

News release

27 April 2017

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Heathrow (SP) Limited

Results for the three months ended 31 March 2017

- **Surging passenger and cargo demand at the UK's hub is expected to result in an upgrade to 2017 full year forecasts – a record 17.2 million passengers travelled through Heathrow alongside a 7.3% increase in cargo volumes in Q1**
- **Heathrow continues to drive better value for its passengers, with airport charges falling by 2.2% in Q1 and the airport ranked as Europe's best hub for the third consecutive year**
- **Robust financial performance reflects continued improvement in costs and strong retail momentum. Revenue is up 2.0% to £655 million, operating cost per passenger down 2.9% and Adjusted EBITDA up 4.1% to £382 million**
- **A new world-class sustainability strategy Heathrow 2.0 underscores Heathrow's commitment to being an even better neighbour and driving innovation in the industry**
- **Heathrow continues to deliver for Britain's economy with new Flybe services to Scotland driving more choice for passengers on domestic routes and additional China Southern flights are set to boost Britain's export capacity to China**
- **With up to 40 new long-haul connections, an expanded Heathrow secures Britain's export-led future. Delivery is on-track and Heathrow's first planning consultation launches later this year**

At or for three months ended 31 March	2017	2016	Change (%)
<i>(£m unless otherwise stated)</i>			
Revenue	655	642	2.0
Adjusted EBITDA ⁽¹⁾	382	367	4.1
EBITDA ⁽²⁾	416	350	18.9
Cash generated from operations	394	332	18.7
Cash flow after investment and interest ⁽³⁾	38	(27)	n.m
Pre-tax profit ⁽⁴⁾	27	23	17.4
Heathrow (SP) Limited consolidated net debt ⁽⁵⁾	12,147	11,908	2.0
Heathrow Finance plc consolidated net debt ⁽⁵⁾	13,097	13,005	0.7
Regulatory Asset Base ⁽⁵⁾	15,323	15,237	0.6
Passengers (m) ⁽⁶⁾	17.2	16.8	2.2
Retail revenue per passenger (£) ⁽⁶⁾	8.62	8.10	6.4

Notes 1-6: see page 2

John Holland-Kaye, Chief Executive Officer of Heathrow, said:

"When Heathrow succeeds, Britain benefits and 2017 is shaping up to be our best year ever. Our new domestic airline Flybe is already driving more choice for passengers on Scottish routes and surging trade is boosting jobs across Britain.

"Britain is plotting a new course in the world and expanding Heathrow is more important than ever to ensure its success. It will make our country the best connected in the world and secure our export-led future. We're getting on with delivering it and look forward to opening Britain's new runway in 2025."

Notes

- (1) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, certain re-measurements and exceptional items
- (2) EBITDA is earnings before interest, tax, depreciation and amortisation
- (3) Cash flow after investment and interest is cash generated from operations after net capital expenditure and net interest paid
- (4) Pre-tax profit before exceptional items and certain re-measurements
- (5) 2016 net debt and RAB figures at 31 December 2016. Nominal net debt excluding intra-group loans and including inflation-linked accretion
- (6) Changes in passengers and retail revenue per passenger are calculated using unrounded passenger numbers

Heathrow (SP) Limited owns Heathrow airport and together with its subsidiaries is referred to as the Group. Heathrow Finance plc, also referred to as Heathrow Finance, is the parent company of Heathrow (SP) Limited.

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Conference call to be held for creditors and credit analysts on 27 April 2017 at 3.00pm (UK time), 4.00pm (Central European time), 10.00am (Eastern Standard Time), hosted by Javier Echave, Chief Financial Officer.

Dial-in details: UK local/standard international: +44 (0)20 3139 4830; North America: +1 718 873 9077.
Participant PIN code: 53511830#

The presentation can be viewed at the Investor Centre at heathrow.com/company and online during the event at:

<https://arkadin-event.webex.com/arkadin-event/onstage/g.php?MTID=e31f1d892149adc380807eacc2145ce2e>

using event password: 680375.

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Heathrow (SP) Limited

Consolidated results for the three months ended 31 March 2017

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1 Key business developments

1.1 Passenger traffic

Heathrow's passenger traffic by geographic segment for the three months ended 31 March 2017:

<i>(Millions)</i>	2017	2016	Change (%) ⁽¹⁾
UK	1.1	1.1	1.3
Europe	6.9	6.8	1.8
North America	3.6	3.6	(1.1)
Asia Pacific	2.7	2.6	3.2
Middle East	1.8	1.6	13.1
Africa	0.8	0.8	(2.6)
Latin America	0.3	0.3	1.4
Total passengers⁽¹⁾	17.2	16.8	2.2

(1) Calculated using unrounded passenger numbers

For the three months ended 31 March 2017, traffic increased 2.2% to a record 17.2 million passengers (2016: 16.8 million) on a total of 110,723 passenger flights (2016: 111,762). Underlying growth is estimated to have been 4-5%, adjusted for the non-recurrence of 2016's leap year and different timings of Easter in the two years. In addition to domestic macro-economic factors, there are increasing signs that UK inbound demand, influenced by the depreciation of sterling, is driving growth. The average number of seats per passenger aircraft increased 1.1% to 212.4 (2016: 210.2) and the average load factor was higher at 73.0% (2016: 71.5%).

Intercontinental traffic was the key driver of traffic growth, increasing 2.6%, with more flights operated and more seats per flight. Intercontinental traffic growth was particularly robust on routes serving the Middle East where passenger numbers increased 13.1% reflecting more flights and larger aircraft, including additional A380 services from Emirates, Etihad and Qatar Airways and British Airways' relaunched Tehran service in 2016. Momentum in this region has been increasing since the second half of 2016. The rise in Asia Pacific traffic of 3.2% included substantial growth on existing routes serving Malaysia, South Korea, Singapore and Vietnam and new services to Indonesia. In the first quarter of the year, North American traffic declined 1.1% partly due to more adverse winter weather events on the eastern seaboard than in 2016. Latin American traffic grew 1.4%, partly reflecting the launch of British Airways' new service to Santiago whilst African traffic was lower partly due to reduced Nigerian services.

European passengers increased by 1.8% with notable growth on routes to Italy, Portugal, Denmark and Russia. The new Flybe services to Scotland, which started after Heathrow reduced domestic passenger charges this year, contributed to the 1.3% growth in domestic traffic.

Over 30% of the UK's non-EU exports by value pass through Heathrow today. In the three months ended 31 March 2017, Heathrow's cargo volumes increased 7.3%, one of the strongest quarters in the last 5 years in terms of year on year performance, with particularly notable increases on North America.

1.2 Transforming customer service

Heathrow continued to deliver its best ever passenger service, with a record service quality score for the first quarter of the year of 4.16 achieved in 2017. Heathrow has now achieved a score above 4.00 in the Airport Service Quality ('ASQ') survey directed by Airports Council International ('ACI') for thirteen successive quarters. Heathrow has been ranked first among major European hub airports for service quality in this survey for eleven successive quarters.

Heathrow has received other recognition for its high service standards, being named the 'Best Airport in Western Europe' for the third consecutive year at the Skytrax World Airport Awards. The award, voted for globally by passengers, came in addition to Heathrow being voted 'Best Airport for Shopping' for the

eighth consecutive time. For the second time, Heathrow received the prestigious award of 'Europe's Best Airport' in the category of over 40 million passengers in the 2016 ASQ Awards.

Improvements to passengers' journeys through the airport continue. Passengers continue to enjoy efficient queuing to pass through security, passing through central security within the five minute period prescribed under the Service Quality Rebate scheme 97.4% of the time (2016: 97.7%) compared with a 95% service standard. The service quality regime penalty threshold was not triggered in the first three months of 2017 in respect of any performance standard.

The proportion of aircraft departing within 15 minutes of schedule continues to be a focus for Heathrow with departure punctuality of 83.4% (2016: 83.7%). Baggage performance also improved significantly with the misconnect rate down to 11 bags per 1,000 passengers (2016: 13), reflecting improved operational resilience. Heathrow achieved its best ever monthly baggage performance of 7 bags per 1,000 passengers in February 2017, beating the previous record of 9 bags per 1,000 passengers set in October 2016.

1.3 Beating the plan

Heathrow's business plan for the current regulatory period is intended to improve customer service, strengthen operational resilience and deliver an ambitious programme of cost efficiencies and revenue growth. Heathrow is on track to deliver the targeted £600 million of cost efficiencies over the period to the end of 2018.

The benefits of investment in Terminal 5 retail outlets, completion of Terminal 4 retail redevelopment and new car parking capacity continue to flow through strongly with over £200 million secured out of the £300 million incremental commercial revenue target set for the period to the end of 2018.

In December 2016, the CAA issued a formal notice to modify Heathrow's economic licence by extending Heathrow's current regulatory period by one year to 31 December 2019, rolling over the current price control of RPI-1.5% for the additional year. Following this decision, the CAA is expected to confirm whether it will extend the current regulatory period by another year to 31 December 2020 by 30 June 2017. In addition, the CAA is due to publish a further policy update on the next regulatory period (H7) in the next few weeks following the publication in 2016 of the strategic themes to be considered in defining the next regulatory settlement (H7).

1.4 Investing in Heathrow

Heathrow invested £160 million in the first three months of 2017 on a variety of programmes to improve the passenger experience, airport resilience and work through a broad asset replacement programme.

Passengers should benefit from improvements delivered in Terminal 4 including increased space in the immigration hall to ease congestion and the opening of a new Gucci store marking the completion of the luxury retail redevelopment. In Terminal 5, premium passengers will enjoy the new "First Wing" offering a fast track route with dedicated security lanes to British Airways' lounge. The first three self-boarding gates also came into operation in Terminal 5 as Heathrow extends automation across the passenger journey and which reduce boarding time. Airfield improvements continued to meet increased A380 operations with additional taxiway widening and stand modifications now substantially completed.

1.5 Sustainability

In March 2017, Heathrow launched "Heathrow 2.0", its new sustainability leadership plan, which aspires to make the airport a centre of excellence for the aviation industry. The strategy sets out ambitious goals to reduce the airport's and the industry's environmental impacts while maximising economic opportunities throughout the UK. It is built around four key pillars.

Firstly, making Heathrow a great place to work by creating careers, not just jobs, so that colleagues can fulfil their potential. Heathrow will seek to create 10,000 apprenticeships by 2030 to help people launch their careers, to obtain the living wage accreditation in 2017 to ensure everyone at Heathrow can thrive and to reflect local diversity at every level of the organisation by 2025.

Further, Heathrow wants to work better with neighbours to improve their quality of life, particularly relating to noise and air quality. For example, by 2022 Heathrow aims to at least halve flight numbers after 11.30pm on non-disrupted days. Heathrow will also implement an airside ultra-low emissions zone by 2025 and target 50% of airport passenger journeys made by public and sustainable transport by 2030.

Thirdly, Heathrow aspires to help build a thriving sustainable economy creating opportunities for sustainable businesses to deliver a stronger future for the UK. Heathrow will aim to be connected to the largest hundred towns and cities in the UK by 2030 to create opportunities all over the country and deliver a stronger UK. Heathrow will also publish a road map during 2017 on how it plans to transition its supply chain employees working at the airport to be paid the London living wage.

Finally, it aims to deliver fair and sustainable air travel for future generations to enjoy. A first achievement in that area is that Heathrow is now powered with 100% renewable electricity, the first step toward operating a zero carbon airport. Heathrow will aim to make growth from its new runway carbon neutral and establish a centre of excellence for sustainability at airports and in the wider aviation sector.

1.6 Expansion

Heathrow moved into delivery phase following the Government's decision to support its expansion in late 2016. Since then, the Government published its draft Airports National Policy Statement ('NPS') outlining its policy for Heathrow's expansion. The publication started a public consultation on the draft NPS due to conclude on 25 May 2017. The planning requirements that are being consulted on are reflected in Heathrow's plans. A final version of the NPS is expected to be submitted to a vote in Parliament during winter 2017/18.

In February 2017, the CAA set out its policy in relation to the regulatory treatment of costs in excess of £10 million per annum associated with obtaining the development consent order ('DCO') required to proceed with expansion (so called 'Category B' costs). It had earlier modified Heathrow's licence to enable it to recover the first £10 million per annum of Category B costs through aeronautical charges shortly after they are incurred.

The policy includes mechanisms that allow (i) costs in excess of £10 million per annum to be added to the regulatory asset base ('RAB'), (ii) the regulatory cost of capital to accrue on the costs once added to the RAB, (iii) recovery of the costs following receipt of the DCO and (iv) risk sharing under which either 105% or 85% of costs added to the RAB will be recovered if the DCO is granted or not granted, respectively. The CAA may conduct a review of the policy if cumulative Category B costs exceed or are likely to exceed £265 million. Heathrow currently estimates Category B costs to amount to £250-300 million, primarily incurred between 2017 and 2020.

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

2 Financial review

2.1 Basis of presentation of financial results

Heathrow (SP) Limited ('Heathrow (SP)') is the holding company of a group of companies that owns Heathrow airport and operates the Heathrow Express rail service (the 'Group'). Heathrow (SP) consolidated accounts are prepared under International Financial Reporting Standards ('IFRS').

2.2 Income statement

2.2.1 Overview

In the three months ended 31 March 2017, the Group's Adjusted operating profit before certain re-measurements was £212 million (2016: £183 million) and its profit after tax was £103 million (2016: £36 million loss).

Three months ended 31 March	2017 £m	2016 £m
Excluding certain re-measurements		
Revenue	655	642
Operating costs before depreciation and amortisation	(273)	(275)
Adjusted EBITDA⁽¹⁾	382	367
Depreciation and amortisation	(170)	(184)
Adjusted operating profit	212	183
Net finance costs	(185)	(160)
Adjusted profit before tax	27	23
Tax charge on profit before certain re-measurements	(12)	(8)
Including certain re-measurements		
Fair value gain/(loss) on investment properties	34	(17)
Fair value gain/(loss) on financial instruments	73	(45)
Tax (charge)/credit on certain re-measurements	(19)	11
Profit/(loss) after tax	103	(36)

(1) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, certain re-measurements and exceptional items. Management uses Adjusted EBITDA to monitor the performance of the segments as it believes it more accurately reflects the underlying financial performance of the Group's operations. For the three months ended 31 March 2017, Adjusted EBITDA was £382 million and EBITDA was £416 million. For the three months ended 31 March 2016, Adjusted EBITDA was £367 million and EBITDA was £350 million.

2.2.2 Revenue

In the three months ended 31 March 2017, revenue increased 2.0% to £655 million (2016: £642 million).

Three months ended 31 March	2017 £m	2016 £m	Change (%)
Aeronautical	389	389	-
Retail	148	136	8.8
Other	118	117	0.9
Total revenue	655	642	2.0

2.2.2.1 Aeronautical

In the three months ended 31 March 2017, aeronautical revenue was flat at £389 million (2016: £389 million). Heathrow delivered better value for passengers and airlines with lower charges as average aeronautical revenue per passenger declined 2.2% to £22.67 (2016: £23.17).

Traffic growth of 2.2% generated £8 million incremental revenue. This was offset by a lower price due to the regulatory RPI-1.5% pricing formula and adjustments to reflect lower capital expenditure than forecast in the original regulatory settlement. Yield concentration in the period was also lower than last year due to a lower proportion of departing passengers.

2.2.2.2 Retail

In the three months ended 31 March 2017, retail revenue increased 8.8% to £148 million (2016: £136 million). Retail revenue per passenger rose 6.4% to £8.62 (2016: £8.10).

Three months ended 31 March	2017 £m	2016 £m	Change (%)
Duty and tax-free	32	29	10.3
Airside specialist shops	30	25	20.0
Bureaux de change	12	11	9.1
Catering	12	11	9.1
Other retail income	19	19	-
Car parking	28	28	-
Other services	15	13	15.4
Total retail revenue	148	136	8.8

Growth in retail income reflected benefit, particularly in duty and tax-free and airside specialist shops, from the depreciation of sterling since June 2016 and increased passenger traffic. The redevelopment of Terminal 4's luxury retail offering, completed in late 2016, also contributed to growth.

2.2.2.3 Other

In the three months ended 31 March 2017, other revenue was up 0.9% to £118 million (2016: £117 million).

Three months ended 31 March	2017 £m	2016 £m	Change (%)
Other regulated charges	54	54	-
Heathrow Express	33	30	10.0
Property and other	31	33	(6.1)
Total other revenue	118	117	0.9

Other regulated charges reflect a pass through to airlines of Heathrow's costs in areas such as baggage system operations and maintenance and utilities so the year on year performance reflects holding such costs flat. Performance elsewhere in other revenue reflects growth from Heathrow Express, driven by the introduction of a more sophisticated pricing strategy and traffic growth, offset by modest declines in other revenue streams.

2.2.3 Operating costs

In the three months ended 31 March 2017, operating costs excluding depreciation, amortisation and exceptional items decreased 0.7% to £273 million (2016: £275 million).

Three months ended 31 March	2017 £m	2016 £m	Change (%)
Employment	93	88	5.7
Operational	62	64	(3.1)
Maintenance	43	43	-
Business rates	32	31	3.2
Utilities	23	24	(4.2)
Other	20	25	(20.0)
Total operating costs	273	275	(0.7)

Cost efficiencies in people-related areas were offset by higher costs related to pensions and managing higher passenger numbers. The rise in business rates reflects general national trends with Heathrow remaining one of the UK's highest business rate payers. Other costs decreased due to various efficiencies and also due to the fact that in relation to expansion, following the UK Government's decision in late 2016 to support Heathrow expansion, costs have started to be capitalised rather than being expensed.

Lower utilities costs reflect the recurring savings expected from a contract for the provision of electricity distribution infrastructure services that was re-negotiated in 2016. A focus on energy demand management also continues to drive savings in electricity consumption.

2.2.4 Operating profit before certain re-measurements

For the three months ended 31 March 2017, the Group recorded an operating profit before certain re-measurements of £212 million (2016: £183 million).

Three months ended 31 March	2017 £m	2016 £m	Change (%)
Adjusted EBITDA	382	367	4.1
Depreciation and amortisation	(170)	(184)	(7.6)
Operating profit before certain re-measurements	212	183	15.8

In the three months ended 31 March 2017, Adjusted EBITDA increased 4.1% to £382 million (2016: £367 million), resulting in an Adjusted EBITDA margin of 58.3% (2016: 57.2%). Depreciation and amortisation decreased to £170 million (2016: £184 million) driven by a combination of various assets, mainly in Terminal 3, becoming fully depreciated during 2016 and a build up in the value of assets in the course of construction where depreciation will commence once the relevant assets come into operational use. The latter driver of lower depreciation and amortisation is related to timing as there are many projects in the course of construction where depreciation will commence in the coming 2 years.

2.2.5 Taxation

For the three months ended 31 March 2017, the profit before tax and certain re-measurements of £27 million (2016: £23 million) resulted in a tax charge of £12 million (2016: £8 million). This results in an effective tax rate of 44.4% (2016: 34.8%), compared to the UK statutory rate of 19.25% (2016: 20.0%). The effective tax rate being higher than the statutory rate reflects the fact that a substantial proportion of Heathrow's capital expenditure does not qualify for tax relief. The total tax charge recognised was £31 million (2016: £3 million credit) based on the profit before tax of £134 million (2016: £39 million loss), which includes the impact of certain re-measurements.

2.3 Cash flow

2.3.1 Summary cash flow

In the three months ended 31 March 2017, there was a decrease of £258 million in cash and cash equivalents compared with a decrease of £32 million in 2016.

Three months ended 31 March	2017 £m	2016 £m
Cash generated from operations	394	332
Taxation:		
Corporation tax paid	(7)	(12)
Net cash from operating activities	387	320
Purchase of property, plant and equipment	(156)	(139)
Purchase of intangible assets	(4)	(5)
Decrease in term deposits	85	190
Interest received	1	1
Net cash (used in)/from investing activities	(74)	47
Dividends paid to Heathrow Finance plc	(85)	(143)
(Decrease)/increase in amount owed to Heathrow Finance plc	(140)	50
Proceeds from issuance of bonds, term notes and other financing	721	302
Repayment of bonds and facilities and other financing items	(865)	(309)
Settlement of accretion on index-linked swaps	(5)	(83)
Interest paid	(197)	(216)
Net cash used in financing activities	(571)	(399)
Net decrease in cash and cash equivalents	(258)	(32)
Cash generated from operations after capital expenditure and net interest paid	38	(27)

At 31 March 2017, the Group had £317 million (31 December 2016: £660 million) of cash, cash equivalents and term deposits, of which cash and cash equivalents were £22 million (31 December 2016: £280 million).

2.3.2 Cash generated from operations

In the three months ended 31 March 2017, cash generated from operations increased 18.7% to £394 million (2016: £332 million). The following table reconciles Adjusted EBITDA to cash generated from operations.

Three months ended 31 March	2017 £m	2016 £m
Adjusted EBITDA	382	367
Decrease/(increase) in receivables and inventories ¹	25	(20)
Decrease in payables	(5)	(4)
Decrease in provisions	(3)	(1)
Difference between pension charge and cash contributions	(5)	(10)
Cash generated from operations	394	332

(1) Excludes movement in group deposits

2.3.3 Dividends/restricted payments

The financing arrangements of the Group and Heathrow Finance 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 repurchases of share capital, and payments of fees, interest or principal on intercompany loans involving entities outside the Group or Heathrow Finance, as appropriate.

In the three months ended 31 March 2017, Heathrow's ultimate shareholders received £94 million in dividends reflecting the continued strong performance achieved by the business including delivering better value for airlines and passengers and significantly improving service. Total restricted payments paid by Heathrow (SP) Limited in the period amounted to £260 million (net) or £385 million (gross). Other than the £85 million payment made by Heathrow (SP) to Heathrow Finance to fund dividends to ultimate shareholders, net restricted payments related principally to meeting £35 million (2016: £36 million) of interest on the debenture between Heathrow (SP) and Heathrow Finance and a net £140 million distributed to Heathrow Finance to enable it to meet a £265 million bond maturity on 1 March 2017.

2.4 Pension scheme

Heathrow operates a defined benefit pension scheme, the BAA Pension Scheme, which closed to new members in June 2008. At 31 March 2017, the defined benefit pension scheme, as measured under IAS 19, had a surplus of £8 million (31 December 2016: £79 million deficit). The £87 million change in the first quarter of 2017 is primarily due to a net actuarial gain of £83 million and £12 million of on-going contributions (consisting of £6 million of regular contributions and £6 million of deficit repair contributions), partly offset by charges to the income statement of £8 million.

2.5 Recent financing activity

Heathrow continues to focus on maintaining a strong liquidity position and optimising its long-term cost of debt as well as ensuring duration, diversification and resilience in its debt financing. Heathrow's debt financing strategy for the remainder of its current regulatory period is expected to have a strong focus on ensuring its relatively limited funding requirements are targeted at maintaining its presence in existing public markets whilst capitalising selectively on private placement opportunities.

Since the start of 2017, Heathrow has put in place approximately £170 million in new Class A debt out of an aggregate Class A term debt financing target in 2017 that is expected to be no more than £750 million.

The initial £350 million 3.75 year term loan signed with a group of banks in June 2016 was increased to £418 million by adding two further banks. This facility was drawn in full in March 2017. Also in March 2017, a £100 million private placement from non-sterling sources was signed that will be drawn in June 2017 and mature in 2033 and 2037.

At Heathrow Finance, £125 million out of £200 million of 7-10 year term loans agreed in 2016 was drawn in February 2017 and the remaining £75 million is expected to be drawn in June 2017.

Since the start of 2017, Heathrow has repaid €700 million (£584 million) and CHF400 million (£272 million) Class A bonds in January 2017 and February 2017 respectively. Heathrow Finance also repaid a £265 million bond in March 2017.

2.6 Financing position

2.6.1 Debt and liquidity at Heathrow (SP) Limited

The Group's nominal net debt increased 2.0% to £12,147 million (31 December 2016: £11,908 million) and comprised £11,101 million in bonds, £847 million in other term debt, £305 million outstanding under revolving credit facilities and £211 million in index-linked derivative accretion offset by £317 million in cash and term deposits. Nominal net debt comprised £10,407 million in senior net debt and £1,740 million in junior debt.

The average cost of the Group's nominal gross debt at 31 March 2017 was 3.92% (31 December 2016: 4.08%). This includes interest rate, cross-currency and index-linked hedge impacts and excludes index-linked accretion. Including index-linked accretion, the Group's average cost of debt at 31 March 2017 was 5.05% (31 December 2016: 5.22%). The reduction in the average cost of debt both including and excluding index-linked accretion since the end of 2016 is mainly due to the replacement in the first quarter of 2017 of relatively high cost maturing legacy debt with newer lower cost debt.

Nominal debt excludes any restricted cash and the debenture between Heathrow (SP) and Heathrow Finance. It includes all the components used in calculating gearing ratios under the Group's financing agreements including index-linked accretion.

The accounting value of the Group's net debt at 31 March 2017 was £12,291 million (31 December 2016: £12,189 million). This includes £22 million of cash and cash equivalents and £295 million of term deposits, as reflected in the statement of financial position, and excludes accrued interest.

Heathrow expects to have sufficient liquidity to meet all its obligations in full until December 2018. The obligations include forecast capital investment (including expected investment over the period related to potential expansion), debt service costs, debt maturities and distributions. The liquidity forecast takes into account over £1.3 billion in undrawn loan facilities and term debt as well as cash resources at 31 March 2017 together with expected operating cash flow over the period.

2.6.2 Debt at Heathrow Finance plc

The consolidated nominal net debt of Heathrow Finance increased 0.7% to £13,097 million (31 December 2016: £13,005 million). This comprises the Group's £12,147 million nominal net debt, Heathrow Finance's gross debt of £963 million and cash held at Heathrow Finance of £13 million.

2.6.3 Net finance costs and net interest paid

In the three months ended 31 March 2017, the Group's net finance costs before certain re-measurements were £185 million (2016: £160 million) and net interest paid was £196 million (2016: £215 million). Reconciliation from net finance costs on the income statement to net interest paid on the cash flow statement is provided below.

Three months ended 31 March	2017 £m	2016 £m
Net finance costs before certain re-measurements	185	160
Amortisation of financing fees and other items	(7)	(4)
Borrowing costs capitalised	13	7
Underlying net finance costs	191	163
Non-cash accretion on index-linked instruments	(43)	(7)
Other movements	48	59
Net interest paid	196	215

Underlying net finance costs were £191 million (2016: £163 million) after adjusting for capitalised borrowing costs of £13 million (2016: £7 million) and non-cash amortisation of financing fees, discounts

and fair value adjustments of debt of £7 million (2016: £4 million). The year-on-year increase in underlying net finance costs primarily reflects higher index-linked accretion due to higher inflation during the first quarter of 2017 versus the comparable period of 2016 partially offset by the issue of new debt at lower rates.

Net interest paid was £196 million (2016: £215 million) of which £161 million (2016: £179 million) related to external debt. The remaining £35 million (2016: £36 million) of interest paid related to the debenture between Heathrow (SP) and Heathrow Finance. The reduction in interest paid primarily reflects the ongoing process of new lower cost financing replacing more expensive legacy debt including particularly the maturity of a high coupon bond in the first quarter of 2016.

Net interest paid is higher than underlying net finance costs primarily due to timing differences between the payment of interest and the accruals for interest with the first quarter of the year characterised by relatively high interest payments.

Included within certain re-measurements is a fair value gain on financial instruments of £73 million (2016: £45 million loss). The gain in the quarter is due to a reduction in long-term inflation expectations since 31 December 2016. The change from a prior year loss to a current year gain is driven primarily by a significant fall in interest rate expectations in the first quarter of 2016 versus minimal change during the first quarter of 2017.

2.6.4 Financial ratios

The Group and Heathrow Finance continue to operate comfortably within required financial ratios.

Gearing ratios under the Group's financing agreements are calculated by dividing consolidated nominal net debt by Heathrow's Regulatory Asset Base ('RAB') value. Heathrow's RAB was £15,323 million at 31 March 2017 (31 December 2016: £15,237 million).

At 31 March 2017, the Group's senior (Class A) and junior (Class B) gearing ratios were 67.9% and 79.3% respectively (31 December 2016: 66.7% and 78.2% respectively) compared with trigger levels of 70.0% and 85.0% under its financing agreements. Heathrow Finance's gearing ratio was 85.5% (31 December 2016: 85.4%) compared to a covenant level of 90.0% under its financing agreements.

2.7 Outlook

Heathrow's traffic in the year to date has been stronger than expected with its rolling annual traffic exceeding 76 million at the end of March. Further year on year improvement in traffic is currently expected over the balance of 2017. On this basis, full year traffic and financial forecasts are expected to be upgraded when Heathrow's next investor report is published in June 2017.

Appendix 1 Financial information

Heathrow (SP) Limited

Consolidated income statement for the three months ended 31 March 2017

	Note	Unaudited Three months ended 31 March 2017			Unaudited Three months ended 31 March 2016			Audited Year ended 31 December 2016		
		Before certain re-measurements £m	Certain re-measurements ^a £m	Total £m	Before certain re-measurements £m	Certain re-measurements ^a £m	Total £m	Before certain re-measurements £m	Certain re-measurements ^a £m	Total £m
Continuing operations										
Revenue	1	655	-	655	642	-	642	2,807	-	2,807
Operating costs	2	(443)	-	(443)	(459)	-	(459)	(1,794)	-	(1,794)
Other operating items										
Fair value gain/(loss) on investment properties			34	34		(17)	(17)		44	44
Operating profit		212	34	246	183	(17)	166	1,013	44	1,057
Financing										
Finance income		50	-	50	57	-	57	218	-	218
Finance costs		(235)	-	(235)	(217)	-	(217)	(964)	-	(964)
Fair value gain/(loss) on financial instruments			73	73		(45)	(45)		(524)	(524)
Net finance costs	3	(185)	73	(112)	(160)	(45)	(205)	(746)	(524)	(1,270)
Profit/(loss) before tax		27	107	134	23	(62)	(39)	267	(480)	(213)
Tax (charge)/credit before change in tax rate		(12)	(19)	(31)	(8)	11	3	(67)	83	16
Change in tax rate		-	-	-	-	-	-	-	53	53
Taxation	4	(12)	(19)	(31)	(8)	11	3	(67)	136	69
Profit/(loss) for the period		15	88	103	15	(51)	(36)	200	(344)	(144)

^a Certain re-measurements consist of: fair value gains and losses on investment property revaluations and disposals; gains and losses arising on the re-measurement and disposal of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship, the effects of the changes in tax rate and the associated tax impact of these and similar cumulative prior year items.

Heathrow (SP) Limited

**Consolidated statement of comprehensive income
for the three months ended 31 March 2017**

	Unaudited Three months ended 31 March 2017 £m	Unaudited Three months ended 31 March 2016 £m	Audited Year ended 31 December 2016 £m
Profit/(loss) for the period	103	(36)	(144)
<i>Items that will not be subsequently reclassified to the consolidated income statement:</i>			
Actuarial gain/(loss) on pensions net of tax:			
Gain on plan assets	76	117	501
Increase in scheme liabilities	(7)	(113)	(688)
Tax relating to indexation of operational land	-	-	1
Change in deferred tax due to tax rate change	-	-	6
<i>Items that may be subsequently reclassified to the consolidated income statement:</i>			
Cash flow hedges:			
(Loss)/gain taken to equity	(76)	100	264
Transferred to income statement	82	(112)	(241)
Change in deferred tax due to tax rate change	-	-	(7)
Other comprehensive income/(loss) for the period net of tax	75	(8)	(164)
Total comprehensive income/(loss) for the period^a	178	(44)	(308)

^a Attributable to owners of the parent.

Heathrow (SP) Limited

**Consolidated statement of financial position
as at 31 March 2017**

<i>Note</i>	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 31 December 2016 £m
Assets			
Non-current assets			
Property, plant and equipment	11,318	11,215	11,306
Investment properties	2,233	2,139	2,200
Intangible assets	115	130	122
Retirement benefit surplus	8	121	-
Derivative financial instruments	474	412	676
Trade and other receivables	25	23	27
	14,173	14,040	14,331
Current assets			
Inventories	11	11	11
Trade and other receivables	248	273	271
Derivative financial instruments	129	19	78
Term deposits	295	360	380
Cash and cash equivalents	22	140	280
	705	803	1,020
Total assets	14,878	14,843	15,351
Liabilities			
Non-current liabilities			
Borrowings	5 (13,148)	(12,087)	(13,240)
Derivative financial instruments	(1,393)	(1,050)	(1,419)
Deferred income tax liabilities	(879)	(1,001)	(849)
Retirement benefit obligations	(35)	(28)	(114)
Provisions	(9)	(2)	(9)
Trade and other payables	(8)	(11)	(8)
	(15,472)	(14,179)	(15,639)
Current liabilities			
Borrowings	5 (840)	(1,454)	(1,241)
Derivative financial instruments	-	(33)	-
Provisions	(9)	(4)	(12)
Current income tax liabilities	(39)	(29)	(30)
Trade and other payables	(404)	(406)	(408)
	(1,292)	(1,926)	(1,691)
Total liabilities	(16,764)	(16,105)	(17,330)
Net liabilities	(1,886)	(1,262)	(1,979)
Equity			
Capital and reserves			
Share capital	11	11	11
Share premium	499	499	499
Merger reserve	(3,758)	(3,758)	(3,758)
Cash flow hedge reserve	(262)	(296)	(268)
Retained earnings	1,624	2,282	1,537
Total shareholder's equity	(1,886)	(1,262)	(1,979)

Heathrow (SP) Limited

**Consolidated statement of changes in equity
for the three months ended 31 March 2017**

	Attributable to owners of the Company (Unaudited)					Total equity £m
	Share capital £m	Share premium £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	
1 January 2016	11	499	(3,758)	(284)	2,457	(1,075)
Comprehensive income:						
Loss for the period					(36)	(36)
Other comprehensive income:						
Fair value loss on cash flow hedges net of tax				(12)		(12)
Actuarial gain on pension net of tax:						
Gain on plan assets					117	117
Increase in scheme liabilities					(113)	(113)
Total comprehensive income				(12)	(32)	(44)
Transaction with owners:						
Dividends paid to Heathrow Finance plc					(143)	(143)
Total transaction with owners					(143)	(143)
31 March 2016	11	499	(3,758)	(296)	2,282	(1,262)
1 January 2017	11	499	(3,758)	(268)	1,537	(1,979)
Comprehensive income:						
Profit for the period					103	103
Other comprehensive income:						
Fair value gain on cash flow hedges net of tax				6		6
Actuarial gain on pension net of tax:						
Gain on plan assets					76	76
Increase in scheme liabilities					(7)	(7)
Total comprehensive income				6	172	178
Transaction with owners:						
Dividends paid to Heathrow Finance plc					(85)	(85)
Total transaction with owners					(85)	(85)
31 March 2017	11	499	(3,758)	(262)	1,624	(1,886)

Heathrow (SP) Limited

**Consolidated statement of cash flows
for the three months ended 31 March 2017**

	Note	Unaudited Three months ended 31 March 2017 £m	Unaudited Three months ended 31 March 2016 £m	Audited Year ended 31 December 2016 £m
Cash flows from operating activities				
Cash generated from continuing operations	6	394	332	1,652
Taxation				
Corporation tax paid		(7)	(12)	(45)
Group relief paid		-	-	(15)
Net cash from operating activities		387	320	1,592
Cash flows from investing activities				
Purchase of:				
Property, plant and equipment		(156)	(139)	(660)
Intangible assets		(4)	(5)	(14)
Decrease in term deposits ¹		85	190	170
Increase in group deposits ²		-	-	(26)
Interest received		1	1	4
Net cash (used in)/from investing activities		(74)	47	(526)
Cash flows from financing activities				
Dividends paid to Heathrow Finance plc		(85)	(143)	(596)
(Decrease)/increase in amount owed to Heathrow Finance plc		(140)	50	260
Proceeds from issuance of bonds		-	277	829
Repayment of bonds		(856)	(300)	(734)
Proceeds from issuance of other term debt		418	-	90
Drawdown of revolving credit facilities		305	-	-
(Repayment)/drawdown of facilities and other financing items		(11)	16	(44)
Swap restructuring		-	-	20
Settlement of accretion on index-linked swaps		(5)	(83)	(188)
Interest paid		(197)	(216)	(595)
Net cash used in financing activities		(571)	(399)	(958)
Net (decrease)/increase in cash and cash equivalents		(258)	(32)	108
Cash and cash equivalents at beginning of period		280	172	172
Cash and cash equivalents at end of period		22	140	280

¹ Term deposits with an original maturity of over three months are invested at Heathrow Airport Limited and Heathrow (AH) Limited.

² Group deposits are amounts settled with LHR Airports Limited during the year under the terms of the SSA.

Heathrow (SP) Limited

General information and accounting policies for the three months ended 31 March 2017

General information

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2016 or any other period. Statutory financial statements for the year ended 31 December 2016 have been filed with the registrar of Companies on 24 February 2017. The annual financial information presented herein for the year ended 31 December 2016 is based on, and is consistent with, the audited consolidated financial statements of Heathrow (SP) Limited (the 'Group') for the year ended 31 December 2016. The auditors' report on the 2016 financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

Accounting policies

Basis of preparation

The consolidated financial statements of Heathrow (SP) Limited have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU') and prepared under the historical cost convention, except for investment properties, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historical cost convention have been measured at fair value in accordance with IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006. The accounting policies adopted in the preparation of this consolidated financial information are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2016.

Heathrow (SP) Limited

Notes to the consolidated financial information for the three months ended 31 March 2017

1 Segment information

Management has determined the reportable segments of the business based on those contained within the monthly reports reviewed and utilised by the relevant Board for allocating resources and assessing performance. These segments relate to the operations of Heathrow and Heathrow Express.

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis, before certain re-measurements and exceptional items.

The reportable segments derive their revenues from a number of sources including aeronautical, retail, other regulated charges ('ORCs') and other products and services (including rail income), and this information is also provided to the Board on a monthly basis.

Table (a) details total revenue from external customers for the three months ended 31 March 2017 and is broken down into aeronautical, retail, ORCs and other in respect of the reportable segments. No information in relation to inter-segmental revenue is disclosed as it is not considered material. Also detailed within table (a) is Adjusted EBITDA and a reconciliation to the consolidated profit for the period.

Table (b) and table (c) detail comparative information to table (a) for the three months ended 31 March 2016 and the year ended 31 December 2016 respectively.

Table (a)

Three months ended 31 March 2017	Segment revenue				Total external revenue £m	Adjusted EBITDA £m
	Aero- nautical £m	Retail £m	ORCs £m	Other £m		
Heathrow	389	148	54	31	625	366
Heathrow Express				33	30	16
Continuing operations	389	148	54	64	655	382

Reconciliation to statutory information:

Unallocated income and expense	
Depreciation and amortisation	(170)
Operating profit (before certain re-measurements)	212
Fair value gain on investment properties (certain re-measurements)	34
Operating profit	246
Finance income	50
Finance costs	(235)
Fair value gain on financial instruments (certain re-measurements)	73
Profit before tax	134
Taxation before certain re-measurements	(12)
Taxation (certain re-measurements)	(19)
Taxation	(31)
Profit for the period	103

Heathrow (SP) Limited

**Notes to the consolidated financial information
for the three months ended 31 March 2017**

1 Segment information *continued*

Table (b) Three months ended 31 March 2016	Segment revenue					Total external revenue £m	Adjusted EBITDA £m
	Aero- nautical £m	Retail £m	ORCs £m	Other £m			
Heathrow	389	136	54	36*	612	353	
Heathrow Express				27*	30	14	
Continuing operations	389	136	54	63	642	367	

Reconciliation to statutory information:

Unallocated income and expense	
Depreciation and amortisation	(184)
Operating profit (before certain re-measurements)	183
Fair value loss on investment properties (certain re-measurements)	(17)
Operating profit	166
Finance income	57
Finance costs	(217)
Fair value loss on financial instruments (certain re-measurements)	(45)
Loss before tax	(39)
Taxation before certain re-measurements	(8)
Taxation (certain re-measurements)	11
Taxation	3
Loss for the period	(36)

* The segment revenue for Heathrow and Heathrow Express have both been re-stated to reflect more accurately the performance of the underlying Heathrow Express business and to present segmental revenue on a basis consistent with adjusted EBITDA reported for Heathrow Express. There was no effect on total revenue as a result of this restatement.

Table (c) Audited Year ended 31 December 2016	Segment revenue					Total external revenue £m	Adjusted EBITDA £m
	Aero- nautical £m	Retail £m	ORCs £m	Other £m			
Heathrow	1,699	612	232	144*	2,673	1,616	
Heathrow Express				120*	134	66	
Continuing operations	1,699	612	232	264	2,807	1,682	

Reconciliation to statutory information:

Unallocated income and expense	
Depreciation and amortisation	(669)
Operating profit (before certain re-measurements)	1,013
Fair value gain on investment properties (certain re-measurements)	44
Operating profit	1,057
Finance income	218
Finance costs	(964)
Fair value loss on financial instruments (certain re-measurements)	(524)
Loss before tax	(213)
Taxation before certain re-measurements	(67)
Taxation (certain re-measurements)	136
Taxation	69
Loss for the period	(144)

* The segment revenue for Heathrow and Heathrow Express have both been re-stated to reflect more accurately the performance of the underlying Heathrow Express business and to present segmental revenue on a basis consistent with adjusted EBITDA reported for Heathrow Express. There was no effect on total revenue as a result of this restatement.

Heathrow (SP) Limited

**Notes to the consolidated financial information
for the three months ended 31 March 2017**

2 Operating costs – ordinary

	Unaudited Three months ended 31 March 2017 £m	Unaudited Three months ended 31 March 2016 £m	Audited Year ended 31 December 2016 £m
Employment	93	88	373
Operational	62	64	265
Maintenance	43	43	176
Business rates	32	31	128
Utilities	23	24	74
Other	20	25	109
Total adjusted operating costs	273	275	1,125
Depreciation and amortisation	170	184	669
Total operating costs	443	459	1,794

3 Financing

	Unaudited Three months ended 31 March 2017 £m	Unaudited Three months ended 31 March 2016 £m	Audited Year ended 31 December 2016 £m
Finance income			
Interest receivable on derivatives not in hedge relationship	49	55	209
Interest on deposits	1	1	5
Net pension finance income	-	1	4
	50	57	218
Finance costs			
Interest on borrowings:			
Bonds and related hedging instruments ¹	(117)	(141)	(591)
Bank loans and overdrafts and related hedging instruments	(35)	(16)	(56)
Interest payable on derivatives not in hedge relationship ²	(77)	(49)	(275)
Facility fees and other charges	(1)	(2)	(9)
Net pension finance costs	(1)	-	-
Interest on debenture payable to Heathrow Finance plc	(17)	(16)	(67)
Unwinding of discount on provisions	-	-	(1)
	(248)	(224)	(999)
Less: capitalised borrowing costs ³	13	7	35
	(235)	(217)	(964)
Net finance costs before certain re-measurements	(185)	(160)	(746)
Fair value gain/(loss) on financial instruments			
Interest rate swaps: ineffective portion of cash flow hedges	-	(2)	-
Interest rate swaps: not in hedge relationship	8	(111)	(122)
Index-linked swaps: not in hedge relationship	70	51	(436)
Cross-currency swaps: ineffective portion of cash flow hedges	(2)	21	10
Cross-currency swaps: ineffective portion of fair value hedges	(3)	(4)	24
	73	(45)	(524)
Net finance costs	(112)	(205)	(1,270)

¹ Includes accretion of £6 million (three months ended 31 March 2016: £2 million; year ended 31 December 2016: £26 million) on index-linked bonds.

² Includes accretion of £37 million (three months ended 31 March 2016: £6 million; year ended 31 December 2016: £113 million) on index-linked swaps.

³ Capitalised interest included in the cost of qualifying assets arose on the general borrowing pool and is calculated by applying an average capitalisation rate of 5.11% (three months ended 31 March 2016: 4.79%; year ended 31 December 2016: 4.89%) to expenditure incurred on such assets.

Heathrow (SP) Limited

Notes to the consolidated financial information for the three months ended 31 March 2017

4 Taxation

	Unaudited Three months ended 31 March 2017			Unaudited Three months ended 31 March 2016			Audited Year ended 31 December 2016		
	Before certain re- measurements	Certain re- measurements	Total	Before certain re- measurements	Certain re- measurements	Total	Before certain re- measurements	Certain re- measurements	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK corporation tax									
Current tax charge at 19.25% (2016: 20%)	(16)	-	(16)	(10)	-	(10)	(56)	(2)	(58)
Under provision in respect of prior years	-	-	-	-	-	-	(1)	-	(1)
Deferred tax									
Current year (charge)/credit	4	(19)	(15)	2	11	13	(8)	89	81
Prior year charge	-	-	-	-	-	-	(2)	(4)	(6)
Change in UK corporation tax rate – impact on deferred tax assets and liabilities	-	-	-	-	-	-	-	53	53
Taxation (charge)/credit for the period	(12)	(19)	(31)	(8)	11	3	(67)	136	69

For the three months ended 31 March 2017, the profit before tax and certain re-measurements of £27 million (2016: £23 million) resulted in a tax charge of £12 million (2016: £8 million). This results in an effective tax rate of 44.4% (2016: 34.8%), compared to the UK statutory rate of 19.25% (2016: 20%). The higher effective tax rate reflects the fact that a substantial proportion of Heathrow's capital expenditure does not qualify for tax relief. The total tax charge recognised was £31 million (2016: £3 million credit) based on the profit before tax of £134 million (2016: £39 million loss), which includes the impact of certain re-measurements.

The Finance (No 2) Act 2015 enacted reductions in the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. The Finance Act 2016 enacted a further 1% reduction in the main rate of corporation tax to 17% from 1 April 2020. Consequently the Group's significant deferred tax balances, which were previously provided at 18%, were re-measured in 2016 at the future tax rate at which the Group believes the timing differences will reverse. This resulted in a net reduction in the deferred tax liability and a corresponding net deferred tax credit of £53 million being recognised in the income statement.

The UK government has published draft legislation on a new interest deductibility regime, in response to the Organisation for Economic Co-operation and Development (OECD) reports on base erosion and profit shifting (BEPS). The new corporate interest restriction has been effective since 1 April 2017 and interest deductions are limited to 30% of tax based EBITDA, with the ability to apply a group ratio rule (GRR) and a public infrastructure exemption (PIE). Whilst the legislation could impact the future tax charge of the Group, Heathrow expects to be largely protected from the 30% of tax EBITDA cap through the use of the PIE and GRR. The position will be clarified when the Finance Bill becomes law.

Heathrow (SP) Limited

**Notes to the consolidated financial information
for the three months ended 31 March 2017**

5 Borrowings

	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 31 December 2016 £m
Current borrowings			
Secured			
Heathrow Funding Limited bonds			
4.125% €500 million due 2016	-	393	-
4.375% €700 million due 2017	-	553	598
2.500% CHF400 million due 2017	-	291	318
4.600% €750 million due 2018	629	-	-
Total bonds	629	1,237	916
Heathrow Airport Limited loans	34	39	36
Total current (excluding interest payable)	663	1,276	952
Interest payable – external	172	173	266
Interest payable – owed to group undertakings	5	5	23
Total current	840	1,454	1,241
Non-current borrowings			
Secured			
Heathrow Funding Limited bonds			
4.600% €750 million due 2018	-	570	627
6.250% £400 million due 2018	399	399	399
4.000% C\$400 million due 2019	239	213	240
6.000% £400 million due 2020	398	397	398
9.200% £250 million due 2021	271	275	272
3.000% C\$450 million due 2021	273	249	274
4.875% US\$1,000 million due 2021	816	741	833
1.650%+RPI £180 million due 2022	201	195	199
1.875% €600 million due 2022	527	498	534
5.225% £750 million due 2023	671	661	669
7.125% £600 million due 2024	591	590	591
0.500% CHF400 million due 2024	311	292	314
3.250% C\$500 million due 2025	304	279	303
4.221% £155 million due 2026	154	155	155
6.750% £700 million due 2026	692	691	692
2.650% NOK1,000 million due 2027	93	88	93
7.075% £200 million due 2028	198	198	198
2.500% NOK1,000 million due 2029	83	-	85
1.500% €750 million due 2030	597	583	614
6.450% £900 million due 2031	850	853	850
Zero-coupon €50 million due January 2032	53	47	52
1.366%+RPI £75 million due 2032	79	77	79
Zero-coupon €50 million due April 2032	52	46	52
4.171% £50 million due 2034	50	50	50
Zero-coupon €50 million due 2034	46	42	46
1.061%+RPI £180 million due 2036	184	115	183
1.382%+RPI £50 million due 2039	53	51	53
3.334%+RPI £460 million due 2039	589	576	587
1.238%+RPI £100 million due 2040	104	101	103
5.875% £750 million due 2041	738	740	738
4.625% £750 million due 2046	742	741	742
1.372%+RPI £75 million due 2049	79	77	79
2.750% £400 million due 2049	392	-	392
Total bonds	10,829	10,590	11,496

Heathrow (SP) Limited

**Notes to the consolidated financial information
for the three months ended 31 March 2017**

5 Borrowings continued

	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 31 December 2016 £m
Secured continued			
Heathrow Airport Limited debt:			
Revolving credit facilities	305	25	-
Term notes: £340 million due 2026-2035	339	249	339
Loans	472	89	62
Unsecured			
Debenture payable to Heathrow Finance plc	1,203	1,134	1,343
Total non-current	13,148	12,087	13,240
Total borrowings (excluding interest payable)	13,811	13,363	14,192

6 Cash generated from operations

	Unaudited Three months ended 31 March 2017 £m	Unaudited Three months ended 31 March 2016 £m	Audited Year ended 31 December 2016 £m
Operating activities			
Profit/(loss) before tax	134	(39)	(213)
<i>Adjustments for:</i>			
Fair value (gain)/loss on financial instruments	(73)	45	524
Finance costs	235	217	964
Finance income	(50)	(57)	(218)
Depreciation and amortisation	170	184	669
Fair value (gain)/loss on investment properties	(34)	17	(44)
<i>Working capital changes:</i>			
Decrease/(increase) in trade and other receivables	25	(20)	(19)
(Decrease)/increase in trade and other payables	(5)	(4)	13
(Decrease)/increase in provisions	(3)	(1)	7
Difference between pension charge and cash contributions	(5)	(10)	(31)
Cash generated from operations	394	332	1,652