Heathrow (SP) Limited and Heathrow Finance plc

Investor Report

27 June 2018

Heathrow
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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 2018 and its passenger traffic for the period to 31 May 2018. It also contains forecast financial information derived from current management forecasts for Heathrow (SP) and its subsidiaries (the ‘Group’) for the whole of 2018.

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.

Contents

1. Overview

This report sets out actual and forecast financial performance and ratios for Heathrow (SP) in 2017 and 2018 respectively, together with key business highlights. Additional information specific to Heathrow Finance is set out in Appendix 5.

Heathrow has revised its Adjusted EBITDA forecast for 2018 to be £1,816 million, up 3.2% on 2017. Traffic has been upgraded to 79.0 million passengers compared with 78.8 million in the previous Investor Report. Revenue is forecast to rise 1.9% to £2.94 billion with aeronautical income rising 1.1% and retail income up 4.4%. The financial outlook for 2018 has been revised slightly down to reflect higher winter costs to protect operations at all times while servicing additional passengers. The marginal decline in revenue versus the previous Investor Report reflects an aeronautical yield dilution due to accelerated traffic growth in domestic routes and through cleaner and quieter aircraft (dilution to be fully recovered in two years through the relevant regulatory mechanism) and the appreciation of the pound. Retail income per passenger is expected to increase year on year by 3.1% to £8.71 while operating costs per passenger continue trending down by 1.3% compared to 2017. Heathrow remains on track to give passengers the best airport service in the world while delivering its ambitious cost optimisation plans for 2018. Heathrow expects to be cash flow positive in 2018 after capital expenditure and external interest costs. Interest costs are expected to reduce in 2018.

The key historic and forecast financial ratios for 2017 and 2018 respectively comply with Trigger Event ratios.

On 25 June 2018, Parliament unambiguously backed Heathrow's expansion by voting in favour of the Airports National Policy Statement ('NPS'). The Secretary of State for Transport subsequently designated the NPS the following day, clearing the way for Heathrow to submit a development consent order application for the project. Expanding Heathrow in a sustainable, affordable and financeable way will unlock billions of pounds in growth and create tens of thousands of new skilled jobs across the UK.

2017 and 2018 financial performance

(£m unless stated)	2017 (A)	2018 (F)	Change
Summary financials			
Revenue	2,884	2,940	1.9%
Adjusted EBITDA(1)	1,760	1,816	3.2%
Cashflow from operations(2)	1,733	1,799	3.8%
Regulatory Asset Base (RAB)	15,786	16,377	3.7%
Nominal net debt			
Senior net debt	10,625	11,326	6.6%
Junior net debt	1,747	1,353	-22.6%
Consolidated net debt	**12,372**	**12,679**	2.5%
Interest paid			
Senior interest paid	393	373	-5.1%
Junior interest paid	102	101	-1.0%
Total interest paid	**495**	**474**	-4.2%
Ratios(3)			**Trigger**
Senior (Class A) RAR(4)	67.3%	69.2%	72.5%
Junior (Class B) RAR	78.4%	77.4%	85.0%
Senior (Class A) ICR	3.47x	3.75x	1.40x
Junior (Class B) ICR	2.76x	2.95x	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
(4) Trigger increased from 70.0% to 72.5% on the 1 April 2018

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2. Business developments

Service standards

Heathrow achieved its highest ever overall passenger satisfaction score reaching 4.20 (out of 5.00) in the Airport Service Quality (ASQ) survey during the first quarter of 2018. In addition, 84% of passengers surveyed rated their Heathrow experience as 'Excellent' or 'Very Good' (2017: 82%), compared to just 50% during the same period in 2008. Heathrow's transformation over time has yet again been recognized by the industry. For the first time ever, Terminal 2 was voted the "World's Best Airport Terminal" at the 2018 Skytrax World Airport Awards. Heathrow was also named the 'Best Airport in Western Europe' for the fourth successive year and 'Best Airport for Shopping' for the ninth consecutive year.

Operational resilience remained strong despite particularly adverse weather conditions in the first quarter of 2018. In the period, 80.4% (2017: 83.4%) of flights departed within 15 minutes of schedule while the baggage connection performance reduced slightly to 98.7% (2017: 99.0%).

In the 12 months to 31 May 2018, no rebates were paid by Heathrow under the SQR scheme.

Traffic

Heathrow traffic increased 1.9% to 30.9 million (2017: 30.4 million) in the five months ended 31 May 2018. Traffic growth was driven by an increase in the number of flights and strong load factors.

Intercontinental traffic saw growth on routes to the South Asia, North America and Africa, with additional flights added to India, China, Japan and Nigeria. New routes to Hainan and Tianjin will see more growth in Asia in the coming months. European traffic recorded further growth in load factors, especially on routes to Istanbul, Rome, Amsterdam and Barcelona. Domestic traffic was boosted by additional Flybe services to Scotland.

Terminal 2 - World's Best Airport Terminal

Best Airport in Western Europe

World's Best Airport Shopping

Passenger satisfaction European ranking
Q1 2018

Traffic and operating statistics

5 months to end May	2017	2018	Change
Traffic by market (m)			(%)
UK	1.9	**1.9**	2.9
Europe	12.6	**12.8**	2.1
North America	6.6	**6.7**	1.5
Asia Pacific	4.5	**4.6**	1.4
Middle East	3.0	**3.1**	0.2
Africa	1.3	**1.3**	5.4
Latin America	0.5	**0.5**	5.6
Total passengers (m)	30.4	**30.9**	**1.9**
ATM ('000)	191	**193**	+0.7
Seats per aircraft	212	**213**	1.2
Load factor (%)	75.1	**75.5**	0.4pts

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

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2. Business developments

Capital investment

The current regulatory period ('Q6') was initially set to last from 1 April 2014 to 31 December 2018. In April 2018, the CAA confirmed that Q6 would need to be extended to the end of 2021 (details in "Regulatory developments" section).

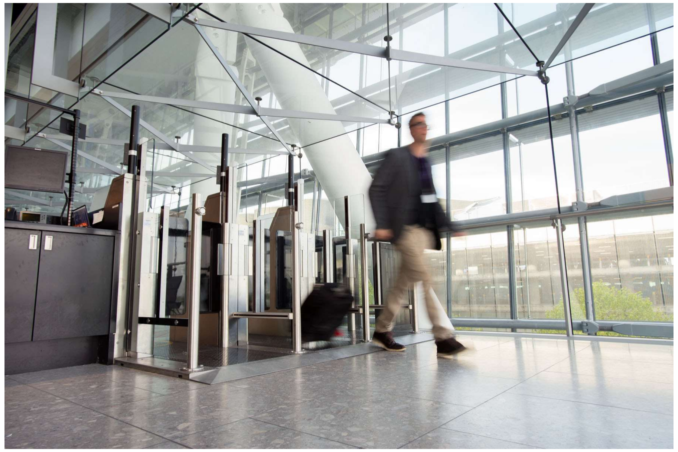
Planned capital expenditure for the Q6 regulatory period from 1 April 2014 to 31 December 2018 is expected to be £3.0 billion, or £3.3 billion including capital related to expansion. Planned capital expenditure for 2019 is currently forecast to be £650 million or £850 million including capital related to expansion. The scale and content of Heathrow capital programme beyond 2019 will be determined as expansion plans are further developed.

The Q6 capital programme is primarily focused on improving the passenger experience and 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.

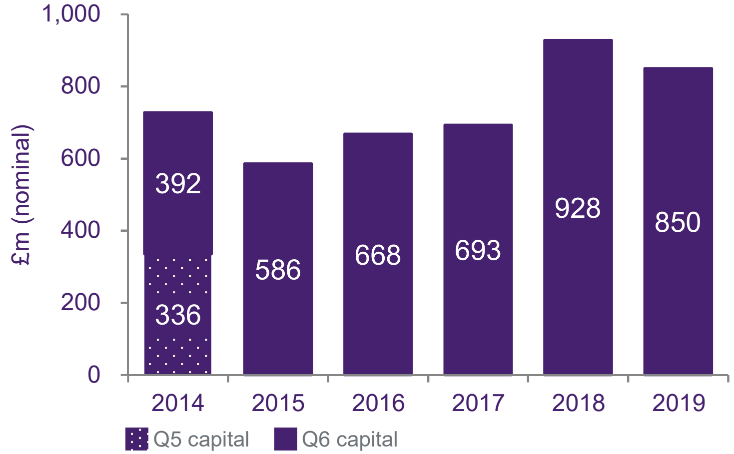
In 2018, work will continue to improve the passenger experience with further self-boarding gates to be deployed in Terminal 5 and 2 and the introduction of self-bag drops in various terminals as Heathrow extends automation across the passenger journey. Work also continues to provide Oyster and contactless payment facilities for passengers travelling by train between Heathrow and London with the arrival of 4 Crossrail trains per hour which commenced services between Heathrow and Paddington in May 2018. The full Crossrail services between Heathrow and east London will commence in December 2019. As part of an agreement with the UK Government, Heathrow will pay £76m to ensure the provision of this service.

Various projects will also contribute to driving incremental commercial revenue including hotel developments across the campus, the delivery of Qatar, Amex and No.1 Traveller lounges and an enhanced catering proposition in Terminal 3. Heathrow will also continue to invest in Electric Vehicle ('EV') charging stations to promote and enable the adoption of zero emission road and ramp vehicles.

Self-boarding gates extend automation across the passenger journey



Forecast capital expenditure profile



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2. Business developments

Heathrow expansion

On 25 June 2018, Parliament unambiguously backed Heathrow's expansion by voting in favour of the Airports National Policy Statement ('NPS'). The Secretary of State for Transport subsequently designated the NPS the following day, clearing the way for Heathrow to submit a development consent order application for the project. Expanding Heathrow in a sustainable, affordable and financeable way will unlock billions of pounds in growth and create tens of thousands of new skilled jobs across the UK.

Parliament's historic vote is the culmination of a rigorous, evidence-based selection process – including review by the independent Airports Commission and the Government – which determined not only that expanding Heathrow offers the greatest benefit to all of the UK, but that it can be done sustainably. Heathrow is currently preparing to hold a second public consultation on its plans before submitting a development consent order application to the Planning Inspectorate, kick-starting an approval process expected to take 18 months. If Heathrow is granted development consent, construction would begin in 2021 ahead of the new runway opening in 2026. Over the next 12 months alone, the airport also expects to sign £150 million worth of contract with British businesses, creating 900 new jobs and 200 new apprenticeships.

In the meantime, the CAA continues developing its thinking on the regulatory framework that will underpin Heathrow's expansion. The CAA's latest consultation published in April 2018 confirmed the regulator's support to start incurring early construction costs (so called 'Category C' costs) such as land acquisition, surveying and design costs ahead of planning permission being granted. The CAA also confirmed that subject to efficient delivery, these costs will be recoverable.

Heathrow expects expansion-related capital investment to amount to around £160 million in 2018 with a primary focus on costs related to securing planning permission (so called 'Category B' costs).

3. Regulatory developments

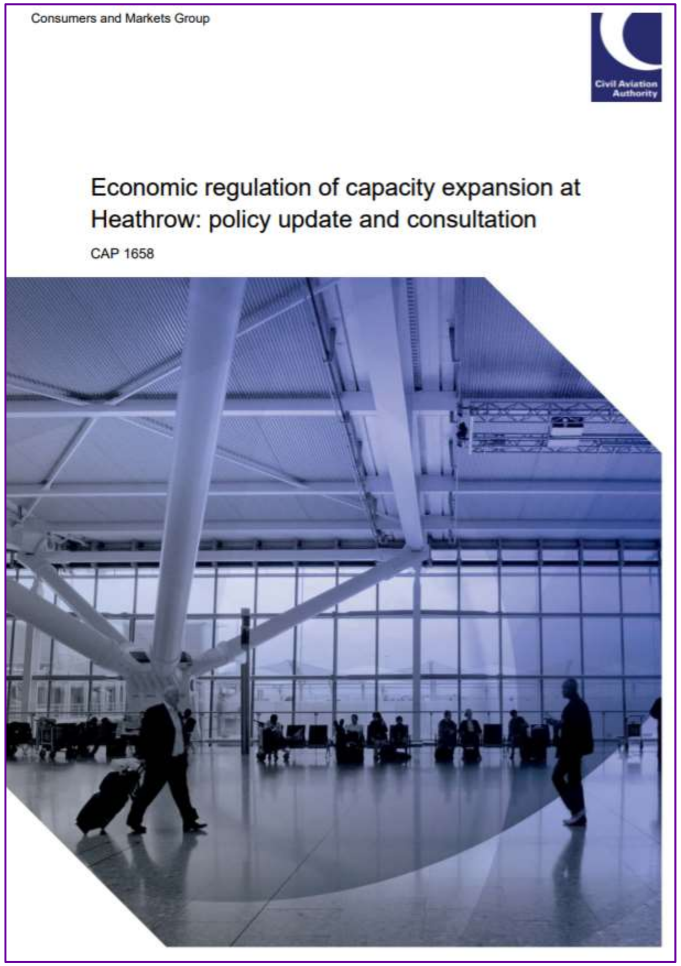
Q6 extension

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 conditions of RPI-1.5% for the additional year.

Following this decision, the CAA indicated that further extensions may be needed to better align the next regulatory period ('H7') with the overall expansion timetable and related statutory process. In 2017, the regulator committed to a further extension of Q6 by at least an additional year to the end of 2020. In April 2018, the CAA eventually confirmed that Q6 would need to be extended to the end of 2021 (in total a 3-year extension of the original Q6).

The CAA proposes to roll forward the current price control of RPI-1.5% beyond 2019 while revising the underlying revenue requirements via updated forecasts for operating costs, commercial revenue, traffic and observable components of the cost of capital such as the cost of new debt and corporation tax. The difference between the selected price path and underlying revenue requirement is expected to result in a regulatory adjustment at the start of H7.

The CAA expects to finalise the methodology and economic terms of Q6 extension beyond 2019 over the next 12 months leading to a formal license modification scheduled for the last quarter of 2019.



4. Historical financial performance

This section summarises the results for the Group for the three months to 31 March 2018. A full description of performance is provided in the results published on 1 May 2018, available at the Investor Centre on heathrow.com.

Adjusted EBITDA

In the first three months of 2018, Adjusted EBITDA increased 5.2% to £402 million (2017: £382 million).

Revenue

In the first three months of 2018, revenue increased 3.8% to £680 million (2017: £655 million). This reflects an increase of 3.1% in aeronautical income, 5.4% in retail income and 4.2% in other income. Aeronautical income was boosted by strong traffic growth and higher headline tariff. Retail income, led by retail concessions and catering, benefitted from the strong traffic performance, a higher passenger participation and higher spend per participating passenger.

Operating costs (excluding depreciation, amortisation and exceptional items)

In the first three months of 2018, operating costs increased 1.8% to £278 million (2017: £273 million). Higher winter resilience costs over the period drove most of the additional cost pressure in the period as Heathrow spent over £5 million in ensuring operational resilience. Other costs also increased slightly on the back of higher expansion-related expenditures. Operating costs on a per passenger basis declined 1.2% reflecting Heathrow's continued focus on cost efficiencies.

Regulatory Asset Base (RAB) and financial ratios

At 31 March 2018, the RAB was £15,773 million (31 December 2017: £15,786 million). At 31 March 2018, the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 67.6% for senior debt and 78.7% for junior debt (31 December 2017: 67.3% and 78.4% respectively) compared with respective trigger levels of 70.0% and 85.0%.

Interest payable and paid

In the first three months of 2018, net finance costs before certain re-measurements were £187 million (2017: £185 million). Net external interest paid was £144 million (2017: £161 million).

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

At 31 March 2018, nominal net debt was £12,409 million (31 December 2017: £12,372 million), comprising £11,308 million in bond issues, £913 million in other term debt, £334 million in index-linked derivative accretion and cash at bank and term deposits of £146 million. Nominal net debt consisted of £10,661 million in senior net debt and £1,748 million in junior debt.

5. Forecast financial performance

Adjusted EBITDA

Adjusted EBITDA in 2018 is forecast to increase 3.2% to £1,816 million (2017: £1,760 million). This reflects continued robust growth in retail income and higher aeronautical income. Operating costs are expected to remain flat compared to 2017's as focus remains on delivering cost efficiencies. The forecast has been slightly revised down to reflect higher winter resilience costs to protect operations at all times as well as aeronautical revenue yield dilution due to accelerated traffic growth in domestic routes and through cleaner and quieter aircraft (dilution to be fully recovered in 2 years through the relevant regulatory mechanism). Retail income per passenger is expected to increase 3.1% versus 2017 to £8.71, a small decline compared to prior forecast of £8.81 following the appreciation of the pound.

Traffic

Traffic in 2018 is forecast to increase 1.3% to 79.0 million passengers (2017: 78.0 million). The expected traffic growth is driven by strong load factor, increased seat capacity and slightly higher movements. The increased forecast partly reflects the upgraded outlook for UK GDP growth in 2018.

Revenue

Revenue in 2018 is forecast to grow 1.9% to £2,940 million. Aeronautical income is forecast to increase 1.1% to £1,735 million (2017: £1,716 million), mainly reflecting the impact of higher passenger volumes and inflation. Retail income is expected to grow 4.4% to £688 million (2017: £659 million) benefitting from higher airside passenger participation and higher spend per participating passenger. Retail income growth is also expected to be driven by the benefits of capital investments in Terminal 4 and 3's luxury offering. Retail income per passenger is expected to increase 3.1% versus 2017 to £8.71, a small decline compared to prior forecast of £8.81 following the appreciation of the pound.

Operating costs (excluding depreciation, amortisation and exceptional items)

Operating costs in 2018 are forecast to remain flat at £1,124 million (2017: £1,124 million). Continued focus on delivering cost efficiencies is expected to offset higher winter costs and the impact from higher passenger volumes. Operating costs are expected to decrease by 1.3% on a per passenger basis.

Regulatory Asset Base

At the end of 2018, the RAB is forecast to be £16,377 million (2017: £15,786 million). This assumes capital expenditure of £928 million and an average RPI of 3.5%.

Net debt and financial ratios

At 31 December 2018, nominal net debt is forecast to be £12,679 million (2017: £12,372 million). Net external interest paid is forecast to be £474 million in 2018 (2017: £495 million), as recent lower cost debt financing continues to replace more expensive legacy debt.

At 31 December 2018, the Regulatory Asset Ratio (RAR) is forecast to be 69.2% for senior debt and 77.4% for junior debt (31 December 2017: 67.3% and 78.4%), marginally lower than the previous forecasts published in December 2017.

For the year ending 31 December 2018, the Interest Cover Ratio (ICR) is forecast to be 3.75x for senior debt and 2.95x for junior debt (2017: 3.47x and 2.76x).

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 2017, Heathrow has raised over £650 million in term debt financing. In March 2018, Heathrow successfully returned to the Canadian bond market raising CAD 400 million in a 10-year public bond with a fixed rate coupon of 3.4%. Additionally, an 18-year £145 million Class A US private placement was signed in March and then drawn in June 2018. In April 2018, an existing £418 million Class A term loan facility was amended to extend its maturity from March 2020 to October 2021 and in May 2018, the £600 million issuer liquidity facility was restructured from an evergreen facility to a 5 year rolling facility. In May 2018, Heathrow issued a 40-year £160 million Class A inflation-linked bond. Additionally, Heathrow issued a dual tranche £126 million of Class B inflation-linked bond with maturities of 15 year and 18 year which will fund in March 2020.

Debt maturities and repayments

Since the previous Investor Report was distributed on 14 December 2017, a €750 million (£510 million) bond issued by Heathrow Funding Limited was repaid in February 2018. In addition, Heathrow Airport Limited has made scheduled EIB loan repayments of £16 million.

Hedging

Since the previous Investor Report was distributed on 14 December 2017, Heathrow Funding has extended just over £600 million notional of index-linked swaps, previously maturing in 2020 and 2021, by 10 and 15 years. Additionally, Heathrow entered into £700 million notional of two year forward starting index-linked swaps with a 15 year tenor. At 31 May 2018, the total notional value of such instruments was £5,819 million.

At 31 May 2018, 93% and 64% 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.

Additionally, 78% and 53% of interest rate risk exposure on the Obligors' and Heathrow Funding's existing debt is hedged if the regulatory periods were to be extended to 31 December 2021 and 31 December 2026 respectively (currently subject to a licence modification).

6. Financing matters

Liquidity

The Security Group expects to have sufficient liquidity to meet all its obligations in full up to March 2020. The obligations include forecast capital investment, debt service costs, debt maturities and repayments and distributions. The liquidity forecast takes into account over £1.9 billion in committed but undrawn loan facilities, term debt and cash resources held at the Security Group and Heathrow Finance at 31 May 2018 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 2017, there have been gross restricted payments of £394 million (net restricted payments £44 million) made by the Security Group. These payments funded the majority of the £358 million of dividends paid to the Security Group's ultimate shareholders in December 2017 and February 2018 and £46 million of interest payments on the debenture between Heathrow (SP) and Heathrow Finance.

In the remainder of 2018, net restricted payments of around £360 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 2018 to approximately £440 million which will fund the majority of forecast £455 million dividends to ultimate shareholders.

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 2017.

Outsourcing

Since the last Investor Report was published on 14 December 2017, Heathrow Express rail service was confirmed to at least 2028 under a new agreement that will enhance rail service connections for passengers and contribute to delivering an integrated transport hub at Heathrow. The agreement has been approved by the Department for Transport and will see Heathrow Express retaining the commercial aspects including marketing, ticket pricing and revenue, while FirstGroup's Great Western Railway subsidiary will manage operations under a management contract from later this year.

Board and management changes

On 21 February 2018, Sheikh Ahmed Bin Fahad Al-Thani resigned as a director of Heathrow Airport Holdings Limited and FGP Topco Limited and Ahmed Ali Al-Hammadi was appointed as a director of Heathrow Airport Holdings Limited and FGP Topco Limited.

On 16 April 2018, Derek Provan resigned as Heathrow's Interim Chief Operating Officer and as a director of various Heathrow group companies including Heathrow Airport Limited and LHR Airports Limited and also as a member of the Executive Committee. On the same date Chris Garton was appointed as Heathrow's Chief Operating Officer and as a director of Heathrow Airport Limited and LHR Airports Limited and became a member of the Executive Committee.

On 23 March 2018, Andrew Efiong resigned as a director of various Heathrow group companies including Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Finance plc and Heathrow Funding Limited. On 28 March 2018, Yuanyuan (Sally) Ding was appointed as a director of various Heathrow group companies including Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Finance plc and Heathrow Funding Limited.

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 2017.

8. Confirmation

27 June 2018

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

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 the historical ratios have been calculated using, and are consistent with and have been updated by reference to, the most recently available financial information required to be provided by the Obligors under Schedule 2 (Covenants) of 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 2018)

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	2018
Jan-Mar	**15.4**	**14.4**	**14.6**	**15.0**	**15.7**	**16.0**	**16.0**	**16.4**	**16.8**	**17.2**	**17.7**
Change %	0.6	-6.4	1.6	2.5	4.4	1.8	0.5	2.0	2.6	2.2	3.1
Apr-Jun	**17.1**	**16.8**	**15.5**	**17.9**	**17.9**	**18.4**	**19.0**	**19.2**	**18.9**	**20.0**	
Change %	-1.3	-1.5	-7.9	15.3	0.4	2.9	3.2	0.7	-1.1	5.4	
Jul-Sep	**18.6**	**18.6**	**19.5**	**19.8**	**19.4**	**20.4**	**20.6**	**21.4**	**21.6**	**21.9**	
Change %	-1.2	0.3	4.4	1.5	-2.0	5.5	0.7	3.9	0.9	1.7	
Oct-Dec	**15.9**	**16.0**	**16.1**	**16.8**	**17.0**	**17.5**	**17.7**	**18.0**	**18.4**	**18.9**	
Change %	-3.6	1.1	0.7	3.8	1.6	2.7	1.3	1.9	1.8	3.0	
Full year	**66.9**	**65.9**	**65.7**	**69.4**	**70.0**	**72.3**	**73.4**	**75.0**	**75.7**	**78.0**	
Change %	-1.4	-1.5	-0.2	5.5	0.9	3.4	1.4	2.2	1.0	3.1	
ATM ('000)	**473**	**460**	**449**	**476**	**471**	**470**	**471**	**472**	**473**	**474**	
Change %	-0.5	-2.8	-2.3	6.0	-1.0	-0.4	0.2	0.3	0.2	0.2	

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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 2017	Year to 31 December 2018
		£m	£m
Cashflow from Operations(2)		1,733	1,799
Add back: Cash one-off, non-recurring extraordinary or exceptional items			
Adjusted Cashflow from Operations		1,733	1,799
Less: corporation tax paid		(53)	(70)
Less: 2 per cent of Total RAB		(316)	(328)
Cash Flow (A)		**1,364**	**1,401**
Interest and equivalent recurring charges paid on Senior Debt(3)(4)			
Interest paid – existing Class A bonds and swaps		374	346
Interest paid – existing Class A EIB facilities		1	1
Interest paid – other Class A debt		11	22
Commitment fees on liquidity and revolving credit facilities		7	4
Total interest on Senior Debt (B)		**393**	**373**
Interest and equivalent recurring charges paid on Junior Debt(3)(4)			
Class B debt		102	101
Total interest on Junior Debt (C)		**102**	**101**
Total interest (D=B+C)		**495**	**474**
Senior ICR (A/B)(5)(6)	**1.40x**	**3.47x**	**3.75x**
Junior ICR (A/D)(5)(6)	**1.20x**	**2.76x**	**2.95x**

(1) 2018 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)	Year to 31 December 2017	Year to 31 December 2018
	£m	£m
Income		
Aeronautical income	1,716	1,735
Non-aeronautical income - retail	659	688
Non-aeronautical income - non-retail	509	517
Total income	**2,884**	**2,940**
Adjusted operating costs[(2)]	1,124	1,124
Adjusted EBITDA	**1,760**	**1,816**
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Trade working capital	(5)	5
Pension	(22)	(22)
Cashflow from operations	**1,733**	**1,799**

	Year to 31 December 2018 [(1)]				Year to 31 December 2017
	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	387	(53)	12	346	374
Interest paid – Class A EIB facilities	1	-	-	1	1
Interest paid and received – other Class A debt	24	(1)	(1)	22	11
Commitment fees on liquidity & RCFs[(5)]	6	(1)	(1)	4	7
Interest paid - Class B debt	96	(2)	7	101	102
Total interest	**514**	**(57)**	**17**	**474**	**495**

(1) 2018 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 2017	At 31 December 2018
		£m	£m
Closing Heathrow RAB (A)		**15,786**	**16,377**
Senior Debt			
Class A Existing Bonds (closed prior to 27 June 2017)		9,839	9,757
Class A EIB facilities		62	29
Other Class A debt		858	1,135
RPI swap accretion		391	492
Total Senior Debt (B)		**11,150**	**11,413**
Junior Debt			
Class B debt		1,747	1,353
Total Junior Debt (C)		**1,747**	**1,353**
Cash and cash equivalents (D)		(525)	(87)
Senior net debt (E=B+D)		**10,625**	**11,326**
Senior and junior net debt (F=B+C+D)		**12,372**	**12,679**
Senior RAR (E/A)[2][3][4][5]	**70.0%/72.5%**	**67.3%**	**69.2%**
Junior RAR (F/A)[2][4]	**85.0%**	**78.4%**	**77.4%**

(1) 2018 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
(5) Trigger increased from 70.0% to 72.5% on the 1 April 2018

Appendix 4 – Nominal consolidated net debt of Obligors, Heathrow Funding Limited and Heathrow Finance plc at 31 March 2018

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
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%	208	208	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
C$400m 3.4%	226	226	2028
£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%	82	82	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	55	55	2039
£460m RPI +3.334%	591	591	2039
£100m RPI +1.238%	108	108	2040
£750m 5.875%	750	750	2041
£750m 4.625%	750	750	2046
£75m RPI +1.372%	82	82	2049
£400m 2.75%	400	400	2049
Total senior bonds	**9,560**	**9,560**	
Term debt	913	1,158	Various
Index-linked derivative accretion	334	334	Various
Revolving/working capital facilities	0	900	2021
Total other senior debt	**1,247**	**2,392**	
Total senior debt	**10,807**	**11,952**	
Heathrow (SP) Limited cash	**(146)**		
Senior net debt	**10,661**		

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
£180m RPI +1.061%	193	193	2036
Total junior bonds	**1,748**	**1,748**	
Junior revolving credit facilities	0	250	2021
Total junior debt	**1,748**	**1,998**	
Heathrow (SP) Limited group net debt	**12,409**		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£275m 5.375%	262	262	2019
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
Total bonds	**787**	**787**	
£75m	75	75	2020
£50m	50	50	2022
£75m	75	75	2024
£125m	125	125	2025
£50m	50	50	2026
£150m	150	150	2028
Total loans	**525**	**525**	
Total Heathrow Finance plc debt	**1,312**	**1,312**	
Heathrow Finance plc cash	**(28)**		
Heathrow Finance plc net debt	**1,284**		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	**10,807**	**11,952**
Heathrow (SP) Limited junior debt	**1,748**	**1,998**
Heathrow Finance plc debt	**1,312**	**1,312**
Heathrow Finance plc group debt	**13,867**	**15,262**
Heathrow Finance plc group cash	**(174)**	
Heathrow Finance plc group net debt	**13,693**	

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 2017	As at or for year to 31 December 2018[1]
		£m	£m
Calculation of Group ICR[2]			
Cash Flow (A)		**1,364**	**1,401**
Interest			
Paid on Senior Debt (B)		393	373
Paid on Junior Debt (C)		102	101
Paid on Borrowings (D)		54	59
Group Interest Paid (E=B+C+D)		**549**	**533**
Group ICR (A/E)	**1.00x**	**2.48x**	**2.63x**
Calculation of Group RAR[3]			
Total RAB (F)		15,786	16,377
Net debt			
Senior Net Debt (G)		10,625	11,326
Junior Debt (H)		1,747	1,353
Borrower Net Debt (I)		1,302	1,378
Group Net Debt (J=G+H+I)		**13,674**	**14,057**
Junior RAR ((G+H)/F)[4]	**82.0%**	**78.4%**	**77.4%**
Group RAR (J/F)[4]	**90.0%**	**86.6%**	**85.8%**

(1) 2018 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

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