from £116 million in depreciation (2012: £118 million) and an exceptional charge of £12 million (2012: £107 million charge). A reconciliation between Adjusted EBITDA and statutory operating result is provided below.

Three months ended 31 March	**2013 £m**	2012 £m	Change (%)
Adjusted EBITDA	**244**	221	10.4
Depreciation – ordinary	**(116)**	(118)	(1.7)
Exceptional items – pensions	**(12)**	(107)	n/a
Operating profit/(loss)	**116**	(4)	n/a

3.2.6 Exceptional items

In the three months ended 31 March 2013, there was a net exceptional £12 million pre-tax charge (2012: £107 million charge) to the profit and loss account, relating to a non-cash pension charge arising principally from Heathrow's share of the movement in the LHR Airports Limited defined benefit pension scheme from 31 December 2012.

3.2.7 Taxation

The tax credit for the three months ended 31 March 2013 results in an effective tax rate for the period of 55.1% (31 March 2012: 37.9%).

The credit is calculated by applying the forecast annual effective tax rate for each entity to the results for the three months ended 31 March 2013. For each entity, the effective tax rate for the period differs from the UK statutory rate of corporation tax of 23.25% due to seasonality and permanent differences arising from non-qualifying depreciation. The effective tax rate for the Group reflects the proportionate contribution of each entity's results in each interim accounting period and will vary as those proportions change.

The Group's disposal of Stansted Airport Limited has no associated tax charge as it qualifies for the Substantial Shareholding Exemption.

3.3 Cash flow

3.3.1 Summary cash flow

Three months ended 31 March	**2013 £m**	2012 £m
Net cash inflow from operating activities – continuing	**265**	240
Net cash inflow from operating activities – discontinued	**5**	10
Net cash inflow from operating activities – total	**270**	250
Net interest paid	**(167)**	(89)
Taxation – group relief paid	**(6)**	-
Cash flow after interest and tax	**97**	161
Net capital expenditure	**(275)**	(272)
Disposal of Stansted airport	**1,423**	-
Dividends paid	**(423)**	(395)

Net cash outflow before management of liquid resources and financing	**822**	(506)
Management of liquid resources	**(297)**	3
Cancellation and restructuring of derivatives	**-**	(12)
Settlement of accretion on index-linked swaps	**(124)**	-
Increase in amount owed to Heathrow Finance plc	**-**	201
Movement in borrowings and other financing flows	**(397)**	323
Increase in cash	**4**	9

3.3.2 Cash flow from operating activities

Net cash inflow from continuing operations in the three months ended 31 March 2013 increased 10.4% to £265 million (2012: £240 million) which compares with Adjusted EBITDA of £244 million (2012: £221 million). The operating cash flow was £21 million higher than Adjusted EBITDA and principally comprises a fall in prepayments of property rates since December 2012 and, increased creditors, mainly reflecting higher accruals for pay as you earn taxes, which are to be paid out after 31 March.

3.3.3 Capital expenditure

In the three months ended 31 March 2013, the cash flow impact of capital investment was £275 million, including £272 million at Heathrow (2012: £272 million, including £267 million at Heathrow).

The most significant areas of capital expenditure at Heathrow were on the new main Terminal 2 building, the second phase of the satellite building for the new Terminal 2 and the new integrated baggage system for Terminal 3.

3.3.4 Restricted payments

In the three months ended 31 March 2013, payments of £450 million were made out of the Group. Of this amount, £300 million represents the equity generated on the disposal of Stansted airport which is expected to be utilised to repay part of the debt held at ADI Finance 1 Limited or make a return to shareholders on their historic investment in Stansted. The remaining £150 million included £27 million of interest payments on the debenture between Heathrow (SP) and Heathrow Finance plc ('Heathrow Finance') and £88 million in dividends to fund £24 million interest on the facility held at ADI Finance 1 Limited and £64 million in quarterly shareholder dividends.

3.4 Pension scheme

At 31 March 2013, the LHR Airports Limited defined benefit pension scheme had a deficit of £77 million as measured under FRS 17, of which £67 million was attributable to the Group under the Group's shared services agreement with LHR Airports Limited. This compares with a scheme deficit of £103 million at 31 December 2012 of which £92 million was attributable to the Group. The reduction in the scheme deficit is due principally to strong investment returns over the quarter and the impact of the Stansted disposal, partially offset by increases in inflation expectations.

3.5 Recent financing activity

Since the completion of the disposal of Stansted, the Group has utilised the proceeds to repay £639 million in drawings under its revolving credit facility and £100 million of its Class B loan. The remainder of the proceeds are largely accounted for by the cash remaining on the Group's balance sheet and the restricted payments referred to in section 3.3.4.

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3.6 Financing position

3.6.1 Consolidated net debt and liquidity at Heathrow (SP) Limited

The analysis below focuses on the Group's external debt and excludes the debenture between Heathrow (SP) and its parent company, Heathrow Finance. It includes all the components used in calculating gearing ratios under the Group's financing agreements including index-linked accretion.

During the three months ended 31 March 2013, the Group's nominal net debt decreased 7.0% from £11,360 million to £10,569 million. The decrease in net debt primarily reflects repayment of debt by using Stansted disposal proceeds offset by three factors: funding of Heathrow's capital investment programme; the restricted payments referred to in section 3.3.4; and accretion on the Group's index-linked swaps and bonds.

The Group's nominal net debt at 31 March 2013 comprised £10,245 million outstanding under bond issues, £296 million outstanding under loan facilities, £367 million in index-linked derivative accretion and cash at bank and term deposits of £339 million. Nominal net debt comprised £9,119 million in senior (Class A) net debt and £1,450 million in junior (Class B) debt.

The accounting value of the Group's net debt at 31 March 2013 was £10,852 million (31 December 2012: £10,385 million).

The average cost of the Group's external gross debt at 31 March 2013 was 4.24% (31 December 2012: 4.24%) taking into account the impact of interest rate, cross-currency and index-linked hedges but excluding index-linked accretion. Including index-linked accretion, the Group's average cost of debt at 31 March 2013 was 5.83% (31 December 2012: 5.83%).

At 31 March 2013, the Group had approximately £2.3 billion in undrawn bank facilities and cash resources. As a result, the Group is currently in a very strong liquidity position.

3.6.2 Consolidated net debt at Heathrow Finance plc

Taking into account the Group's nominal net debt discussed in section 3.6.1, together with £728 million of gross debt and £7 million of cash held at Heathrow Finance, Heathrow Finance's consolidated net debt at 31 March 2013 was £11,289 million, a decrease of 6.6% from £12,086 million at 31 December 2012.

3.6.3 Regulatory Asset Base ('RAB')

Heathrow's RAB at 31 March 2013 was £13,727 million compared to £13,471 million at 31 December 2012. RAB figures are utilised in calculating gearing ratios under the Group's financing agreements.

The increase in RAB during the three months ended 31 March 2013 reflected the addition of approximately £307 million in capital expenditure; indexation adjustment of around £105 million; offset by regulatory depreciation of around £145 million and RAB profiling adjustments of approximately £10 million.

3.6.4 Net interest payable and net interest paid

In the three months ended 31 March 2013, the Group's net interest payable was £173 million (2012: £183 million) excluding fair value adjustments on financial instruments. Underlying net interest payable was £194 million (2012: £187 million), after adjusting for £34 million (2012: £14 million) in capitalised interest and £13 million (2012: £10 million) in non-cash amortisation of financing fees and fair value adjustments of bonds.

The non-cash, fair value loss on financial instruments recorded within interest payable is £433 million (2012: £22 million), which is principally due to the impact on the mark-to-market value of the index-linked swaps, of increased implied future inflation rates since December 2012, following the unexpected decision of the ONS not to alter the calculation methodology for the Retail Price Index.

Net interest paid in the period was £167 million (2012: £89 million). This consisted of £140 million (2012: £69 million) paid in relation to external debt and £27 million (2012: £20 million) under the debenture between Heathrow (SP) and Heathrow Finance. The increase in net interest paid on external debt largely reflects the first time payment of coupons on bond issues completed in 2012. The increased interest paid on the debenture between Heathrow (SP) and Heathrow Finance is due primarily to an increase in the size of the debenture as a result of the new £275 million Heathrow Finance bond put in place in December 2012 partially offset by repayment of some of Heathrow Finance's loan facilities.

The difference between net interest paid and underlying net interest payable is largely accounted for by £53 million (2012: £53 million) non-cash accretion on index-linked instruments, partially offset by changes in accruals related to the first time coupon payments outlined above.

3.6.5 Financial ratios

The Group and Heathrow Finance continue to operate comfortably within required financial ratios.

At 31 March 2013, the Group's senior (Class A) and junior (Class B) gearing ratios (nominal net debt to RAB) were 66.4% and 77.0% respectively (31 December 2012: 66.2% and 76.7% respectively) compared with trigger levels of 70.0% and 85.0% under its financing agreements. Heathrow Finance's gearing ratio was 82.2% (31 December 2012: 81.6%) compared to a covenant level of 90.0% under its financing agreements.

The disposal of Stansted and subsequent use of disposal proceeds resulted in a modest reduction in gearing. As a result the slight net increase in gearing ratios since 31 December 2012 is primarily due to the impact on net debt of factors such as the seasonality of interest payments and operating cash flow and on the RAB of regulatory depreciation exceeding indexation.

3.7 Outlook

The Group delivered a strong operational and financial performance in the first quarter of 2013, in line with expectations. As a result, the Group continues to expect overall turnover and Adjusted EBITDA for 2013 to be in line with the forecasts set out in the investor report issued in December 2012 at approximately £2.4 billion and £1.34 billion respectively.

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Appendix 1 – Financial information

Heathrow (SP) Limited

Consolidated profit and loss account for the three months ended 31 March 2013

	Note	**Unaudited Three months ended 31 March 2013 £m**	Restated[1] Unaudited Three months ended 31 March 2012 £m	Restated Audited Year ended 31 December 2012 £m
Turnover – continuing operations	*1*	**520**	490	2,222
Turnover – discontinued operations	*1*	**32**	47	242
Total turnover	*1*	**552**	537	2,464
Operating costs – ordinary: continuing operations	*2*	**(392)**	(387)	(1,522)
Operating costs – ordinary: discontinued operations	*2*	**(32)**	(48)	(188)
Total operating costs - ordinary	*2*	**(424)**	(435)	(1,710)
Operating costs – exceptional: pensions continuing operations	*3*	**(12)**	(107)	(152)
Operating income/(costs) – exceptional: pensions discontinued operations	*3*	**15**	(22)	(31)
Total operating income/(costs) – exceptional: pensions	*3*	**3**	(129)	(183)
Total operating costs		**(421)**	(564)	(1,893)
Operating profit/(loss) – continuing operations	*1*	**116**	(4)	548
Operating profit/(loss) – discontinued operations	*1*	**15**	(23)	23
Total operating profit/(loss)	*1*	**131**	(27)	571
Impairment of fixed assets	*3*	**-**	-	(5)
Gain/(loss) on disposal of Stansted	*4*	**279**	-	(4)
Interest receivable and similar income	*5*	**60**	60	250
Interest payable and similar charges	*5*	**(233)**	(243)	(957)
Fair value (loss)/gain on financial instruments	*5*	**(433)**	(22)	112
Net interest payable and similar charges		**(606)**	(205)	(595)
Loss on ordinary activities before taxation		**(196)**	(232)	(33)
Tax credit/(charge) on loss on ordinary activities	*6*	**108**	88	(8)
Loss on ordinary activities after taxation		**(88)**	(144)	(41)

[1] The presentation of turnover and operating profit/(loss) has been restated following the completion of the disposal of Stansted airport on 28 February 2013.

Heathrow (SP) Limited

Consolidated balance sheet
as at 31 March 2013

	Note	Unaudited 31 March 2013 £m	Restated[1] Unaudited 31 March 2012 £m	Audited 31 December 2012 £m
Fixed assets				
Tangible fixed assets		**11,974**	12,330	12,961
Financial assets – derivative financial instruments		**403**	318	306
Total fixed assets		**12,377**	12,648	13,267
Current assets				
Stocks		**8**	9	9
Debtors		**317**	231	313
Financial assets – derivative financial instruments		**1**	-	-
Current asset investments		**329**	18	32
Restricted cash		**39**	-	-
Cash at bank and in hand		**10**	21	6
Total current assets		**704**	279	360
Current liabilities				
Creditors: amounts falling due within one year	*7*	**(1,213)**	(680)	(1,232)
Net current liabilities		**(509)**	(401)	(872)
Total assets less current liabilities		**11,868**	12,247	12,395
Creditors: amounts falling due after more than one year	*7*	**(12,531)**	(12,309)	(12,427)
Deferred tax		**-**	(56)	(103)
Provisions for liabilities		**(106)**	(117)	(122)
Net liabilities		**(769)**	(235)	(257)
Capital and reserves				
Called up share capital		**11**	11	11
Share premium reserve		**499**	499	499
Revaluation reserve		**428**	1,536	835
Merger reserve		**(3,759)**	(4,536)	(4,536)
Fair value reserve		**(454)**	(355)	(455)
Profit and loss reserve	*8*	**2,506**	2,610	3,389
Total shareholder's deficit		**(769)**	(235)	(257)

[1] The presentation of certain balances as at 31 March 2012 has been restated to be consistent with current period disclosures.

Heathrow (SP) Limited

Consolidated summary cash flow statement for the three months ended 31 March 2013

	Note	Unaudited Three months ended 31 March 2013 £m	Restated[1] Unaudited Three months ended 31 March 2012 £m	Restated[1] Audited Year ended 31 December 2012 £m
Operating profit/(loss) - continuing operations		116	(4)	548
Adjustments for:				
Depreciation		116	118	470
Working capital changes:				
Decrease/(increase) in stock and debtors		10	37	(25)
Increase/(decrease) in creditors		16	(8)	(10)
Net release of provisions		(1)	(3)	(4)
Difference between pension charge and cash contributions		(4)	(7)	(50)
Exceptional pension charge		12	107	151
Net cash inflow from operating activities - continuing		265	240	1,080
Net cash inflow from operating activities - discontinued		5	10	84
Total net cash inflow from operating activities		270	250	1,164
Net interest paid		(167)	(89)	(428)
Taxation – group relief paid		(6)	-	(28)
Net capital expenditure		(275)	(272)	(1,157)
Disposal of Stansted Airport Limited		1,423	-	(6)
Dividends paid	*8*	(423)	(395)	(436)
Net cash outflow before use of liquid resources and financing		822	(506)	(891)
Management of liquid resources		(297)	3	(12)
Issuance of bonds	*7*	-	1,995	3,082
Repayment of bonds	*7*	-	(680)	(680)
(Repayment)/drawdown of revolving credit facility	*7*	(307)	-	307
Repayment of capital expenditure facility	*7*	-	(983)	(1,395)
Repayment of facilities and other financing items	*7*	(90)	(9)	(532)
Increase in amount owed to Heathrow Finance plc	*7*	-	201	270
Settlement of accretion on index-linked swaps		(124)	-	(80)
Cancellation and restructuring of derivatives		-	(12)	(76)
Net cash (outflow)/inflow from financing		(521)	512	896
Increase/(decrease) in cash		4	9	(7)

[1] Operating cash flow has been re-presented for 2012 to separately reconcile from operating profit/(loss) of continuing operations to net cash inflow from operating activities - continuing.

Heathrow (SP) Limited

General information and accounting policies

General information

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2012 or any other period. Statutory financial statements for the year ended 31 December 2012 have been filed with the Registrar of Companies on 15 March 2013. The annual financial information presented herein for the year ended 31 December 2012 is based on, and is consistent with, the audited consolidated financial statements of Heathrow (SP) Limited (the 'Group') for the year ended 31 December 2012. The auditors' report on the 2012 financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

Accounting policies

Basis of preparation
The consolidated financial statements of Heathrow (SP) Limited have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and financial instruments, in accordance with the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounting policies adopted in the preparation of this consolidated financial information are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2012 with the exception of tax accounting (see note 6) which is in accordance with the United Kingdom Accounting Standards Board's Statement : 'Half-Yearly Financial Reports'.

Changes in accounting policies and disclosures
Comparative balances for the three months ended 31 March 2012 and year ended 31 December 2012 have been rounded to the nearest million. This treatment varies from the three months ended 31 March 2012 and year ended 31 December 2012 where balances were presented using millions rounded to one decimal place. This has resulted in some immaterial rounding differences.

Discontinued operations
Stansted airport has been classified as discontinued operations due to the completion of its disposal on 28 February 2013. Where necessary, comparative balances have been restated in the consolidated profit and loss account, consolidated summary cash flow statement and associated notes.

Notes to the consolidated financial information for the three months ended 31 March 2013

1 Segment information

The directors consider that following the completion of the disposal of Stansted that the business has only one segment, being Heathrow Airport (including Heathrow Express) together 'Heathrow'. All of the Group's turnover arises in the United Kingdom. Additional details of the turnover generated by each of the Group's key activities are given below:

Turnover	**Unaudited Three months ended 31 March 2013 £m**	Unaudited Three months ended 31 March 2012 £m	Audited Year ended 31 December 2012 £m
Aeronautical income	**301**	269	1,280
Retail income	**107**	104	460
Operational facilities and utilities income	**42**	40	163
Property rental income	**25**	26	103
Rail income	**29**	28	116
Other income	**16**	23	100
Turnover – continuing operations	**520**	490	2,222
Turnover – discontinued operations	**32**	47	242
Total turnover	**552**	537	2,464

Reconciliation of Adjusted EBITDA and operating profit

Adjusted EBITDA has been used to provide a clearer indication of the performance of Group and to assist better comparison with the prior period. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items.

Unaudited Three months ended 31 March 2013	**Adjusted EBITDA £m**	**Operating exceptional items £m**	**Depreciation £m**	**Operating profit £m**
Heathrow - continuing operations	**244**	**(12)**	**(116)**	**116**
Stansted - discontinued operations	**7**	**15**	**(7)**	**15**
Total	**251**	**3**	**(123)**	**131**
Unaudited Three months ended 31 March 2012	Adjusted EBITDA £m	Operating exceptional items £m	Depreciation £m	Operating loss £m
Heathrow - continuing operations	221	(107)	(118)	(4)
Stansted - discontinued operations	10	(22)	(11)	(23)
Total	231	(129)	(129)	(27)
Audited Year ended 31 December 2012	Adjusted EBITDA £m	Operating exceptional items £m	Depreciation £m	Operating profit £m
Heathrow - continuing operations	1,170	(152)	(470)	548
Stansted - discontinued operations	94	(31)	(40)	23
Total	1,264	(183)	(510)	571

Notes to the consolidated financial information for the three months ended 31 March 2013

2 Operating costs – ordinary

	Unaudited Three months ended 31 March 2013 £m	Restated[1] Unaudited Three months ended 31 March 2012 £m	Restated Audited Year ended 31 December 2012 £m
Employment costs[2]	**101**	86	335
Maintenance expenditure	**42**	45	165
Utility costs	**25**	26	90
Rents and rates	**33**	32	123
General expenses	**69**	74	314
Retail expenditure	**6**	6	26
Disposal of fixed assets	**-**	-	(1)
Depreciation	**116**	118	470
Operating costs – ordinary: continuing operations	**392**	387	1,522
Operating costs – ordinary: discontinued operations	**32**	48	188
Total operating costs – ordinary	**424**	435	1,710

[1] The presentation of certain balances for the three months ended 31 March 2012 and year ended 31 December 2012 has been restated to be consistent with current period disclosures.
[2] Employment costs include recharges from LHR Airports Limited for employee services to the Group's business.

3 Operating and non-operating exceptional items

Operating income/(costs) – exceptional: pension

Under the Shared Services Agreement ('SSA') the current period service cost for the Heathrow Airport Holdings Limited group ('Heathrow Group') pension schemes are recharged to the Group's airports and Heathrow Express Operating Company Limited ('HEX') on the basis of their pensionable salaries. This charge is included within Operating costs. Cash contributions are made directly by the Group's airports and HEX to the LHR Airports Limited pension schemes on behalf of LHR Airports Limited.

Since August 2008, the Group's airports and HEX have had an obligation under the SSA, to fund or benefit from their share of the LHR Airports Limited defined benefit pension scheme deficit or surplus and Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits pension related liabilities. These provisions or assets are based on the relevant share of the actuarial deficit or surplus and allocated on the basis of pensionable salaries. Movements in these provisions are recorded as exceptional items due to their size and nature.

For the three months ended 31 March 2013 an exceptional pension charge of £12 million was incurred relating to continuing operations while £15 million credit related to discontinued operations (three months ended 31 March 2012: £107 million and £22 million charge; year ended 31 December 2012: £152 million and £31 million charge respectively). This includes the Group's share of the movement in the LHR Airports Limited defined benefit pension scheme deficit or surplus and Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities.

Impairment of fixed assets – exceptional

In the year ended 31 December 2012, an impairment of £5 million was recognised at Heathrow as a result of a change in the expected future use of automated immigration systems in advance of their sale which was completed in 2013.

4 Disposal of Stansted airport

	Unaudited Three months ended 31 March 2013 £m
Tangible fixed assets	1,207
Stocks	2
Debtors : due within one year	28
Cash at bank and in hand	31
Creditors : amounts falling due within one year	(28)
Deferred tax liabilities	(28)
Net assets disposed	1,212
Add disposal costs	21
Less pension gain	(12)
Carrying value of disposed operations	1,221
Consideration satisfied by cash	(1,500)
Gain on disposal of Stansted airport	279

On 28 February 2013 the Group sold Stansted for cash consideration of £1,500 million. Sale proceeds were used primarily to repay the Group's revolving credit facility and for general corporate purposes. At 31 March 2013, £39 million of the proceeds were being held in escrow to be used primarily to settle a commutation payment into the LHR Airports Limited defined benefit pension scheme once the final number of Stansted employees who choose to join their new employer's scheme is determined. Further sale proceeds will be used to meet transaction related costs including derivative restructuring costs, legal, other advisory fees and directly attributable separation costs.

Notes to the consolidated financial information for the three months ended 31 March 2013

5 Net interest payable and similar charges

	Unaudited Three months ended 31 March 2013 £m	Unaudited Three months ended 31 March 2012 £m	Audited Year ended 31 December 2012 £m
Interest receivable and similar income			
Interest receivable on derivatives not in hedge relationship	**60**	60	250
	60	60	250
Interest payable and similar charges			
Interest on borrowings:			
Bonds and related hedging instruments[1]	**(142)**	(127)	(568)
Bank loans and overdrafts and related hedging instruments	**(30)**	(34)	(122)
Interest payable on derivatives not in hedge relationship[2]	**(77)**	(79)	(294)
Facility fees and other charges	**(4)**	(6)	(20)
Interest on debenture payable to Heathrow Finance plc	**(14)**	(11)	(53)
	(267)	(257)	(1,057)
Less capitalised interest[3]	**34**	14	100
	(233)	(243)	(957)
Net interest payable before fair value (loss)/gain	**(173)**	(183)	(707)
Fair value (loss)/gain on financial instruments			
Interest rate swaps: cash flow hedge[4]	**4**	5	(2)
Interest rate swaps: not in hedge relationship	**1**	-	-
Index-linked swaps: not in hedge relationship[5]	**(437)**	(31)	109
Cross-currency swaps: cash flow hedge[4]	**(3)**	(1)	2
Cross-currency swaps: fair value hedge[4]	**1**	5	3
Fair value re-measurements of foreign exchange contracts and currency balances	**1**	-	-
	(433)	(22)	112
Net interest payable and similar charges	**(606)**	(205)	(595)

[1] Includes accretion of £5 million (three months ended 31 March 2012: £2 million; year ended 31 December 2012: £18 million) on index-linked bonds.

[2] Includes accretion of £48 million (three months ended 31 March 2012: £51 million; year ended 31 December 2012: £173 million) on index-linked swaps.

[3] Following the significant refinancing activity during 2012, the Group has reassessed the applicable pool of general borrowing costs upon which interest has been capitalised. This has led to the increase in the capitalised interest rate to 5.86% during the period (three months ended 31 March 2012: 3.79%; year ended 31 December 2012: 4.75%).

[4] Hedge ineffectiveness on derivatives in hedge relationship.

[5] Reflects the impact on the valuation of movements in implied future inflation and interest rates and accounting adjustment in respect of accretion.

Notes to the consolidated financial information for the three months ended 31 March 2013

6 Tax on loss on ordinary activities

	Unaudited Three months ended 31 March 2013 £m	Unaudited Three months ended 31 March 2012 £m	Audited Year ended 31 December 2012 £m
Current tax credit/(charge) on ordinary activities	**9**	45	(24)
Deferred tax credit/(charge) on ordinary activities	**99**	33	(4)
Change in UK Corporation tax rate – impact on deferred tax liabilities	**-**	10	20
Total tax credit/(charge)	**108**	88	(8)

The tax credit for the three months ended 31 March 2013 results in an effective tax rate of 55.1%, reflecting the tax credit arising on ordinary activities of £108 million. The tax credit is calculated by applying the forecast annual effective tax rate for each entity to the results for the three months ended 31 March 2013. For the three months ended 31 March 2012 the effective tax rate for the period was 37.9%, reflecting the tax credit arising on ordinary activities of £78 million and a tax credit of £10 million due to the reduction in the rate of corporation tax from 25% to 24% from 1 April 2012. For each entity, the effective tax rate for the period differs from the UK statutory rate of corporation tax of 23.25% (2012: 24.5%) due to seasonality and permanent differences arising from non-qualifying depreciation. The effective tax rate for the Group reflects the proportionate contribution of each entity's results in each interim accounting period and will vary as those proportions change.

The Group's disposal of Stansted Airport Limited has no associated tax charge as it qualifies for the Substantial Shareholding Exemption.

For the year ended 31 December 2012, the negative effective tax rate for the period was 24.2%, reflecting the tax charge arising on ordinary activities of £28 million and a tax credit of £20 million due to the reduction in the rate of corporation tax from 25% to 24% from 1 April 2012 and from 24% to 23% from 1 April 2013. The tax charge for the year is more than the credit implied by the statutory tax rate of 24.5% primarily due to permanent differences arising from non-qualifying depreciation.

Notes to the consolidated financial information for the three months ended 31 March 2013

7 Borrowings

Within Creditors: amounts falling due within one year are borrowings and financial derivatives of £430 million and £41 million respectively (31 March 2012: £39 million and £nil respectively; 31 December 2012: £428 million and £40 million respectively).

Within Creditors: amounts falling due after more than one year are borrowings and financial derivatives of £11,113 million and £1,415 million respectively (31 March 2012: £11,183 million and £1,126 million respectively; 31 December 2012: £11,329 million and £1,094 million respectively).

	Unaudited 31 March 2013 £m	Unaudited 31 March 2012 £m	Audited 31 December 2012 £m
Current borrowings			
Secured			
Bank loans	**39**	39	39
Bonds:			
5.850% £400 million due 2013	**391**	-	389
Total current borrowings	**430**	39	428
Non-current borrowings			
Secured			
Revolving credit facility	**-**	-	290
Capital expenditure facility	**-**	412	-
Other bank loans	**255**	862	363
	255	1,274	653
Secured			
Bonds:			
5.850% £400 million due 2013	**-**	381	-
4.600% €750 million due 2014	**584**	581	563
3.000% £300 million due 2015	**299**	-	299
2.500% US$500 million due 2015	**328**	-	306
12.450% £300 million due 2016	**341**	353	344
4.125% €500 million due 2016	**408**	399	391
4.375% €700 million due 2017	**588**	578	566
2.500% CHF400 million due 2017	**276**	275	268
4.600% €750 million due 2018	**578**	561	552
6.250% £400 million due 2018	**400**	397	399
4.000% CAD 400 million due 2019	**256**	-	245
6.000% £400 million due 2020	**396**	395	395
9.200% £250 million due 2021	**283**	280	283
4.875% US$1,000 million due 2021	**702**	650	661
1.650%+RPI £180 million due 2022	**185**	-	184
5.225% £750 million due 2023	**634**	627	632
7.125% £600 million due 2024	**588**	588	588
6.750% £700 million due 2026	**690**	690	690
7.075% £200 million due 2028	**198**	198	198
6.450% £900 million due 2031	**866**	841	864
Zero-coupon €50 million due January 2032	**44**	42	42
Zero-coupon €50 million due April 2032	**44**	-	42
3.334%+RPI £460 million due 2039	**552**	537	547
5.875% £750 million due 2041	**750**	737	749
	9,990	9,110	9,808
Unsecured			
Heathrow (SP) Limited debenture payable to Heathrow Finance plc	**868**	799	868
Total non-current borrowings	**11,113**	11,183	11,329
Total borrowings	**11,543**	11,222	11,757

8 Dividends

During the period ended 31 March 2013, Heathrow (SP) Limited paid dividends of £423 million to Heathrow Finance plc, being £24 million on 24 January 2013, £99 million on 14 February 2013 and £300 million on 15 March 2013 (31 December 2012: Heathrow (SP) Limited paid dividends of £436 million to Heathrow Finance plc, being £395 million on 15 March 2012, £20 million on 21 June 2012 and £21 million on 10 August 2012)

Appendix 2

Change in reporting of passenger traffic by geographic segment

Heathrow now reports passenger traffic performance in the following geographic segments: UK, Europe, North America, Asia Pacific, Africa, Middle East and Latin America. For the purposes of quarterly press releases Africa and Latin America are aggregated into a single segment.

The key changes from previous reporting are the disaggregation of ‘Other Long Haul’ into four segments and the inclusion of North Africa charter traffic in Africa (previously Europe).

New geographic segments

UK: England, Scotland and Northern Ireland.

Europe: Austria, Azerbaijan, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Gibraltar, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Montenegro & Kosovo, Spain, Sweden, Switzerland, Turkey and Ukraine.

North America: USA and Canada.

Asia Pacific: Central Asia, South Asia, East Asia and Oceania.

Middle East: Bahrain, Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and United Arab Emirates.

Africa: Algeria, Angola, Egypt, Ethiopia, Ghana, Kenya, Liberia, Libya, Mauritius, Morocco, Nigeria, South Africa, Tanzania, Tunisia, Uganda and Zambia.

Latin America: Mexico, the continent of South America and the Caribbean.

Note: Countries listed above reflect existing operations.