

**Bulletin:**

## **Ratings On Heathrow Remain Unchanged By Third Runway Announcement Pending Details On Construction Funding**

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LONDON (S&P Global Ratings) Oct. 28, 2016--S&P Global Ratings said today that its ratings on Heathrow Funding Ltd., the financing vehicle of Heathrow airport, remain unchanged following the third runway approval announcement. At this stage, details in relation to the construction costs and funding of the third runway are still to be decided. As a result, the decision is not yet included in our base case.

In our opinion, the U.K. government approval for Heathrow expansion will cement its position as the largest airport in Europe in terms of passenger numbers, and the only hub airport with a near monopoly for long-haul flights in the U.K. These factors support our view of its excellent business risk profile. Given the current capacity saturation in southeast England and expected population growth, we anticipate that there will be sufficient passenger demand to achieve high utilization of the third runway with a rapid take-up of new landing slots. In our view, a number of airlines, including British Airways--the No. 1 carrier based at Heathrow--would likely reconsider the scope of its Gatwick operations. While British Airways could still continue to serve some leisure destinations from Gatwick in order to capitalize on significantly lower airport charges, destinations with potential transfer traffic would likely move to Heathrow. Furthermore, airlines that currently do not operate out of Heathrow are likely to take up new landing

slots when they become available.

Our ratings do not currently incorporate the new runway investment due to uncertainties surrounding timing, the estimated cost of construction, how it will be reflected in the economic regulation, and how it will be funded (debt versus equity). For further information please refer to "Shareholder Support Will Be Crucial In Boosting Runway Capacity At Heathrow Or Gatwick Airports," published on June 2, 2015, on RatingsDirect.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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