



Heathrow (SP) Limited and Heathrow Finance plc

Investor Report

27 June 2017

Heathrow
Making every journey better

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Basis of preparation

This Investor Report (other than Appendix 5) is being distributed by LHR Airports Limited (as 'Security Group Agent') on behalf of Heathrow Airport Limited, Heathrow Express Operating Company Limited, Heathrow (AH) Limited and Heathrow (SP) Limited ('Heathrow SP'), (together the 'Obligors' or 'the Security Group'), pursuant to the Common Terms Agreement. Appendix 5 is being distributed by Heathrow Finance plc ('Heathrow Finance') pursuant to the terms of Heathrow Finance's facilities agreements and its bond issuance maturing in 2019, 2025 and 2027.

This Investor Report summarises the financial performance of Heathrow (SP) and its subsidiaries (the 'Group') for the period to 31 March 2017 and its passenger traffic for the period to 31 May 2017. It also contains forecast financial information derived from current management forecasts for Heathrow (SP) and its subsidiaries (the 'Group') for the whole of 2017.

Defined terms used in this document (other than in Appendix 5) have the same meanings as set out in the Master Definitions Agreement unless otherwise stated. Defined terms in Appendix 5 have the same meanings as set out either in the Master Definitions Agreement or in Heathrow Finance's facilities agreements and bond terms and conditions.

Any reference to "Heathrow" means Heathrow Airport or Heathrow Airport Limited (a company registered in England and Wales, with company number 1991017) and will include any of its direct or indirect parent companies, their subsidiaries and affiliates from time to time and their respective directors, representatives or employees and/or any persons connected with them from time to time, as the context requires.

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1. Overview

This report sets out actual and forecast financial performance and ratios for Heathrow (SP) in 2016 and 2017 respectively, together with key business highlights. Additional information specific to Heathrow Finance is set out in Appendix 5.

Heathrow has upgraded its EBITDA forecast for 2017 to be £1,735 million, up 3.2% on 2016. Revenue is forecast to rise 1.5% to £2.85 billion. The improved outlook for 2017 is primarily driven by a revised traffic forecast for the year of 76.7 million passengers compared to 75.0 million in the previous Investor Report. Traffic for the 12 months ended 31 May 2017 was 76.9 million. Other highlights of the revised expected performance in 2017 include increased retail income per passenger which is now forecast to increase 5.2% versus 2016 to £8.50 versus a 3.8% increase to £8.41 included in the previous Investor Report. Heathrow remains on track to deliver its ambitious cost optimisation plans for 2017 while welcoming a record number of passengers and providing better service and operational standards. Heathrow expects to be cash flow positive in 2017 after capital expenditure and external interest costs. Interest costs are expected to reduce in 2017.

The key historic and forecast financial ratios for 2016 and 2017 respectively comply with Trigger Event ratios.

Following the Government's decision to support Heathrow expansion in late 2016, in February 2017 the Government published its draft Airports National Policy Statement ('NPS') outlining its policy for expansion. The draft NPS was subject to consultation that ended in May 2017. The final version of the NPS is expected to be submitted to a vote in the UK Parliament during 2018. Assuming the required vote in favour, the Secretary of State will then be able to 'designate' the final NPS. This step is the critical enabler for Heathrow to submit its application for a Development Consent Order ('DCO'). In the meantime, significant work is ongoing with the airline community, the CAA on regulatory construct for expansion and local community to ensure expansion delivers for all.

2016 and 2017 financial performance

(£m unless stated)	2016 (A)	2017 (F)	Change
Summary financials			
Revenue	2,807	2,849	1.5%
EBITDA ⁽¹⁾	1,682	1,735	3.2%
Cashflow from operations ⁽²⁾	1,652	1,723	4.3%
Regulatory Asset Base (RAB)	15,237	15,803	3.7%
Nominal net debt			
Senior net debt	10,168	10,530	3.6%
Junior net debt	1,740	1,746	0.3%
Consolidated net debt	11,908	12,276	3.1%
Interest paid			
Senior interest paid	417	392	-6.0%
Junior interest paid	103	102	-1.0%
Total interest paid	520	494	-5.0%
Ratios⁽³⁾			Trigger
Senior (Class A) RAR	66.7%	66.6%	70.0%
Junior (Class B) RAR	78.2%	77.7%	85.0%
Senior (Class A) ICR	3.12x	3.46x	1.40x
Junior (Class B) ICR	2.50x	2.75x	1.20x

- (1) Pre exceptional earnings before interest, tax, depreciation and amortisation
 (2) Adds back cash one-off items, non-recurring extraordinary items & exceptional items
 (3) Ratios calculated using unrounded data. Ratio definitions and calculations in Appendices 2 and 3

2. Business developments

Service standards

Heathrow continues to deliver high quality service with 83% of passengers rating their Heathrow experience as 'Excellent' or 'Very Good' in the first quarter of 2017. In addition, Heathrow achieved its highest ever overall passenger satisfaction score for the first quarter of the year of 4.16 (out of 5.00) in the Airport Service Quality (ASQ) survey. Passengers voted Heathrow the 'Best Airport in Western Europe' for the third successive year at the 2017 Skytrax World Airport Awards and Heathrow was voted 'Best Airport for Shopping' for the eighth consecutive year.

Focus on operational resilience contributed to high punctuality scores in the first quarter of 2017, with 83.4% (2016: 83.7%) of flights departing within 15 minutes of schedule. The focus on baggage performance has resulted in an improved misconnect rate of 11 bags per 1,000 passengers (2016: 13 per 1,000).

In the 12 months to 31 May 2017, no rebates were paid by Heathrow under the SQR scheme.

Traffic

Heathrow traffic increased 4.3% to 30.4 million (2016: 29.1 million) in the five months ended 31 May 2017. In addition to more resilient macro-economic factors, there are increasing signs that UK inbound demand, influenced by the depreciation of sterling, is driving growth.

Long haul traffic increased 4.9% reflecting more flights and larger aircraft to the Middle East and fuller planes flying to Asia Pacific. European traffic was also robust with notable growth on routes to Italy, Portugal, Belgium and Denmark. Domestic traffic was boosted by the start of the new Flybe services to Scotland in March 2017.



Traffic and operating statistics

5 months to end May	2016	2017	Change
Traffic by market (m)			
			(%)
UK	1.8	1.9	2.7
Europe	12.1	12.6	3.6
North America	6.5	6.6	1.9
Asia Pacific	4.3	4.5	5.8
Middle East	2.7	3.0	13.8
Africa	1.3	1.3	-0.4
Latin America	0.5	0.5	4.4
Total passengers (m)			
	29.1	30.4	4.3
ATM ('000)	192	191	-0.8
Seats per aircraft	210	212	1.0
Load factor (%)	72.0	75.1	3.1pts

Change and totals based on unrounded data. See Appendix 1 for quarterly traffic evolution.



Heathrow – Best Airport in Western Europe since 2015

Heathrow – World's Best Airport Shopping since 2010

2. Business developments

Capital investment plan

Planned capital expenditure for the Q6 regulatory period from 1 April 2014 to 31 December 2018 is currently forecast to be £3.0 billion or £3.3 billion including capital related to expansion. The proposed capital expenditure related to the one year extension to Q6 is under review with the airline community. The capital programme is primarily focused on improving the passenger experience and improving the resilience of operations, together with maintenance and compliance related projects. The overall plan includes a £1 billion programme of asset management and replacement projects and a multi-million project to install latest generation hold baggage screening equipment.

In 2017, the capital programme includes deploying further self-boarding gates in Terminal 5 and 2 as Heathrow extends automation across the passenger journey. New combined body-scanner/metal detectors were also installed in Terminal 5 to enhance the transfer security experience.

Business plan to 2018

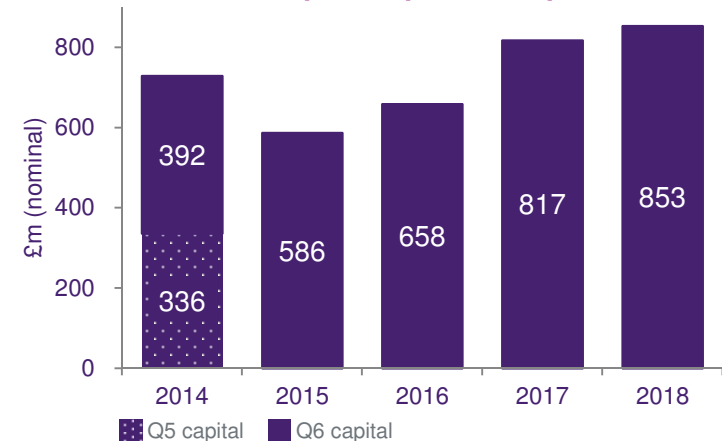
Heathrow's business plan for the current regulatory period intends to improve Heathrow's customer service, strengthen operational resilience and deliver an ambitious programme of cost efficiencies and revenue growth delivering close to £1.0 billion of incremental EBITDA. Heathrow is on track to deliver the targeted £600 million of cost efficiencies over the period to the end of 2018, supported by changes implemented reducing employment costs (including revised terms of the company's defined benefit scheme, the pay deal approved by members in February 2016, and Security Officer new starter rates), alongside savings delivered from further contract improvements and energy demand management.

The benefits of investment in Terminal 5 retail outlets, new car parking capacity and most recent completion of Terminal 4's retail redevelopment contribute strongly to over £200 million of incremental commercial revenues secured for the regulatory period, out of the £300 million target.

Self-boarding gates extend automation across the passenger journey



Forecast capital expenditure profile



2. Business developments

Heathrow expansion

Following its decision to support Heathrow expansion in late 2016, in February 2017 the Government published its draft Airports National Policy Statement ('NPS') outlining its policy expansion. The draft NPS was subject to consultation that ended in May 2017. The planning requirements that were being consulted on are reflected in Heathrow's plans. The final version of the NPS is expected to be submitted to a vote in the UK Parliament during 2018. Assuming the required vote in favour, the Secretary of State for Transport is expected to then 'designate' the final NPS following which Heathrow will need to apply for a Development Consent Order ('DCO'). Heathrow is already working actively to develop its DCO application including preparing for an initial public consultation later in 2017 on its expansion plans.

The CAA previously modified Heathrow's licence to enable it to recover through aeronautical charges the first £10 million per annum of costs associated with obtaining the DCO required to proceed with expansion (so called 'Category B' costs). In February 2017, the CAA set out its policy in relation to the regulatory treatment of such costs in excess of £10 million per annum. The policy includes mechanisms that allow (i) costs in excess of £10 million per annum to be added to the regulatory asset base ('RAB'), (ii) the regulatory cost of capital to accrue on the costs once added to the RAB, (iii) recovery of the costs following receipt of the DCO and (iv) risk sharing under which either 105% or 85% of costs added to the RAB will be recovered if the DCO is granted or not granted, respectively. The CAA may conduct a review of the policy if cumulative Category B costs exceed or are likely to exceed £265 million. Heathrow currently estimates Category B costs to amount to £250-300 million, primarily incurred between 2017 and 2020.

Heathrow expects the CAA to consult on the regulatory treatment of early construction costs (so called 'Category C' costs) before the end of 2017.

In addition, Heathrow will run the first of two public consultations later this year as it develops its DCO for submission to the Planning Inspectorate.

What an expanded Heathrow could look like



3. Regulatory and governmental developments

Next regulatory period

In December 2016, the CAA issued a formal notice to modify Heathrow's economic licence by extending Heathrow's current regulatory period by one year to 31 December 2019, rolling over the current price control of RPI-1.5% for the additional year. Following this decision, the CAA is expected to confirm whether it will further extend the current regulatory period by 30 June 2017.

In April 2017, the CAA published updated guidance on its business plan expectations for the next regulatory period ('H7'). These plans are due to encompass both existing business activities and new runway capacity. A further consultation on the regulatory framework is expected at the end of June 2017.

Taxation

As part of the G20 Organisation for Economic Co-operation and Development ('OECD') Base Erosion and Profit Shifting ('BEPS') project concerning proposals to limit the tax deductibility of corporate interest expense, the UK Government has released draft legislation and its response to the second consultation on the detailed design and implementation undertaken between May and August 2016.

The new corporate interest restriction is expected to be implemented with effect from 1 April 2017. The new rules cap deductions for net interest expense to the higher of 30% of tax-based EBITDA and the result of applying a group ratio rule ('GRR'). The Government's intention is that the GRR should enable UK businesses (such as Heathrow) to continue to obtain deductions on interest incurred on all external debt. In addition, to protect investment in infrastructure that has a public benefit (which includes airport operators), a Public Infrastructure Exemption ('PIE') was introduced.

Whilst the legislation could impact the future tax charge of the Group, Heathrow expects to be largely protected from the 30% of tax EBITDA cap through the use of the PIE and GRR. The position will be clarified when a second Finance Bill is introduced and becomes law. At the time of this Investor Report, it is unclear what impact the UK general election will have on the content or implementation of the proposed legislation.

4. Historical financial performance

This section summarises the results for the Group for the three months to 31 March 2017. A full description of performance is provided in the results published on 27 April 2017, available at the Investor Centre on heathrow.com.

EBITDA

In the first three months of 2017, EBITDA increased 4.1% to £382 million (2016: £367 million).

Revenue

In the first three months of 2017, revenue increased 2.0% to £655 million (2016: £642 million). This reflects flat aeronautical income as traffic growth was offset by lower charges, an increase of 8.8% in retail income and 0.9% in other income. Retail income, particularly in duty and tax-free and airside specialist shops, benefitted from increased passenger traffic and the depreciation of sterling since June 2016.

Operating costs (excluding depreciation, amortisation and exceptional items)

In the first three months of 2017, operating costs decreased 0.7% to £273 million (2016: £275 million). Cost control continues to be strong as the full benefits flow through from initiatives implemented since 2015, including reductions in energy consumption. The take-up of the voluntary severance programme, improvements in new entrant pay levels, automation and other workforce efficiencies are reducing employment costs. The changes made to the defined benefit pension scheme are driving further savings.

Regulatory Asset Base (RAB) and financial ratios

At 31 March 2017, the RAB was £15,323 million (31 December 2016: £15,237 million). At 31 March 2017, the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 67.9% for senior debt and 79.3% for junior debt (31 December 2016: 66.7% and 78.2% respectively) compared with respective trigger levels of 70.0% and 85.0%.

Interest payable and paid

In the first three months of 2017, net finance costs before certain re-measurements were £185 million (2016: £160 million). Net external interest paid was £161 million (2016: £179 million).

Net debt (excluding debenture between Heathrow (SP) Limited and Heathrow Finance plc)

At 31 March 2017, nominal net debt was £12,147 million (31 December 2016: £11,908 million), comprising £11,101 million in bond issues, £847 million in other term debt, £305 million outstanding under revolving credit facilities, £211 million in index-linked derivative accretion and cash at bank and term deposits of £317 million. Nominal net debt consisted of £10,407 million in senior net debt and £1,740 million in junior debt.

5. Forecast financial performance

EBITDA

EBITDA in 2017 is forecast to increase 3.2% to £1,735 million (2016: £1,682 million). This forecast reflects significant growth in retail income, offsetting a small reduction in aeronautical income due to a lower tariff in 2017. There will be continued focus on delivering operating efficiencies and reported operating costs are expected to reduce in 2017. The forecast has been upgraded by £75 million compared to December 2016's Investor Report to reflect stronger than anticipated traffic benefitting aeronautical and retail income together with increased retail income per passenger.

Traffic

Traffic in 2017 is forecast to increase 1.4% to 76.7 million passengers (2016: 75.7 million). The expected traffic growth is driven by the strong load factor performance observed since the end of 2016, offsetting a marginal decrease in the number of air transport movements. The increased forecast partly reflects the upgraded outlook for UK GDP growth in 2017.

Revenue

Revenue in 2017 is forecast to grow 1.5% to £2,849 million. Aeronautical income is forecast to reduce 0.7% to £1,687 million (2016: £1,699 million), mainly reflecting the impact of low RPI on the aeronautical tariff which has been partly offset by higher passenger volumes. Retail income is expected to grow 6.7% to £652 million (2016: £612 million) reflecting the benefits of significant capital investment in Terminal 5's luxury and Terminal 4's departure lounge offerings, as well as the effects of sterling's depreciation since the EU referendum and passenger growth.

Operating costs (excluding depreciation, amortisation and exceptional items)

Operating costs in 2017 are forecast to reduce 1.0% to £1,114 million (2016: £1,125 million). The reduction reflects the benefits from continued focus on energy demand management and the flow through of cost savings relating to organisational change. Forecast savings more than offset expected cost inflation and expenditure to improve passenger service and operational resilience.

Regulatory Asset Base

At the end of 2017, the RAB is forecast to be £15,803 million (2016: £15,237 million). This assumes capital expenditure of £817 million and an average RPI of 3.4%.

Net debt and financial ratios

At 31 December 2017, nominal net debt is forecast to be £12,276 million (2016: £11,908 million). Net external interest paid is forecast to be £494 million in 2017 (2016: £520 million), as recent lower cost debt financing continues to replace more expensive legacy debt.

At 31 December 2017, the Regulatory Asset Ratio (RAR) is forecast to be 66.6% for senior debt and 77.7% for junior debt (31 December 2016: 66.7% and 78.2%), slightly lower than the previous forecasts published in December 2016.

For the year ending 31 December 2017, the Interest Cover Ratio (ICR) is forecast to be 3.46x for senior debt and 2.75x for junior debt (2016: 3.12x and 2.50x).

All forecast financial ratios comply with Trigger Event ratios.

6. Financing matters

New financing and changes to facilities

Since the previous Investor Report was distributed on 14 December 2016, Heathrow has raised nearly £450 million in term debt financing. In March 2017, two additional banks committed a total of £68 million to the initial £350 million 3.75 year term loan signed in June 2016, increasing the overall size of the facility to £418 million. The facility was fully drawn in March 2017. Also in March 2017, a £100 million private placement from non-sterling sources was signed that will be drawn before the end of June 2017 and mature in 2033 and 2037. Outside the Security Group, in May 2017 Heathrow Finance issued a £275 million bond with a fixed rate coupon of 3.875% that matures in 2027. The proceeds of this transaction, combined with £75 million in loan facilities that are in the final stages of being negotiated that will initially be held at ADI Finance 2 Limited ('ADIF2') but migrate to Heathrow Finance by the end of 2019, will enable Heathrow to simplify its debt capital structure from 4 layers to 3 layers by repaying the existing £310 million in term loan facilities at ADIF2. Since the previous Investor Report was distributed on 14 December 2016, Heathrow Finance has also drawn £200 million in term loan facilities that were effectively utilized to refinance the Heathrow Finance bond that matured in March 2017 (see below).

Debt maturities and repayments

Since the previous Investor Report was distributed on 14 December 2016, €700 million (£584 million) and CHF400 million (£272 million) bonds issued by Heathrow Funding Limited have matured. In addition, Heathrow Airport Limited has made scheduled EIB loan repayments of £30 million. Outside the Security Group, a bond issued by Heathrow Finance that had £265 million nominal outstanding matured in March 2017.

Hedging

Since the previous Investor Report was distributed on 14 December 2016, Heathrow Funding has extended £28 million notional of index-linked swaps, previously maturing in 2020, by 10 years. At 31 May 2017, the total notional value of such instruments was £5,116 million, the same amount as was outstanding when the previous Investor Report was published on 14 December 2016.

At 31 May 2017, at least 86% and 59% of interest rate risk exposure on the Obligors' and Heathrow Funding's existing debt is hedged for the regulatory periods ending on 31 December 2019 and 31 December 2024 respectively. This is consistent with the requirement to hedge at least 75% and 50% of interest rate risk exposure over those periods.

6. Financing matters

Liquidity

The Security Group expects to have sufficient liquidity to meet all its obligations in full up to December 2018. The obligations include forecast capital investment, debt service costs, debt maturities and repayments and distributions. The liquidity forecast takes into account over £1.7 billion in committed but undrawn term debt and cash resources held at the Security Group and Heathrow Finance at 31 May 2017 (including the £275 million Heathrow Finance bond issued on 24 May 2017 that settled on 8 June 2017) and the expected operating cash flow over the period.

Historical and future restricted payments

The financing arrangements of the Security Group restrict certain payments unless specified conditions are satisfied. These restricted payments include, among other things, payments of dividends, distributions and other returns on share capital; any redemptions or repurchase of share capital; and payments of fees, interest or principal on any intercompany loans.

Since the previous Investor Report was distributed on 14 December 2016, there have been gross restricted payments of £495 million (net restricted payments £205 million) made by the Security Group. The net restricted payments funded the majority of the £194 million of quarterly dividends paid to the Security Group's ultimate shareholders in December 2016 and February 2017, £35 million of interest payments on the debenture between Heathrow (SP) and Heathrow Finance and £10 million in interest payments on loan facilities at ADI Finance 2 Limited ('ADIF2').

In the remainder of 2017, net restricted payments of around £280 million are expected to be made out of the Group. These will fund dividend payments to the Group's ultimate shareholders and debt service on both the debenture between Heathrow (SP) and Heathrow Finance and the ADIF2 loan facilities. This would take total expected net restricted payments out of the Group in 2017 to approximately £540 million.

The Group continues to operate a framework that aims to maintain a buffer between actual leverage levels and relevant leverage trigger and covenant levels. The amount of restricted payments is considered with reference to the framework and the Group's ability to continue to access stable financial markets to provide its ongoing funding needs.

7. Corporate matters

Acquisitions, disposals and joint ventures

There have been no material acquisitions, disposals and joint ventures entered into related to any Obligor since the previous Investor Report was distributed on 14 December 2016.

Outsourcing

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 14 December 2016.

Board and management changes

On 23 March 2017, Ali Bouzarif resigned as a director of Heathrow Airport Holdings Limited and was replaced by Sheikh Ahmed Bin Fahad Al-Thani on the same date.

On 9 January 2017, David Williamson resigned as a director of various Heathrow group companies including Heathrow Funding Limited, Heathrow (AH) Limited, Heathrow (SP) Limited and Heathrow Finance plc. On 17 January 2017, Nicholas Golding was appointed as a director of various Heathrow group companies including Heathrow Funding Limited, Heathrow (AH) Limited, Heathrow (SP) Limited and Heathrow Finance plc.

On 17 January 2017, Jonathan Coen resigned as a director of Heathrow Express Operating Company Limited and was replaced by Ross Baker. Simon Earles will resign as a director of Heathrow Express Operating Company Limited with effect from 30 June 2017.

Other than those outlined above, there have not been any other board or relevant management changes related to the Obligors or Heathrow Airport Holdings Limited since the previous Investor Report was distributed on 14 December 2016.

8. Confirmation

27 June 2017

To the Borrower Security Trustee, the Bond Trustee, each Rating Agency, the Paying Agents and each other Issuer Secured Creditor

We confirm that each of the Ratios set out on page 4 has been calculated in respect of the Relevant Period or as at the Relevant Date for which it is required to be calculated under the Common Terms Agreement.

We confirm that all forward-looking financial ratio calculations and projections:

- have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
- are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement; and
- are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).

We also confirm that:

- no Default or Trigger Event has occurred and is continuing;
- the Group is in compliance with the Hedging Policy; and
- this Investor Report is accurate in all material respects.

Javier Echave



Chief Financial Officer
For and on behalf of LHR Airports Limited as Security Group Agent

Appendix 1 - Quarterly passenger traffic (2008 to 2017)

Heathrow passenger traffic and air transport movement evolution

Change versus previous year (totals and changes based on unrounded data)

Passengers (m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan-Mar	15.4	14.4	14.6	15.0	15.7	16.0	16.0	16.4	16.8	17.2
Change %	0.6	-6.4	1.6	2.5	4.4	1.8	0.5	2.0	2.6	2.2
Apr-Jun	17.1	16.8	15.5	17.9	17.9	18.4	19.0	19.2	18.9	
Change %	-1.3	-1.5	-7.9	15.3	0.4	2.9	3.2	0.7	-1.1	
Jul-Sep	18.6	18.6	19.5	19.8	19.4	20.4	20.6	21.4	21.6	
Change %	-1.2	0.3	4.4	1.5	-2.0	5.5	0.7	3.9	0.9	
Oct-Dec	15.9	16.0	16.1	16.8	17.0	17.5	17.7	18.0	18.4	
Change %	-3.6	1.1	0.7	3.8	1.6	2.7	1.3	1.9	1.8	
Full year	66.9	65.9	65.7	69.4	70.0	72.3	73.4	75.0	75.7	
Change %	-1.4	-1.5	-0.2	5.5	0.9	3.4	1.4	2.2	1.0	
ATM ('000)	473	460	449	476	471	470	471	472	473	
Change %	-0.5	-2.8	-2.3	6.0	-1.0	-0.4	0.2	0.3	0.2	

Appendix 2 - Computation of Interest Cover Ratios ⁽¹⁾ ('ICR')

<i>(See important notice on page 2 of this document)</i>	Trigger level	Year to 31 December 2016	Year to 31 December 2017
		£m	£m
Cashflow from Operations ⁽²⁾		1,652	1,723
Add back: Cash one-off, non-recurring extraordinary or exceptional items			
Adjusted Cashflow from Operations		1,652	1,723
Less: corporation tax paid		(45)	(50)
Less: 2 per cent of Total RAB		(305)	(316)
Cash Flow (A)		1,302	1,357
Interest and equivalent recurring charges paid on Senior Debt ⁽³⁾⁽⁴⁾			
Interest paid – existing Class A bonds and swaps		414	371
Interest paid – existing Class A EIB facilities		1	1
Interest paid – other Class A debt		(5)	16
Commitment fees on liquidity and revolving credit facilities		7	4
Total interest on Senior Debt (B)		417	392
Interest and equivalent recurring charges paid on Junior Debt ⁽³⁾⁽⁴⁾			
Class B debt		103	102
Total interest on Junior Debt (C)		103	102
Total interest (D=B+C)		520	494
Senior ICR (A/B) ⁽⁵⁾⁽⁶⁾	1.40x	3.12x	3.46x
Junior ICR (A/D) ⁽⁵⁾⁽⁶⁾	1.20x	2.50x	2.75x

(1) 2017 figures are forecasts; values calculated on unrounded figures

(2) Reconciliation of cash flow from operations with Adjusted EBITDA is set out on page 17

(3) Reconciliation of interest paid with interest payable is set out on page 17

(4) Excludes interest on debenture between Heathrow (SP) Limited and Heathrow Finance plc as this is not included in calculation of ratios under the Common Terms Agreement

(5) Interest Cover Ratio is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid

(6) Ratios calculated on unrounded figures.

Appendix 2 - Computation of Interest Cover Ratios ⁽¹⁾ – reconciling income statement to cash flow

<i>(See important notice on page 2 of this document)</i>	31 December 2016	31 December 2017
	£m	£m
Income		
Aeronautical income	1,699	1,687
Non-aeronautical income - retail	612	652
Non-aeronautical income - non-retail	496	510
Total income	2,807	2,849
Adjusted operating costs⁽²⁾	1,125	1,114
Adjusted EBITDA	1,682	1,735
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Trade working capital	1	11
Pension	(31)	(23)
Cashflow from operations	1,652	1,723

	Year to 31 December 2017 ⁽¹⁾				Year to
	Income statement	Less	Less variation	Cash flow	31 December 2016
	incl amortisation ⁽³⁾⁽⁴⁾	amortisation ⁽³⁾	in accruals ⁽³⁾		Cash flow
	£m	£m	£m	£m	£m
Interest paid – existing Class A bonds and swaps	423	(68)	16	371	414
Interest paid – Class A EIB facilities	1	-	-	1	1
Interest paid and received – other Class A debt	17	(1)	-	16	(5)
Commitment fees on liquidity & RCFs ⁽⁵⁾	4	(1)	1	4	7
Interest paid - Class B debt	104	(2)	-	102	103
Total interest	549	(72)	17	494	520

(1) 2017 figures are forecasts; values calculated on unrounded figures

(2) Adjusted operating costs: operating costs excluding depreciation, amortisation and exceptional items.

(3) Excludes capitalised interest; Excludes interest on debenture between Heathrow (SP) Limited and Heathrow Finance plc as this is not included in calculation of ratios under the Common Terms Agreement

(4) Includes amortisation of refinancing fees and excludes accretion on Index Linked Swaps and bonds

(5) RCFs: Revolving Credit Facilities

Appendix 3 - Computation of Regulatory Asset Ratios ⁽¹⁾ ('RAR')

<i>(See important notice on page 2 of this document)</i>	Trigger level	At 31 December 2016	At 31 December 2017
		£m	£m
Closing Heathrow RAB (A)		15,237	15,803
Senior Debt			
Class A Existing Bonds (closed prior to 27 June 2017)		9,693	9,791
Class A EIB facilities		98	62
Other Class A debt		858	908
RPI swap accretion		179	365
Total Senior Debt (B)		10,828	11,126
Junior Debt			
Class B debt		1,740	1,746
Total Junior Debt (C)		1,740	1,746
Cash and cash equivalents (D)		(660)	(596)
Senior net debt (E=B+D)		10,168	10,530
Senior and junior net debt (F=B+C+D)		11,908	12,276
Senior RAR (E/A)⁽²⁾⁽³⁾⁽⁴⁾	70.0%	66.7%	66.6%
Junior RAR (F/A)⁽²⁾⁽⁴⁾	85.0%	78.2%	77.7%

(1) 2017 figures are forecasts; values calculated on unrounded figures

(2) Regulatory Asset Ratio is the ratio of nominal net debt (including index-linked accretion) to RAB (Regulatory Asset Base)

(3) Senior RAR does not take into account ability to reduce senior debt using undrawn junior debt under revolving credit facilities

(4) Ratios calculated on unrounded figures

Appendix 4 – Nominal consolidated net debt of Obligors, Heathrow Funding Limited and Heathrow Finance plc at 31 March 2017

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Senior debt			
€750m 4.6%	510	510	2018
C\$400m 4%	250	250	2019
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	201	201	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
£200m 7.075%	200	200	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	79	79	2032
€50m Zero Coupon	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	53	53	2039
£460m RPI +3.334%	569	569	2039
£100m RPI +1.238%	104	104	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	80	80	2049
£400m 2.75%	400	400	2049
Total senior bonds	9,361	9,361	
Term debt	847	847	Various
Index-linked derivative accretion	211	211	Various
Revolving/working capital facilities	305	900	2021
Total other senior debt	1,363	1,958	
Total senior debt	10,724	11,319	
Heathrow (SP) Limited cash	(317)		
Senior net debt	10,407		

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Junior debt			
£400m 6.25%	400	400	2018
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£180m RPI +1.061%	185	185	2036
Total junior bonds	1,740	1,740	
Junior revolving credit facilities	0	250	2021
Total junior debt	1,740	1,990	
Heathrow (SP) Limited group net debt	12,147		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
Total bonds	513	513	
£75m	75	75	2020
£50m	50	50	2022
£50m	50	75	2024
£75m	75	125	2025
£50m	50	50	2026
£150m	150	150	2028
Total loans	450	525	
Total Heathrow Finance plc debt	963	1,038	
Heathrow Finance plc cash	(13)		
Heathrow Finance plc net debt	950		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	10,724	11,319
Heathrow (SP) Limited junior debt	1,740	1,990
Heathrow Finance plc debt	963	1,038
Heathrow Finance plc group debt	13,427	14,347
Heathrow Finance plc group cash	(330)	
Heathrow Finance plc group net debt	13,097	

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

Appendix 5 – Additional information for Heathrow Finance plc creditors

<i>(See important notice on page 2 of this document)</i>	Covenant/Trigger level	As at or for year to 31 December 2016	As at or for year to 31 December 2017 ⁽¹⁾
		£m	£m
Calculation of Group ICR⁽²⁾			
Cash Flow (A)		1,302	1,357
Interest			
Paid on Senior Debt (B)		417	392
Paid on Junior Debt (C)		103	102
Paid on Borrowings (D)		59	58
Group Interest Paid (E=B+C+D)		579	552
Group ICR (A/E)	1.00x	2.25x	2.46x
Calculation of Group RAR⁽³⁾			
Total RAB (F)		15,237	15,803
Net debt			
Senior Net Debt (G)		10,168	10,530
Junior Debt (H)		1,740	1,746
Borrower Net Debt (I)		1,097	1,308
Group Net Debt (J=G+H+I)		13,005	13,584
Junior RAR ((G+H)/F)⁽⁴⁾	82.0%	78.2%	77.7%
Group RAR (J/F)⁽⁴⁾	90.0%	85.4%	86.0%

(1) 2017 figures are forecasts

(2) ICR or Interest Cover Ratio is defined on page 16

(3) RAR or Regulatory Asset Ratio is defined on page 18

(4) Ratios calculated on unrounded data

Heathrow

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