

# BAA (SP) Limited

Results for nine months ended 30 September 2011

October 2011



- Record Heathrow traffic since end of Q1 2011
- Strong financial results
- Further strengthening of capital structure

## Highlights of first nine months of 2011

### Traffic and retail performance

Total passenger traffic	+4.3%
Heathrow passenger traffic	+6.1%
NRI per passenger	+6.2%

### Key financial highlights

Revenue	+10.2%
Adjusted EBITDA	+17.1%

### Investment and financing

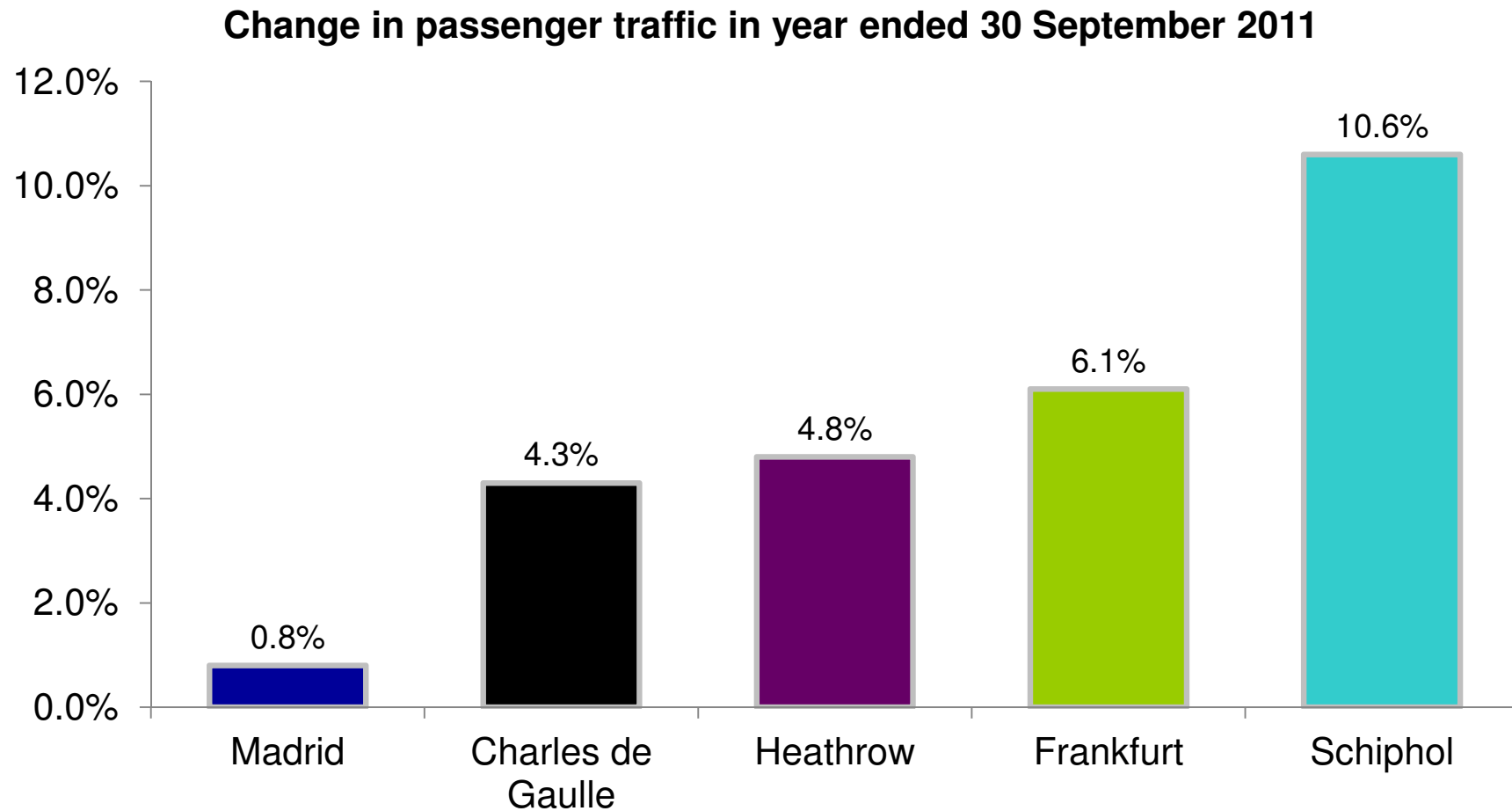
Capital expenditure	£659.9m
Net debt (senior and junior)	£10,351.0m
RAB	£13,633.4m

## Continued strong traffic performance

- Record Heathrow traffic every month since end of Q1 2011
- Reported performance partly reflects reversal of 2010 disruptions
- Underlying performance
  - total: +0.8%
  - Heathrow: +2.4%
  - Stansted: -4.5%
- Recent Heathrow strength reflects increased momentum in North Atlantic traffic
- Record Stansted load factors suggest gradually more positive demand dynamics

<b>Passenger traffic</b>			
	9 months ended 30 September		
	2010 (m)	2011 (m)	Change
<i>By airport</i>			
Heathrow	49.6	52.6	6.1%
Stansted	14.4	14.1	-2.1%
<b>Total</b>	<b>64.0</b>	<b>66.7</b>	<b>4.3%</b>
<i>By market served</i>			
UK	5.0	4.7	-5.7%
Europe	32.7	34.2	4.3%
Long haul	26.3	27.9	6.1%
<b>Total</b>	<b>64.0</b>	<b>66.7</b>	<b>4.3%</b>

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

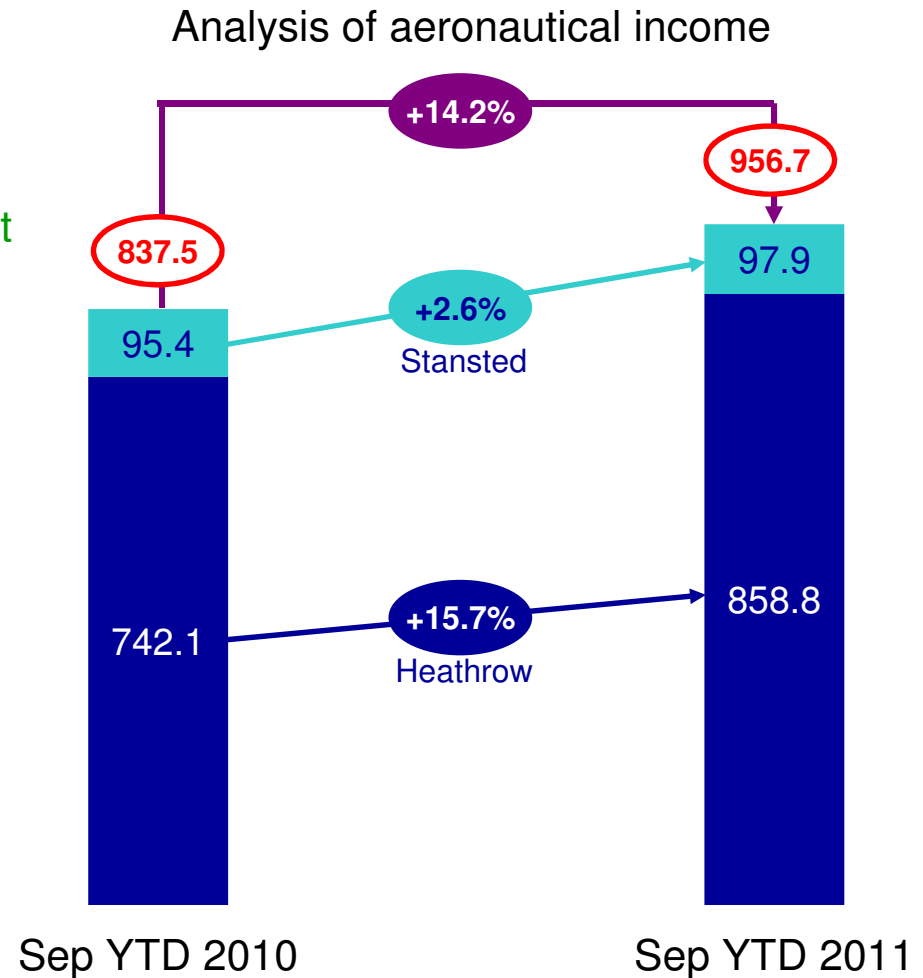


## 2011 financials benefiting from higher tariffs and record traffic

(figures in £m)	Sep YTD 2010	Sep YTD 2011	Change
Turnover	1,545.5	<b>1,703.3</b>	+10.2%
Adjusted operating costs	826.5	<b>861.1</b>	+4.2%
Adjusted EBITDA	719.0	<b>842.2</b>	+17.1%
Consolidated net debt (BAA (SP))	9,921.2	<b>10,351.0</b>	+4.3%
Consolidated net debt (BAA (SH))	10,401.1	<b>10,850.5</b>	+4.3%
RAB (Regulatory Asset Base)	12,776.0	<b>13,633.4</b>	+6.7%

## Strong growth in aeronautical income...

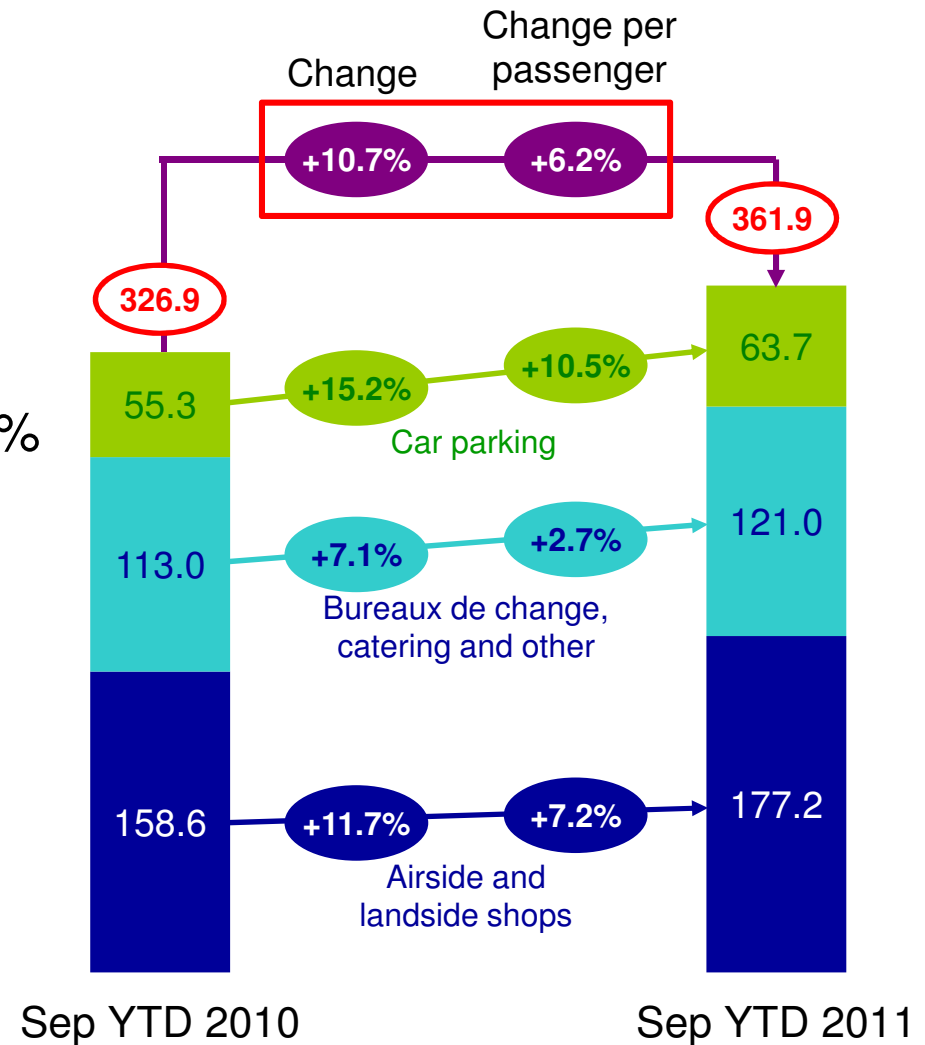
- Year to date growth of 14.2%
- 11.7% growth in Q3 2011
  - 13.0% growth at Heathrow and 1.6% at Stansted
  - tariff increases at both airports
- Heathrow yields continue to be affected by
  - higher than expected proportion of European traffic and quieter aircraft
  - yield shortfall to be recovered through 'K factor' in 2013/14
- 12.7% headline Heathrow tariff increase from 1 April 2012



## ...and continued excellent retail performance...

- Benefit of higher passenger traffic
- Net retail income ('NRI') per passenger also up 6.2% to £5.42
  - Heathrow: +6.3%
  - Stansted: +3.2%
- Q3 2011 NRI per passenger: +3.5%
- Continued momentum in tax and duty free and specialist shops
  - additional space in Terminals 3 and 5
  - absorbed effect of Terminal 3 refurbishment
  - benefit of more higher yielding international passengers
- Car parking growth maintained particularly in premium services

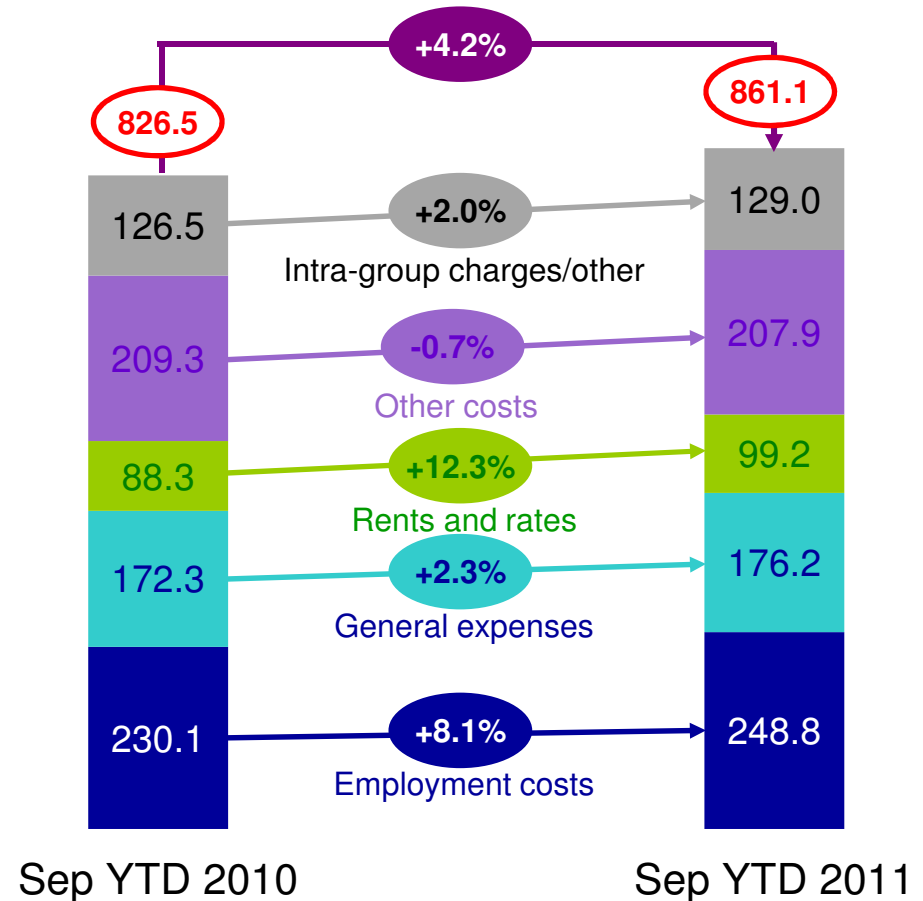
### Analysis of net retail income



...combined with continued cost control...

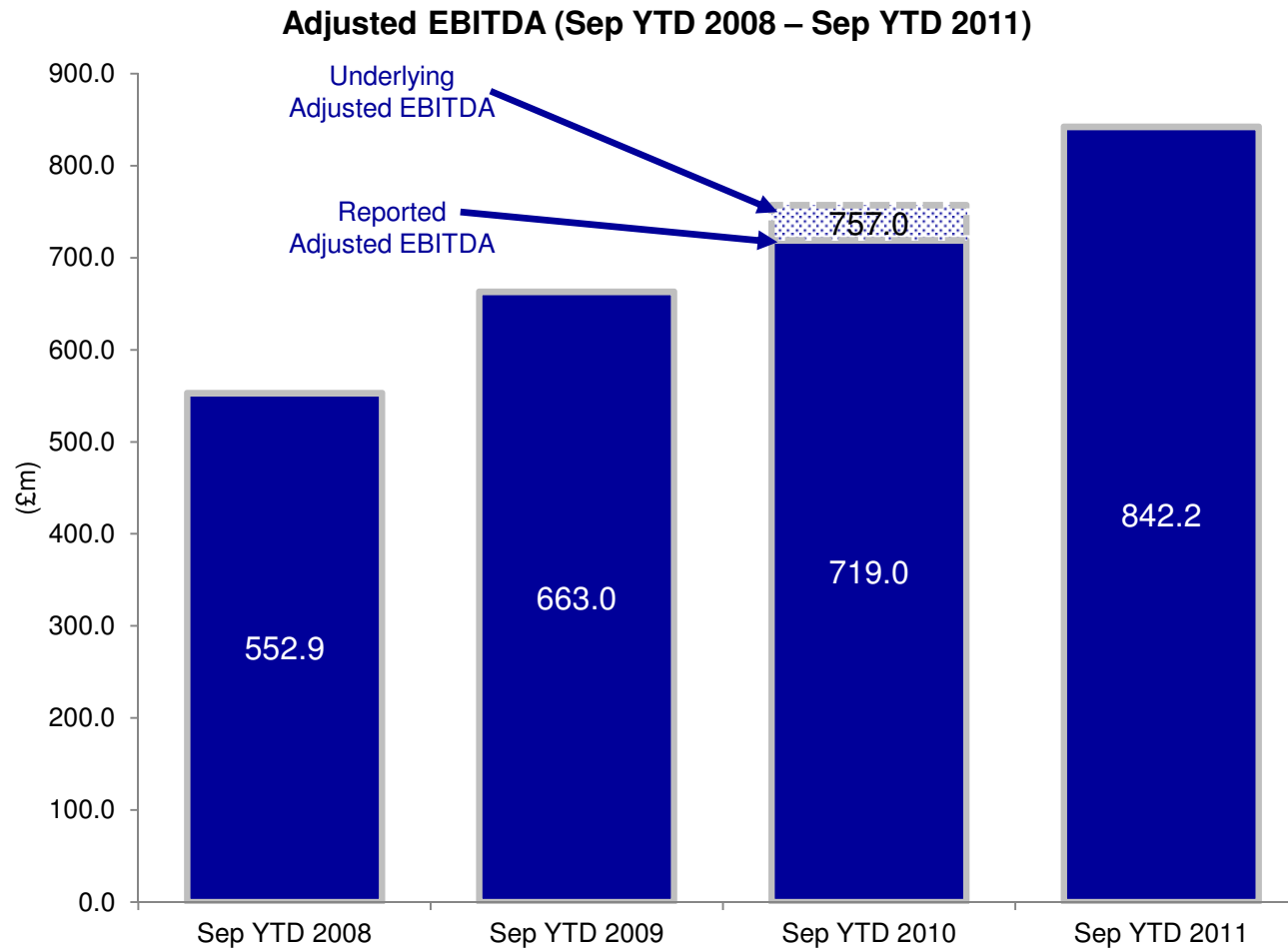
- Expected increase in costs
  - employment costs
  - increased rates costs
- Employment costs reflect
  - increased headcount
  - pay rises
- Higher rates costs reflect
  - higher rateable values
  - no repetition of 2010 rebate
- 2011 full year cost forecast
  - higher year on year growth than in first nine months
  - consistent with latest investor report

Analysis of adjusted operating costs





...have led to increased Adjusted EBITDA, supporting significant capital investment

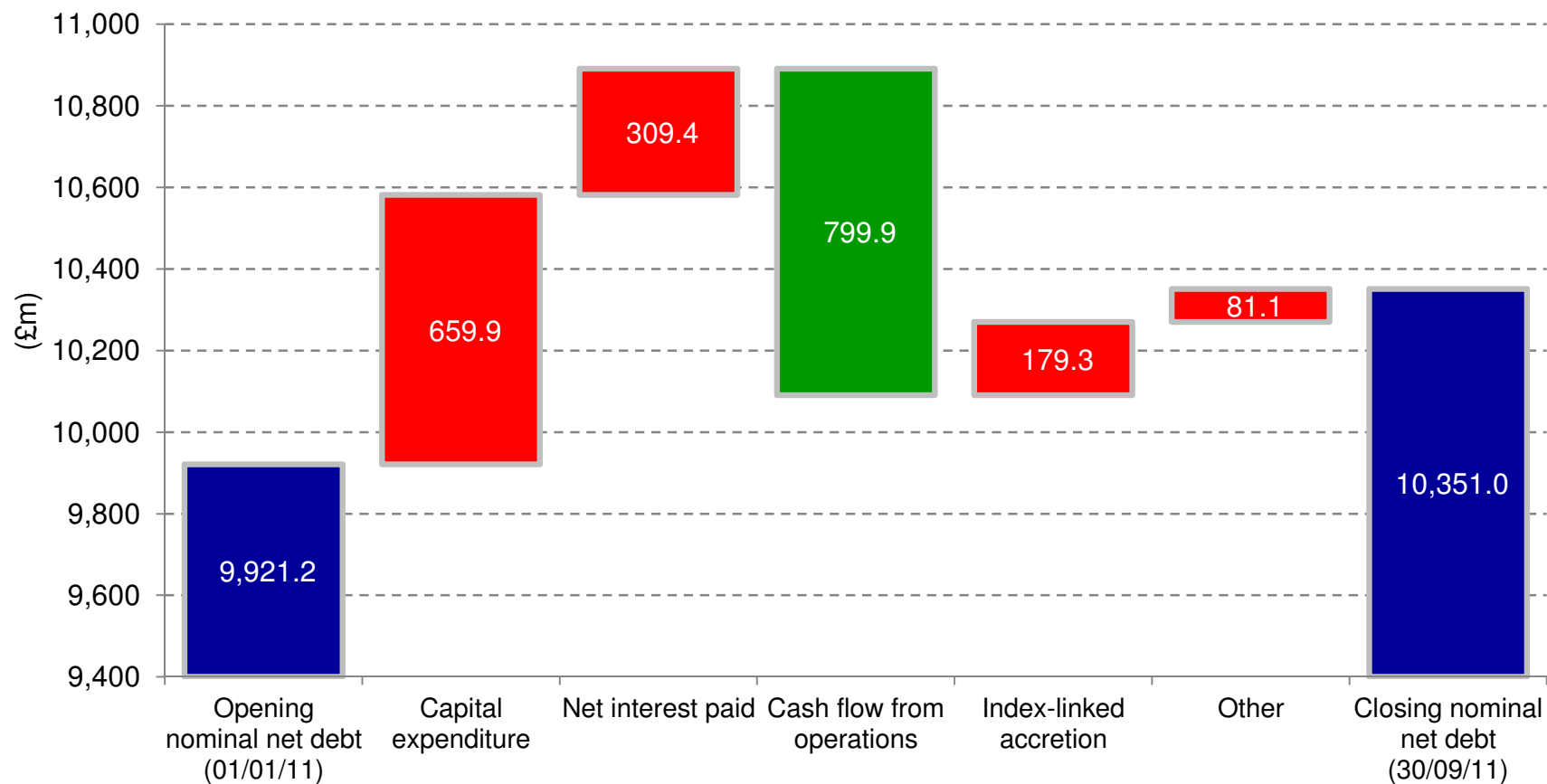


## Reconciliation of interest payable with interest paid

	Sep YTD 2010	Sep YTD 2011		
<i>(figures in £m)</i>	Total	SP debenture	External debt	Total
Net interest payable (profit and loss account)	(531.5)	(36.5)	(621.8)	(658.3)
Adjust for fair value loss on financial instruments	12.1	0.0	72.9	72.9
Net interest payable net of fair value loss	(519.4)	(36.5)	(548.9)	(585.4)
Amortisation of financing fees and fair value adjustments	52.8	0.0	40.3	40.3
Interest capitalised	(16.2)	0.0	(21.5)	(21.5)
Underlying net interest payable	(482.8)	(36.5)	(530.1)	(566.6)
<b>Other adjustments to reconcile to interest paid</b>				
Derivative interest prepayment amortisation	105.6	0.0	48.0	48.0
Movement in interest accruals/accretion/other	97.8	(4.6)	213.8	209.2
Net interest paid (cash flow statement)	(279.4)	(41.1)	(268.3)	(309.4)

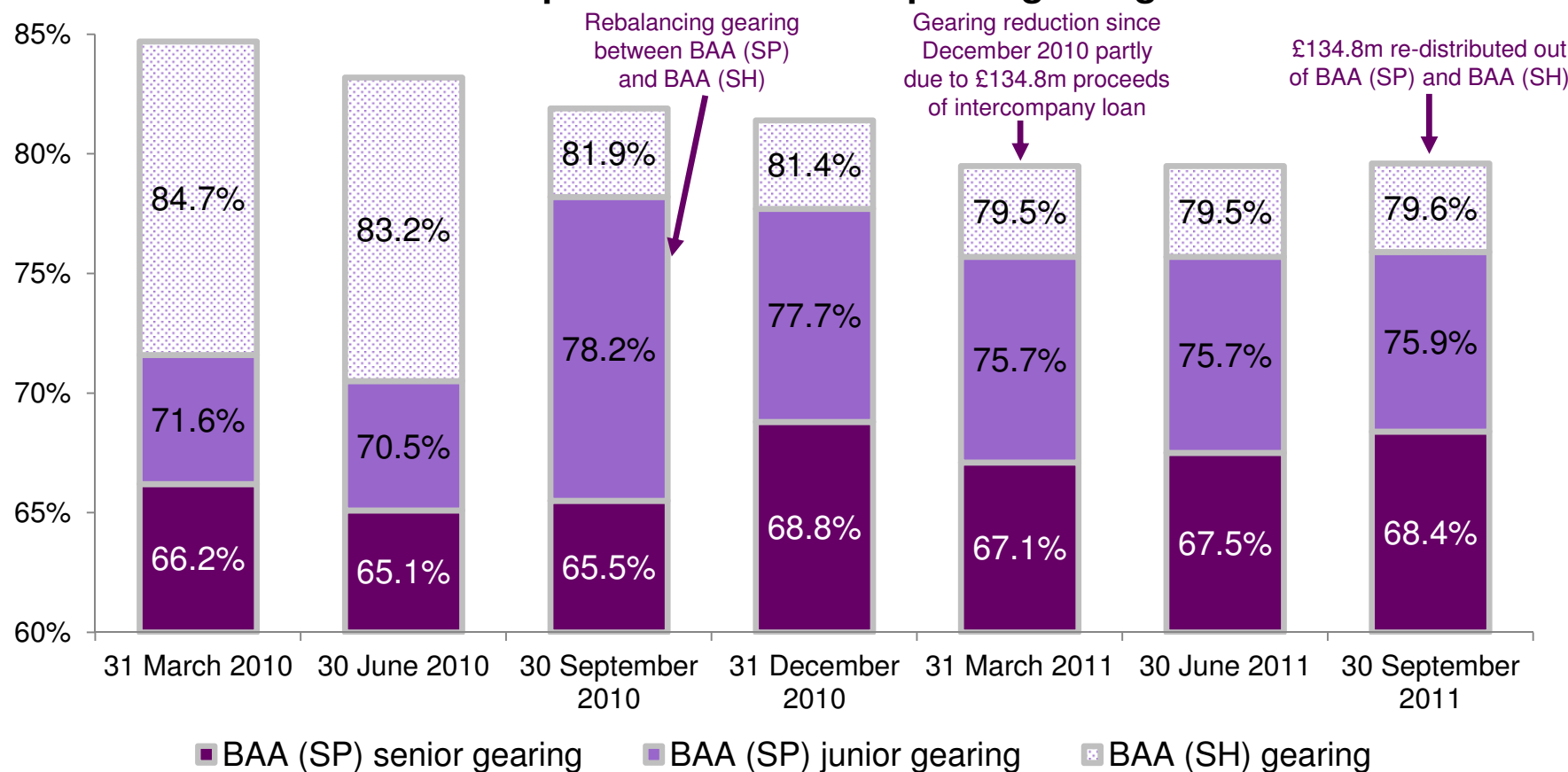
# Post-interest cash flow financed >70% of capital expenditure

## Net debt bridge (January 2011 – September 2011)



# Well over £1 billion debt capacity at BAA (SP) and BAA (SH)

## Recent development in London airport's gearing ratios



## Financing developments

- Bank refinancing facility fully repaid in September
- Re-classification of BAA's bonds to iBoxx corporate indices
- Sufficient liquidity to meet debt maturities, capital expenditure and interest payments until early 2013

# Conclusion

- Record Heathrow traffic since end of Q1
- Strong financial results
- Further strengthening of capital structure
- On track to deliver expected 2011 Adjusted EBITDA
- Tariff increases provide foundation for further strong progress in 2012

# Appendix

# BAA (SP)'s consolidated net debt at 30 September 2011

		Debt outstanding at 30 September 2011		Amount and features of available facilities			
		Amount		Local currency	S&P/Fitch Rating	Maturity	
		(£m)		(m)	(£m)		
<b>Senior (Class A)</b>							
Bonds		680.2		999.9	680.2	A-/A-	2012/14
		396.4		396.4	396.4	A-/A-	2013/15
		512.9		749.9	512.9	A-/A-	2014/16
		299.9		299.9	299.9	A-/A-	2016/18
		433.8		500.0	433.8	A-/A-	2016/18
		510.2		750.0	510.2	A-/A-	2018/20
		249.8		249.8	249.8	A-/A-	2021/23
		621.3		1,000.0	621.3	A-/A-	2021/23
		749.6		749.6	749.6	A-/A-	2023/25
		700.0		700.0	700.0	A-/A-	2026/28
		199.9		199.9	199.9	A-/A-	2028/30
		900.0		900.0	900.0	A-/A-	2031/33
		398.7		398.7	398.7	A-/A-	2039/41
		750.0		750.0	750.0	A-/A-	2041/43
<b>Total bonds</b>		<b>7,402.7</b>		<b>7,402.7</b>			
Bank debt	EIB Facility	304.5		304.5	304.5	n/a	2011/22
	Capex/Working Capital Facility	1,400.0		2,350.0	2,350.0	n/a	2013
<b>Total bank debt</b>		<b>1,704.5</b>		<b>2,654.5</b>			
<b>Total senior debt</b>		<b>9,107.2</b>		<b>10,057.2</b>			
<b>Junior (Class B)</b>							
Bonds		400.0		400.0	400.0	BBB/BBB	2018
Bank debt	Term Loan Facility	625.0		625.0	625.0	n/a	2014
	Capex Facility	0.0		400.0	400.0	n/a	2013
<b>Total junior debt</b>		<b>1,025.0</b>		<b>1,425.0</b>			
<b>Gross debt</b>		<b>10,132.2</b>		<b>11,482.2</b>			
<b>Cash</b>		<b>(67.3)</b>					
<b>Index-linked derivative accretion</b>		<b>286.1</b>					
<b>Net debt</b>		<b>10,351.0</b>					

Net debt is calculated on a nominal basis excluding intra-BAA group loans and including index-linked accretion



# Notes and defined terms

- Page 2
  - Percentage changes are relative to same period of 2010
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items; NRI: net retail income; RAB: Regulatory Asset Base
  - Net debt is consolidated BAA (SP) Limited figure calculated on a nominal basis excluding intra-BAA group loans and including index-linked accretion
- Page 3
  - Totals and percentage change calculated using un-rounded passenger numbers
  - European traffic includes North African charter traffic
- Page 5
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Consolidated net debt at BAA (SP) Limited and BAA (SH) plc is calculated on a nominal basis excluding intra-BAA group loans and including index-linked accretion
  - Percentage changes are relative to same period of 2010 except for net debt and RAB which are relative to 31 December 2010
- Page 8
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 9
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Adjusted EBITDA for September year to date 2008 and 2009 is in respect of continuing operations only, i.e. excluding Gatwick
  - Underlying Adjusted EBITDA for September year to date 2010 adjusts for the estimated financial impact in that period of disruption from volcanic ash and airline industrial action
- Page 11
  - Other net debt movement reflects mainly swap cancellations and group relief payments
- Page 12
  - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)

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