



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

## Results for six months ended 30 June 2013

July 2013

**Heathrow**  
Making every journey better

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

## H1 2013 highlights

### Traffic and retail performance

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

### Key financial highlights

Revenue	+9.2%
Adjusted EBITDA	+18.0%

### Investment and financing

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

# Passenger satisfaction at record levels



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



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

**Heathrow**  
Making every journey better

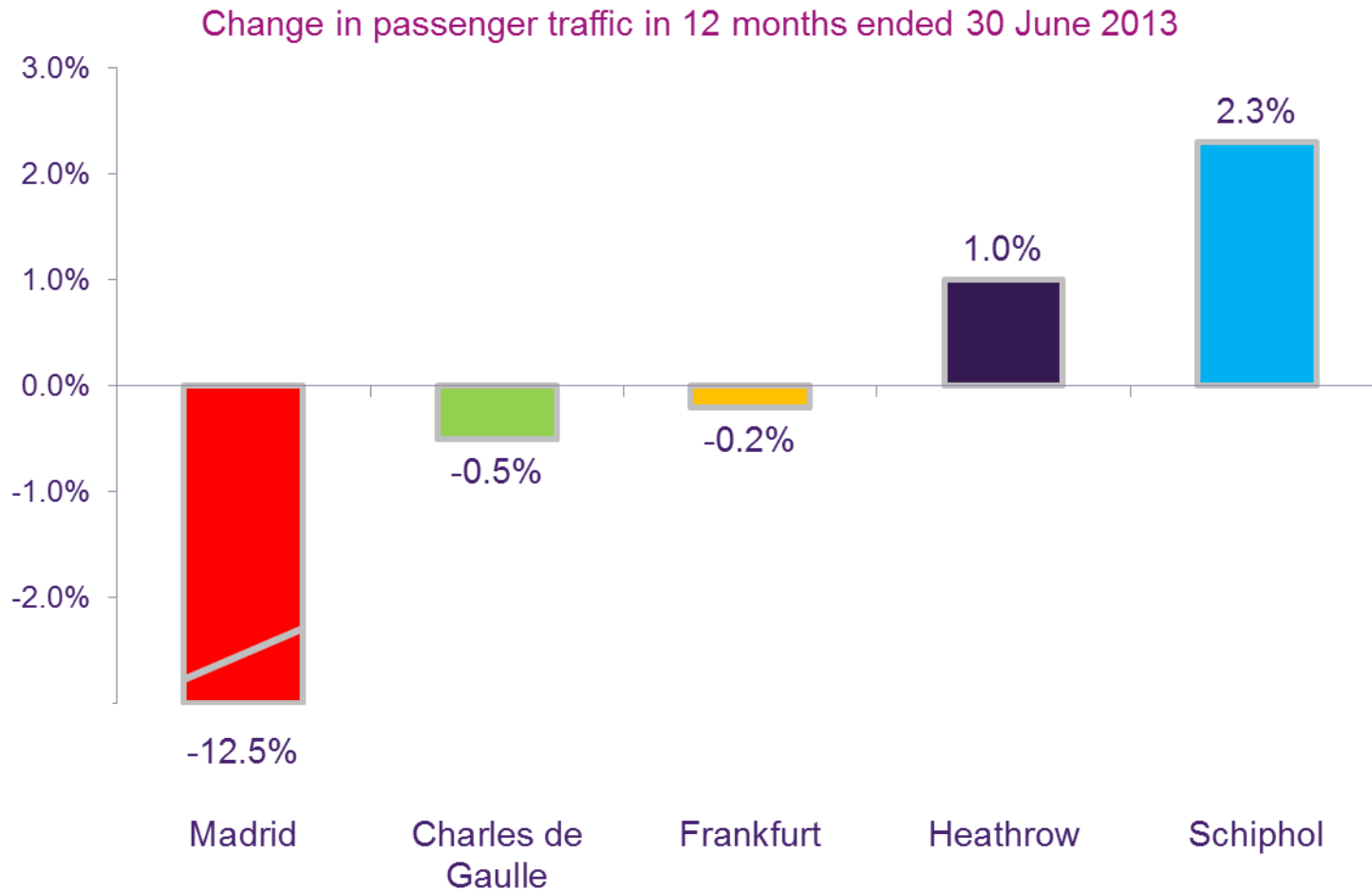
# Strong traffic performance

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

## Passenger traffic

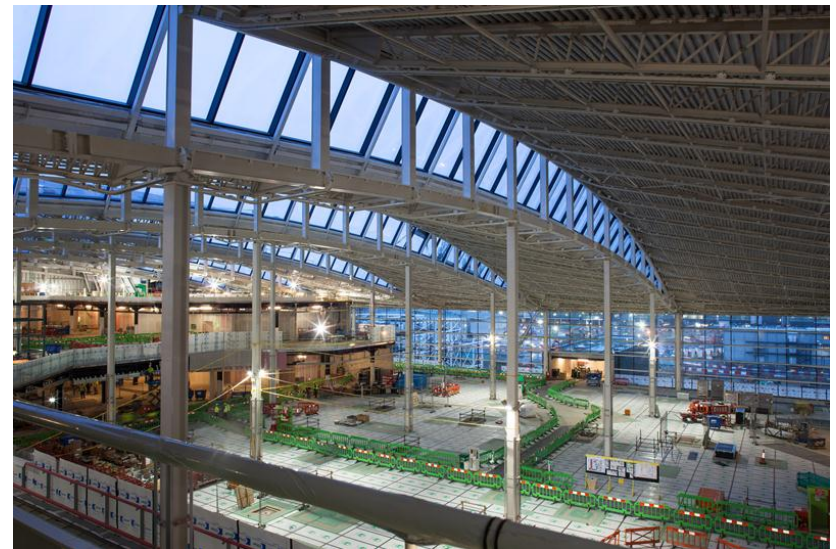
	6 months ended 30 June		
	2012	2013	Change
<i>By market served</i>	(m)	(m)	
UK	2.3	2.3	0.4%
Europe	13.7	14.3	4.9%
North America	7.7	7.8	1.3%
Asia Pacific	4.8	4.9	2.2%
Middle East	2.7	2.8	4.0%
Africa & Latin America	2.4	2.2	-7.8%
<b>Total</b>	<b>33.6</b>	<b>34.4</b>	<b>2.4%</b>

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



# Heathrow transformation continues

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





# Disappointing Q6 proposals from CAA

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

# Heathrow hub expansion options submitted

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



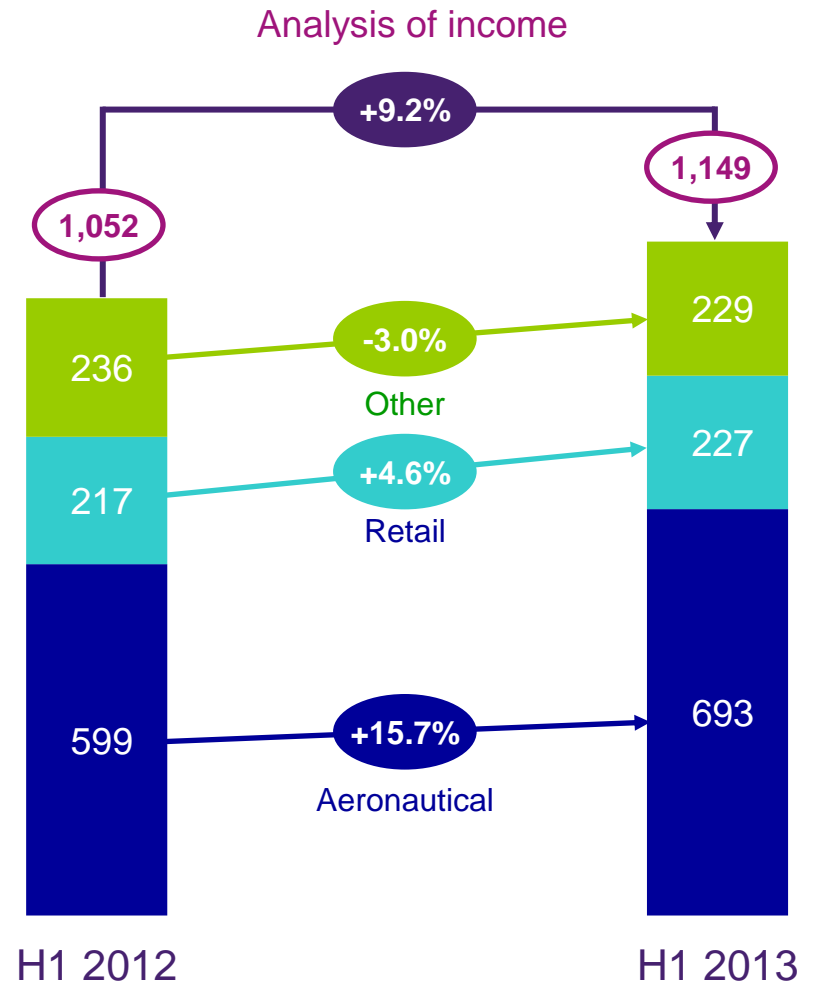


# Strong H1 2013 financial performance

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

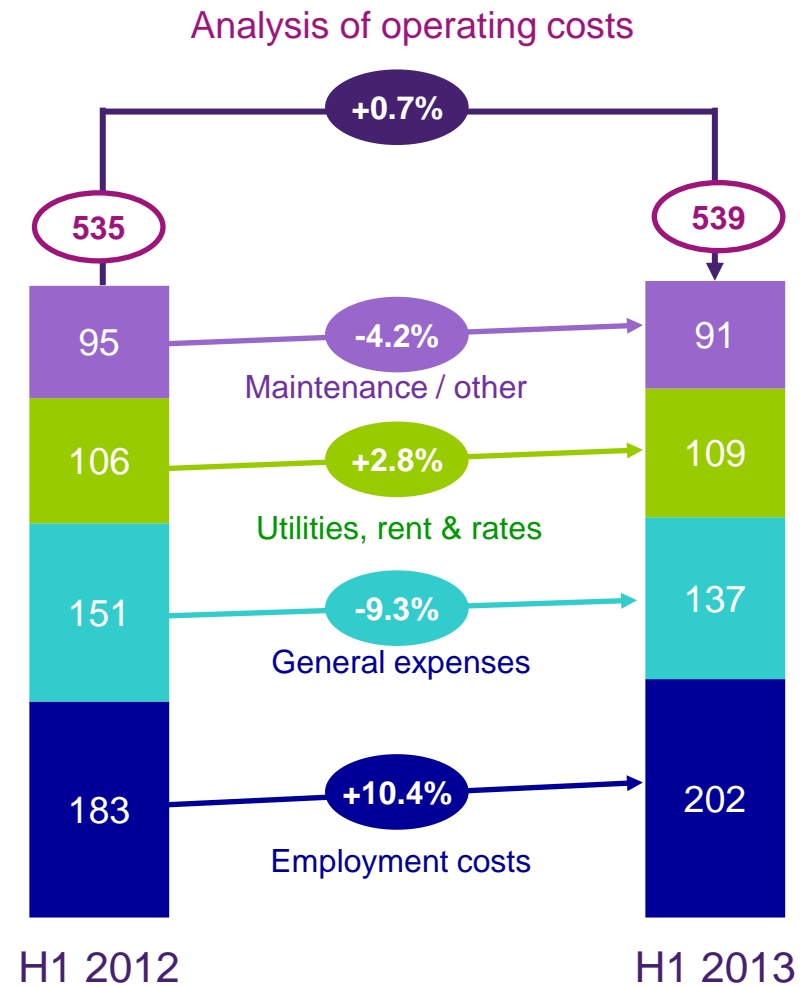
# Good revenue momentum from strong traffic...

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

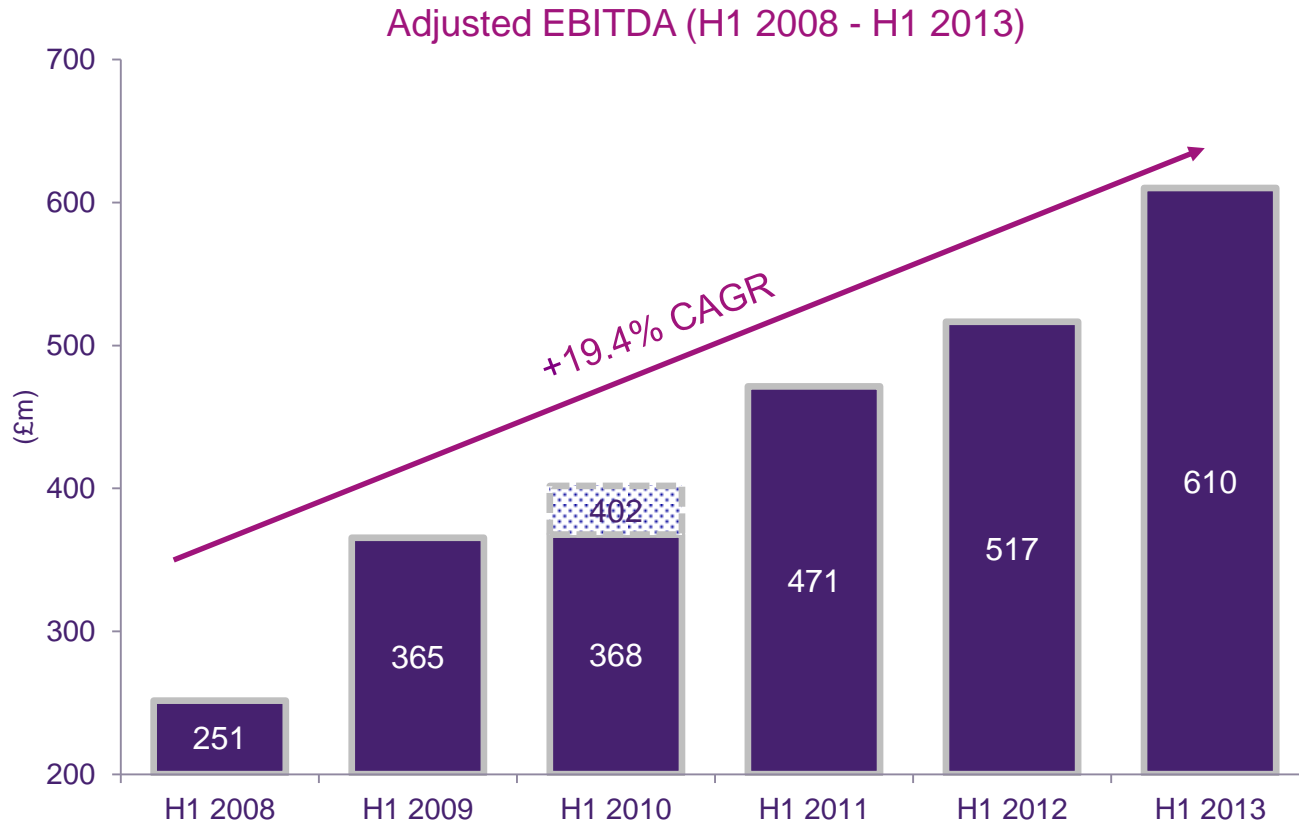


# ...which outpaced operating cost increase...

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



# ...driving strong Adjusted EBITDA supporting investment



■ Reported adjusted EBITDA ■ Underlying adjusted EBITDA

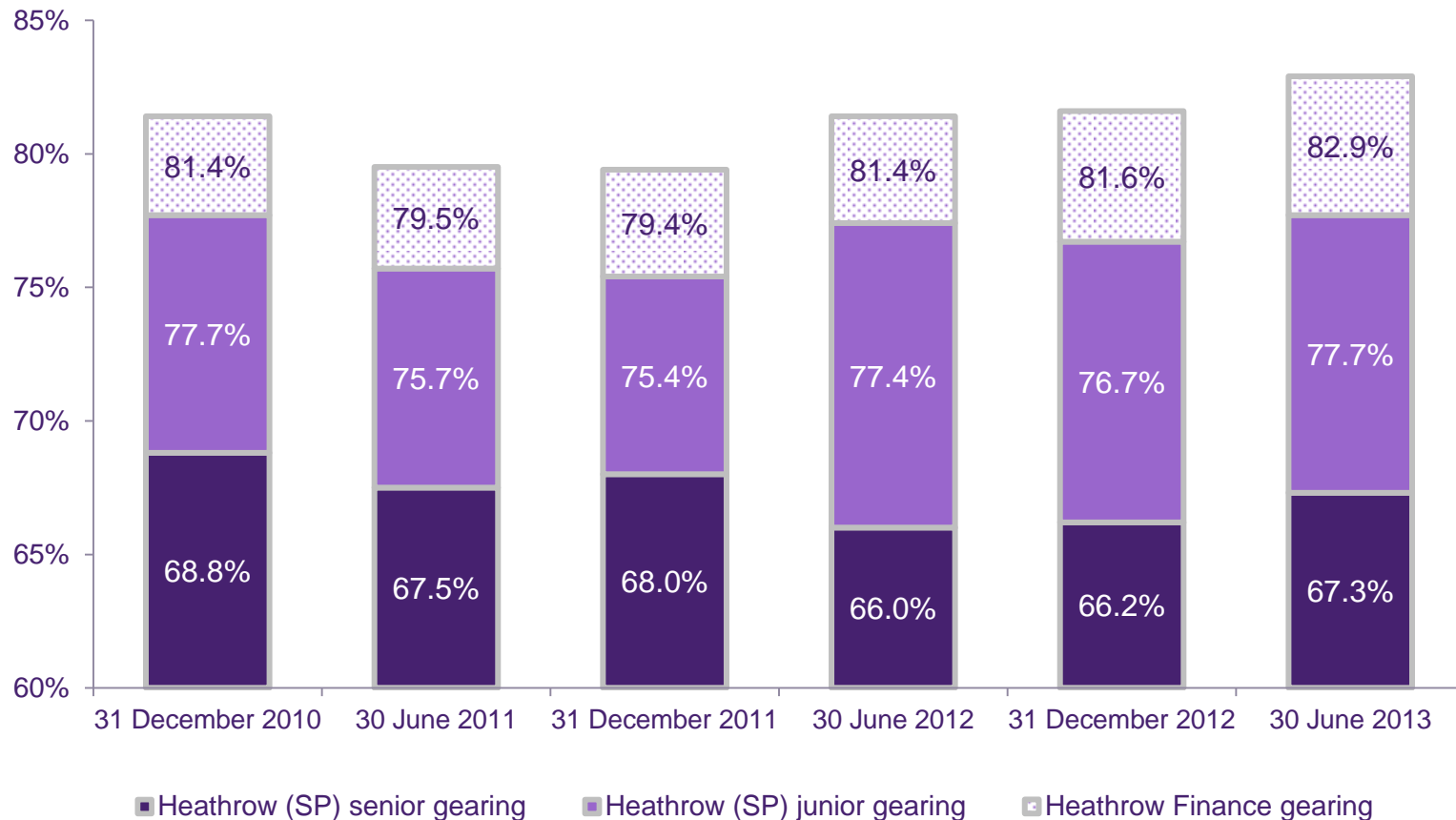
# Reconciliation of interest payable with interest paid

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



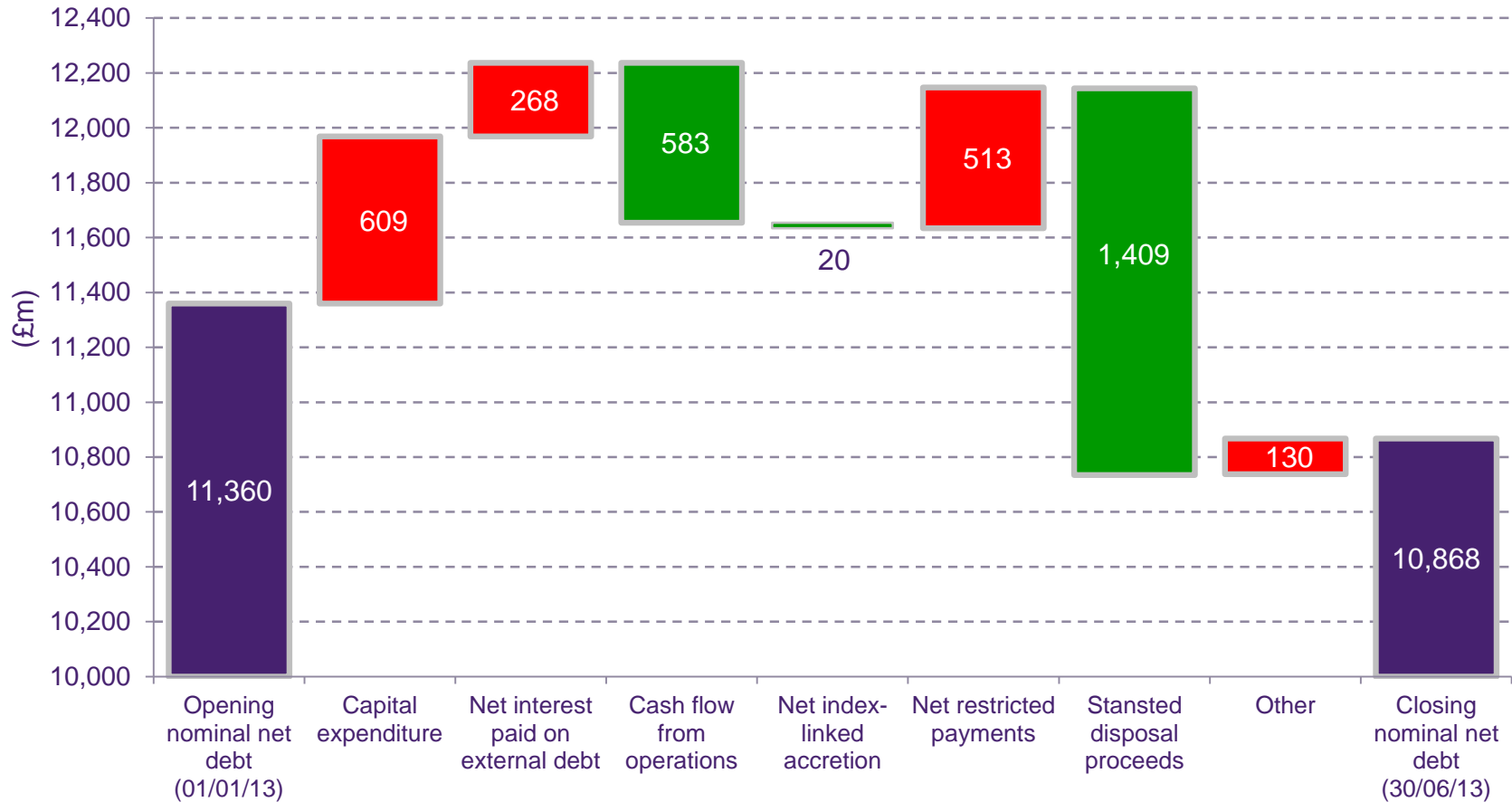
# Deleveraging from Stansted disposal offset by phasing of interest payments and cash flows

Recent development in gearing ratios



# Reduction in net debt reflects Stansted disposal

Net debt bridge (January 2013 – June 2013)



# Conclusion

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

# Appendix

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

		Amount		Amount and features of available facilities			
		(£m)		Local currency	S&P/Fitch rating		Maturity
				(m)	(£m)		
<b>Senior (Class A)</b>							
Bonds		396	396	396	396	A-/A-	2013/15
		513	513	750	513	A-/A-	2014/16
		300	300	300	300	A-/A-	2015/17
		319	319	500	319	A-/A-	2015/17
		300	300	300	300	A-/A-	2016/18
		434	434	500	434	A-/A-	2016/18
		584	584	700	584	A-/A-	2017/19
		272	272	400	272	A-/A-	2017/19
		510	510	750	510	A-/A-	2018/20
		250	250	400	250	A-/A-	2019/21
		250	250	250	250	A-/A-	2021/23
		621	621	1,000	621	A-/A-	2021/23
		187	187	187	187	A-/A-	2022/24
		750	750	750	750	A-/A-	2023/25
		700	700	700	700	A-/A-	2026/28
		200	200	200	200	A-/A-	2028/30
		900	900	900	900	A-/A-	2031/33
		42	42	50	42	A-/A-	2032/34
		42	42	50	42	A-/A-	2032/34
		531	531	531	531	A-/A-	2039/41
		750	750	750	750	A-/A-	2041/43
<b>Total bonds</b>		<b>8,851</b>	<b>8,851</b>		<b>8,851</b>		
Bank debt	EIB Facilities	235	235	235	235	n/a	2013/22
	Revolving/Working Capital Facilities	160	160	1,600	1,600	n/a	2017
<b>Total bank debt</b>		<b>395</b>	<b>395</b>		<b>1,835</b>		
<b>Total senior debt</b>		<b>9,246</b>	<b>9,246</b>		<b>10,686</b>		
<b>Junior (Class B)</b>							
Bonds		400	400	400	400	BBB/BBB	2018
		400	400	400	400	BBB/BBB	2020
		600	600	600	600	BBB/BBB	2024
Bank debt	Term Loan Facility	50	50	50	50	n/a	2014
	Revolving Facility	0	0	400	400	n/a	2017
<b>Total junior debt</b>		<b>1,450</b>	<b>1,450</b>		<b>1,850</b>		
<b>Gross debt</b>		<b>10,696</b>	<b>10,696</b>		<b>12,536</b>		
<b>Cash</b>		<b>-239</b>	<b>-239</b>				
<b>Index-linked derivative accretion</b>		<b>411</b>	<b>411</b>				
<b>Net debt</b>		<b>10,868</b>	<b>10,868</b>				

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



# Notes and defined terms

- Page 2
  - Percentage changes are relative to same period of 2012
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items; NRI: net retail income; RAB: Regulatory Asset Base
  - Net debt is consolidated Heathrow (SP) Limited figure calculated on a nominal basis excluding intra-group loans and including index-linked accretion
- Page 3
  - Passenger satisfaction: quarterly Airport Service Quality surveys by Airports Council International. Survey scores can range between 0 and 5 with 5 the best possible score
  - SKYTRAX World Airport Awards 2013: Terminal 5 voted best airport terminal in world Heathrow voted best airport shopping in world ; 2012 Terminal 5 voted best airport terminal in world
  - Airports Council International : 2012 World Airport Traffic and Rankings (March 2013)
- Page 4
  - Totals and percentage change calculated using un-rounded passenger numbers
- Page 5
  - Sources: relevant airport websites
- Page 9
  - Revenue, adjusted operating cost and Adjusted EBITDA are in respect of continuing operations only whilst net debt and RAB reflect businesses owned by the Group on the relevant date
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion
  - Percentage changes are relative to the same period of 2012, except for net debt and RAB where the change is relative to 31 December 2012
- Page 11
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 12
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Adjusted EBITDA for all years is in respect of continuing operations only, i.e. excluding Gatwick and Stansted
- Page 14
  - Gearing is the ratio of external nominal net debt (including index-linked accretion) to the RAB (regulatory asset base)
- Page 15
  - Opening and closing nominal net debt includes index-linked accretion and is for Heathrow (SP) Limited
  - Net index-linked accretion reflects accretion charge for the period of £116 million offset by accretion paydowns of £136 million
  - Stansted disposal proceeds of £1,409 million reflects £1,500 million gross proceeds adjusted principally for cash set aside to meet pension-related liabilities and transferred to Stansted on disposal
  - Other net debt movement reflects mainly £136 million accretion paydowns to reverse the amount included in net index-linked accretion given that accretion is already included in opening net debt

# Heathrow

*Making every journey better*