Heathrow (SP) Limited and Heathrow Finance plc

Investor Report

23 June 2016

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Important notice

This Investor Report contains forward looking statements that reflect the current judgment of the management 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’) 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 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 issuance maturing in 2017, 2019 and 2025.

This Investor Report summarises the financial performance of Heathrow (SP) and its subsidiaries (the ‘Group’) for the period to 31 March 2016 and its passenger traffic for the period to 31 May 2016. It also contains forecast financial information derived from current management forecasts for Heathrow (SP) and its subsidiaries (the ‘Group’) for the whole of 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 actual and forecast financial performance and ratios for Heathrow (SP) in 2015 and 2016 respectively, together with key business highlights. Additional information specific to Heathrow Finance is set out in Appendix 5.

Heathrow forecasts a solid EBITDA performance in 2016. EBITDA is forecast to grow by 4.5% to £1,678 million a marginal change from the previous forecast. Revenue is forecast to rise 0.9% 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 is 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 2016 after capital expenditure and external interest costs. Interest costs are expected to reduce in 2016.

The key historic and forecast financial ratios for 2015 and 2016 respectively comply with Trigger Event ratios.

Following the unanimous and clear recommendation of the independent Airports Commission for Heathrow's North West runway expansion proposal in July 2015, the UK Government agreed with the Commission in December that there is a need for more runway capacity in the south east of England by 2030. The Government is undertaking further analysis on the Airports Commission's shortlisted options to develop 'the best possible package of measures to mitigate the impacts on local people and the environment'. This work is expected to conclude during the summer of 2016. On 11 May 2016, Heathrow announced that it will meet and, in most cases, exceed the conditions set in the Airports Commission's recommendation for Heathrow expansion, which in particular included tough environmental, noise and community related conditions. This should enable the government to make the right choice for Britain. Heathrow is committed to working with the Government to deliver the hub capacity that Britain needs.

2015 and 2016 financial performance

(£m unless stated)	2015 (A)	2016 (F)	Change
Summary financials			
Revenue	2,765	2,789	0.9%
EBITDA(1)	1,605	1,678	4.5%
Cashflow from operations(2)	1,592	1,664	4.5%
Regulatory Asset Base (RAB)	14,921	15,188	1.8%
Nominal net debt			
Senior net debt	10,075	9,965	-1.1%
Junior net debt	1,670	1,739	4.1%
Consolidated net debt	**11,745**	**11,704**	-0.3%
Interest paid			
Senior interest paid	438	413	-5.7%
Junior interest paid	101	101	0.0%
Total interest paid	**539**	**515**	-4.5%
Ratios(3)			**Trigger**
Senior (Class A) RAR	67.5%	65.6%	70.0%
Junior (Class B) RAR	78.7%	77.1%	85.0%
Senior (Class A) ICR	2.90x	3.18x	1.40x
Junior (Class B) ICR	2.36x	2.55x	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

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2. Business developments - service standards and traffic

Service Standards

Heathrow continues to deliver high quality passenger service, with 81% of passengers rating their Heathrow experience as 'Excellent' or 'Very Good' in the first quarter of 2016 and Heathrow achieving a 4.12 (out of 5.00) score in the independent Airport Service Quality survey for the period. Passengers voted Heathrow the 'Best Airport in Western Europe' for the second successive year at the 2016 Skytrax World Airport Awards, Terminal 5 was voted the world's 'Best Airport Terminal' for the fifth successive year and Heathrow was voted 'Best Airport for Shopping' for the seventh successive year. Heathrow was also awarded ACI Europe's Best Airport Award for the third time.

Focus on operational resilience contributed to improved punctuality in the first quarter of 2016, with 83.7% of flights departing within 15 minutes of schedule (Q1 2015: 81.4%). The focus on baggage performance has resulted in an improved misconnect rate of 13 per 1,000 passengers (Q1 2015: 19 per 1,000).

In the 12 months to 31 May 2016, Heathrow rebated £0.7 million under the SQR scheme, of which £0.6 million related to flight information displays and wayfinding.

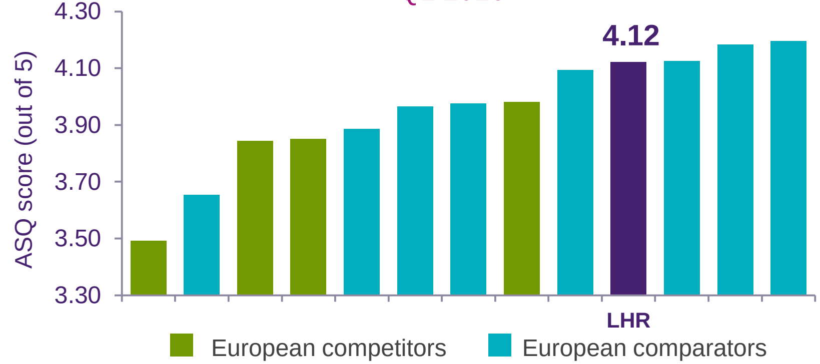
Traffic

Heathrow traffic increased 1.0% to 29.1 million (2015: 28.8 million) in the five months ended 31 May 2016. The 2016 leap year contributed around 0.7% to the growth.

Long haul traffic increased 2.0%, from more North American services including a new route to San Jose, larger aircraft to the Middle East and new airlines serving Asia including Vietnam Airways and Garuda Airlines, which is the latest airline to move services from Gatwick to Heathrow. Short haul traffic reflected increased seat capacity and passengers on European routes, more than offset by reduced domestic traffic following Virgin Little Red ceasing operations in 2015.

Heathrow – Best Airport in Western Europe since 2015
Terminal 5 – World's Best Airport Terminal since 2012
Heathrow – World's Best Airport Shopping since 2010

Passenger satisfaction European ranking
Q1 2016



Traffic and operating statistics

5 months to end May	2015	2016	Change
Traffic by market (m)			(%)
UK	2.1	**1.8**	-12.6
Europe	11.9	**12.1**	2.0
North America	6.4	**6.5**	1.0
Asia Pacific	4.1	**4.3**	3.1
Middle East	2.5	**2.7**	7.2
Africa	1.4	**1.3**	-6.4
Latin America	0.5	**0.5**	4.1
Total passengers (m)	28.8	**29.1**	**1.0**
ATM ('000)	192	**192**	0.3
Seats per aircraft	207	**210**	1.4
Load factor (%)	72.6	**72.0**	-0.6pts

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

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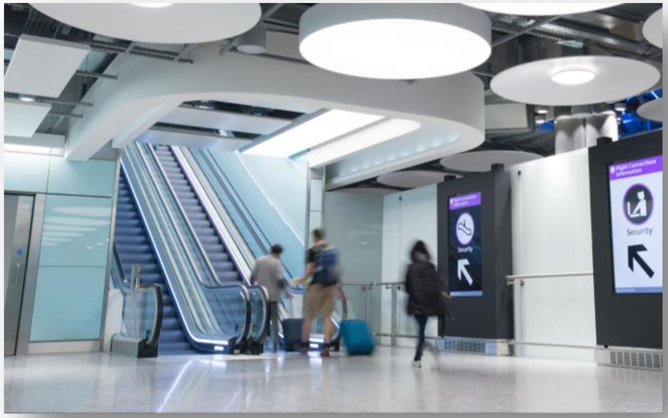
2. Business developments

Business plan to 2018

Heathrow's business plan for the 2014-2018 period improves Heathrow's customer service, strengthens operational resilience and delivers an ambitious programme of cost efficiencies and revenue growth. Heathrow has focused on delivering a sustainable cost base and well over £450 million of efficiencies have now been secured, out of the £600 million business plan target. A voluntary severance scheme and revised new entrant pay levels within the security operations have been introduced and almost 15% of security officers are now on new terms and conditions. A three year pay offer was approved by members following a ballot in February 2016 and further contract improvements have been secured with suppliers.

The benefits of investment in Terminal 5 retail outlets and new car parking capacity contribute strongly to the £150 million of incremental commercial revenues secured for the regulatory period, out of the £270 million target.

T5 flight connections escalator eases transfer pressure at peak times

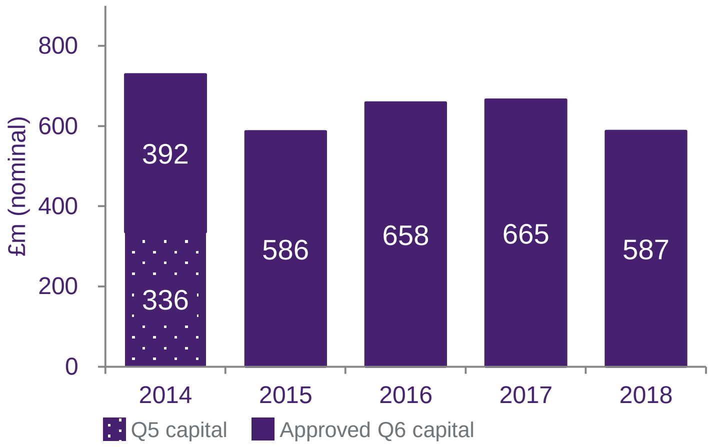


Capital investment plan

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 £455 million project to install latest generation hold baggage screening equipment. In 2016, the capital programme includes the installation of 2 additional escalators in Terminal 5 to ease increasing transfer flows through security. Major tunnel refurbishment works are taking place through the year.

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.

Forecast capital expenditure profile



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3. Governmental developments

Next regulatory period

On 1 March 2016, the CAA published its "Strategic Themes for the Review of Heathrow Airport's Charges (H7)" document and detailed the CAA's four key priorities for the next regulatory period, as well as the key process milestones and a proposal for constructive engagement. It should be noted, the CAA has changed its naming convention and the next regulatory period after the current "Q6" period will be known as "H7", denoting Heathrow's 7th regulatory control period. Heathrow responded to the document at the end of April. Heathrow expects the CAA review to be focused on consumer outcomes, resilience and efficiency. The CAA is to confirm process and timings over the next few months.

Heathrow expansion

A new third runway to the north west of Heathrow would deliver a world leading, ambitious and affordable plan which balances the huge national and local economic gain from expansion with the environmental impacts.

In May 2016, Heathrow confirmed that it will meet and, in most cases, exceed the conditions for expansion set out by the Airports Commission. Heathrow is committed to working with airlines to deliver an expanded Heathrow that is affordable for passengers and airlines, whilst giving the fairest deal to local communities. Heathrow's formal response to the Airports Commission's conditions includes support for the introduction of a ban by Government on scheduled flights for six and a half hours between 2300 and 0530 at an expanded Heathrow, an increase from the current five hours. An earlier introduction of the ban would be supported, after planning consent is received and the necessary airspace has been modernised. Heathrow endorsed a proposal for the Environment Agency to be given the role of an independent aviation air quality authority. The role would provide transparent scrutiny of measures introduced that enable Heathrow to expand only in accordance with air quality rules. An Education and Skills Taskforce will also identify how best to develop the airport's future skilled workforce and to create a legacy for UK infrastructure projects.

Taxation

As part of the G20 OECD Base Erosion and Profit Shifting (BEPS) project, in May 2016 HM Treasury published a second consultation document concerning the detailed policy design and implementation of previously announced proposals to limit the tax deductibility of corporate interest expense from 1 April 2017. These UK proposals follow the recommended approach set out in the OECD's final report in October 2015 for limiting base erosion involving interest deductions, namely to limit interest deductions to 30% of tax-based EBITDA, plus the ability to apply the group ratio rule. As highlighted in the consultation document, the group ratio rule should enable UK businesses (such as Heathrow) to continue to obtain deductions on interest incurred on all external debt. The consultation has only recently been launched and Heathrow is still assessing the implications of the detailed provisions it contains to ensure that they are consistent with the commercial intent. Heathrow will engage with advisers and HM Treasury to ensure that the policy design aligns with the commercial intent and will be feeding back to HM Treasury and HMRC accordingly and responding to the consultation before the 4 August 2016 deadline.

4. Historical financial performance

This section summarises the results for the Group for the three months to 31 March 2016. A full description of performance is provided in the results published on 21 April 2016, available at the Investor Centre on heathrow.com.

EBITDA

In the first three months of 2016, EBITDA increased 7.3% to £367 million (2015: £342 million).

Revenue

In the first three months of 2016, revenue increased 3.2% to £642 million (2015: £622 million). This reflects an increase of 1.8% in aeronautical income mainly from traffic, 10.6% in retail income and flat in other income. Retail shops performed well following the major redevelopment of stores in Terminal 5. Continued take-up of Heathrow's car parking range and successful yield management have driven car parking revenue growth.

Operating costs (excluding depreciation, amortisation and exceptional items)

In the first three months of 2016, operating costs decreased 1.8% to £275 million (2015: £280 million). Cost control continues to be strong as the full benefits flow through from initiatives implemented in 2015, including reductions in energy consumption. The take-up of the voluntary severance programme in 2015, improvements in new entrant pay levels, automation and other workforce efficiencies are reducing employment costs. The changes made to the defined benefit pension scheme in 2015 are driving further savings.

Regulatory Asset Base (RAB) and financial ratios

At 31 March 2016, the RAB was £14,911 million (31 December 2015: £14,921 million). At 31 March 2016 the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 68.3% for senior debt and 79.7% for junior debt (31 December 2015: 67.5% and 78.7% respectively) compared with respective trigger levels of 70.0% and 85.0%.

Interest payable and paid

In the first three months of 2016, net finance costs before certain re-measurements were £160 million (2015: £158 million). Net external interest paid was £179 million (2015: £177 million).

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

At 31 March 2016, nominal net debt was £11,884 million (31 December 2015: £11,745 million), comprising £11,803 million in bond issues, £404 million in term notes and loan facilities, £177 million in index-linked derivative accretion and cash at bank and term deposits of £500 million. Nominal net debt consisted of £10,189 million in senior net debt and £1,695 million in junior debt.

5. Forecast financial performance

EBITDA

EBITDA in 2016 is forecast to increase 4.5% to £1,678 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. The forecast is marginally higher than the previous forecast published in December 2015.

Traffic

Traffic in 2016 is forecast to increase 0.7% to 75.5 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 2016 is forecast to grow 0.9% to £2,789 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 2016 are forecast to reduce over 4% in 2016. 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.

Regulatory Asset Base

At the end of 2016, the RAB is forecast to be £15,188 million (2015: £14,921 million). This assumes capital expenditure of £658 million and an average RPI of 1.6%. The forecast is lower than the previous forecast reflecting lower planned capital expenditure.

Net debt and financial ratios

At 31 December 2016, nominal net debt is forecast to be £11,704 million. Net external interest paid is forecast to be £515 million in 2016, as the lower cost of recent debt financing starts to replace older higher cost financing.

At 31 December 2016, the Regulatory Asset Ratio (RAR) is forecast to be 65.6% for senior debt and 77.1% for junior debt (31 December 2015: 67.5% and 78.7%), slightly lower than the previous forecasts published in December 2015.

For the year ending 31 December 2016, the Interest Cover Ratio (ICR) is forecast to be 3.18x for senior debt and 2.55x for junior debt (2015: 2.90x and 2.36x).

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 2015, Heathrow has raised nearly £850 million. In January, Heathrow consolidated its presence in the Swiss franc bond market, raising CHF400 million in an 8 year public bond with a fixed rate coupon of 0.5%. In April, a £90 million Class A private placement from non-sterling sources was signed which is expected to be drawn in August 2016 and mature in 2032. In June, a £350 million 3.75 year term loan was signed with an initial group of 5 banks which is expected to be drawn in Q1 2017.

In April, the £75 million Class B revolving credit facility arranged in 2014 was cancelled.

Outside the Security Group, since the publication of the previous Investor Report, Heathrow Finance has entered into 7-10 year term loans totalling £150 million which are expected to be drawn in early 2017.

Debt maturities and repayments

Since the previous Investor Report was distributed on 14 December 2015, a £300 million bond issued by Heathrow Funding Limited matured. In addition, Heathrow Airport Limited has made scheduled EIB loan repayments of £30 million.

Outside the Security Group, since the publication of the previous Investor Report, Heathrow Finance repaid a £78 million loan facility arranged in December 2011. In addition, Heathrow Finance has repurchased some of its bonds maturing in March 2017 with a nominal value of £3.6 million at a cash cost of £3.8 million.

Hedging

Since the previous Investor Report was distributed on 14 December 2015, Heathrow Funding has extended £372 million notional of index-linked swaps, previously maturing between 2018 and 2021, by 10 years. At 31 May 2016 the total notional value of such instruments was £5,116 million, reflecting the maturity, since the publication of the previous Investor Report, of £300 million of such instruments at the same time as the bond maturity outlined above.

At 31 May 2016, at least 88.4% and 60.7% 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

Liquidity

The Security Group expects to have sufficient liquidity to meet all its obligations in full up to August 2018. The obligations include forecast capital investment, debt service costs, debt maturities and distributions. The liquidity forecast takes into account around £2.7 billion in undrawn loan facilities and cash resources held at the Security Group and Heathrow Finance at 31 May 2016, £590 million in committed term debt financing to be drawn after 31 May 2016 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 2015, there have been gross restricted payments of £348 million (net restricted payments £298 million) made by the Security Group. This funded the majority of the £150 million of quarterly dividends paid to the Security Group's ultimate shareholders in December 2015 and February 2016, £65 million distributed to Heathrow Finance, £36 million of interest payments on the debenture between Heathrow (SP) and Heathrow Finance, £25 million in interest payments on loan facilities at ADI Finance 2 Limited ('ADIF2') and repayment of a £78 million loan at Heathrow Finance.

In the remainder of 2016, restricted payments of around £300 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 gross restricted payments out of the Group in 2016 to approximately £475 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 2015.

Outsourcing

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 14 December 2015.

Board and Management changes

On 17 May 2016, Javier Echave was appointed as Acting Chief Financial Officer of Heathrow. Javier was also appointed a director of the following companies: Heathrow Funding Limited, Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Airport Limited and Heathrow Finance plc. He is a member of the Heathrow Airport Holdings Limited Executive Committee.

With effect from 17 May 2016, Michael Uzielli resigned as director of the following companies: Heathrow Airport Holdings Limited, Heathrow Funding Limited, Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Airport Limited and Heathrow Finance plc.

On 1 June 2016, Brian Woodhead resigned as a director of Heathrow Express Operating Company Limited.

On 22 June 2016, Lord Deighton was appointed as a non-executive director and chairman of Heathrow Airport Holdings Limited, to replace Sir Nigel Rudd who stepped down on 22 June 2016.

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 2015.

8. Confirmation

23 June 2016

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

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

Appendix 1 - Quarterly passenger traffic (2008 to 2016)

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
Jan-Mar	**15.4**	**14.4**	**14.6**	**15.0**	**15.7**	**16.0**	**16.0**	**16.4**	**16.8**
Change %	0.6	-6.4	1.6	2.5	4.4	1.8	0.5	2.0	2.6
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**	**16.0**	**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	1.9	
Full year	**66.9**	**65.9**	**65.7**	**69.4**	**70.0**	**72.3**	**73.4**	**75.0**	75.5
Change %	-1.4	-1.5	-0.2	5.5	0.9	3.4	1.4	2.2	0.7
ATM ('000)	**473**	**460**	**449**	**476**	**471**	**470**	**471**	**472**	474
Change %	-0.5	-2.8	-2.3	6.0	-1.0	-0.4	0.2	0.3	0.4

Forecast

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

(See important notice on page 2 of this document)	Trigger level	Year to 31 December 2015	Year to 31 December 2016
		£m	£m
Cashflow from Operations (2)		1,592	1,664
Add back: Cash one-off, non-recurring extraordinary or exceptional items			
Adjusted Cashflow from Operations		1,592	1,664
Less: corporation tax paid		(24)	(47)
Less: 2 per cent of Total RAB		(298)	(304)
Cash Flow (A)		**1,270**	**1,313**
Interest and equivalent recurring charges paid on Senior Debt (3)(4)			
Interest paid – existing Class A bonds and swaps		429	406
Interest paid – existing Class A EIB facilities		2	1
Commitment fees on liquidity and revolving credit facilities		7	6
Total interest on Senior Debt (B)		**438**	**413**
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)		**539**	**515**
Senior ICR (A/B) (5)(6)	**1.40x**	**2.90x**	**3.18x**
Junior ICR (A/D) (5)(6)	**1.20x**	**2.36x**	**2.55x**

(1) 2016 figures are forecasts; values calculated on unrounded figures
(2) Reconciliation of cash flow from operations with Adjusted EBITDA is set out on page 16
(3) Reconciliation of interest paid with interest payable is set out on page 16
(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.

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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	1,699	1,683
Non-aeronautical income - retail	568	607
Non-aeronautical income - non-retail	498	499
Total income	**2,765**	**2,789**
Adjusted operating costs (2)	1,160	1,111
Adjusted EBITDA	**1,605**	**1,678**
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Trade working capital	9	30
Pension	(22)	(44)
Cashflow from operations	**1,592**	**1,664**

	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	466	(63)	3	406	429
Interest paid – Class A EIB facilities	2			1	2
Interest paid and received – other Class A debt	2	(1)	(1)	0	0
Commitment fees on liquidity & RCFs (5)	8	(1)	(1)	6	7
Interest paid - Class B debt	102	(1)		101	101
Total interest	**580**	**(66)**	**1**	**515**	**539**

(1) 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 excludes accretion on Index Linked Swaps and bonds
(5) RCFs: Revolving Credit Facilities

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)		**14,921**	**15,188**
Senior Debt			
Class A Existing Bonds (closed prior to 23 June 2016)		10,155	9,717
Class A EIB facilities		137	98
Other Class A debt		250	750
RPI swap accretion		253	177
Total Senior Debt (B)		**10,795**	**10,742**
Junior Debt			
Class B debt		1,670	1,739
Total Junior Debt (C)		**1,670**	**1,739**
Cash and cash equivalents (D)		(720)	(777)
Senior net debt (E=B+D)		**10,075**	**9,965**
Senior and junior net debt (F=B+C+D)		**11,745**	**11,704**
Senior RAR (E/A)(2)(3)(4)	**70.0%**	**67.5%**	**65.6%**
Junior RAR (F/A)(2)(4)	**85.0%**	**78.7%**	**77.1%**

(1) 2016 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 2016

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	**(£m)**	**(£m)**	
€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
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
€750m 1.5%	566	566	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	78	78	2032
€50m Zero Coupon	42	42	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	52	52	2039
£460m RPI +3.334%	555	555	2039
£100m RPI +1.238%	101	101	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	78	78	2049
Total senior bonds	**10,133**	**10,133**	
Term debt	379	379	Various
Index-linked derivative accretion	177	177	Various
Revolving/working capital facilities	0	1,100	2020
Total other senior debt	**556**	**1,656**	
Total senior debt	**10,689**	**11,789**	
Heathrow (SP) Limited cash	**(500)**		
Senior net debt	**10,189**		

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	25	375	2018/20
Total junior debt	**1,695**	**2,045**	
Heathrow (SP) Limited group net debt	**11,884**		

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**	
£75m	75	75	2020
£50m	50	50	2022
£50m	50	50	2025
Total loans	**175**	**175**	
Total Heathrow Finance plc debt	**981**	**981**	
Heathrow Finance plc cash	**(80)**		
Heathrow Finance plc net debt	**901**		

Heathrow Finance plc group	Amount	Available
	(£m)	**(£m)**
Heathrow (SP) Limited senior debt	**10,689**	**11,789**
Heathrow (SP) Limited junior debt	**1,695**	**2,045**
Heathrow Finance plc debt	**981**	**981**
Heathrow Finance plc group debt	**13,365**	**14,815**
Heathrow Finance plc group cash	**(580)**	
Heathrow Finance plc group net debt	**12,785**	

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

(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[1]
		£m	£m
Calculation of Group ICR[2]			
Cash Flow (A)		**1,270**	**1,313**
Interest			
Paid on Senior Debt (B)		438	413
Paid on Junior Debt (C)		101	101
Paid on Borrowings (D)		59	57
Group Interest Paid (E=B+C+D)		**598**	**572**
Group ICR (A/E)	**1.00x**	**2.12x**	**2.30x**
Calculation of Group RAR[3]			
Total RAB (F)		14,921	15,188
Net debt			
Senior Net Debt (G)		10,075	9,965
Junior Debt (H)		1,670	1,739
Borrower Net Debt (I)		925	975
Group Net Debt (J=G+H+I)		**12,670**	**12,679**
Junior RAR ((G+H)/F)[4]	**82.0%**	**78.7%**	**77.1%**
Group RAR (J/F)[4]	**90.0%**	**84.9%**	**83.5%**

(1) 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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