Heathrow (SP) Limited and Heathrow Finance plc

Investor Report

14 December 2015

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Important notice

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each of the Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

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') 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 issues due 2017, 2019 and 2025.

This Investor Report summarises the financial performance of the Security Group for the period to 30 September 2015 and its passenger traffic for the period to 30 November 2015. It also contains forecast financial information derived from current management forecasts for the Security Group for 2015 and 2016.

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.

Contents

1. Overview

This report sets out forecast financial performance and ratios for Heathrow (SP) in 2015 and 2016, together with key business highlights. Additional information specific to Heathrow Finance is set out in Appendix 5.

Heathrow has delivered its best ever passenger service in 2015 with 81% (2014: 77%) of passengers surveyed rating their experience as 'Excellent' or 'Very Good'. Heathrow is also handling a record number of passengers and expects traffic to be around 75 million in 2015.

Heathrow forecasts a solid EBITDA performance in 2015 with growth mainly reflecting strong traffic growth and good underlying cost control.

EBITDA in 2016 is forecast to grow by around 4% to £1,665 million. Revenue is forecast to rise over 1% to £2.8 billion. A significant increase in commercial revenue is expected to offset a small reduction in aeronautical revenue due to a lower tariff in 2016. There will be continued focus on delivering operating efficiencies and, together with the full year effect of initiatives delivered in 2015, operating costs are expected to reduce in 2016. Heathrow expects to be cash flow positive in 2015 and 2016 after capital expenditure and external interest costs. Interest costs are expected to reduce in 2016.

In July, the Airports Commission made a unanimous and unambiguous recommendation for Heathrow expansion. Heathrow has huge support both locally and nationally from business, trade unions, politicians and the UK aviation industry and is ready to deliver.

On 10 December 2015, the UK Government agreed that there is a need for more runway capacity in the south east of England, validating the findings of the Airports Commission. The Government will now undertake further analysis on environmental impacts, which is expected to conclude over the summer.

Heathrow has full confidence that expansion can be delivered within tough environmental limits and will now work with the Government to deliver the hub capacity that Britain needs.

Forecast financial performance
2015 and 2016 forecast

(£m unless stated)	2015	2016	Change
Summary financials			
Revenue	2,759	2,793	1.2%
EBITDA(1)	1,603	1,665	3.9%
Cashflow from operations(2)	1,573	1,652	5.0%
Regulatory Asset Base (RAB)	14,926	15,256	2.2%
Nominal net debt			
Senior net debt	10,160	10,119	-0.4%
Junior net debt	1,670	1,738	4.1%
Consolidated net debt	**11,830**	**11,857**	0.2%
Interest paid			
Senior interest paid	429	418	-2.6%
Junior interest paid	101	101	0.0%
Total interest paid	**530**	**519**	-2.1%
Ratios(3)			**Trigger**
Senior (Class A) RAR	68.1%	66.3%	70.0%
Junior (Class B) RAR	79.3%	77.7%	85.0%
Senior (Class A) ICR	2.90x	3.09x	1.40x
Junior (Class B) ICR	2.35x	2.49x	1.20x

All forecast financial ratios comply with Trigger Event ratios

(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

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2. Business developments - service standards and traffic

Service Standards

Heathrow was named the 'Best Airport in Western Europe' for the first time at the 2015 Skytrax World Airport Awards. In addition, Terminal 5 was voted the world's 'Best Airport Terminal' for the fourth year in a row and Heathrow voted 'Best Airport for Shopping' for the sixth time.

Heathrow delivered its best ever passenger service in the first nine months of 2015 with 81% (2014: 77%) of passengers surveyed rating their experience as 'Excellent' or 'Very Good'. For a seventh consecutive quarter Heathrow has achieved a service quality score above 4.00 whilst increasing passenger numbers.

In the year to 30 September 2015, Heathrow rebated £6.5 million under the SQR scheme, of which £4.2 million related to the display of flight information following the introduction of new standards in 2014. The remainder related to security queuing in late 2014.

Traffic

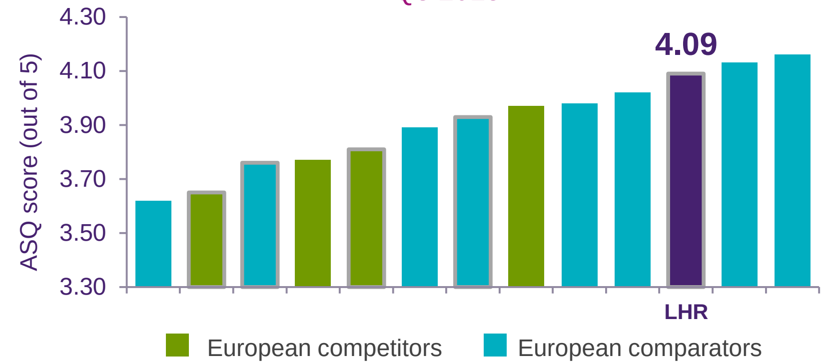
Heathrow traffic increased 2.4% to 69.1 million (2014: 67.4 million) in the eleven months ended 30 November 2015.

European traffic was up 4.2% largely reflecting increased seat capacity by British Airways. Intercontinental traffic rose 1.5% with increased frequencies on North America leading to a rise of 1.9%. Middle East traffic grew 5.7% reflecting increased flights and larger aircraft. Asia Pacific traffic remained flat for the year. Significant growth on routes serving China and Hong Kong substantially offset reduced traffic elsewhere in the region. Latin American traffic grew 8.4% reflecting Avianca's new route to Colombia, more frequencies to Mexico and traffic growth in Brazil.

Heathrow – Best Airport in Western Europe
Terminal 5 – World's Best Airport Terminal since 2012
Heathrow – World's Best Airport Shopping since 2010

Passenger satisfaction European ranking

Q3 2015



Traffic and operating statistics

11 months to end November	2014	**2015**	Change
Traffic by market (m)			(%)
UK	4.9	**4.8**	-1.6
Europe	27.7	**28.8**	4.2
North America	15.6	**15.9**	1.9
Asia Pacific	9.6	**9.6**	0.2
Middle East	5.5	**5.8**	5.7
Africa	3.2	**3.0**	-6.4
Latin America	1.0	**1.1**	8.4
Total passengers (m)	**67.4**	**69.1**	**2.4**
ATM ('000)	433	**435**	0.3
Seats per aircraft	204	**208**	2.1
Load factor (%)	76.6	**76.6**	0.0pts

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

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2. Business developments - business plan

Heathrow's business plan for the 2014-2018 period aims to improve Heathrow's customer service, strengthen operational resilience, and deliver an ambitious programme of cost efficiencies and revenue growth.

Progress to date

Since the start of 2014, Heathrow has secured cost efficiencies expected to be worth over £400 million over the business plan period, out of the target £600 million. In April 2015, Heathrow entered into a 10 year strategic partnership agreement with NATS to incentivise improved resilience, noise and punctuality performance whilst reducing costs. A voluntary severance scheme and revised new entrant pay levels within the security operations were introduced in 2015. In October, following consultation, changes were implemented to the terms of the company's defined benefit pension scheme which reduce ongoing costs and enable the scheme to remain open. The changes, which apply to the scheme's active members, include the introduction of an annual cap on future increases to pensionable pay, a lower benefit accrual rate and a cap on annual increases to pension payments at retirement. In addition during 2015, Heathrow brought forward the closure of Terminal 1, enhanced operational productivity and implemented initiatives to reduce energy consumption.

In addition, over £150 million in commercial revenue improvements have been secured out of the target of £270 million. These commercial initiatives include the benefit of significant investment in the Terminal 5 luxury retail offering, a new World Duty Free store in Terminal 5, new independent lounges in Terminals 4 and 5, and a new Terminal 5 business car park. In addition, the revised long term contract with World Duty Free is delivering benefit through the regulatory period.

Business plan to 2018

EBITDA growth is expected with the ongoing delivery of cost efficiencies and revenue initiatives. Planned cost efficiencies include further improvements in operational productivity, extending the voluntary severance programme, continued energy efficiency measures and supply chain savings. Commercial revenue growth will stem from activities including further investment in the Terminal 5 and Terminal 4 retail offerings, new business centres and hotels, digital technologies and other activities to stimulate retail spend and car parking revenues.

Planned capital expenditure for the Q6 regulatory period from 1 April 2014 to 31 December 2018 is currently forecast to be £2.9 billion. 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 £350 million project to implement latest generation hold baggage screening equipment. In line with the regulatory settlement, the capital programme may increase to up to £3.3 billion. This is subject to the further scoping of the remaining individual projects and corresponding approval of business cases.

3. Governmental developments – Heathrow expansion

In July, the Airports Commission gave a unanimous and unambiguous recommendation for Heathrow's north west runway plan. This followed three years of extensive analysis and consultation. The Commission confirmed that expanding Heathrow would have the greatest economic benefit for the UK and can be delivered while reducing noise for local communities and within EU air quality limits.

Heathrow can connect the whole of the UK with the growing markets of the world. Today, Heathrow has over 80 long haul connections and, with expansion, can support up to 40 new long haul connections to emerging growth markets. The economic benefit to the UK of expanding Heathrow is up to £211 billion, creating 180,000 jobs nationally, 40,000 new jobs locally and doubling the number of apprenticeships to 10,000.

Support for Heathrow's expansion continues to grow. Independent polling has shown that expansion has strong support in local constituencies and the local authorities of Spelthorne and Slough. British business and trade unions strongly support expansion at Heathrow. The British Chambers of Commerce with more than 30 local Chambers of Commerce across the whole of the UK are in support, as well as the Confederation of British Industry, Institute of Directors, CityUK, Federation of Small Business and London First. Trade unions, including the Trade Union Congress, the Unite and GMB unions have joined business leaders to urge Government to make a swift decision. In addition, 37 airports have declared their support for Heathrow expansion as it provides a means to enhance domestic connectivity driving growth in their local communities.

Heathrow plans to fund the £16 billion expansion programme as an integral part of the existing business through its established and scalable financing platform and intends to target its existing investment grade credit ratings. Heathrow is by far the largest wholly-privately funded airport in the world and has successfully attracted global investors to fund £11 billion of investment over the last decade. The major funding requirement is not expected until planning consent is obtained, which is expected by 2020, with the new runway operational from 2025. A programme team is being established to develop detailed designs and plans in order to obtain planning consent in 2020.

On 10 December 2015, the UK Government agreed that there is a need for more runway capacity in the south east of England, validating the findings of the Airports Commission. The Government will now undertake further analysis on environmental impacts. The Government has committed to undertake the work quickly so that the timetable for delivering capacity set out by the Airports Commission can be met.

Heathrow has full confidence that expansion can be delivered within tough environmental limits and will now work with the Government to deliver the hub capacity that Britain needs.

4. Historical financial performance

This section summarises the results for the Heathrow (SP) group for the nine months to 30 September 2015. A full description of performance is provided in the results published on 28 October 2015, available at the Investor Centre on heathrow.com.

EBITDA

In the first nine months of 2015, EBITDA increased 4.4% to £1,224 million (2014: £1,172 million).

Revenue

In the first nine months of 2015, revenue increased 4.1% to £2,068 million (2014: £1,986 million). This reflects an increase of 3.0% in aeronautical income mainly from traffic and tariff increases, 5.9% in retail income and 6.2% in other income. Retail revenue growth reflects strong performance in car parking, airside shops, bureaux de change and catering. Growth has been moderated in part by an extensive refurbishment in Terminal 5, which will further enhance the shopping experience at Heathrow.

Operating costs (excluding depreciation, amortisation and exceptional items)

In the first nine months of 2015, operating costs increased 3.7% to £844 million (2014: £814 million). Overall costs reflect around £30 million related to the incremental operation of Terminal 2, Terminal 3 baggage facility operations and expansion planning activities.

There was a small decrease in underlying costs reflecting the focus on employment costs, with increased productivity achieved within operations and the benefit of lower overall headcount. These efficiencies are partially offset by inflation and higher pension costs which are due to reduce with changes agreed to the defined benefit pension scheme. Maintenance and engineering costs benefit from the revised baggage systems operations and maintenance contract, which is delivering substantial benefit over the regulatory period.

Regulatory Asset Base (RAB) and financial ratios

At 30 September 2015, the RAB was £14,891 million (31 December 2014: £14,860 million). At 30 September 2015 the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 67.5% for senior debt and 78.7% for junior debt (31 December 2014: 68.0% and 78.4% respectively) compared with respective trigger levels of 70.0% and 85.0%.

Interest payable and paid

In the first nine months of 2015, net finance costs before certain re-measurements were £525 million (2014: £600 million), the reduction mainly reflects lower index-linked accretion due to low inflation. Net external interest paid was £440 million (2014: £416 million).

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

At 30 September 2015, nominal net debt was £11,720 million, (31 December 2014: £11,653 million), comprising £11,821 million in bond issues, £328 million in term notes and loan facilities, £302 million in index-linked derivative accretion and cash at bank and term deposits of £731 million. Nominal net debt consisted of £10,050 million in senior net debt and £1,670 million in junior debt.

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5. Forecast financial performance

EBITDA

Heathrow forecasts EBITDA for 2015 of £1,603 million, up 2.3% (2014: £1,567 million), reflecting solid performance across all revenue streams, as well as strong delivery of operating cost efficiencies, which have mitigated cost increases from new facilities.

EBITDA in 2016 is forecast to increase a further 3.9% to £1,665 million. These forecasts reflect significant growth in commercial revenue, offsetting a small reduction in aeronautical revenue due to a decreasing tariff in 2016. There will be continued focus on delivering operating efficiencies and, together with the full year effect of initiatives delivered in 2015, operating costs are expected to reduce in 2016.

Traffic

Revenue forecasts for 2015 are based on traffic growth of 2.1% to 74.9 million passengers (2014: 73.4 million). Traffic in 2016 is forecast to increase a further 1.1% to 75.7 million passengers with a continued increase in average seats per aircraft movement. Traffic growth in 2016 is mainly expected from routes serving North America, the Middle East and Latin America. These near term forecasts do not include allowance for demand shocks. This is consistent with Heathrow’s approach to traffic forecasting where only medium and long-term forecasts make an allowance for potential shocks.

Revenue

Revenue in 2015 is forecast to grow 2.5% to £2,759 million (2014: £2,692 million), with aeronautical income up 1.1% to £1,724 million (2014: £1,706 million) mainly reflecting increased traffic. Retail revenue is expected to increase by 6.4% to £535 million, with non-retail income up 3.7% to £500 million. Non aeronautical revenue in 2015 has benefitted from significant investment in the luxury retail offering in Terminal 5, an increased car parking product range and growth in utility and property income.

Revenue in 2016 is forecast to grow 1.2% to £2,793 million. Aeronautical revenue is forecast to be slightly lower than 2015, mainly reflecting the impact of low RPI on the aeronautical tariff. Retail income is expected to grow substantially reflecting the full year benefit of capital investment in the terminals, as well as higher car parking and ancillary revenues.

Operating costs (excluding depreciation, amortisation and exceptional items)

Operating costs in 2015 are forecast to be £1,156 million, a rise of 2.8%. The increase in costs mainly reflects the operation of the new Terminal 2 for a full year, the new Terminal 3 baggage facility and expansion planning costs.

Operating costs in 2016 are forecast to reduce slightly. The reduction reflects the full year effect of cost efficiencies implemented during 2015, the full year closure of Terminal 1 and implementation of further initiatives. These savings more than offset expected cost inflation and planned additional expenditure to improve passenger service and operational resilience.

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6. Financing matters

Regulatory Asset Base

At 31 December 2015, the RAB is forecast to be £14,926 million (2014: £14,860 million) including around £600 million capital expenditure in 2015. At the end of 2016, the RAB is forecast to be £15,256 million. The forecast assumes capital expenditure of around £730 million and an average RPI of 1.3%.

Net debt and financial ratios

At 31 December 2015, nominal net debt is forecast to be £11,830 million (2014: £11,653 million) and is forecast to be £11,856 million at 31 December 2016. Net external interest paid is forecast to reduce from £530 million in 2015 to £519 million in 2016, as the lower cost of recent debt financing starts to replace older higher cost financing.

At 31 December 2015, the Regulatory Asset Ratio (RAR) is forecast to be 68.1% for senior debt and 79.3% for junior debt (31 December 2014: 68.0% and 78.4%). At the end of 2016, the RAR is forecast to be 66.3% for senior debt and 77.7% for junior debt.

For the year ending 31 December 2015, the Interest Cover Ratio (ICR) is forecast to be 2.90x for senior debt and 2.35x for junior debt (2014: 2.98x and 2.43x). At the end of 2016, the ICR is forecast to be 3.09x for senior debt and 2.49x for junior debt.

All forecast financial ratios comply with Trigger Event ratios.

New financing and changes to facilities

Since the previous Investor Report was distributed on 26 June 2015, Heathrow Funding has raised £65 million through private placements, which will be drawn in April 2016. In addition, the £80 million 15 year and £70 million 20 year private placements, which were priced during the first half of the year, were drawn in July and October 2015 respectively.

Since the previous Investor Report was distributed on 26 June 2015, Heathrow Airport Limited has made scheduled EIB loan repayments of £8.7 million. Heathrow Airport Limited has also extended the maturity of its £1.4 billion core revolving credit facilities by one year from November 2019 to November 2020 and cancelled £75 million of its £150 million Class B revolving credit facility.

Outside the Security Group, since the publication of the previous Investor Report, Heathrow Finance has entered into one term loan totalling £50 million with a tenor of 4 years and pricing over LIBOR of 3.00% which will be drawn in March 2016.

Hedging

Since the previous Investor Report was distributed on 26 June 2015, Heathrow Funding has entered into £150 million of additional index-linked swaps and £800 million of interest rate swaps. At 30 September 2015 the total notional value of such instruments was £5,416 million and £2,913 million respectively.

At 30 September 2015, at least 87.0% and 59.0% of interest rate risk exposure on the Obligors' and Heathrow Funding's existing debt is hedged for the regulatory periods ending on 31 December 2018 and 31 December 2023 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

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 26 June 2015, there have been net restricted payments of £150 million (gross restricted payments £200 million) made by the Security Group. This funded £34 million of interest payments on the debenture between Heathrow (SP) and Heathrow Finance, £16 million in interest payments on loan facilities at ADI Finance 2 Limited ('ADIF2') and £100 million of the £150 million of quarterly dividends paid to shareholders in June and July 2015.

In the remainder of 2015, restricted payments of approximately £170 million are expected to be made out of the Group. These will fund a £75 million dividend payment to the Group's ultimate shareholders, £78 million on the expected repayment of a Heathrow Finance loan facility and a £15 million interest payment under the ADIF2 loan facilities. This takes the expected total net restricted payments out of the Group in 2015 to approximately £400 million (gross restricted payments £525 million).

Restricted payments in 2016 are projected to be approximately £400 million, mainly comprising regular dividend payments to the Group's ultimate shareholders, consistent with 2015. Other restricted payments, including interest payments on debt held at Heathrow Finance and ADIF2, are expected to total approximately £100 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.

Liquidity

The Security Group expects to have sufficient liquidity to meet all its obligations in full up to June 2017. The obligations include forecast capital investment, debt service costs, debt maturities and distributions. The liquidity forecast takes into account around £2.4 billion in undrawn loan facilities and cash resources held at the Security Group and Heathrow Finance at 30 November 2015, £115 million in committed term debt financing to be drawn after 30 November 2015 and the expected operating cash flow over the period.

7. Acquisitions, disposals, joint ventures and outsourcing

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 26 June 2015.

Outsourcing

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 26 June 2015.

8. Significant board and management changes

Board changes

On 23 September 2015, Yan Wang became a director of Heathrow Airport Holdings Limited, replacing Qing Zhang.

On 27 October 2015, Olivier Fortin became a director of Heathrow Airport Holdings Limited, replacing Eric Lachance.

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 26 June 2015.

9. Confirmation

14 December 2015

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.

Michael Uzielli

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

Appendix 1 - Quarterly passenger traffic (2008 to 2015)

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
Jan-Mar	**15.4**	**14.4**	**14.6**	**15.0**	**15.7**	**16.0**	**16.0**	**16.4**
Change %	0.6	-6.4	1.6	2.5	4.4	1.8	0.5	2.0
Apr-Jun	**17.1**	**16.8**	**15.5**	**17.9**	**17.9**	**18.4**	**19.0**	**19.2**
Change %	-1.3	-1.5	-7.9	15.3	0.4	2.9	3.2	0.7
Jul-Sep	**18.6**	**18.6**	**19.5**	**19.8**	**19.4**	**20.4**	**20.6**	**21.4**
Change %	-1.2	0.3	4.4	1.5	-2.0	5.5	0.7	3.9
Oct-Dec	**15.9**	**16**	**16.1**	**16.8**	**17.0**	**17.5**	**17.7**	**18.0**
Change %	-3.6	1.1	0.7	3.8	1.6	2.7	1.3	1.6
Full year	**66.9**	**65.9**	**65.7**	**69.4**	**70.0**	**72.3**	**73.4**	**74.9**
Change %	-1.4	-1.5	-0.2	5.5	0.9	3.4	1.4	2.1
ATM ('000)	**473**	**460**	**449**	**476**	**471**	**470**	**471**	**471**
Change %	-0.5	-2.8	-2.3	6.0	-1.0	-0.4	0.2	0.1

Forecast

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

(See important notice on page 2 of this document)	level	31 December 2015	31 December 2016
		£m	£m
Cashflow from Operations[2]		1,553	1,652
Add back: Cash one-off, non-recurring extraordinary or exceptional items		20	0
Adjusted Cashflow from Operations		1,573	1,652
Less: corporation tax paid		(30)	(54)
Less: 2 per cent of Total RAB		(298)	(305)
Cash Flow (A)		**1,245**	**1,293**
Interest and equivalent recurring charges paid on Senior Debt[3][4]			
Interest paid – existing Class A bonds and swaps		424	406
Interest paid – existing Class A EIB facilities		2	2
Interest paid and received – other Class A debt		(1)	4
Commitment fees on liquidity and revolving credit facilities		4	6
Total interest on Senior Debt (B)		**429**	**418**
Interest and equivalent recurring charges paid on Junior Debt[3][4]			
Class B debt		101	101
Total interest on Junior Debt (C)		**101**	**101**
Total interest (D=B+C)		**530**	**519**
Senior ICR (A/B)[5][6]	**1.40x**	**2.90x**	**3.09x**
Junior ICR (A/D)[5][6]	**1.20x**	**2.35x**	**2.49x**

(1) 2015 and 2016 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

(See important notice on page 2 of this document)	31 December 2015	31 December 2016
	£m	£m
Income		
Aeronautical income	1,724	1,708
Non-aeronautical income - retail	535	578
Non-aeronautical income - non-retail	500	507
Total income	**2,759**	**2,793**
Adjusted operating costs[2]	1,156	1,128
Adjusted EBITDA	**1,603**	**1,665**
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Cash exceptional	(20)	0
Trade working capital	(10)	28
Pension	(20)	(41)
Cashflow from operations	**1,553**	**1,652**

	Year to 31 December 2016 [1]				Year to 31 December 2015
	Income statement incl amortisation[3][4]	Less amortisation[3]	Less variation in accruals[3]	Cash flow	Cash flow
	£m	£m	£m	£m	£m
Interest paid – existing Class A bonds and swaps [5]	462	(67)	11	406	424
Interest paid – Class A EIB facilities	2			2	2
Interest paid and received – other Class A debt	18	(2)	(12)	4	(1)
Commitment fees on liquidity & RCFs [6]	6			6	4
Interest paid - Class B debt	103	(2)		101	101
Total interest	**591**	**(71)**	**(1)**	**519**	**530**

(1) 2015 and 2016 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 swap prepayments but excludes accretion on Index Linked Swaps
(5) Excludes interest rate swap cancellations
(6) RCFs: Revolving Credit Facilities

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

(See important notice on page 2 of this document)	Trigger level	At 31 December 2015	At 31 December 2016
		£m	£m
Closing Heathrow RAB (A)		**14,926**	**15,256**
Senior Debt			
Class A Existing Bonds (closed prior to 14 December 2015)		10,153	9,437
Class A EIB facilities		137	98
Other Class A debt		350	1,501
RPI swap accretion		252	204
Total Senior Debt (B)		**10,892**	**11,240**
Junior Debt			
Class B debt		1,670	1,738
Total Junior Debt (C)		**1,670**	**1,738**
Cash and cash equivalents (D)		(732)	(1,121)
Senior net debt (E=B+D)		**10,160**	**10,119**
Senior and junior net debt (F=B+C+D)		**11,830**	**11,857**
Senior RAR (E/A)[2][3][4]	**70.0%**	**68.1%**	**66.3%**
Junior RAR (F/A)[2][4]	**85.0%**	**79.3%**	**77.7%**

(1) 2015 and 2016 figures are forecasts.
(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

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Appendix 4 – Nominal consolidated net debt of Obligors, Heathrow Funding Limited and Heathrow Finance plc at 30 September 2015

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	**(£m)**	**(£m)**	
£300m 12.45%	300	300	2016
€500m 4.125%	434	434	2016
€700m 4.375%	584	584	2017
CHF400m 2.5%	272	272	2017
€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%	195	195	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
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
€750m 1.5%	566	566	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon (1)	42	42	2032
£75m RPI +1.366%	77	77	2032
€50m Zero Coupon (2)	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon (3)	40	40	2034
£50m RPI +1.382%	51	51	2039
£460m RPI +3.334%	553	553	2039
£100m RPI +1.238%	101	101	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	77	77	2049
Total senior bonds	**10,151**	**10,151**	
Term debt	328	328	Various
Index-linked derivative accretion	302	302	Various
Revolving/working capital facilities	0	1,100	2019
Total other senior debt	**630**	**1,730**	
Total senior debt	**10,781**	**11,881**	
Heathrow (SP) Limited cash	**(731)**		
Senior net debt	**10,050**		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	**(£m)**	**(£m)**	
£400m 6.25%	400	400	2018
£400m 6%	400	400	2020
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£115m RPI+1.061%	115	115	2036
Total junior bonds	**1,670**	**1,670**	
Junior revolving credit facilities	0	450	2018/20
Total junior debt	**1,670**	**2,120**	
Heathrow (SP) Limited group net debt	**11,720**		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	**(£m)**	
£325m 7.125%	293	293	2017
£275m 5.375%	263	263	2019
£250m 5.75%	250	250	2025
Total bonds	**806**	**806**	
£78m	78	78	2019
£25m	25	25	2020
£50m	50	50	2022
£50m	50	50	2025
Total loans	**203**	**203**	
Total Heathrow Finance plc debt	**1,009**	**1,009**	
Heathrow Finance plc cash	**(9)**		
Heathrow Finance plc net debt	**1,000**		

Heathrow Finance plc group	Amount	Available
	(£m)	**(£m)**
Heathrow (SP) Limited senior debt	**10,781**	**11,881**
Heathrow (SP) Limited junior debt	**1,670**	**2,120**
Heathrow Finance plc debt	**1,009**	**1,009**
Heathrow Finance plc group debt	**13,460**	**15,010**
Heathrow Finance plc group cash	**(740)**	
Heathrow Finance plc group net debt	**12,720**	

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

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Appendix 5 – Additional information for Heathrow Finance plc creditors

(See important notice on page 2 of this document)	Covenant/Trigger level	As at or for year to 31 December 2015	As at or for year to 31 December 2016
		£m	£m
Calculation of Group ICR[2]			
Cash Flow (A)		**1,245**	**1,293**
Interest			
Paid on Senior Debt (B)		429	418
Paid on Junior Debt (C)		101	101
Paid on Borrowings (D)		60	60
Group Interest Paid (E=B+C+D)		**590**	**579**
Group ICR (A/E)	**1.00x**	**2.11x**	**2.23x**
Calculation of Group RAR[3]			
Total RAB (F)		14,926	15,256
Net debt			
Senior Net Debt (G)		10,160	10,119
Junior Debt (H)		1,670	1,738
Borrower Net Debt (I)		914	1,062
Group Net Debt (J=G+H+I)		**12,744**	**12,919**
Junior RAR ((G+H)/F)[4]	**82.0%**	**79.3%**	**77.7%**
Group RAR (J/F)[4]	**90.0%**	**85.4%**	**84.7%**

(1) 2015 and 2016 figures are forecasts
(2) ICR or Interest Cover Ratio is defined on page 16
(3) RAR or Regulatory Asset Ratio is defined on page 17
(4) Ratios calculated on unrounded data

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