

News Release

29 July 2009

BAA (SP) Limited

Results for the six months ended 30 June 2009

BAA (SP) Limited owns BAA's three London airports of Heathrow, Gatwick and Stansted. Throughout this document, BAA (SP) Limited and its subsidiaries are referred to as the Group.

- **Adjusted EBITDA up 28.2%**
 - strong cost control with underlying operating costs down 3.1%
 - resilient revenues driven by higher tariffs and strong retail performance
- **The Group remains highly cash generative: cash generated from operations up by over 40%**
- **Cash and undrawn headroom combined with ongoing cash flow will enable repayment of all 2010 debt maturities with or without Gatwick sale**
- **Pre-tax loss reflects over £400 million of non-cash charges:**
 - £255.2 million in exceptional items relating to an increased pension scheme deficit and accelerated depreciation of terminals to be replaced by the new Terminal 2 at Heathrow
 - £150.2 million of fair value losses on financial instruments
- **Improved operational performance: better punctuality and airport service quality scores**
- **Outlook for 2009 remains consistent with previous guidance**

At or for six months ended 30 June	Unaudited 2009	Unaudited pro forma 2008 ⁽¹⁾	Change (%)
<i>(figures in £m unless otherwise stated)</i>			
Revenues	1,154.5	1,023.5	12.8
Adjusted EBITDA ⁽²⁾	469.9	366.6	28.2
Cash generated from operations	431.4	304.7	41.6
Adjusted pre-tax loss ⁽³⁾	(140.3)	(71.4)	(96.5)
Pre-tax loss	(545.7)	(135.3)	(303.3)
Net debt ⁽⁴⁾⁽⁵⁾	9,683.1	9,384.3	(3.2)
Regulatory Asset Base ⁽⁵⁾	12,860.5	12,470.2	3.1
Passengers (m)	55.2	59.6	(7.4)
Net retail income per passenger	£4.72	£4.39	7.3

(1) Pro forma profit and loss account figures assume consolidation of Heathrow Express Operating Company Limited although it was not acquired by the Group until 7 August 2008

(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items

(3) Adjusted pre-tax loss is before exceptional items and fair value adjustments

(4) Nominal value of net debt excluding intra-BAA group loans

(5) 2008 net debt and Regulatory Asset Base figures are as at 31 December 2008 rather than 30 June 2008

Colin Matthews, Chief Executive Officer of BAA, said:

"BAA's underlying financial performance remains in line with our expectations. I am particularly pleased that Heathrow continues to show its resilience, but trading conditions for the industry remain difficult and we remain focused on improving service standards and delivering a more efficient operation."

Jose Leo, Chief Financial Officer of BAA, said:

"In addition to our solid operating performance, these results underline our continuing strongly cash generative business that provides a robust platform to address our ongoing investment and liquidity requirements. They also highlight the stability of the debt and gearing position of BAA's London airports and that we continue to operate comfortably within required financial ratios."

For further information please contact

BAA

Media enquiries

Malcolm Robertson

020 8745 7224

Investor enquiries

Andrew Efiang

020 8745 2742

Finsbury

Mike Smith or Andrew Mitchell

020 7251 3801

There will be a conference call today at 9.30am (UK time) for bondholders and analysts to discuss the results for the six months ended 30 June 2009. The call will be hosted by Colin Matthews and Jose Leo, BAA's Chief Executive Officer and Chief Financial Officer respectively. Dial-in details for the call are: Conference ID: 19036520; UK free phone: 0800 694 8016; UK local/standard international: +44 (0)1452 557 535. It will also be possible to view online the presentation as it is used during the call at: <https://www.livemeeting.com/cc/webconnect/join?id=SF2QQR&role=attend> (to access this site you may need to use the meeting ID: SF2QQR)

BAA (SP) Limited

Results for the six months ended 30 June 2009

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1. Key business developments

1.1 Passenger traffic

Passenger traffic for the six months ended 30 June 2009 across the Group's airports is analysed below.

Six months ended 30 June

(figures in millions unless otherwise stated)

	2009	2008	Change (%) ⁽¹⁾
Passengers by airport			
Heathrow	31.2	32.5	(3.8)
Gatwick	14.8	16.4	(9.8)
Stansted	9.2	10.8	(14.4)
Passengers by market served			
UK	5.2	5.8	(9.9)
Europe ⁽²⁾	30.2	32.7	(7.8)
Long haul	19.9	21.2	(6.0)
Total passengers⁽¹⁾	55.2	59.6	(7.4)

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

(2) Includes North African charter traffic

In the six months ended 30 June 2009, passenger traffic across the Group's airports was 55.2 million (2008: 59.6 million) with the reduction relative to 2008 reflecting primarily the macroeconomic environment. Adjusting for the impact of severe winter weather disruption and the leap year in 2008, the underlying rate of traffic decline is estimated to have been nearly 1 percentage point better than actual performance. Overall traffic trends during the first half of 2009 suggest that whilst demand conditions remain weak, they have not changed materially since late 2008.

Heathrow has maintained its resilience, benefiting from its position as a major global hub airport for long haul services. Its passenger numbers declined 3.8% to 31.2 million (2008: 32.5 million) with a growing share of transfer passengers (2009: 38%; 2008: 34%) driving a significant increase in such passengers.

Gatwick's passenger traffic declined 9.8% to 14.8 million (2008: 16.4 million). Year on year declines have moderated since April 2009, the first anniversary of the introduction of the EU-US Open Skies Agreement when certain airlines moved some US services to Heathrow. At Stansted passenger traffic declined 14.4% to 9.2 million (2008: 10.8 million), reflecting its higher exposure to airlines more willing to cut capacity during weak trading conditions.

The long haul market continued to outperform the overall market with traffic down 6.0% to 19.9 million passengers (2008: 21.2 million). Markets such as India (+5.8%) and the Middle East (+5.6%) continued to grow despite the adverse economic conditions.

European passenger traffic declined 7.8% to 30.2 million (2008: 32.7 million) with continued weakness in the charter market but some recent signs of moderating year on year declines in scheduled traffic. Domestic traffic accounts for less than 10% of passenger traffic at the Group's airports and it declined 9.9% to 5.2 million passengers (2008: 5.8 million).

1.2 Transforming the Group's airports

The Group has continued to implement its strategy to deliver sustained improvement in passengers' experience and airlines' operations through improved service standards and substantial investment in modern airport facilities. This will ensure customers enjoy superior facilities relative to competitors, encouraging greater utilisation of the Group's airports and supporting their long term growth ambitions.

1.2.1 Service standards

The Group continues to focus on delivering consistent high service standards across its airports, a key strategic priority. It also expects improving service standards to play a key part in driving cost efficiency.

Clear illustration of the Group's improving operational performance includes punctuality where at Heathrow the proportion of aircraft departing within 15 minutes of schedule averaged 79% in the six months ended 30 June 2009 (2008: 64%). Further, in this period, the proportion of passengers at Heathrow passing through security in less than five minutes was 98.4% (2008: 92.4%) compared to the 95.0% service standard.

1.2.2 Developing modern airport facilities

In the six months ended 30 June 2009, the main focus of the Group's investment programme continued to be at Heathrow. Over the five years to 31 March 2013, a total investment of £4.8 billion (in 2008/09 prices) is expected at the airport, consistent, on an inflation adjusted basis, with the £4.5 billion (in 2007/08 prices) contained in the Civil Aviation Authority settlement for this period. The main investment over this period will be the construction of the new Terminal 2 which will provide facilities of equivalent standard to Terminal 5 and is expected to become fully operational in a phased manner from early 2014. In addition, significant sums are being invested in developing what will be the largest integrated baggage handling system in the world as well as completing the construction of Terminal 5C, the second satellite terminal for Terminal 5. The phasing of Heathrow's capital expenditure over the five years set out below has been agreed with Heathrow's airline community as part of the constructive engagement process.

Year ended 31 March (in 2008/09 prices)					
2009	2010	2011	2012	2013	Total
£778m	£1,124m	£975m	£909m	£986m	£4,772m

1.3 Competition Commission inquiry into the supply of UK airport services by BAA

On 19 March 2009, the Competition Commission ('CC') concluded its investigation on the supply of airport services by BAA in the UK. Its final report called for structural and behavioural remedies as well as recommendations on regulatory and policy matters for consideration by other governmental bodies.

Structural remedies include disposing of various airports including Gatwick and Stansted to different owners with the deadline for disposal of Stansted being after that for Gatwick. At Heathrow, it recommended behavioural remedies of strengthening consultation processes with the airlines and provisions on quality of service that have already been largely implemented. The CC also recommended that the Department for Transport ('DfT') consider adopting a licence based regime of economic regulation of UK airports.

On 18 May 2009, BAA applied to the Competition Appeal Tribunal to review the CC's findings requiring the divestiture of Gatwick, Stansted and one of Edinburgh and Glasgow airports. The Competition Appeal Tribunal hearing is expected to take place from 19-21 October 2009.

1.4 Gatwick disposal

BAA remains in discussions with parties interested in acquiring Gatwick airport. The Group is not reliant on a sale proceeding to repay its 2010 debt maturities.

1.5 Department for Transport ('DfT') review of UK airport economic regulation

The DfT is currently conducting a review of the economic regulation of UK airports. The review is likely to lead to the introduction of a licensing regime similar to that operating in many regulated industries.

BAA submitted its response to the DfT's formal consultation process on 5 June 2009. Amongst its key messages were that BAA broadly supports the proposed statutory remit for the CAA and welcomes the flexibility that moving to a well designed licence-based regime should offer.

BAA supports the DfT's objective of improving the financial resilience of regulated airports. The financing duty and 'substantial effect' clauses which are features of other regulatory regimes are particularly appropriate for airport operators that face a level of demand risk greater than in the water, rail and energy distribution sectors. BAA has also proposed an alternative to the special administration regime proposed in the DfT's consultation document following discussions with bondholders and banks.

The DfT is expected to issue new regulatory proposals in autumn 2009. Implementation of the final proposals will require changes in law which are unlikely to occur before mid-2010 with the exact timing subject to parliamentary time being available to enact the necessary legislative changes and further consultation on the specifics of each initial licence. BAA has encouraged the DfT to press ahead with the process as soon as possible.

1.6 Deferral of commencement of Stansted Generation 2 public enquiry

The start of the public enquiry relating to the Stansted Generation 2 planning application has been deferred with the Government confirming on 17 June 2009 that it will not commence until after the outcome of BAA's appeal, relating to the Competition Commission's report, is known.

2 Financial review

2.1 Basis of preparation

BAA (SP) Limited is the holding company of a group of companies that owns Heathrow, Gatwick and Stansted airports and operates the Heathrow Express rail service (the 'Group'). This financial review comments on the performance of the Group during the six months ended 30 June 2009. The Group's statutory accounts are prepared under UK GAAP including the adoption of merger accounting, enabling comparative financial information to be provided. Unaudited consolidated financial information is set out in Appendix 1.

In order to provide a better understanding of the Group's underlying performance particularly in relation to its operating cost base, pro forma financial information has been presented for the 2008 comparatives which assumes consolidation of Heathrow Express Operating Company Limited although it was only acquired from BAA Airports Limited on 7 August 2008. A detailed analysis of turnover and operating costs both by airport and activity with the 2008 comparatives prepared on the pro forma basis described above is set out in Appendix 2.

2.2 Profit and loss account

The profit and loss account below provides more detailed disclosure than the statutory format in Appendix 1 in order to provide a better understanding of the results from operations. The final column of the table sets out pro forma results of the Group for the six months ended 30 June 2008 prepared on the basis described in section 2.1. **The discussion in section 2.2 is based on the pro forma information.**

<i>Six months ended 30 June</i>	2009 (unaudited) £m	2008 (unaudited) £m	2008 (unaudited, pro forma) £m
Group turnover	1,154.5	1,023.4	1,023.5
Adjusted Operating Costs ⁽¹⁾	(684.6)	(659.4)	(656.9)
Adjusted EBITDA⁽²⁾	469.9	364.0	366.6
Operating costs – exceptional – pension costs ⁽³⁾	(218.5)	-	-
Operating costs – exceptional – other ⁽³⁾	1.2	(21.8)	(21.8)
EBITDA	252.6	342.2	344.8
Depreciation – ordinary	(252.5)	(197.3)	(197.3)
Depreciation – exceptional ⁽³⁾	(37.9)	(42.1)	(42.1)
Operating (loss)/profit	(37.8)	102.8	105.4
Net interest payable and similar charges – ordinary	(357.7)	(241.7)	(240.7)
Fair value loss on financial instruments	(150.2)	-	-
Total net interest payable and similar charges	(507.9)	(241.7)	(240.7)
Loss on ordinary activities before taxation	(545.7)	(138.9)	(135.3)
Tax credit on loss on ordinary activities	153.3	40.9	39.9
Loss on ordinary activities after taxation	(392.4)	(98.0)	(95.4)

(1) Adjusted Operating Costs are stated before depreciation and exceptional items

(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items

(3) See section 2.2.4 for further discussion of exceptional items

2.2.1 Turnover

In the six months ended 30 June 2009, turnover increased 12.8% to £1,154.5 million (2008: £1,023.5 million). This reflects increases of 24.0% in aeronautical income, 1.7% in gross retail income and 2.3% in other income. On a like-for-like basis (the relevant adjustments are discussed in more detail in sections 2.2.1.1, 2.2.1.2 and 2.2.1.3), turnover increased 3.8% to £1,098.6 million.

<i>Six months ended 30 June</i>	2009 (unaudited) £m	2008 (unaudited, pro forma) £m	Change (%)
Aeronautical income	624.0	503.3	24.0
Retail income	285.3	280.6	1.7
Other income	245.2	239.6	2.3
Total turnover	1,154.5	1,023.5	12.8

2.2.1.1 Aeronautical income

Aeronautical income by airport

<i>Six months ended 30 June</i>	2009 (unaudited) £m	2008 (unaudited, pro forma) £m	Change (%)
Heathrow	454.3	336.4	35.0
Gatwick	110.8	98.3	12.7
Stansted	58.9	68.6	(14.1)
Total	624.0	503.3	24.0

In the six months ended 30 June 2009, aeronautical income increased 24.0% to £624.0 million (2008: £503.3 million). This was driven by the revised tariffs at Heathrow and Gatwick from 1 April 2008 but also reflected the phased introduction of the new tariffs over the first year of the new regulatory period. After adjusting for £35.8 million of NATS related income in 2009, and phasing of the increased Heathrow and Gatwick tariffs that impact reported aeronautical income in both 2008 and 2009, aeronautical income is estimated to have increased 6.8% to £574.6 million.

2.2.1.2 Retail income

The Group's retail business has maintained its recent strong momentum. For the six months ended 30 June 2009, NRI per passenger increased 7.3% to £4.72 (2008: £4.39) due to a very strong performance by Heathrow as well as airside and landside shops across all the Group's airports. This performance was based on gross retail income of £285.3 million (2008: £280.6 million) whilst net retail income (i.e. net of car park management charges) ('NRI') was £260.6 million (2008: £262.1 million).

	Heathrow	Gatwick	Stansted	Total ⁽¹⁾
<i>Six months ended 30 June 2008</i>				
NRI per passenger⁽¹⁾	£4.57	£4.43	£3.80	£4.39
<i>Six months ended 30 June 2009</i>				
NRI per passenger⁽¹⁾	£5.08	£4.53	£3.79	£4.72
Change in NRI per passenger (%)⁽¹⁾	11.1	2.1	(0.3)	7.3

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

At Heathrow, NRI per passenger increased 11.1% to £5.08 (2008: £4.57) or 9.1% to £4.99 after adjusting for £2.9 million of non-recurring income. Its performance was driven by in-terminal shopping, reflecting increased passenger numbers benefiting from Terminal 5's high quality retail facilities, and a higher proportion of intra-terminal transfer passengers, providing longer departure lounge dwell times for such passengers. It also reflects the improved value of the offer resulting from the depreciation of sterling.

NRI per passenger also increased at Gatwick, up 2.1% to £4.53 (2008: £4.43) with strength in airside specialist shops and duty and tax free more than offsetting weakness in car parking. At Stansted, NRI per passenger declined 0.3% to £3.79 (2008: £3.80) with significant growth in airside specialist shops and duty and tax free offset by weakness in car parking and bureaux de change.

In terms of total net retail income, the main drivers of performance were airside specialist shops, duty and tax free, advertising and car rental with market conditions continuing to challenge car parking income.

2.2.1.3 Other income

Income from activities other than aeronautical and retail increased 2.3% to £245.2 million (2008: £239.6 million). This included a 4.4% increase in property rental income to £63.7 million (2008: £61.0 million) driven by Heathrow and an increase in rail income of 4.1% to £43.1 million (2008: £41.4 million). Other income includes £3.6 million from the provision of services for passengers with reduced mobility ('PRM') in the first quarter of 2009 that were not provided in the corresponding period of 2008.

2.2.2 Adjusted Operating Costs

Adjusted Operating Costs discussed in this section exclude depreciation and exceptional costs. Appendix 2 provides a detailed analysis of Adjusted Operating Costs by both airport and activity.

The Group's results for the six months ended 30 June 2009 reflect the substantial progress made in reducing costs through focus on improving efficiency and reducing overheads. This resulted in Underlying Adjusted Operating Costs declining by 3.1% to £636.6 million.

Underlying Adjusted Operating Costs adjust for £24.0 million of general expenses relating to the provision of NATS related and PRM services to airlines (that the Group recovers in its revenues) in the first quarter of 2009 as airlines still paid for these services directly in the comparable period of 2008. They also adjust

for £21.1 million in incremental costs of operating Terminal 5 in the three months ended 31 March 2009 as costs in the comparable period in 2008, that pre-dated Terminal 5's opening, were treated as exceptional costs. A reconciliation between reported and Underlying Adjusted Operating Costs for the six months ended 30 June 2009 together with a comparison with reported Adjusted Operating Costs for the six months ended 30 June 2008 is set out below.

Figures in £m unless otherwise stated

2009 reported Adjusted Operating Costs	684.6
ANS and PRM costs in the first quarter of 2009	(24.0)
Incremental Terminal 5 costs	(21.1)
Other non-recurring costs	(2.9)
2009 Underlying Adjusted Operating Costs (a)	636.6
2008 reported Adjusted Operating Costs (b)	656.9
Change in Underlying Adjusted Operating Costs (a) / (b)	(3.1%)

The main drivers of lower Underlying Adjusted Operating Costs were a reduction in underlying employment costs of approximately 10% due particularly to fewer senior managers, lower recruitment costs and reduced bonus payments. In addition, underlying general expenses declined approximately 5% due particularly to lower professional fees and marketing costs. There was also a reduction in intra-group charges particularly related to 10% lower central overheads of the wider BAA group charged to the Group under shared service arrangements. However, the Group invested more in maintenance including in general airport maintenance and as a result of the adverse weather conditions in February 2009.

Reported Adjusted Operating Costs increased 4.2% to £684.6 million (2008: £656.9 million). As set out in Appendix 2, the main increases in reported Adjusted Operating Costs were in rent and rates, maintenance and general expenses that are related to the Terminal 5 and NATS related and PRM costs eliminated above in determining underlying cost trends.

2.2.3 Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 June 2009 increased 28.2% to £469.9 million (2008: £366.6 million). The key drivers of the positive development in Adjusted EBITDA were:

- Increased aeronautical tariffs driving higher aeronautical income
- Robust performance enabling an increase in retail income despite a 7.4% reduction in passengers
- Strong cost control resulting in reduced Underlying Adjusted Operating Costs

2.2.4 Exceptional items

There were £255.2 million in net pre-tax exceptional charges in the six months ended 30 June 2009 (2008: £63.9 million) that included a £218.5 million non-cash charge for the Group's share of the change in the period in the BAA group's defined benefit pension scheme deficit. The increase in the deficit since 31 December 2008 occurred mainly in the second quarter of 2009 and reflected primarily increased scheme liabilities due to changes in the forecast inflation curve. It is not currently anticipated that there will be a need to make additional cash payments to the pension fund to address this deficit in the foreseeable future as the Group is already committed to making annual cash payments to the fund of approximately £70 million until 2011.

The remainder of the exceptional items primarily reflect a charge of £37.9 million (2008: £42.1 million) related to accelerated depreciation due to Terminal 1 and 2's shortened lives given the new Heathrow Terminal 2 development. In the six months ended 30 June 2008, there were also £21.8 million in Terminal 5 launch/operational readiness costs.

2.2.5 Operating profit

The Group recorded an operating loss for the six months ended 30 June 2009 of £37.8 million (2008: £102.8 million profit). Relative to Adjusted EBITDA, operating profit includes £252.5 million in depreciation (2008: £197.3 million) with the increase from 2008 driven by additional depreciation following Terminal 5 being brought into use from March 2008. In addition, it reflects £255.2 million in exceptional costs (2008:

£63.9 million) referred to in section 2.2.4. A reconciliation between Adjusted EBITDA and statutory operating profit is provided below.

<i>Six months ended 30 June</i>	2009 (unaudited) £m	2008 (unaudited) £m	Change (%)
Adjusted EBITDA	469.9	366.6	28.2
Adjustment for HEX Opco Adjusted EBITDA	-	(2.6)	n/a
Depreciation	(252.5)	(197.3)	(28.0)
Accelerated depreciation	(37.9)	(42.1)	9.9
Exceptional items – pensions	(218.5)	-	n/a
Other exceptional items	1.2	(21.8)	n/a
Operating (loss)/profit	(37.8)	102.8	n/a

2.2.6 Interest payable

In the six months ended 30 June 2009, there was £357.7 million of net interest payable (2008: £240.7 million) excluding fair value losses on financial instruments. Underlying interest payable was similar to 2008 given that the £117.0 million increase in net interest payable from 2008 partly reflects a £65.9 million reduction in capitalised interest as the Group only capitalised interest related to financing of the construction of Terminal 5 until its opening in March 2008. The remaining difference is largely attributable to £49.0 million in non-cash amortisation of financing fees and bond fair value adjustments. The total net interest payable includes £48.3 million payable on the debenture between BAA (SP) Limited and BAA (SH) Limited. Within interest payable is also recorded a non-cash net fair value loss on financial instruments of £150.2 million primarily driven by movements in the index-linked swap curve.

2.2.7 Taxation

The tax credit for the six months ended 30 June 2009 has been based on the estimated effective rate for the full year of 28.1% (30 June 2008: 29.5%).

2.3 Balance sheet

2.3.1 Summary balance sheet

	At 30 June 2009 (unaudited) £m	At 31 December 2008 (audited) £m
Total fixed assets	13,497.2	13,740.0
Total current assets	645.1	730.1
Total assets	14,142.3	14,470.1
Current borrowings	(1,041.9)	(43.3)
Other current liabilities	(969.4)	(1,020.7)
Total current liabilities	(2,011.3)	(1,064.0)
Non-current borrowings	(10,477.6)	(11,364.3)
Other non-current liabilities	(925.9)	(903.7)
Total non-current liabilities	(11,403.5)	(12,268.0)
Net assets	727.5	1,138.1
Gross debt	11,519.5	11,407.6
Cash and liquid resources ⁽¹⁾	(207.7)	(182.1)
Net debt	11,311.8	11,225.5
Undrawn committed facilities	2,154.0	2,500.0

(1) At 30 June 2009 represented by current asset investments of £205.8 million and cash at bank and in hand of £1.9 million

2.3.2 Regulatory Asset Base ('RAB')

Set out below are historic RAB figures for the Group's airports at 30 June 2009 and 31 December 2008.

	Heathrow £m	Gatwick £m	Stansted £m	Total £m
31 December 2008	9,661.5	1,577.6	1,231.1	12,470.2
30 June 2009	9,988.8	1,609.4	1,262.3	12,860.5

2.3.3 Net debt and liquidity

The analysis below focuses on external debt and excludes the debenture between BAA (SP) Limited and BAA (SH) Limited.

At 30 June 2009, the Group had £4,498.9 million of nominal debt outstanding under various bond issues at an average cost of 6.43% per annum, after hedges. There was also £5,391.9 million outstanding under various bank debt facilities at an average cost of 5.93% per annum, after hedges. With cash and cash equivalents of £207.7 million, nominal net debt was £9,683.1 million (before £9 million of index-linked derivative accretion) (31 December 2008: £9,384.2 million). At 30 June 2009, the accounting value of net debt was £9,746.0 million.

At 30 June 2009, the Group's senior and junior gearing ratios (net debt to RAB) were 0.676x and 0.754x compared with trigger levels of 0.70x and 0.85x, demonstrating that the Group continues to operate comfortably within required financial ratios.

The Group is confident of addressing its ongoing investment and liquidity requirements. It is strongly cash generative (before accounting for capital expenditure for which it has a largely undrawn £2.7 billion debt facility in place) and generated £209.6 million of surplus cash after payment of interest in the six months ended 30 June 2009. Based on existing cash, reserves available for drawing under the Group's capital expenditure facility, forecast cash flows and cash within the wider BAA group, the Group expects to repay all its 2010 debt maturities with or without the sale of Gatwick.

In addition, subject to satisfactory resolution of the Department for Transport's review of economic regulation, the Group expects to return to the debt capital markets, where investor demand for highly rated regulated utilities, such as the Group, remains strong.

2.4 Cash flow

2.4.1 Summary cash flow

<i>Six months ended 30 June</i>	2009 (unaudited) £m	2008 (unaudited) £m
Net cash inflow from operating activities	431.4	304.7
Net interest paid	(244.0)	-
Taxation – Group relief	22.2	-
Net capital expenditure	(508.5)	(502.7)
Movement in liquid resources	(48.7)	-
Net cash inflow from financing activities	324.5	198.0
Increase in net cash	(23.1)	-

2.4.2 Cash from operating activities

Net cash inflow from operating activities in the six months ended 30 June 2009 was £431.4 million (2008: £304.7 million). As exceptional items in the period were almost entirely non-cash, the net cash inflow can be compared with Adjusted EBITDA of £469.9 million. Net cash inflow was lower than Adjusted EBITDA principally reflecting higher pensions cash costs than were charged to the profit and loss account.

2.4.3 Net interest paid

Net interest paid in the six months ended 30 June 2009 was £244.0 million (2008: £nil). This consisted of £155.6 million paid primarily in relation to external debt and £88.4 million under the debenture between BAA (SP) Limited and BAA (SH) Limited. There was no interest paid in 2008 as debt in the period was intra-group and interest was being accrued but not paid.

2.4.4 Capital expenditure

In the six months ended 30 June 2009, the Group spent £508.5 million on capital expenditure (2008: £502.7 million) with £407.8 million at Heathrow, £58.6 million at Gatwick and £42.1 million at Stansted. The major projects at Heathrow included commencement of the building of a tunnel between Terminals 3 and 5 for an integrated baggage system. Work also continued on constructing Terminal 5C, the second satellite for Terminal 5, and Terminal 2B, the satellite for the new Terminal 2. There were various other projects in the rest of the Heathrow campus, such as the Terminal 4 refurbishment and improvement of check-in capacity associated with airline relocations.

2.5 Outlook for 2009 Adjusted EBITDA

The Group confirms that the outlook for Adjusted EBITDA for the year to 31 December 2009 remains consistent with guidance set out in the investor report issued on 26 June 2009.

Appendix 1 – Financial information

BAA (SP) Limited

Consolidated profit and loss account for the six months ended 30 June 2009

	Unaudited Six months ended 30 June 2009 £m	Unaudited Six months ended 30 June 2008 £m	Audited Year ended 31 December 2008 £m
Turnover	1,154.5	1,023.4	2,291.9
Operating costs – ordinary	(937.1)	(856.7)	(1,820.2)
Operating costs – exceptional: pensions	(218.5)	-	(17.1)
Operating costs – exceptional: other	(36.7)	(63.9)	(90.6)
Total operating costs	(1,192.3)	(920.6)	(1,927.9)
Operating (loss)/profit	(37.8)	102.8	364.0
Interest receivable	77.5	19.4	111.5
Interest payable and similar charges – ordinary	(435.2)	(261.1)	(731.1)
Fair value (loss)/gain on financial instruments	(150.2)	-	74.0
Interest payable and similar charges – exceptional	-	-	(142.6)
Total net interest payable and similar charges	(507.9)	(241.7)	(688.2)
Loss on ordinary activities before taxation	(545.7)	(138.9)	(324.2)
Tax credit on loss on ordinary activities	153.3	40.9	123.1
Loss on ordinary activities after taxation	(392.4)	(98.0)	(201.1)

BAA (SP) Limited

Consolidated balance sheet as at 30 June 2009

	Unaudited 30 June 2009 £m	Unaudited 30 June 2008 £m	Audited 31 December 2008 £m
Fixed assets			
Tangible fixed assets	12,928.7	12,771.6	12,910.0
Financial assets – derivative financial instruments	568.5	-	830.0
Total fixed assets	13,497.2	12,771.6	13,740.0
Current assets			
Stocks	7.8	8.5	7.9
Debtors: due within one year	376.8	839.7	402.1
due after more than one year	-	593.5	-
Financial assets – derivative financial instruments	52.8	-	138.0
Current asset investments	205.8	-	157.1
Cash at bank and in hand	1.9	-	25.0
Total current assets	645.1	1,441.7	730.1
Current liabilities			
Creditors: amounts falling due within one year	(2,011.3)	(9,330.5)	(1,064.0)
Net current liabilities	(1,366.2)	(7,888.8)	(333.9)
Total assets less current liabilities	12,131.0	4,882.8	13,406.1
Creditors: amounts falling due after more than one year	(10,652.8)	(1,822.9)	(11,713.8)
Provisions for liabilities and charges	(750.7)	(711.3)	(554.2)
Net assets	727.5	2,348.6	1,138.1
Capital and reserves			
Called up share capital	10.0	10.0	10.0
Revaluation reserve	1,811.8	2,117.9	2,035.0
Merger reserve	(5,629.6)	(5,629.6)	(5,629.6)
Fair value reserve	(115.1)	-	(320.1)
Profit and loss account	4,650.4	5,850.3	5,042.8
Total shareholder's funds	727.5	2,348.6	1,138.1

BAA (SP) Limited

Consolidated summary cash flow statement for the six months ended 30 June 2009

	Unaudited Six months ended 30 June 2009 £m	Unaudited Six months ended 30 June 2008 £m	Audited Year ended 31 December 2008 ¹ £m
Operating (loss)/profit	(37.8)	102.8	364.0
<i>Adjustments for:</i>			
Depreciation (including exceptional depreciation)	290.4	239.4	528.0
Difference between pension charge and cash contributions	200.3	-	-
<i>Working capital changes:</i>			
(Increase)/decrease in stock and debtors	(3.2)	(57.4)	(157.0)
(Decrease)/increase in creditors	(11.8)	23.4	81.7
Loss on disposal of fixed assets	-	-	1.0
(Decrease)/increase in provision	(6.5)	(3.5)	9.0
Net cash inflow from operating activities	431.4	304.7	826.7
Net interest paid	(244.0)	-	(100.8)
Taxation - Group relief	22.2	-	21.0
Net capital expenditure	(508.5)	(502.7)	(1,031.7)
Acquisition of Heathrow Express Operating Company Limited	-	-	(3.8)
Cash outflow before management of liquid resources and financing	(298.9)	(198.0)	(288.6)
Management of liquid resources	(48.7)	-	(157.0)
Financing	324.5	198.0	470.9
(Decrease)/increase in cash in the period	(23.1)	-	25.3

¹ The presentation of certain balances for the six months ended 30 June 2008 and year ended 31 December 2008 has been changed to be consistent with current year disclosures.

BAA (SP) Limited

Notes to the consolidated financial statements

For the six months ended 30 June 2009

1. General information and basis of preparation

The interim consolidated financial statements have not been audited.

The financial information set out herein does not constitute the company's statutory financial statements for the year ended 31 December 2008. A copy of the statutory accounts for that year has been filed with the Registrar of Companies. The annual financial information presented in this announcement for the six months ended 30 June 2009 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2008. During 2008 the Group was reorganised as part of re-financing the wider BAA group operations resulting in the formation of the Group. Merger accounting has been applied in relation to the group reorganisation and the comparatives have been restated as if the Group was in existence in its current form for the entire period. The auditors report on the 2008 financial statements is unqualified and does not contain any statement under section 237(2) or (3) of the Companies Act 1985.

Basis of preparation

This financial information has 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 1985 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Except for the restatement of comparatives outlined below, the accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Comparative balances for 31 December 2008 have been presented using millions rounded to one decimal place. This treatment varies from 31 December 2008 where balances were rounded to the nearest million. This has resulted in some immaterial rounding differences.

Basis of consolidation

In order to present a true and fair view of the Group, the creation of the Group has been accounted for in accordance with FRS 6 (Acquisitions and Mergers) and the principles of merger accounting. This represents a departure from the provision of the United Kingdom Companies Act 1985 which sets out the conditions for merger accounting based on the assumption that a merger is effected through the issue of equity shares.

In the opinion of the directors, the creation of the Group was a group reconstruction rather than an acquisition, since the shareholders of the Company are the same as the former shareholders and the rights of each shareholder, relative to the others, are unchanged and no minority interest in the net assets of the Group is altered. In addition the purpose of the transaction was not to move the value out of the Group and return to shareholders, but rather to reorganise the assets and liabilities with the existing group. Therefore, the directors consider that to record the transaction as an acquisition by the Company, attributing fair values to the assets and liabilities of the Group and reflecting only the post transaction results within these financial statements would fail to give a true and fair view of the Group's results and financial position.

Accordingly, having regard to the overriding requirement under section 227A(2) of the Companies Act 1985 for the financial statements to give a true and fair view of the Group's results and financial position, the directors have adopted merger accounting principles in drawing up these financial statements. The main consequence of adopting merger rather than acquisition accounting is that the balance sheet of the merged group includes the assets and liabilities of each of the Group's subsidiaries at their carrying values prior to the merger, subject to any adjustments to achieve uniformity of accounting policies, rather than at their fair values at the date of the merger.

2. Segment information

The Group's primary reporting format is business segments. The operating businesses are primarily the individual airports, which are organised and managed separately.

	Turnover ¹			Operating (loss)/profit			Net assets		
	Unaudited Six months ended 30 June 2009 £m	Unaudited Six months ended 30 June 2008 ² £m	Audited Year ended 31 December 2008 ³ £m	Unaudited Six months ended 30 June 2009 £m	Unaudited Six months ended 30 June 2008 £m	Audited Year ended 31 December 2008 ³ £m	Unaudited 30 June 2009 £m	Unaudited 30 June 2008 £m	Audited 31 December 2008 ³ £m
Heathrow	827.4	689.8	1,567.7	(12.5)	34.7	174.9	1,293.4	1,810.8	1,459.0
Gatwick	217.3	211.6	465.4	(16.4)	33.6	104.0	930.7	1,025.3	904.1
Stansted	109.8	122.0	258.8	(11.6)	34.5	81.2	1,020.1	1,158.3	1,011.6
Other entities ⁴	-	-	-	2.7	-	3.9	(950.5)	(45.8)	(756.5)
Other adjustments ⁵	-	-	-	-	-	-	(1,566.2)	(1,600.0)	(1,480.1)
Total	1,154.5	1,023.4	2,291.9	(37.8)	102.8	364.0	727.5	2,348.6	1,138.1

¹ All turnover originated in the UK and relates to continuing operations.

² 'Turnover' and 'Operating costs - ordinary' have been restated by £2.9 million to eliminate intercompany transactions relating to Heathrow Express Operating Company Limited. This adjustment has no effect on operating profit.

³ The comparatives have been restated to reflect one decimal place.

⁴ The 'other entities' business segment includes Heathrow Express Operating Company Limited, BAA Funding Limited, BAA (AH) Limited and the parent entity BAA (SP) Limited.

⁵ Other adjustments mostly relate to BAA (SP) Limited Debenture which has been treated as if it had been issued in the prior year as a result of the application of merger accounting. The remaining balance relates to elimination of inter-company transactions and consolidation adjustments.

Reconciliation of Adjusted EBITDA and operating (loss)/profit

Unaudited Six months ended 30 June 2009	Adjusted EBITDA ¹	Exceptional items ²	Depreciation ³	Operating (loss)/profit
	£m	£m	£m	£m
Heathrow	362.6	(175.9)	(199.2)	(12.5)
Gatwick	67.4	(49.8)	(34.0)	(16.4)
Stansted	37.2	(29.5)	(19.3)	(11.6)
Other entities and adjustments	2.7	-	-	2.7
	469.9	(255.2)	(252.5)	(37.8)

Unaudited Six months ended 30 June 2008	Adjusted EBITDA ¹	Exceptional items ²	Depreciation ³	Operating profit
	£m	£m	£m	£m
Heathrow	248.8	(63.9)	(150.2)	34.7
Gatwick	64.6	-	(31.0)	33.6
Stansted	50.6	-	(16.1)	34.5
	364.0	(63.9)	(197.3)	102.8

Audited Year ended 31 December 2008 ⁴	Adjusted EBITDA ¹	Exceptional items ²	Depreciation ³	Operating profit
	£m	£m	£m	£m
Heathrow	634.4	(113.2)	(346.3)	174.9
Gatwick	159.9	8.5	(64.4)	104.0
Stansted	117.4	(3.0)	(33.2)	81.2
Other entities and adjustments	4.4	-	(0.5)	3.9
	916.1	(107.7)	(444.4)	364.0

¹ Adjusted EBITDA has been used to provide clearer indication of the performance of the individual airports and to assist better comparison with the prior period. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items.

² Includes the push down to the Group's airports of the change in the period in the deficit of the BAA defined benefit scheme, accelerated depreciation at Heathrow and other exceptional items within operating profit.

³ Depreciation excluding exceptional depreciation. The increase in depreciation for Heathrow in the six months ended 30 June 2009 relative to the comparable period in 2008 is largely attributable to depreciation applying for the full period in 2009 on Terminal 5 which only became operational in March in the prior year.

⁴ The comparatives have been restated to reflect one decimal place.

Exceptional items

Under the Shared Services Agreement ('SSA') entered into on 18 August 2008 the current period service cost for the BAA Airports Limited pension schemes are recharged to the Group's airports. Cash contributions are made directly to the pension trustee of the BAA Airports Limited defined benefit pension scheme on behalf of BAA Airports Limited. Each airport also has a legal obligation to fund its relevant share of any pension deficit related to BAA Airports Limited pension plans under the SSA. Costs have been allocated to the Group on the basis of pensionable salaries.

For the six months ended 30 June 2009, exceptional costs of £218.5 million were incurred in relation to the push down of the Group's share of the deficit on the BAA defined benefit pension scheme. At 30 June 2009 the actuarial valuation of the BAA defined benefit pension scheme showed a deficit of £249.8 million and the Unfunded Pension Scheme and Post Retirement Medical Benefits ('UURBS') showed a deficit of £19.9 million (30 June 2008: BAA defined benefit pension scheme £187.5 million surplus, UURBS £22.3 million deficit; 31 December 2008: BAA defined benefit pension scheme £95.4 million surplus, UURBS £19.9 million deficit).

For the year ended 31 December 2008 exceptional costs of £17.1 million were charged relating to accumulated past service pension costs not previously charged to the Group by BAA Airports Limited in relation to UURBS.

For the six months ended 30 June 2009 income of £1.0 million was recognised due to abatement costs being paid for by the trustees (six months ended 30 June 2008: £nil; year ended 31 December 2008: £nil).

With the anticipated development of Terminal 2A, Terminals 1 and 2 at Heathrow airport will be demolished necessitating an additional depreciation charge of £37.9 million in the six months ended 30 June 2009 to reflect the shortened useful lives of the assets (six months ended 30 June 2008: £42.1 million; year ended 31 December 2008: £83.6 million).

A release of £0.2 million was credited in the six months ended 30 June 2009 associated with restructuring programmes (six months ended 30 June 2008: £nil; year ended 31 December 2008: £14.7 million credit). The amount released resulted from lower than expected cost for each reduction in headcount and certain headcount reductions not being made due to the decision to sell Gatwick.

No costs have been incurred in the six months ended 30 June 2009 for Terminal 5 launch / operational readiness costs (six months ended June 2008: £21.8 million; year ended 31 December 2008: £21.7 million).

3. Interest receivable and interest payable and similar charges

	Unaudited Six months ended 30 June 2009	Unaudited Six months ended 30 June 2008	Audited Year ended 31 December 2008 ¹
	£m	£m	£m
Interest receivable on derivatives not in a hedging relationship	77.2	-	84.1
Interest receivable from other group undertakings	0.1	19.4	26.0
Interest on money market and bank deposits	0.2	-	1.4
Interest receivable (a)	77.5	19.4	111.5
Interest on borrowings			
Bonds and related hedging instruments	(164.5)	-	(115.7)
Bank loans and overdrafts and related hedging instruments	(161.3)	-	(150.5)
Interest payable on derivatives not in a hedging relationship	(57.3)	-	(53.2)
Facility fees	(13.0)	-	(12.7)
Interest on BAA (SP) Limited debenture	(48.3)	(65.4)	(145.2)
Interest payable to other group undertakings	-	(270.4)	(338.5)
Provisions: Terminal 5 land purchase and Cross Border Lease	(1.8)	(2.2)	(15.0)
Interest payable and similar charges	(446.2)	(338.0)	(830.8)
Interest capitalised	11.0	76.9	99.7
Interest payable and similar charges (b)	(435.2)	(261.1)	(731.1)
Net interest payable before fair value (loss)/gain (c = a + b)	(357.7)	(241.7)	(619.6)
Interest rate swaps: cash flow hedges	20.2	-	(24.1)
Interest rate swaps: not in hedge relationship	1.0	-	(26.0)
Index linked swaps: not in hedge relationship	(155.1)	-	81.5
Cross currency interest rate swaps: cash flow hedges	(13.1)	-	34.8
Fair value re-measurements of foreign currency balances	(3.2)	-	7.8
Fair value (loss)/gain on financial instruments (d)	(150.2)	-	74.0
Interest payable and similar charges – exceptional (e)	-	-	(142.6)²
Net interest payable (f = c + d + e)	(507.9)	(241.7)	(688.2)

¹The comparatives have been restated to reflect one decimal place.

² Fees of £142.6 million were incurred during the year ended 31 December 2008, in relation to facility and arrangement fees that are expensed under UK GAAP. These costs are mainly upfront fees paid for the capital expenditure, working capital, liquidity, initial credit facility and costs attributed to future bond issuance.

4. Tax on profit on ordinary activities

The tax credit for the six months ended 30 June 2009 has been based on the estimated effective rate for the full year of 28.1% (30 June 2008: 29.5%).

5. Borrowings

Within 'Creditors: amounts due within one year' are borrowings and financial derivatives of £1,041.9 million and £389.4 million respectively (30 June 2008: £nil and £nil respectively; 31 December 2008: £43.3 million and £324.0 million respectively). In addition at 30 June 2008 there were amounts owed to group undertakings of £8,688.9 million which were primarily inter-company debt.

Within 'Creditors: amounts due after more than one year' are borrowings and financial derivatives of £10,477.6 million and £168.0 million respectively (30 June 2008: £1,600.0 million and £nil respectively; 31 December 2008: £11,364.3 million and £342.1 million respectively). In addition at 30 June 2008 there were amounts owed to group undertakings of £208.5 million which were primarily inter-company debt.

	Unaudited 30 June 2009	Unaudited 30 June 2008	Audited 31 December 2008 ¹
	£m	£m	£m
Current			
Secured			
Senior Refinancing Facility	798.6	-	-
Junior Refinancing Facility	199.7	-	-
Bank loans	43.6	-	43.3
Total current	1,041.9	-	43.3
Non-current			
Secured			
Senior Refinancing Facility	2,565.1	-	3,341.6
Junior Refinancing Facility	790.7	-	981.4
Initial Credit Facility	596.0	-	250.0
Bank loans	349.9	-	371.6
BAA Funding Limited bonds:			
3.975% €1,000 million due 2012	797.8	-	893.2
5.850% £400 million due 2013	365.7	-	363.2
4.600% €750 million due 2014	582.3	-	656.3
12.450% £300 million due 2016	382.2	-	386.8
4.600% €750 million due 2018	552.8	-	627.7
9.200% £250 million due 2021	285.9	-	286.8
5.225% £750 million due 2023	608.4	-	605.5
7.075% £200 million due 2028	197.3	-	197.3
6.450% £900 million due 2031	837.7	-	837.1
Total BAA Funding Limited bonds	4,610.1	-	4,853.9
Unsecured			
SP Debenture payable to BAA (SH) Limited	1,565.8	1,600.0	1,565.8
Total non-current	10,477.6	1,600.0	11,364.3
Total current and non-current	11,519.5	1,600.0	11,407.6

¹The comparatives have been restated to reflect one decimal place.

Appendix 2 – Analysis of turnover and operating costs for the six months ended 30 June 2009

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Gatwick	Stansted	Total
	£m	£m	£m	£m	£m	£m
Turnover						
Aeronautical income	454.3	-	454.3	110.8	58.9	624.0
Retail income	170.6	-	170.6	75.0	39.7	285.3
Car parking	34.7	-	34.7	22.6	16.9	74.2
Duty and tax-free	40.8	-	40.8	16.9	5.9	63.6
Airside specialist shops	28.1	-	28.1	8.3	2.6	39.0
Bureaux de change	15.6	-	15.6	6.2	3.3	25.1
Catering	12.5	-	12.5	7.4	4.2	24.1
Landside shops and bookshops	9.7	-	9.7	6.2	3.0	18.9
Advertising	14.7	-	14.7	2.5	1.2	18.4
Car rental	5.7	-	5.7	1.5	0.9	8.1
Other	8.8	-	8.8	3.4	1.7	13.9
Operational facilities and utilities income	67.6	-	67.6	9.9	5.2	82.7
Property rental income	47.2	-	47.2	12.8	3.7	63.7
Rail income	43.1	-	43.1	-	-	43.1
Other income	41.9	-	41.9	8.8	2.3	53.0
HEX inter-company elimination	(27.4)	30.1	2.7	-	-	2.7
Total income	797.3	30.1	827.4	217.3	109.8	1,154.5
Operating costs						
Employment costs	112.7	8.5	121.2	52.9	23.5	197.6
Maintenance expenditure	55.7	9.3	65.0	12.5	5.7	83.2
Utility costs	47.9	0.1	48.0	14.7	9.5	72.2
Rents and rates	55.9	1.0	56.9	12.1	6.1	75.1
General expenses	90.7	6.9	97.6	32.1	15.0	144.7
Retail expenditure	11.9	-	11.9	8.1	4.7	24.7
Other intra-group charges	90.0	1.6	91.6	17.5	8.1	117.2
HEX inter-company elimination	(30.1)	-	(30.1)	-	-	(30.1)
Adjusted Operating Costs	434.7	27.4	462.1	149.9	72.6	684.6
Depreciation	199.2	-	199.2	34.0	19.3	252.5
Exceptional items	175.9	-	175.9	49.8	29.5	255.2
Total operating costs	809.8	27.4	837.2	233.7	121.4	1,192.3
Adjusted EBITDA	362.6	2.7	365.3	67.4	37.2	469.9

Analysis of turnover and operating costs for the six months ended 30 June 2008 (pro forma)

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Gatwick	Stansted	Total (pro forma)
	£m	£m	£m	£m	£m	£m
Turnover						
Aeronautical income	336.4	-	336.4	98.3	68.6	503.3
Retail income	158.1	-	158.1	80.3	42.2	280.6
Car parking	33.2	-	33.2	26.6	18.8	78.6
Duty and tax-free	35.2	-	35.2	17.1	4.8	57.1
Airside specialist shops	27.3	-	27.3	7.6	2.3	37.2
Bureaux de change	13.5	-	13.5	7.2	4.3	25.0
Catering	13.0	-	13.0	8.0	4.7	25.7
Landside shops and bookshops	10.2	-	10.2	6.3	3.3	19.8
Advertising	13.1	-	13.1	2.6	1.2	16.9
Car rental	5.1	-	5.1	1.6	1.2	7.9
Other	7.5	-	7.5	3.3	1.6	12.4
Operational facilities and utilities income	62.4	-	62.4	12.1	6.2	80.7
Property rental income	44.0	-	44.0	13.4	3.6	61.0
Rail income	41.4	-	41.4	-	-	41.4
Other income	45.0	-	50.4	7.5	1.4	53.9
HEX inter-company elimination	(26.5)	29.1	2.6	-	-	2.6
Total income	660.8	29.1	689.9	211.6	122.0	1,023.5
Operating costs						
Employment costs	129.7	9.0	138.7	51.3	26.4	216.4
Maintenance expenditure	53.2	8.3	61.5	11.9	4.8	78.2
Utility costs	37.7	0.1	37.8	12.5	6.1	56.4
Rents and rates	41.5	0.7	42.2	11.8	5.8	59.8
General expenses	74.2	6.8	81.0	29.7	13.7	124.4
Retail expenditure	9.6	-	9.6	7.7	1.2	18.5
Other intra-group charges	95.2	1.6	96.8	22.1	13.4	132.3
HEX inter-company elimination	(29.1)	-	(29.1)	-	-	(29.1)
Adjusted Operating Costs	412.0	26.5	438.5	147.0	71.4	656.9
Depreciation	150.2	-	150.2	31.0	16.1	197.3
Exceptional items	63.9	-	63.9	-	-	63.9
Total operating costs	626.1	26.5	652.6	178.0	87.5	918.1
Adjusted EBITDA	248.8	2.6	251.4	64.6	50.6	366.6

The figures for 2008 are prepared on a pro forma basis that assumes consolidation of Heathrow Express Operating Company Limited ('HEX Opco') although it was only acquired from BAA Airports Limited on 7 August 2008.