MOODY'S
INVESTORS SERVICE

CREDIT OPINION

6 April 2018

Update

Rate this Research

RATINGS

Heathrow Finance plc

Domicile	United Kingdom
Long Term Rating	Ba1
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Heathrow Finance plc

Update following publication of the 2017 results

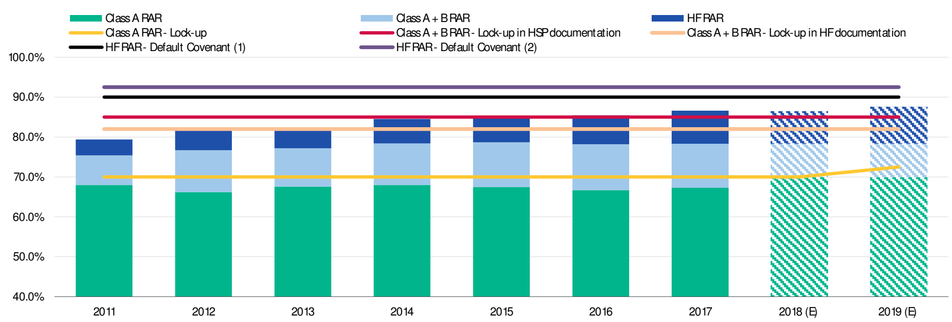
Summary

The credit profile of Heathrow Finance plc ("HF") reflects (1) its ownership of Heathrow, which is one of the world's most important hub airports and the largest European airport, (2) its long established framework of economic regulation, (3) the resilient traffic characteristics of Heathrow, (4) the capacity constraints the airport faces, (5) the current sustained period of lower capital expenditure levels, (6) an expectation that the HF group will maintain a high leverage with Net debt / RAB in the high 80s percent, and (7) the features of the Heathrow SP ("HSP") secured debt financing structure which puts certain constraints around management activity together with the protective features of the HF Debt which effectively limits HF's activities to its investment in HSP.

Exhibit 1

HF will operate with a temporary reduced headroom under the lowest of its leverage covenants until September 2019

Class A, class B and HF net debt to RAB (as per covenant calculation)



The 2018 and 2019 estimates represent Moody's forward view; not the view of the issuer
Source: Moody's Financial Metrics for historical data

Profile

The only asset of Heathrow Finance plc ("HF") is its shares in Heathrow (SP) Limited ("HSP"). HSP is a holding company which owns the company that owns London Heathrow Airport ("LHR"). HF is indirectly owned by Heathrow Airport Holdings Limited ("HAH"). HAH is ultimately owned 25.00% by Ferrovial S.A. (a Spanish infrastructure & construction company), 20.00% by Qatar Holding LLC (a sovereign wealth fund), 12.62% by Caisse de depot et placement du Quebec (a pension fund), 11.20% by the Government of Singapore Investment Corporation (a sovereign wealth fund), 11.18% by Alinda Capital Partners (an infrastructure fund), 10.00% by China Investment Corporation (a sovereign wealth fund) and 10.00% by the University Superannuation Scheme (a pension scheme).

Credit strengths

» Ownership of Heathrow, one of the world's most important hub airports and the largest European airport

» Long established framework of economic regulation

» Resilient traffic characteristics of Heathrow

» Lower capital expenditure levels until the end of the decade

» The features of the secured debt financing structure at operating company level which puts certain constraints around management activity together with the protective features of the Heathrow Finance debt

Credit challenges

» Constrained runway capacity but progress towards construction of third runway continues

» High leverage, with Net Debt to RAB in the high 80s percent

Rating outlook

The rating outlook is stable. This reflects Moody's expectation that Heathrow will see low single digit growth overall in passenger volumes, that the HF group will continue to manage its debt raising programme in a way that minimises refinancing risk and that the reduction in the headroom against the HF leverage covenant is temporary in nature.

Factors that could lead to an upgrade

The ratings could move up if the HF group were to exhibit a financial profile that evidenced materially lower leverage than currently expected. This could be suggested by a Net Debt to RAB ratio likely to be permanently below 80% and an Adjusted Interest Cover Ratio of permanently more than 1.2 times.

Factors that could lead to a downgrade

The ratings could move down if the HF group were to exhibit a financial profile that evidenced materially higher leverage than currently expected. This could be suggested by a materially reduced headroom under its Net Debt to RAB covenant or an Adjusted Interest Cover Ratio that is consistently less than 1.0 times.

Key indicators

Exhibit 2

Heathrow Finance plc

	2013	2014	2015	2016	2017	2018 - Proj
(FFO + Cash Interest Expense) / (Cash Interest Expense)	1.7x	2.0x	2.3x	2.3x	2.1x	2.5x
FFO / Debt	4.8%	6.0%	6.5%	6.7%	6.4%	7.6%
Moody's Debt Service Coverage Ratio	1.7x	1.9x	1.8x	1.9x	1.8x	1.9x
RCF / Debt	-0.8%	2.8%	5.0%	2.3%	4.1%	4.0%
Net Debt / RAB [1]	82.4%	84.5%	84.9%	85.4%	86.6%	86.2%
Adjusted Interest Coverage Ratio	1.0x	1.2x	1.3x	1.3x	1.2x	1.5x

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations with the exception of [1] which is calculated as per the definition in the financing documentation

Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Detailed credit considerations

Ownership of Heathrow, one of the world's most important hub airports and the largest European airport

The HF group owns London Heathrow airport (LHR) in perpetuity, with all key aviation infrastructure controlled by its management. The company owning LHR is a general limited liability company that has no particular legal restrictions in relation to its business activities. However, LHR is subject to regulatory oversight, which places some constraints on operations and capital expenditure.

As reported by the Civil Aviation Authority, with 78 million passengers in 2017, LHR accounts for approximately 46% of the London air travel market (counting Luton airport as serving London). It should be noted that this somewhat understates LHR's position because of its role as the UK (and Europe's) largest hub airport. Indeed, LHR is also the UK's major gateway airport and the largest European airport by number of passengers. LHR accounted for 27% of total UK passenger volumes and handled approximately 72% of all of the UK's scheduled long haul traffic in 2017. Its large route network underpins this position, with over 80 airlines operating at LHR, 204 destinations served in 85 countries and five of the top 10 intercontinental routes by number of seats offered touching LHR. LHR therefore serves a geographical area much wider than London.

LHR is exposed to some transmodal competition, in particular from rail. Domestic air services compete with rail, and the Eurostar rail service competes very effectively with airlines on the London-Paris and London-Brussels routes. Rail competition with airlines may increase in future as other high speed rail destinations are added to serve London in addition to the Eurostar's route network and (in the longer term) there is potential for limited competition from domestic high speed rail services.

Long established framework of economic regulation

LHR is subject to a framework of economic regulation that is considered appropriate and transparent. It is a form of price cap regulation that has proven to permit fair recovery of costs and generates a reasonable return on invested capital.

On 1 April 2014, a new regulatory settlement came into effect covering the period to 31 December 2018, the sixth quinquennium (or Q6) since economic regulation was first applied at LHR. Although this was the first time that the regulatory decision stemmed from the Civil Aviation Act 2012, the parliamentary act that replaced the Airports Act 1986, the regulator, the Civil Aviation Authority (CAA), largely opted for a continuity of approach.

Under the Act, LHR has been subject to a Market Assessment Test that determined that it is a Dominant Airport, i.e. an airport with an element of monopoly power in its service area. As a consequence LHR has been issued a Licence and is subject to economic regulation. LHR's regulated revenues are defined as yearly passenger price caps derived from dividing by annual passenger forecasts the sum of (1) the remuneration of an agreed regulatory asset base (RAB) at a predetermined weighted average cost of capital (WACC); (2) allowances for the recovery of asset depreciation and operating costs, with some efficiency targets incorporated; and (3) the netting-off of non-aeronautical revenues.

Although LHR retains passenger volume risk within each regulatory period, the passenger volume assumptions used by the CAA to calculate aeronautical charges are rebased at every regulatory period. The assumed traffic growth over Q6 is modest to reflect the view that assumed passenger volumes should have built-in contingencies to accommodate one-off negative shocks. The absence of major shocks in Q6 has therefore supported the c. 6% outperformance of the forecast included in the regulatory settlement recorded since the beginning of the regulaotry period.

The regulatory settlement also incorporated efficiency targets in the form of expected cost reductions and increased commercial revenues. Although the overall efficiencies required by the CAA were challenging and assumed that by the end of Q6 LHR would operate on a materially lower cost base, LHR has secured by Q1 2018 all the operating efficiencies required during Q6.

In addition to the traffic and operating efficiency outperformance, LHR has benefited from financing costs that have remained at historically low levels since the regulatory settlement came into effect. As a result of these combined outperformances LHR's return on its RAB has so far exceeded the target return included in the regulatory settlement.

LHR will also benefit from this outperformance for longer than initially anticipated. Given the delay in the UK government's decision over additional runway capacity, the CAA has decided to extend the current price control period to give an opportunity to reflect in the new settlement any decision on runway capacity expansion. Q6 has therefore been extended by two years to the end of 2020, with the possibility of extending it by an additional year. The extension to the end of 2019 will be on the same terms as the rest of Q6, i.e. a price path of RPI-1.5%, but it is possible that subsequent extensions may be for flat tariff changes in real terms, to smooth tariff evolutions once construction for the new runway has started.

The CAA is still developing its thinking about the appropriate regulatory arrangements that should apply in the next regulatory period (H7) in the context of a major expansionary investment taking place. Assuming Q6 runs to the end of 2020, LHR is expected to submit its initial business plan for H7 in late 2018, with CAA publishing its initial proposals for H7 regulation in the second half of 2019.

Resilient traffic characteristics

LHR traffic has grown at reasonably constant growth rates over the past 10 years. The standard deviation of the long term average annual passenger growth rate for LHR is 2.2% which evidences low volatility compared to most rated airports in Europe.

Much of that resilience is underpinned by the capacity constraints LHR operates under. The pent-up demand it faces means that traffic at the airport tends to suffer lower declines than other comparable airports when economic activity weakens. Under strong economic conditions, however, the airport's ability to accommodate additional traffic is restricted.

In addition, the airport's traffic performance is also explained by its catchment area's strength. LHR serves London and the South east of England directly, one of Europe's most economically robust areas with GDP per capita well above the European average. The economic base has a good level of diversity which is underpinned by London's status as one of the leading world cities from an economic, political and cultural perspective.

Moody's estimates that around 30% of LHR's traffic is transfer traffic, with the majority of this traffic captured by British Airways. The resilience of this traffic depends on British Airways's strategy and financial health and on LHR's ability to offer an attractive and competitive environment to transfer passengers. LHR's management has focused on improving passenger experience, with passenger satisfaction improving notably since the opening of Terminal 5.

The UK's ongoing process of exiting the European Union (Brexit) introduces downside risks for UK airports. LHR has been able to withstand the deceleration of the UK economy and the weakness of sterling that followed the UK's referendum on EU membership. This is primarily due to the fact that LHR has a balanced inbound-outbound traffic profile with c. 60% of passengers that use LHR residing abroad and the fact that LHR serves London, a major touristic destination. The weakness of the pound, coupled with an improved global economic outlook has boosted the number of overseas visits to the UK. In addition, LHR's non-aeronautical revenues have also benefitted from sterling's depreciation, as goods sold at airside shops became cheaper to overseas passengers. This impact is, however, expected to be temporary as the prices in sterling of these goods swill likely increase and counterbalance the impact of the depreciation.

Over the medium to long term UK airports are exposed also to additional regulatory downside risks. Under the UK government's preferred strategy for exiting the EU, the UK will also leave the EU's aviation single market, the so-called European Common Aviation Area (ECAA). By leaving the ECAA, the UK will need to negotiate new agreements with the members of the ECAA covering among other things air traffic rights and aviation safety arrangements. In addition, the ECAA agreement also allows for the negotiation of comprehensive air services agreements with third countries as a single trading bloc. As a result, the regulatory framework underpinning air travel between the UK and the 35 other signatories of the ECAA and between the UK and other key destinations will need to be overhauled before March 2019, or a later date if the UK remains within the ECAA during an agreed transition period.

On 23 March 2018, the European Council, the institution of the European Union (EU) that comprises the heads of state and governments of EU member states, endorsed the terms of a transition arrangement that will follow the UK's formal exit from the EU on 29 March 2019. According to the agreement, the UK would retain full access to the EU internal market and remain aligned with its customs framework for another 21 months until the end of 2020. In addition, the agreement contains a provision by which the EU will request from third countries that they continue to treat the UK as a EU member state during the transition period in relation to a number of international treaties, such as air services agreements.

The European Council also adopted Guidelines on the framework for post-Brexit relations between the UK and the EU after this transition period. The Guidelines state that "regarding transport services, the aim should be to ensure continued connectivity between the UK and the EU after the UK withdrawal. This could be achieved, inter alia, through an air transport agreement, combined with aviation safety and security agreements, as well as agreements on other modes of transport, while ensuring a strong level playing field in highly competitive sectors".

These developments are credit positive for UK airports, as they reduce the risk of a withdrawal in March 2019 without any replacement arrangements and the consequent possibility that flights between the UK and EU destinations would be severely disrupted. Furthermore, the European Council's Guidelines also indicate a willingness from the EU to strike new aviation agreements with the UK beyond the end of the transition period. Overall, these events increase the probability of new agreements being reached which substantially replicate existing arrangements in the aviation sector.

However, the customary EU position is that "nothing is agreed until everything is agreed" and the withdrawal agreement remains conditional on both parties resolving differences in other areas of the withdrawal, in particular finding a solution that prevents a hard border between Ireland and Northern Ireland, as well as legal enforcement mechanisms.

As a result, UK airports and LHR are still exposed to the risk of overnight loss of air traffic rights covering about two thirds of LHR current passenger traffic volumes on the date of exit if no transition period is agreed, or at the end of this transition if no new aviation agreements are reached. Even if agreed in good time, the new agreements could also be more restrictive and reduce the ability of airlines to adjust capacity on routes, resulting in lower competition levels and higher fares that weigh on air passenger demand growth.

Demand for air travel in London could also be negatively affected to the extent that Brexit damages the UK's economic growth potential or if the financial and insurance services sector, which contribute more than 16% of London's Gross Value Added, is negatively impacted. We would expect, however, LHR to be partially insulated from these risks given its attractivity within the London airport system and its track record of outperforming the London market in previous downturns.

LHR's regulatory framework should also offer a mitigant to this risk, as well as to a negative impact on traffic demand post Brexit, as the passenger volume forecasts used by the CAA to calculate aeronautical charges are reset at regular intervals, providing an opportunity to take into account an enduring negative impact on passenger demand.

Constrained runway capacity but progress towards construction of third runway continues

LHR is operating at more than 98% of its runway capacity, given the limit imposed on the number of air traffic movements per annum and the existence of a night time curfew. In addition, a restriction on the use of runways so that they can only be used in 'segregated alternate mode' is also in place to provide some noise respite to those living under the fly-paths of the airport. While passenger growth at the airport can continue in the short to medium term thanks to the operation of bigger aircraft, increases in the number of seats on existing aircraft through seat densification programmes or higher load factors, these restrictions will impact growth levels in the future.

Over the long term, the absence of additional runway capacity is likely to have an impact on LHR's future ability to accommodate new destinations without compromising existing frequencies, thereby raising questions over its long-term attractiveness as a hub airport. The absence of new runway capacity should not, however, affect LHR's status as the main airport serving London, minimising the risk of traffic volume losses even if transfer traffic declines.

The Airports Commission, an independent commission established in September 2012 to consider how the UK can "maintain its status as an international hub for aviation and immediate actions to improve the use of existing runway capacity in the next 5 years", made a clear and unanimous recommendation to the UK government in July 2015 in favour of expansion at LHR. On 25 October 2016, the UK Government announced its decision to support the expansion of Heathrow Airport. The proposed expansion of Heathrow Airport is expected to deliver up to an additional 260,000 flights per annum at the airport, taking the total to up to 740,000 flights per annum, which could result in annual passenger numbers increasing to 130 million over time, compared to 78 million in 2017.

The Government's announcement does not, however, provide the final approval needed before construction can commence. The Government published a draft Airports National Policy Statement (NPS) in February 2017 outlining the case for the new runway and has held two separate consultations on the document. The NPS is expected to be subject to Parliamentary scrutiny, including a vote in the House of Commons expected in the first half of 2018, although the amount of parliamentary time available for this may be compromised by the time devoted to Brexit-related legislation.

By confirming that the construction of the third runway is a nationally significant infrastructure project under the Planning Act 2008, the NPS will set the framework within which the expansion project will be judged for planning purposes. After consulting on the scheme post NPS designation, LHR plans to submit a Development and Consent Order (DCO) application in early 2020. The Planning Inspectorate, an executive agency of the UK government in charge of providing recommendations and advice on a range of land use planning-related issues, will review the merits of the scheme and submit a recommendation to the Secretary of State for Transport, which has the authority to grant the planning sign-off. We do not expect the final sign-off, which must be obtained before the expansion can take place, until 2021 at the earliest.

It is still too early to determine the precise credit implications for HF of the runway construction project, as important elements in the final risk allocation, such as the total quantum and phasing of expenditure, any conditions attached to the planning consents or regulatory decisions with respect to the timing and the pace of increases in airport charges, are still unknown at this stage.

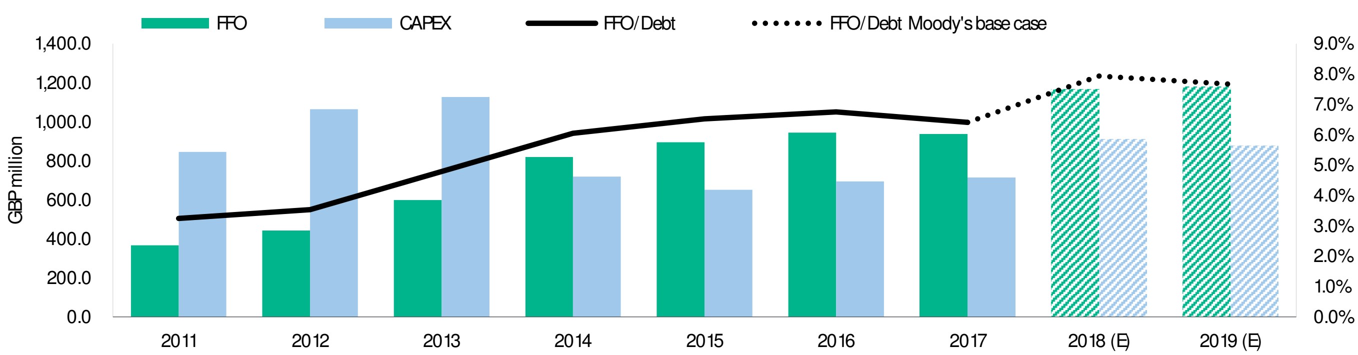
A pause in major capital expenditure until the end of the decade

The opening of the new Terminal 2 in June 2014 marked the start of a pause in LHR's master plan. After seeing investments of more than £1 billion per year for the past decade, the regulatory settlement for the period covering April 2014 - 31 December 2018 incorporated a 33% reduction in the average allowed annual capital expenditure at LHR.

Although LHR management has undertaken investment programmes such as a £350 million investment on new hold baggage screening equipment across the airport and £1 billion in several asset replacement projects, the scale and complexity of the capital expenditure has been noticeably lower than in the recent past. The extension of the Q6 regulatory period to the end of 2020 will further extend this period of relatively low investment levels, although the company could undertake some third runway-related investments ahead of receiving planning permission subject to receiving greater clarity around the regulatory treatment of this expenditure in case the scheme does not receive planning consent.

Exhibit 3

LHR's capital expenditure levels should remain at relatively low levels until the end of the decade



The 2018 and 2019 estimates represent Moody's forward view; not the view of the issuer

Source: Moody's Financial Metrics for historical data

We expect investment levels to increase in the next regulatory period, even if the third runway project does not receive planning approval, as management focus would then likely turn to completing the "toast rack" terminal configuration.

High leverage and significant debt maturities

Overall debt levels remain very high relative to the regulated asset base. As of 31 December 2017, HF's reported leverage stood at 86.6% of LHR's RAB. Over the last three years leverage has increased by 2 percentage points as the company has migrated some of its subordinated debt sitting above HF in the Heathrow airport corporate structure to the HF group in a bid to simplify its capital structure from four to three classes of debt. As a result, the headroom against the 90 percent covenant included in the terms of the Notes due Sep 2019 has reduced below the five percentage points target that HF has sought to maintain as per its financial policy. This reduction in the headroom will be temporary, as all other Notes incorporate a Net Debt to RAB covenant of 92.5 percent and we therefore expect that HF will regain the five percentage point headroom under the covenant level from September 2019 onwards.

The company has established a bond issuance platform that has been used repeatedly to diversify its sources of financing, issuing bonds in six different currencies and extending the average maturity of its debt. However, over the course of the next 5 years, c. 32% of HF's consolidated debt (£4.5 billion), will become due. Although the company has been very successful at managing its liquidity horizon, this high level of maturities and the company's high leverage limit its ability to withstand unexpected external shocks. The ability to continue to secure funding well in advance of upcoming debt maturities will be a key factor in HF's credit profile.

Structural considerations

HF's Corporate Family Rating (CFR) of Ba1 reflects a Probability of Default Rating of Ba2-PD and a 65% Expected Family Recovery Rate. The CFR is an opinion of the HF group's ability to honour its financial obligations and is assigned to HF as if it had a single class of debt and a single consolidated legal structure. The Ba3 / LGD-5 rating of the HF Notes reflects the structural subordination of the HF Notes in the HF group structure versus the debt at Heathrow (SP) Limited ("HSP").

HSP is financed via debt provided through a ring-fenced secured debt financing structure (the "HSP SDF"). The HSP SDF provides for the issuance of two tranches of debt, called ("Class A Debt") and ("Class B Debt"). Class B Debt is subordinated to Class A Debt. The terms of the HSP SDF limit the amount of Class A Debt and Class B Debt that can be issued by HSP through a requirement to maintain certain Net Debt to RAB ratios and interest cover ratios.

HF is currently financed by (1) £263 million 5.375% Senior Secured Notes due Sep 2019, (2) £250 million 5.75% Senior Secured Notes due Mar 2025 and (3) £275 million 3.875% Senior Secured Notes due Mar 2027 (together the "HF Notes"), as well as several loan facilities with a total outstanding amount of £525 million and maturity dates ranging from 2020 to 2028 (together with the HF Notes the "HF Debt").

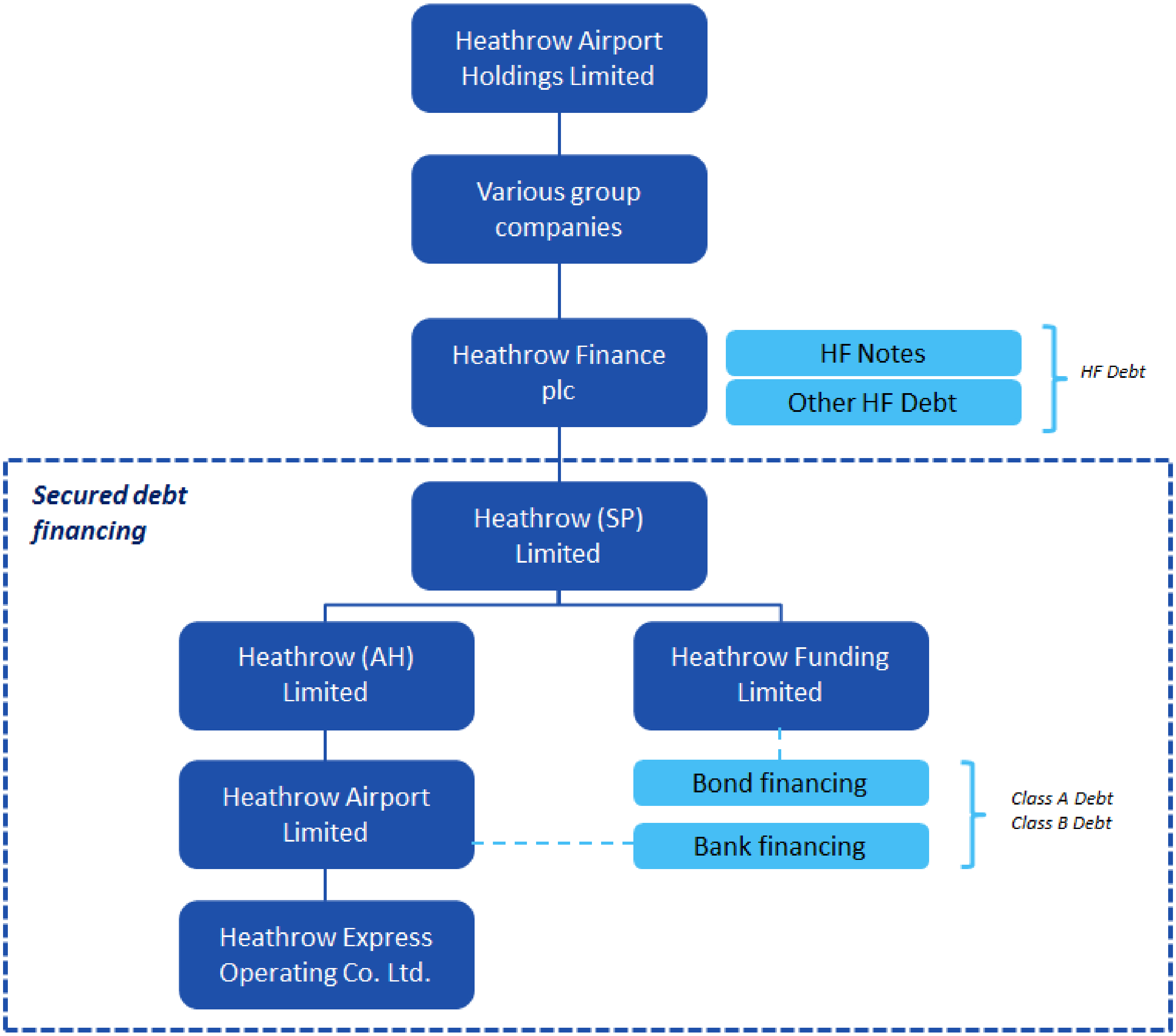
The HF Debt is structurally subordinated to the Class A and Class B Debt and HSP can only provide cash to service debt at HF if it complies with the financial terms of the HSP SDF.

The HF Notes and the other HF Debt rank pari passu and are subject to the terms of an Intercreditor Agreement which regulates their rights with regard to each other and any future holder of HF Debt, and provides for the sharing of the security granted to the HF Debt holders. HF Debt holders benefit from a pledge of all of the shares in HSP (HF's only material asset) and a pledge of shares in HF.

Moody's considers that the HSP SDF isolates the credit profile of LHR from that of the wider Heathrow Airport Holdings Limited ("HAH") group. While there is a certain reliance on HAH for operational support, this is considered acceptable within the context of the rating levels. This together with the security granted to the HF Debt holders should isolate HF from the risks of failure of the wider HAH group, and enables Moody's to ignore any debt in the wider HAH group when assessing the rating of HF. There are also certain restrictions on the raising of further debt by HF.

The terms of the HSP SDF also contain other constraints such as a requirement to comply with a hedging policy, liquidity dedicated to meeting interest payments on HSP SDF debt, and additional reporting requirements. While such protections only benefit HSP debt holders directly, and they could in theory be waived by HSP financiers, they do provide some element of protection to HF creditors by helping to protect the financial profile of HSP.

Exhibit 4
Heathrow Finance plc group structure
HF Debt is structurally subordinated to debt issued by HSP's secured debt financing



Source: Moody's

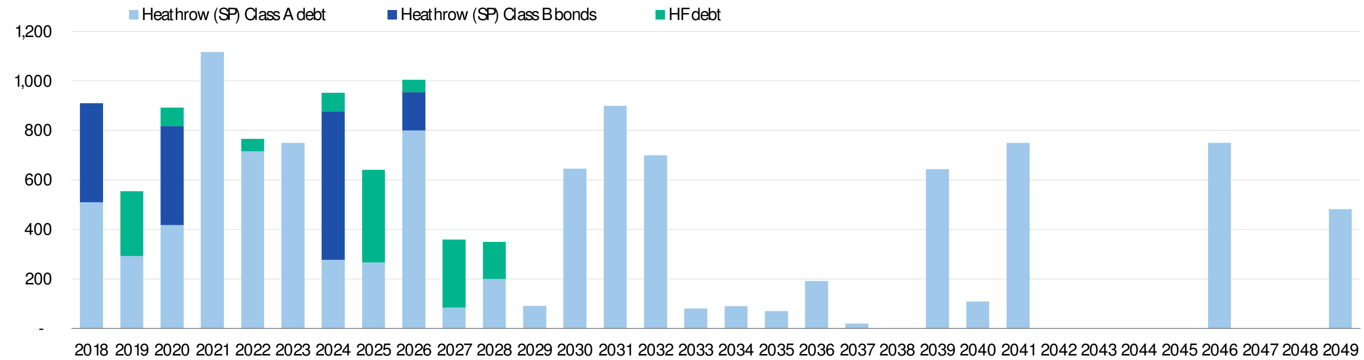
Liquidity analysis

HF's next debt maturity will be a £263 million note due in September 2019. In the meantime, interest payments will need to be met from cash received from HSP, as there are no other sources of cash available and no specific liquidity is kept at HF. HSP will not be permitted to upstream cash to HF if it fails to meet certain tests, generally performance related, but also related to the maintenance of adequate liquidity at HSP.

The liquidity of the HF group as a whole is considered good for at least the 18 months. Operating cash flow after tax is significant and positive in each quarter, with a peak over the summer months of each year. As at 31 December 2017, HF group had £1,150 million of undrawn revolving credit and working capital facilities at HSP maturing in 2021 and £600 million in standby liquidity facilities, also at HSP. In addition, the HF group had £535 million in cash and cash equivalents.

HSP has very successfully improved its debt maturity profile over the past couple of years, extending the liquidity horizon and increasing the average maturity of its debt. HSP recently repaid a €750 million class A bond maturing in February 2018 and the next significant maturity is a £400 million class B bond maturing in September 2018.

Exhibit 5
HF Group debt maturity profile (£ million) as of end of 2017



The class A maturity for 2018 was repaid in February 2018
Source: Heathrow Finance plc

Rating methodology and scorecard factors

HF's Corporate Family Rating reflects our assessment of the company's business profile and financial performance in line with our Privately Managed Airports and Related Issuers Rating Methodology, published in September 2017.

Exhibit 6

Heathrow Finance plc - Rating Factors Grid

Privately Managed Airports and Related Issuers Industry Grid [1][2]	Current FY 12/31/2017		Moody's 12-18 Month Forward View As of April 2018 [3]	
Factor 1: Concession and Regulatory Frameworks (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Ability to Increase Tariffs	A	A	A	A
b) Nature of Ownership / Control	Aaa	Aaa	Aaa	Aaa
Factor 2: Market Position (15%)				
a) Size of Service Area	Aa	Aa	Aa	Aa
b) Economic Strength & Diversity of Service Area	Aaa	Aaa	Aaa	Aaa
c) Competition for Travel	Baa	Baa	Baa	Baa
Factor 3: Service Offering (15%)				
a) Passenger Mix	Baa	Baa	Baa	Baa
b) Stability of traffic performance	Aa	Aa	Aa	Aa
c) Carrier Base	Aa	Aa	Aa	Aa
Factor 4: Capacity and Capital (5%)				
a) Ability to accommodate expected traffic growth	Baa	Baa	Baa	Baa
Factor 5: Financial Policy (10%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Factor 6: Leverage and Coverage (40%)				
a) (FFO + Cash Interest Expense) / (Cash Interest Expense)	2.1x	Ba	2x - 2.5x	Ba
b) FFO / Debt	6.4%	Ba	6.5% - 7.5%	Ba
c) Moody's Debt Service Coverage Ratio	1.8x	B	1.5x - 2x	B
d) RCF / Debt	4.1%	Ba	2% - 4%	B
Rating:				
Indicated Rating from Grid Factors 1-6		Ba1		Ba1
Rating Lift			**0**	**0.0**
a) Indicated Rating from Grid		Ba1		Ba1
b) Actual Rating Assigned				Ba1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 12/31/2017; Source: Moody's Financial Metrics™. [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 7

Peer comparison table

	Heathrow Finance plc Ba1 Stable			Royal Schiphol Group N.V. A1 Stable			Aeroporti di Roma S.p.A. Baa1 Negative		
(in GBP millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-14	FYE Dec-15	FYE Dec-16
Revenue	£2,765.0	£2,807.0	£2,884.0	£1,043.6	£1,161.9	£1,257.0	£578.4	£756.9	£1,010.6
EBITDA	£1,651.0	£1,697.0	£1,773.0	£467.1	£538.8	£506.9	£239.7	£274.0	£405.9
EBITDA Margin %	59.7%	60.5%	61.5%	44.8%	46.4%	40.3%	41.4%	36.2%	40.2%
Funds from Operations	£894.1	£943.5	£937.5	£373.1	£394.2	£416.0	£231.4	£271.2	£355.8
Total Debt	£13,723.0	£13,971.0	£14,632.0	£1,404.6	£1,860.7	£1,820.3	£690.4	£801.3	£901.4
FFO Interest Coverage	2.3x	2.3x	2.1x	6.5x	6.7x	6.8x	8.2x	8.6x	11.2x
FFO / Debt	6.5%	6.8%	6.4%	26.6%	21.9%	23.0%	33.5%	35.0%	39.8%
Moody's DSCR	1.8x	1.9x	1.8x	7.3x	6.3x	7.2x	6.0x	6.3x	7.1x
RCF / Debt	5.0%	2.3%	4.1%	19.6%	15.6%	13.9%	33.5%	21.5%	20.0%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 8

Heathrow Finance plc adjusted debt breakdown

(in GBP Millions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17
As Reported Debt	**11,807**	**12,669**	**13,023**	**14,218**	**14,390**
Pensions	76	223	22	108	153
Operating Leases	294	300	306	192	270
Non-Standard Adjustments	313	344	372	-547	-181
Moody's-Adjusted Debt	**12,490**	**13,536**	**13,723**	**13,971**	**14,632**

All figures are calculated using Moody's estimates and adjustments. Non-standard adjustments include adjustments that use additional information to that disclosed in financial statements
Source: Moody's Financial Metrics™

Exhibit 9

Heathrow Finance plc adjusted FFO breakdown

(in GBP Millions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17
As Reported FFO	**1,316**	**1,498**	**1,578**	**1,601**	**1,671**
Pensions	0	0	27	34	24
Operating Leases	30	31	31	20	27
Alignment FFO	-127	-185	-145	-133	-236
Capitalized interest	-164	-89	0	0	0
Non-Standard Adjustments	-456	-436	-597	-578	-549
Moody's-Adjusted FFO	**598**	**819**	**894**	**944**	**937**

All figures are calculated using Moody's estimates and adjustments. Non-standard adjustments include adjustments that use additional information to that disclosed in financial statements
Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
HEATHROW FINANCE PLC	
Outlook	Stable
Corporate Family Rating	Ba1
Senior Secured -Dom Curr	Ba3/LGD5

Source: Moody's Investors Service

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