



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

Results for nine months ended 30 September 2013

21 October 2013

Heathrow
Making every journey better

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

Nine months 2013 highlights

Traffic and retail performance

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

Key financial highlights

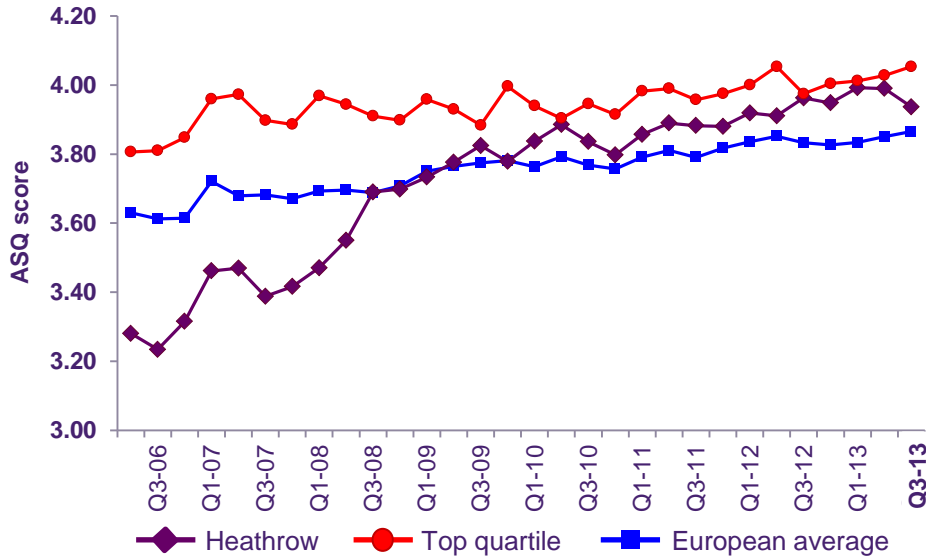
Revenue	+10.7%
Adjusted EBITDA	+22.1%

Investment and financing

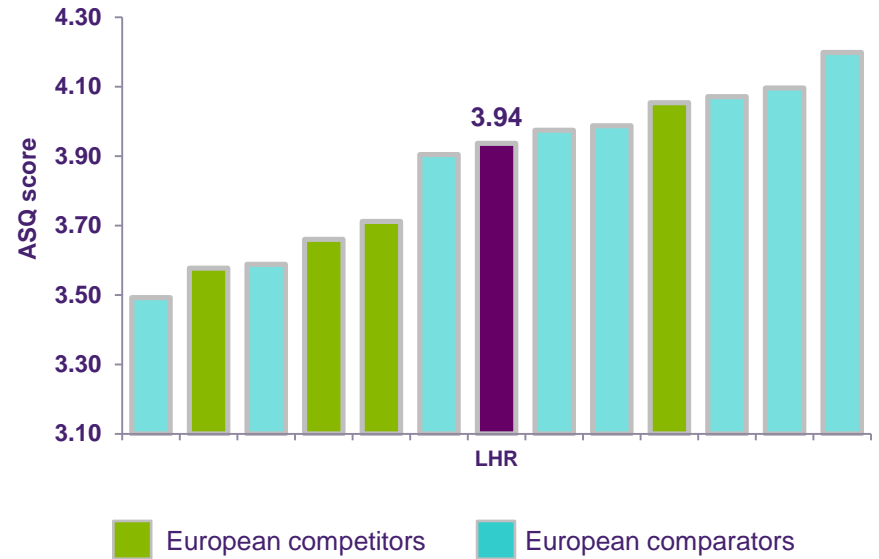
Capital expenditure	948
Net debt (senior and junior)	11,159
RAB	14,318

Passenger satisfaction remains strong

Overall passenger satisfaction



Ranked overall passenger satisfaction – Q3 2013



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



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

Strong traffic performance

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

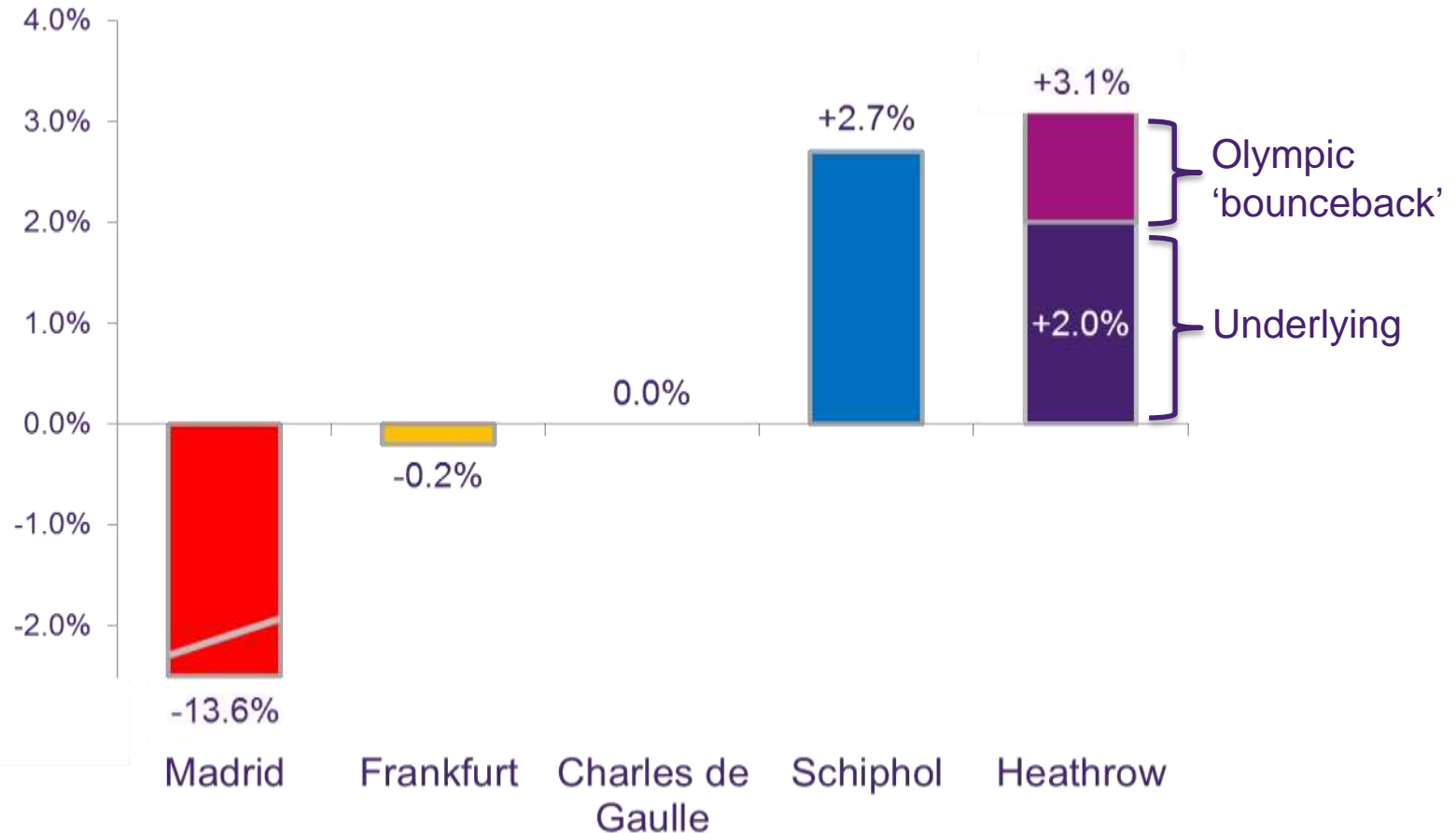
Passenger traffic

9 months ended 30 September

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

Heathrow's traffic robust versus major European hub airports

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



Heathrow transformation continues

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



CAA Final Proposals for Q6 regulatory period

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

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

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

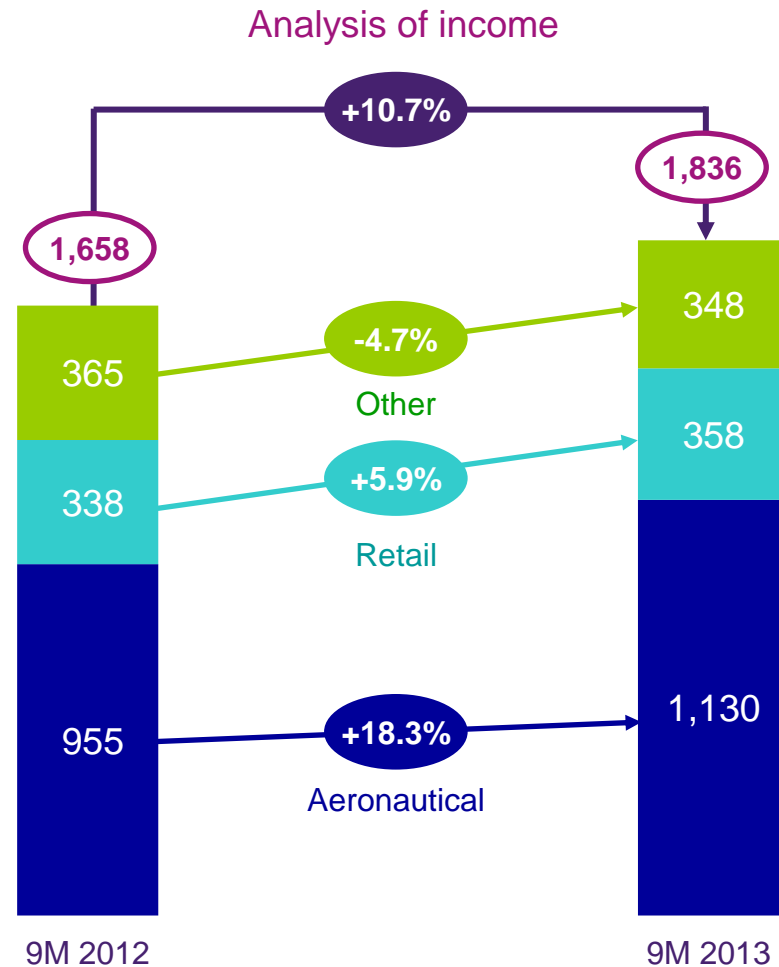
All figures in 2011/12 prices

Strong financial performance

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

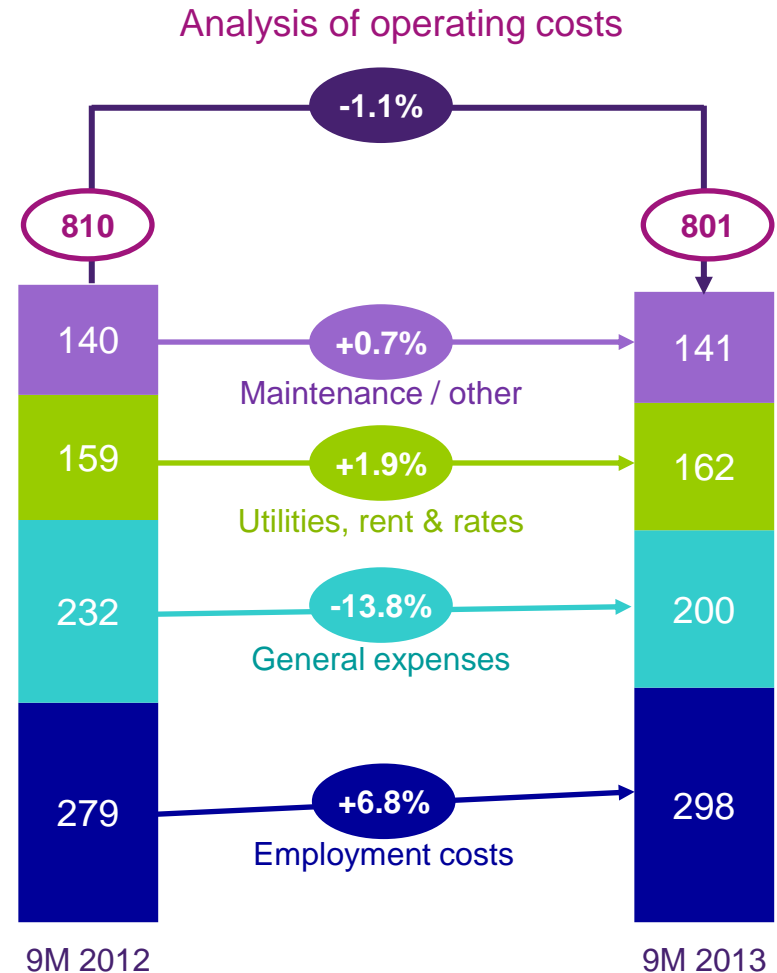
Good revenue momentum...

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

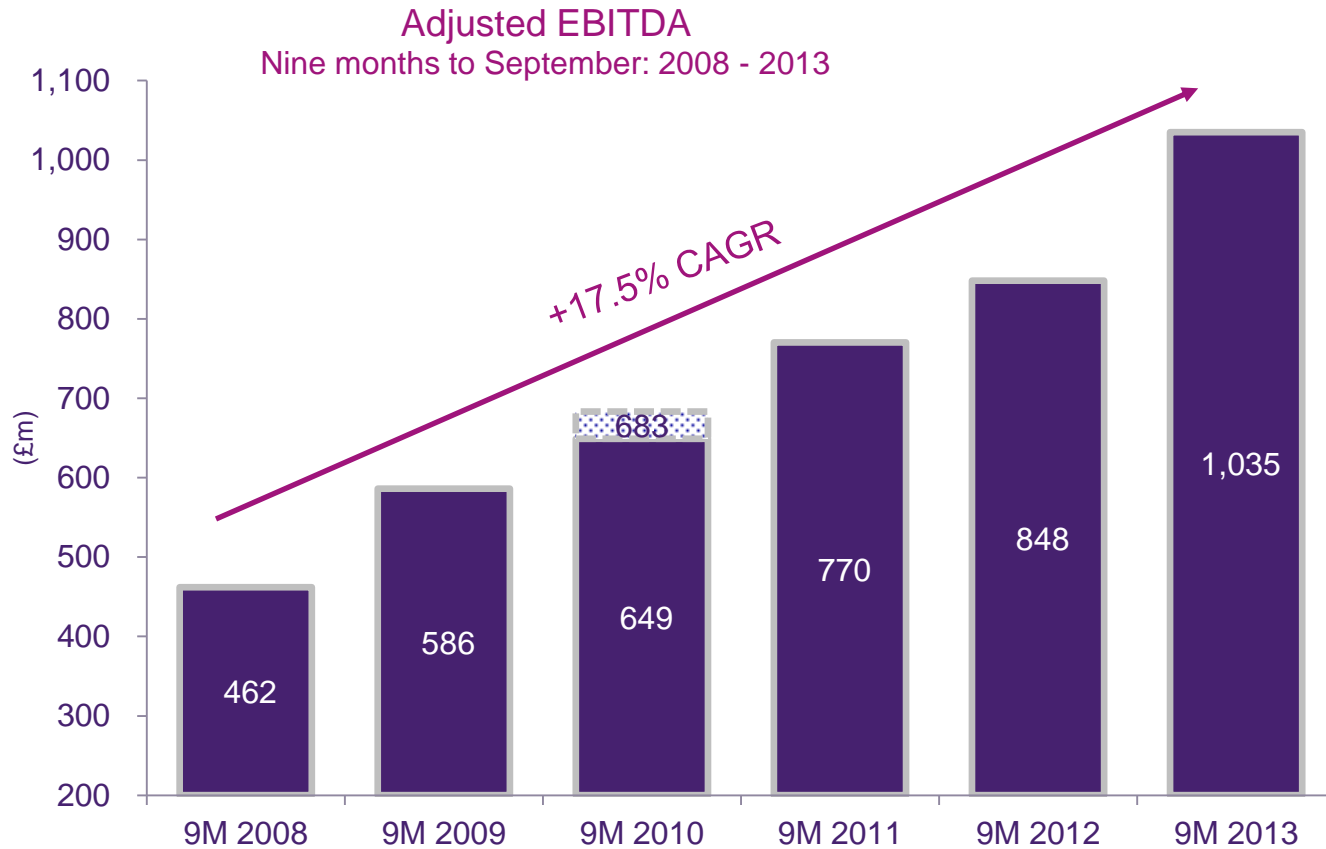


...combined with decline in operating costs...

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



...driving strong Adjusted EBITDA supporting investment



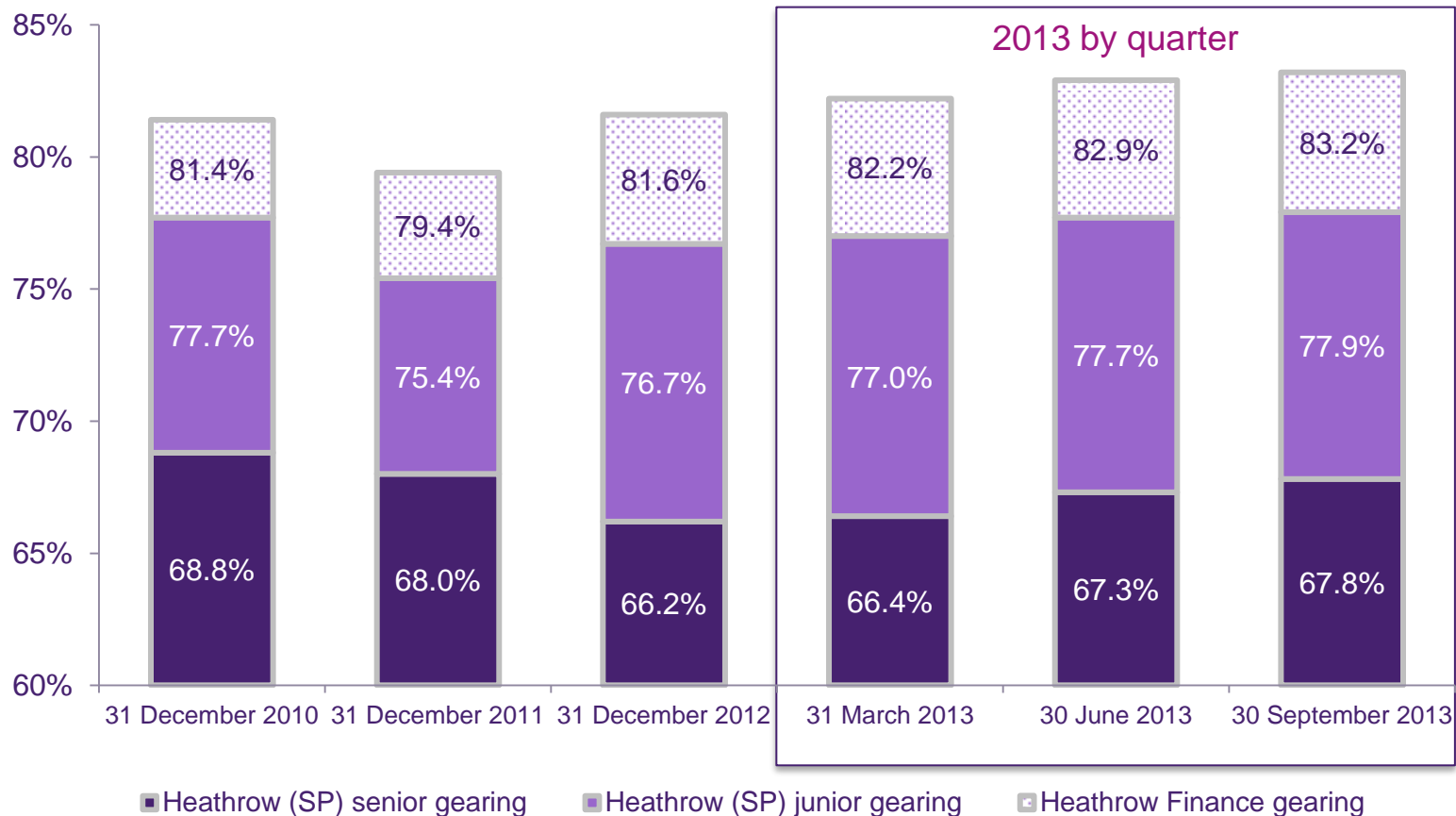
■ Reported adjusted EBITDA ■ Underlying adjusted EBITDA

Reconciliation of interest payable with interest paid

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

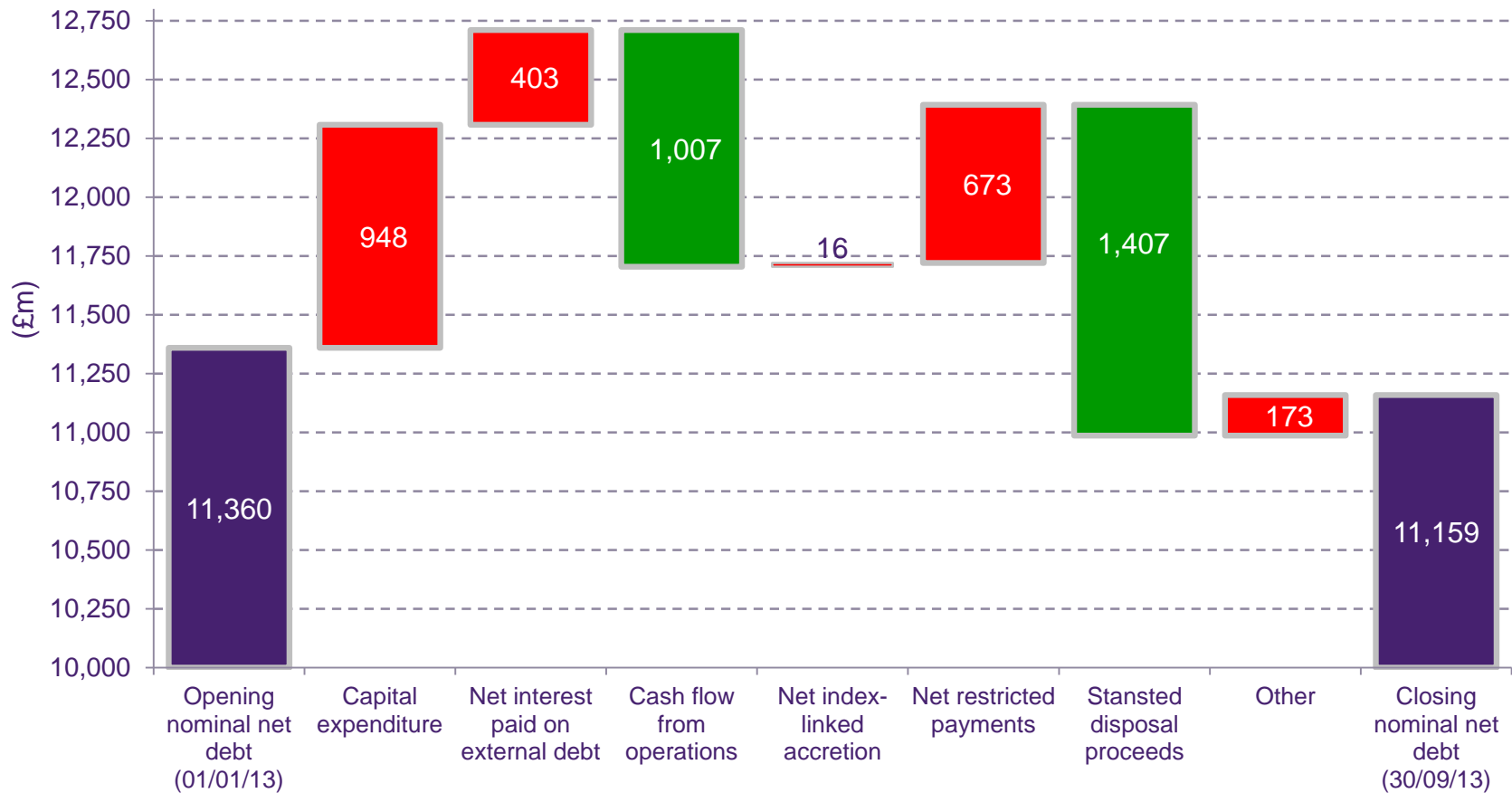
2013 gearing evolution reflects Q3 restricted payment and phasing of interest payments. Headroom remains substantial

Development of gearing ratios



Reduction in net debt reflects Stansted disposal

Net debt bridge (January 2013 – September 2013)



Summary

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

Appendix

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

		Amount		Amount and features of available facilities			
		(£m)		Local currency	S&P/Fitch rating		Maturity
				(m)	(£m)		
Senior (Class A)							
Bonds		396	396	396	396	A-/A-	2013/15
		513	513	513	513	A-/A-	2014/16
		300	300	300	300	A-/A-	2015/17
		319	319	319	319	A-/A-	2015/17
		300	300	300	300	A-/A-	2016/18
		434	434	434	434	A-/A-	2016/18
		584	584	584	584	A-/A-	2017/19
		272	272	272	272	A-/A-	2017/19
		510	510	510	510	A-/A-	2018/20
		250	250	250	250	A-/A-	2019/21
		250	250	250	250	A-/A-	2021/23
		621	621	621	621	A-/A-	2021/23
		188	188	188	188	A-/A-	2022/24
		750	750	750	750	A-/A-	2023/25
		700	700	700	700	A-/A-	2026/28
		200	200	200	200	A-/A-	2028/30
		900	900	900	900	A-/A-	2031/33
		42	42	42	42	A-/A-	2032/34
		42	42	42	42	A-/A-	2032/34
		535	535	535	535	A-/A-	2039/41
		750	750	750	750	A-/A-	2041/43
Total bonds		8,856	8,856	8,856	8,856		
Bank debt	EIB Facilities		226	226	226	n/a	2013/22
	Revolving/Working Capital Facilities		347	1,600	1,600	n/a	2017
Total bank debt		573	573	1,826	1,826		
Total senior debt		9,429	9,429	10,682	10,682		
Junior (Class B)							
Bonds		400	400	400	400	BBB/BBB	2018
		400	400	400	400	BBB/BBB	2020
		600	600	600	600	BBB/BBB	2024
Bank debt	Term Loan Facility		50	50	50	n/a	2014
	Revolving Facility		0	400	400	n/a	2017
Total junior debt		1,450	1,450	1,850	1,850		
Gross debt		10,879	10,879	12,532	12,532		
Cash		-164	-164				
Index-linked derivative accretion		444	444				
Net debt		11,159	11,159				

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-Sterling debt at exchange rate of hedges entered into at inception of relevant financing

Notes and defined terms

- Page 2
 - Percentage changes are relative to same period of 2012
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items; NRI: net retail income; RAB: Regulatory Asset Base
 - Net debt is consolidated Heathrow (SP) Limited figure calculated on a nominal basis excluding intra-group loans and including index-linked accretion
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 - Passenger satisfaction: quarterly Airport Service Quality surveys by Airports Council International. Survey scores can range between 0 and 5 with 5 the best possible score
 - SKYTRAX World Airport Awards 2013: Terminal 5 voted best airport terminal in world and Heathrow voted best airport shopping in world; 2012: Terminal 5 voted best airport terminal in world
 - Airports Council International : 2012 World Airport Traffic and Rankings (March 2013)
- Page 4
 - Totals and percentage change calculated using un-rounded passenger numbers
- Page 5
 - Sources: relevant airport websites
- Page 8
 - Revenue, adjusted operating cost and Adjusted EBITDA are in respect of continuing operations only whilst net debt and RAB reflect businesses owned by the Group on the relevant date
 - Adjusted operating costs exclude depreciation, amortisation and exceptional items
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion
 - Percentage changes are relative to the same period of 2012, except for net debt and RAB where the change is relative to 31 December 2012
- Page 9
 - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 11
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Adjusted EBITDA for all years is in respect of continuing operations only, i.e. excluding Gatwick and Stansted
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 - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)
- Page 14
 - Opening and closing nominal net debt includes index-linked accretion and is for Heathrow (SP) Limited
 - Net index-linked accretion reflects accretion charge for the period of £154 million offset by accretion paydowns of £138 million
 - Stansted disposal proceeds of £1,407 million reflects £1,500 million gross proceeds adjusted principally for cash set aside to meet pension-related liabilities and transferred to Stansted on disposal
 - Other net debt movement reflects mainly £138 million accretion paydowns to reverse the amount included in net index-linked accretion given that accretion is already included in opening net debt

Heathrow

Making every journey better