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CREDIT OPINION

13 March 2024

Update

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RATINGS

Heathrow Finance plc

Domicile	London, United Kingdom
Long Term Rating	Ba2
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.

Contacts

Joanna Fic +44.20.7772.5571
Senior Vice President
joanna.fic@moodys.com

Samuel Mok +44.20.7772.1000
Associate Analyst
samuel.mok@moodys.com

Neil Griffiths-Lambeth +44.20.7772.5543
Associate Managing Director
neil.griffiths-lambeth@moodys.com

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EMEA	44-20-7772-5454

Heathrow Finance plc

Update following rating affirmation

Summary

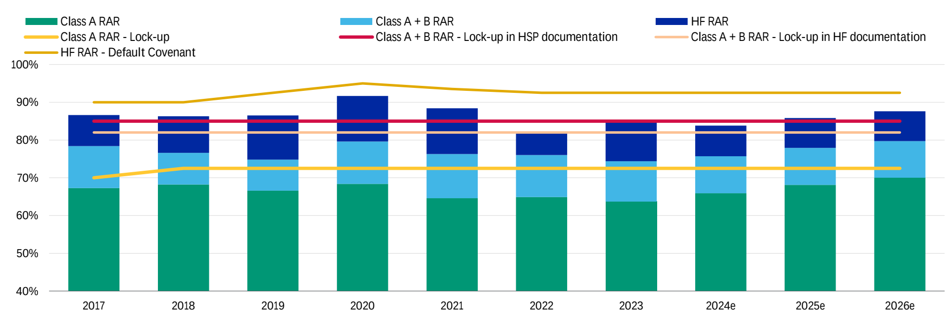
Heathrow Finance plc's (HF, corporate family rating — Ba2 stable) credit quality takes account of (1) its ownership of London Heathrow airport, which is one of the world's most important hub airports and the largest UK airport; (2) its long established framework of economic regulation; (3) strong demand for the airport's services reflected in fairly resilient traffic characteristics excluding the period of the pandemic and travel restrictions; (4) its highly-leveraged financial profile; and (5) the features of the HSP secured debt financing structure which puts certain constraints around management activity, together with the protective features of the HF debt which effectively limit HF's activities to its investment in HSP.

In 2023, Heathrow airport's total passenger traffic reached 79.2 million, an increase of nearly 29% year-on-year to 98% of 2019 levels, indicating a strong recovery. Growth in traffic was an important driver of an increase in the group's earnings, with reported 2023 EBITDA reaching around £2.2 billion. The HF group's gearing of net debt to regulated asset base (Group RAR) stood at 84.9%, which compares with the event of default covenant of 92.5%. While we expect traffic trends to remain positive despite a weak macroeconomic environment, the group's EBITDA will fall this year because of the 15% cut in aeronautical charges. Given an increase in capital expenditure and the regulatory determination until 2026, we expect the group's financial profile to remain highly-leveraged but with good headroom against financial covenants included in the terms of its financing structure.

Exhibit 1

HF group has a highly-leveraged financial profile

Gearing against covenants



[1] RAR — Regulatory Asset Ratio. [2] The estimates represent Moody's view; not the view of the issuer.
Source: Company, Moody's Ratings

Credit strengths

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

» Strong demand for services and a diversified traffic profile

» Long established framework of economic regulation

» Good liquidity profile, management commitment to balance risks across the capital structure and protective features of debt financing

Credit challenges

» Lower airport charges will put pressure on earnings over the 2024-26 regulatory period

» Constrained runway capacity limits traffic growth

» High financial leverage

» Subordinated nature of HF's creditors' claims against operating cash flow

Rating outlook

The stable outlook reflects our expectation that the HF group will be able to exhibit credit metrics with good headroom against its covenants and the company will continue to maintain strong liquidity.

Factors that could lead to an upgrade

Positive rating pressure would develop if the HF group's financial profile and key credit metrics were to sustainably strengthen, such that it maintained an appropriate headroom under its covenants and an adjusted interest cover ratio (AICR) consistently higher than 1.0x, while continuing to maintain a good liquidity profile.

Factors that could lead to a downgrade

Downward pressure on HF's ratings could develop if (1) the group appeared likely to experience a material and persistent reduction in headroom under its event of default financial covenants; (2) the HSP group's ability to upstream cash were significantly reduced, without adequate mitigating factors at the holding company; or (3) there were concerns about the group's or the company's liquidity.

Key indicators

Exhibit 2
Heathrow Finance plc
Key indicators

	2018	2019	2020	2021	2022	2023	2024-26 avg
(FFO + Cash Interest Expense) / Cash Interest Expense	2.3x	2.4x	0.5x	0.6x	1.3x	1.6x	1.8x - 2.2x
FFO / Debt	6.8%	6.5%	-1.6%	-1.6%	2.1%	4.4%	4% - 5%
Debt Service Coverage Ratio	1.9x	1.7x	0.3x	0.3x	1.4x	1.8x	1.4x - 1.6x
RCF / Debt	3.5%	3.7%	-2.1%	-1.6%	1.5%	0.3%	2% - 4%
Net Debt / RAB	86.3%	86.5%	91.7%	88.4%	82.3%	84.9%	84% - 86%
Adjusted ICR	1.3x	1.3x	-0.8x	-0.7x	0.6x	0.9x	0.5x - 0.8x

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] The estimates represent Moody's view; not the view of the issuer.
Source: Moody's Financial Metrics, Moody's Ratings

Profile

The only asset of Heathrow Finance plc (HF) is its shares in Heathrow SP (HSP), a holding company which in turn owns the company that owns London Heathrow airport, Europe's busiest airport in terms of total passengers. The airport serves different types of passengers, including leisure and business travelers, as well as those traveling to visit friends and relatives.

HF is indirectly owned by Heathrow Airport Holdings Limited (HAH). HAH is ultimately owned 25% by Ferrovial S.A., 20% by Qatar Holding LLC, 12.62% by Caisse de depot et placement du Quebec, 11.2% by the Government of Singapore Investment Corporation, 11.18% by Australian Retirement Trust, 10% by China Investment Corporation and 10% by the Universities Superannuation Scheme.

Detailed credit considerations

Ownership of Heathrow, one of the world's most important hub airports

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

LHR serves London and the South East of England, 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.

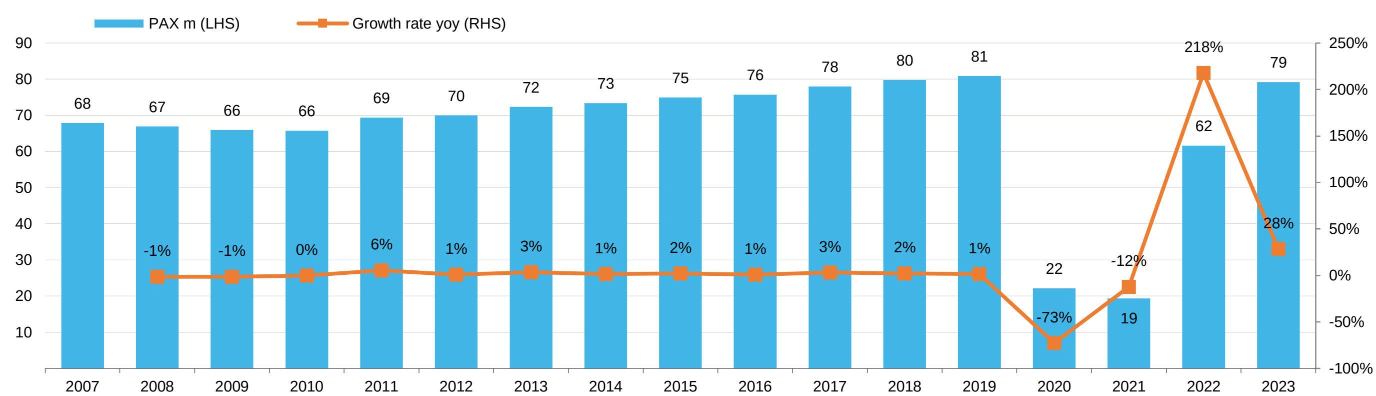
Heathrow faces some competition from other airports, mainly from London Gatwick airport (Gatwick Funding Limited, Baa2 positive) and London City airport, in the London airport system area, where its market share amounts to around 45%. However, this somewhat understates LHR's position because of its role as the UK's dominant airport in terms of route network, particularly for long-haul flights and a major hub airport. Heathrow is also the largest European airport by the number of passengers. It ranks ahead of other large hub airports in Paris, Amsterdam (Royal Schiphol Group N.V., A2 stable), Madrid (owned by Aena S.M.E., S.A., A3 stable) and Frankfurt.

Competition from other modes of transport is limited to certain routes. Domestic air services compete with rail, and the Eurostar rail service competes very effectively with airlines on the London-Paris, London-Brussels and, to a lesser extent, London-Amsterdam routes. Rail competition with airlines may increase in the future as other high speed rail destinations are added to serve London.

At its peak, in 2019, Heathrow handled 80.9 million passengers (PAX). In 2023, passenger traffic amounted to almost 79.2 million.

Exhibit 3

Heathrow airport passenger volumes rebounded strongly following the end of travel restrictions
Traffic in million PAX, growth rate YoY (%)



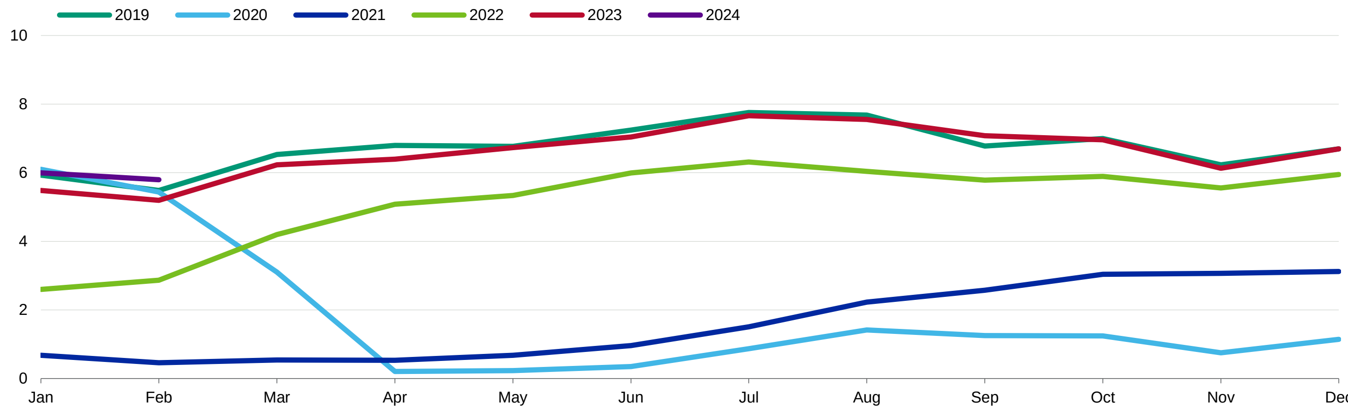
Source: CAA, Company's reports, Moody's Ratings

Strong recovery in traffic following the end of travel restrictions but growth trends will soften

Like other European airports, Heathrow was severely impacted by the COVID-19 pandemic and the associated travel restrictions. Passenger volumes fell significantly in 2020 and 2021. Following the easing of global travel restrictions, traffic picked up sharply in

2022. This brought operational challenges to Heathrow but also the aviation industry more generally, weighing on performance. As travel restrictions ended, traffic was up given strong pent-up demand. In 2023, Heathrow airport handled some 79.2 million passengers, which represents 98% of 2019 traffic. The increase in traffic was driven primarily by leisure demand as the recovery in business travel has been lagging.

Exhibit 4
Heathrow's traffic rebounded in 2022 and continued strong recovery throughout 2023
Monthly traffic, in million PAX



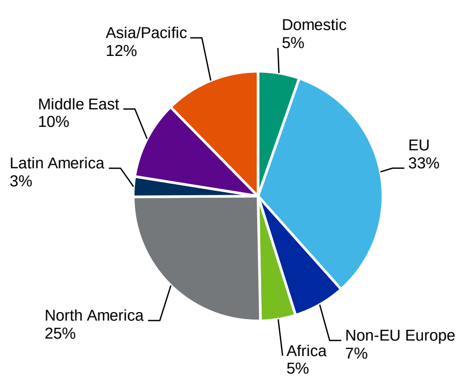
Data available to February 2024.
Source: Company's reports, Moody's Ratings

Traffic performance has remained strong this year – passenger volumes were up 9.4% in January. The rate of growth was even higher in February, when traffic was up 11.6% year on year, although the comparison was impacted by the leap year effect.

Annual traffic growth reached nearly 29% in 2023. We expect passenger volumes to continue to grow this year, albeit at a significantly lower rate, given a base effect. In addition, Heathrow operates close to capacity, which limits potential for further significant growth – the airport is permitted to schedule up to 480,000 air traffic movements per year. In 2023, it operated at 95% of this cap.

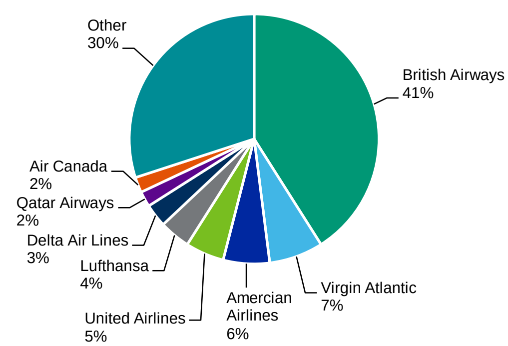
Overall, we assume that passenger volumes will reach some 81 million, an increase of over 2%, this year. Thereafter and until the end of this regulatory period, we expect very limited growth, at below 1% per annum, given Heathrow airport's capacity constraints. Our traffic assumptions further consider Heathrow airport's traffic mix, with the majority of volumes related to non-European traffic, and its exposure to British Airways Plc (Ba1 stable), which accounts for more than 40% of total traffic and majority of the airport's transfer traffic.

Exhibit 5
Non-European traffic accounts for the majority of traffic
Traffic breakdown by region, 2023 data



Source: Company's reports, Moody's Ratings

Exhibit 6
British Airways is Heathrow's main airline
Breakdown of aeronautical income by carrier, 2023 data



Source: Company's reports, Moody's Ratings

Long established framework of economic regulation with visibility on charges over the 2024-26 period

Heathrow airport is subject to economic regulation by the Civil Aviation Authority (CAA). It is a form of price cap regulation, whereby regulated revenues are defined as annual passenger price caps derived from dividing 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; and (3) the netting-off of non-aeronautical revenues, by annual passenger forecasts.

The H7 regulatory period was due to start on 1 January 2022. However, the process was delayed by the pandemic and the uncertainty associated with Heathrow's traffic recovery. Pending final regulatory determination, interim price caps were put in place for 2022 and 2023. The CAA's Final Decision on H7 was published in March 2023, providing for a reduction in the level of allowable aeronautical charges from £26.06 (2020 prices) per passenger in 2023 to £21.03 (2020 prices) per passenger in 2024 and until 2026. While these charges are adjusted by the consumer price index (CPI), tariffs were cut by 15% this year.

The material year-on-year reduction in tariffs this year is unique among our rated European airports. However, it has to be considered in the context of Heathrow airport's charges applicable during the pandemic. The interim price caps provided for relatively material increases in charges in 2022 and 2023. Furthermore, at some £26.7/PAX, Heathrow's 2024 aeronautical tariffs are still some 13% higher than in 2020.

The regulatory decision included a cut in the (real) vanilla weighted average cost of capital (WACC) to 3.18% from 4.66% in the Q6 period. The key driver was the reduction in the pre-tax cost of debt (0.67% in H7 from 3.20% in Q6).

In terms of traffic, the CAA's decision assumed that passenger volumes will remain slightly below pre-pandemic levels until 2025. The regulator has also introduced a traffic risk sharing (TRS) mechanism, which provides protection to HAL if volumes are lower than those assumed by the regulator, and benefits to customers through lower charges if such volumes are higher. The amount of risk shared in a given year is calculated as 50% of any difference up to 10% of forecast allowed revenues and 105% of any difference above 10% of forecast allowed revenue. While the TRS mechanism provides some protection in the event of any future traffic shocks, the adjustment will be subject to a two-year delay and will be spread over 10 years, which materially limits any cash flow benefits over the short term.

In terms of capital expenditure (capex), Heathrow is required to agree with airlines on each capex project's expected outputs, quality requirements and timing. This is combined with an ex-ante capital incentives framework with a symmetrical 25% sharing of over- and under-performance against the cost estimate for each of Heathrow's projects. There is also a development capex adjustment and a mechanism for increasing the cap on capital spend allowing Heathrow two windows to request an increase to the cap — between 1 February-31 March 2024 and 1 February-31 March 2025.

The CAA's Final Decision was appealed by HAL as well as British Airways, Virgin Atlantic and Delta Air Lines, Inc. (Baa3 positive) to the Competition and Markets Authority (CMA). In October 2023, the CMA concluded that while some minor corrections related to the cost of debt calculation and the shock factor in passenger forecasts were appropriate and the AK factor was applied in an inappropriately mechanistic way, the CAA was not wrong in its decision related to the RAB adjustment (the CAA decided not to make any further adjustment to the RAB in addition to the £300 million that was approved during the pandemic) and the implementation of the capex incentives framework. The impact of these changes on charges will be small relative to the CAA's Final Decision.

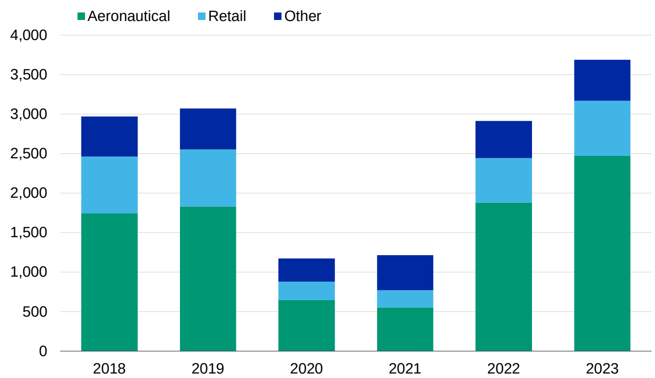
While the final decision provides good visibility on charges until 2026, Heathrow airport's earnings will depend on traffic but also the company's performance against the regulatory settlement in terms of expenditure and commercial revenue.

2023 financial performance supported by strong traffic recovery

Heathrow's revenue was severely affected during the pandemic, given lower traffic volumes. Revenue dropped significantly in 2020 and 2021, although not all the revenue segments were equally hard hit. Property and other revenue segments were more resilient than aeronautical and retail businesses. In 2022, the group's revenue picked up more strongly on the back of recovery in passenger numbers and aircraft cargo movements, but also the increase in aero charges set by the interim tariff. Total revenue exceeded £2.9 billion, which represented 95% of 2019 levels.

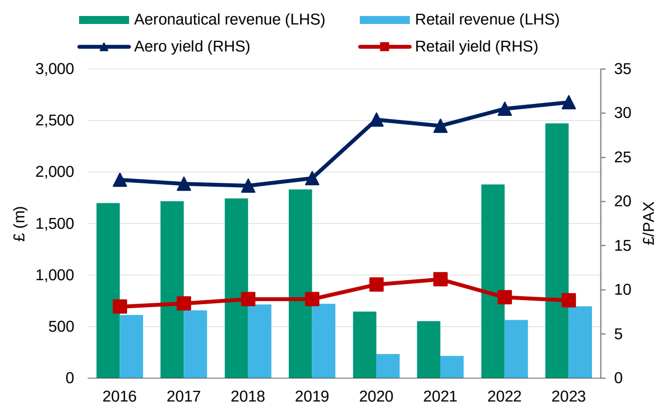
In 2023, Heathrow airport's revenue amounted to £3.7 billion, driven by a 32% increase in aeronautical revenue on the back of higher tariffs and traffic recovery. Retail income was up 24% driven by higher departing passengers, car parking revenue, terminal drop off, premium passenger services and the mix of retail services. Retail income per passenger was down given increased usage of public transport and following the opening of the Elizabeth Line. Other revenue increased by 9.8%, driven by increased traffic contributing to Heathrow Express revenue growth and an increase in property revenue. Aeronautical revenue accounted for 67% of the total income.

Exhibit 7
Heathrow's revenue was up in 2023
Total revenue breakdown, in £ million



Other includes other regulated revenue.
Source: Company's accounts, Moody's Ratings

Exhibit 8
Aero yields were significantly up over the 2020-23 period
Revenue in £ million, yields in £/PAX



Other revenue and yields not included above.
Source: Company's accounts, Moody's Ratings

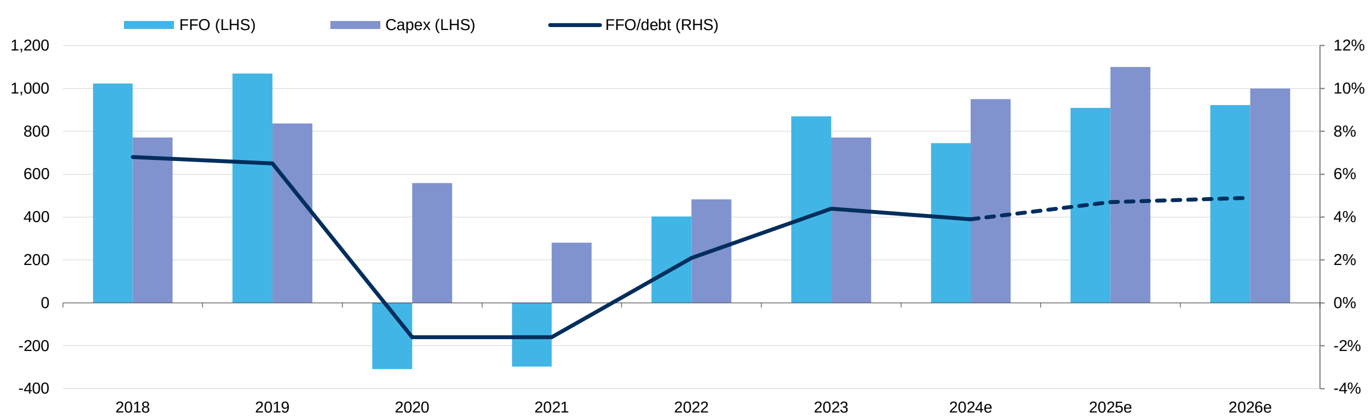
Operating costs were up, given recruitment of additional staff and training, higher operation and maintenance expenditure as well as pressure stemming from an increase in inflation and energy costs. Nevertheless, the rise in opex was more than offset by the growth in revenue. As a result, in 2023, the group's EBITDA reached £2.2 billion, an increase of some 32% on the previous year.

Earnings growth supported an increase in the group's cash flows in 2023. However, the HF group's adjusted net debt was up to £17.4 billion from £16.5 billion, primarily driven by dividend distributions (£817 million) to Heathrow (DSH) Limited for the purpose of paying interest on, and the full redemption of, the £750 million debt at ADIF2.

Financial leverage will remain high over this regulatory period

In 2023, the HF group's leverage of funds from operations (FFO) to debt amounted to some 4.4%. We expect the group's financial profile to remain highly leveraged over this regulatory period to December 2026. This considers the reduction in airport charges, limited growth potential in traffic and commercial revenue as well as rising expenditure, including opex and capex.

Exhibit 9
The group's cashflow-based leverage will remain high
FFO and capex in £ million, FFO/debt



The estimates represent Moody's forward view; not the view of the issuer.
Source: Company's reports, Moody's Ratings

Heathrow's capex plan included six core programmes – asset management and compliance, replacing the Terminal 2 baggage system, next generation security scanners, investment in commercial offering, investment in carbon and sustainability to deliver net zero goals and investment to improve efficiency and service. We assume that annual capex will amount to some £1 billion per annum, on average, over the 2024-26 period.

Debt structure of the ring-fenced group protects credit quality of the operating company but increases risks to the holding company

HF's credit quality is constrained by the overall high level of gearing on a consolidated basis including the holding company debt. In addition, the high gearing at the operating company level and the creditor protections incorporated within the operating company's financing structure increase the risk that distributions to HF, on which the company relies for its debt service, may be volatile.

HSP's debt documentation includes trigger events and an event of default financial covenants as set out below.

There are also covenants in the HF's debt documentation — Group Interest Cover Ratio (ICR) of 1.0x and Group RAR, calculated as net debt/RAB, of 92.5% as events of default. During the pandemic, the company received covenants waivers twice, which reflected supportive stance of creditors in what were unprecedented circumstances for the airport sector as a whole.

Exhibit 10
HF's debt is subject to two covenants as events of default

	Trigger event	Event of default
Group RAR	-	92.5%
Junior RAR	82.0%	-
Group ICR	-	1.0x

RAR — Regulatory Asset Ratio.
Source: Company, Moody's Ratings

Exhibit 11
HSP's debt is subject to a number of covenants

	Trigger event	Event of default
Senior RAR	72.5%	92.5%
Junior RAR	85.0%	-
Senior Interest Cover Ratio	1.4x	-
Junior Interest Cover Ratio	1.2x	-
Average Senior ICR	-	1.05x

RAR — Regulatory Asset Ratio.
Source: Company, Moody's Ratings

We do not expect the group to be in breach of any of its covenants and we assume that the ring-fenced group will be able to upstream cash to HF, when needed to allow for timely debt service payments at the holding company. This is a particularly relevant consideration, given that HF does not have any external liquidity, although we positively view the company's approach to maintaining a liquidity buffer in cash.

Third runway project is on hold but Heathrow will become soon constrained given traffic recovery trends

Before the pandemic, LHR operated at almost full 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.

The third runway project went through various consultations and approval processes. The expansion plan was passed through a vote in the UK Parliament in June 2018, but was subsequently challenged in courts. In February 2020, the Court of Appeal ruled against the plan to build the runway. Heathrow appealed this court ruling with the Supreme Court, which reinstated the policy support for expansion in the National Policy Statement.

Given the significant reduction in traffic during the pandemic, Heathrow paused its expansion programme although a third runway remains part of its long-term strategic plan. The H7 regulatory period assumes that Heathrow will operate as a two-runway airport.

At this stage it is unclear if and when the company will accelerate any investments in the third runway. Heathrow has appointed dedicated senior employees to focus on a review and development of the airport's long-term growth plans, including in relation to expansion. While the UK Government's ANPS continues to provide policy support for Heathrow's plans for a third runway and the related infrastructure required to support an expanded airport, Labour has proposed increased use of existing runways at other airports and greater regional connectivity instead of expanding Heathrow.

Ownership change could trigger a change of control clause under the terms of the notes

In November 2023, Ferrovial S.A. announced that it reached an agreement to sell its 25% stake in FGP Topco Limited (FGP Topco), the ultimate parent company of Heathrow Airport Holdings Limited (HAH) for close to £2.4 billion to Ardian and the Public Investment Fund.

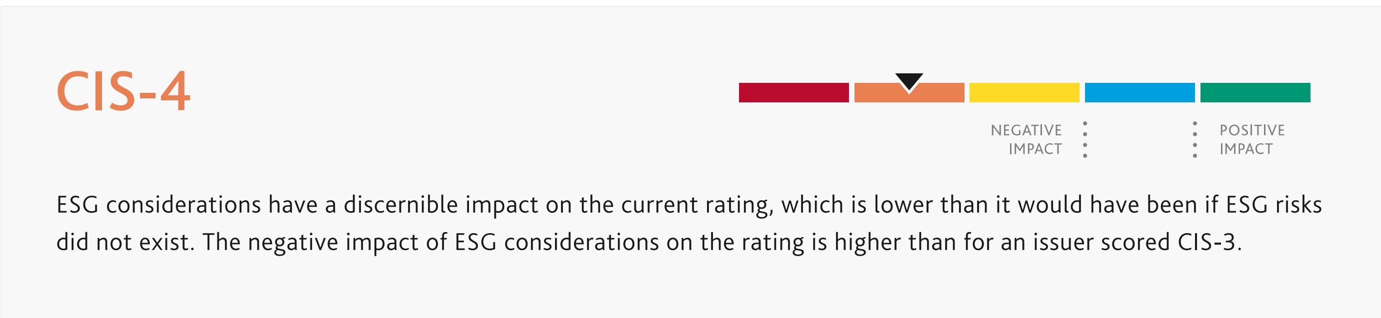
In January 2024, other shareholders decided to sell an additional 35% stake in FGP Topco, exercising their tag along rights. It is currently uncertain when and if the sale will be completed.

While HF's credit quality is not directly driven by the ownership considerations, the terms of HF's senior secured notes include change of control clauses, which could be triggered if a new shareholder, or a group of new shareholders acting in concert, were to acquire more than 50% of the FGP Topco shares. In this regard, we assume that HF and its ultimate shareholders will be able to navigate any such potential process without compromising the integrity of the group's capital structure and its liquidity.

ESG considerations

Heathrow Finance plc's ESG credit impact score is CIS-4

Exhibit 12
ESG credit impact score



Source: Moody's Ratings

Heathrow Finance's **CIS-4** indicates the rating is lower than it would have been if ESG risk exposures did not exist. Its score reflects moderate environmental and social risks, as well as highly negative governance risks related to the group's high financial leverage and the holding company's reliance on dividends being upstreamed from its operating subsidiary, with distributions subject to contractual restrictions.

Exhibit 13
ESG issuer profile scores

Source: Moody's Ratings

Environmental

Heathrow Finance's **E-3** score takes account of its exposure to carbon transition. Evolving decarbonisation policies around the globe and regulations may increase operating costs for airlines and result in higher airfares that reduce the demand for air travel. Further, the desire by some to reduce carbon emissions may lead to reduced travel, in particular corporations seeking to reduce their carbon footprints. At the company level, Heathrow airport achieved carbon neutrality in 2020 and is committed to achieving zero-carbon infrastructure by the mid-2030s. Furthermore, given the airport's location close to the highly urbanized area, the company has a moderate exposure to noise pollution that is reflected in a cap on flights. Heathrow Finance has neutral-to-low exposure to physical climate, water management and natural capital risks.

Social

Heathrow Finance's **S-3** score reflects its exposure to social risks related to demographic and societal policies moving to reduce carbon emissions. There is a risk that such policies and/or trend may lead to lower travel volumes or higher costs. While the lack of viable alternatives for a long-distance travel is a mitigating factor, Heathrow Finance is exposed to global trends. The company is exposed also to human capital risk, which reflects the occurrence of and potential for industrial disputes and strike actions. These risks are balanced by neutral to low risks to customer relations, health and safety and responsible production.

Governance

Heathrow Finance's **G-4** score reflects its high financial leverage at the holding company level and reliance on dividends upstreamed from its operating subsidiary, with distributions subject to contractual restrictions.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

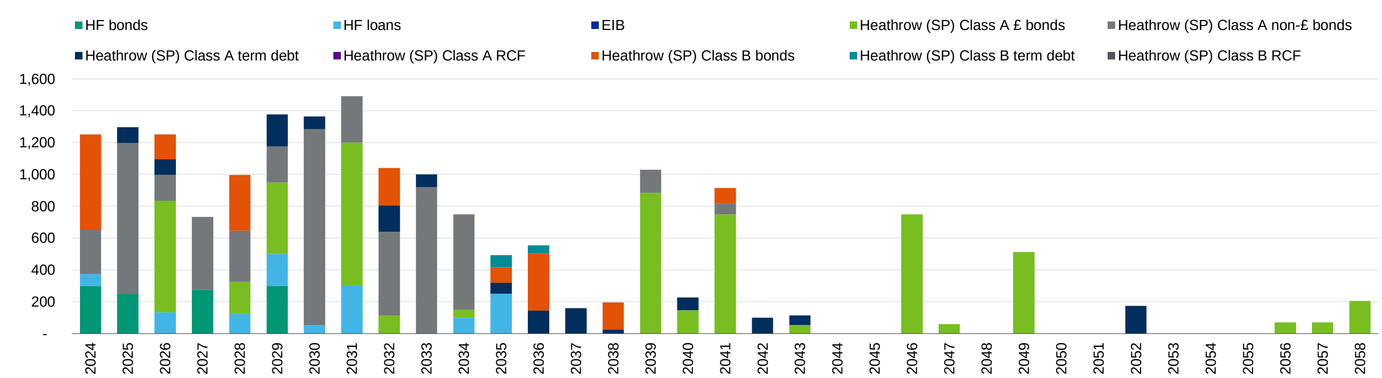
Liquidity

As of end-December 2023, the HF group's liquidity was supported by a cash balance of around £2.4 billion, of which £0.4 billion at the level of HF. The group also had fully available committed bank lines, including a revolving credit facility (RCF) of £1.4 billion due in November 2027.

The group faces fairly sizeable annual debt maturities across different classes of debt. Following the repayment of a £300 million bond at HF earlier this year, the group's next bond maturity is related to a CHF400 million note due in May 2024.

HF's next debt maturity is in September 2024, when its £75 million loan is due. The next bond of £250 million will come due in March 2025.

Exhibit 14
The HF group has fairly sizeable annual refinancing needs
Debt maturity profile, as of end-December 2023, in £ million



Source: Company, Moody's Ratings

In addition to debt maturities, the group's financing requirements include accretion paydowns. The HF group has £5.5 billion notional of index-linked swaps, which are subject to periodic accretion paydowns. Given an increase in inflation, such paydowns would be substantial in 2025. However, in the past two years, the group has elected to early pay its accrued accretion (£484 million in 2023) and we expect this to continue ahead of 2025, to reduce the refinancing needs.

Management said that they expected to transition to managing an 18-month liquidity horizon over 2024, rather than a 24-month horizon, reflecting the more stable outlook post pandemic. The funding needs for this year are estimated at approximately £1 billion.

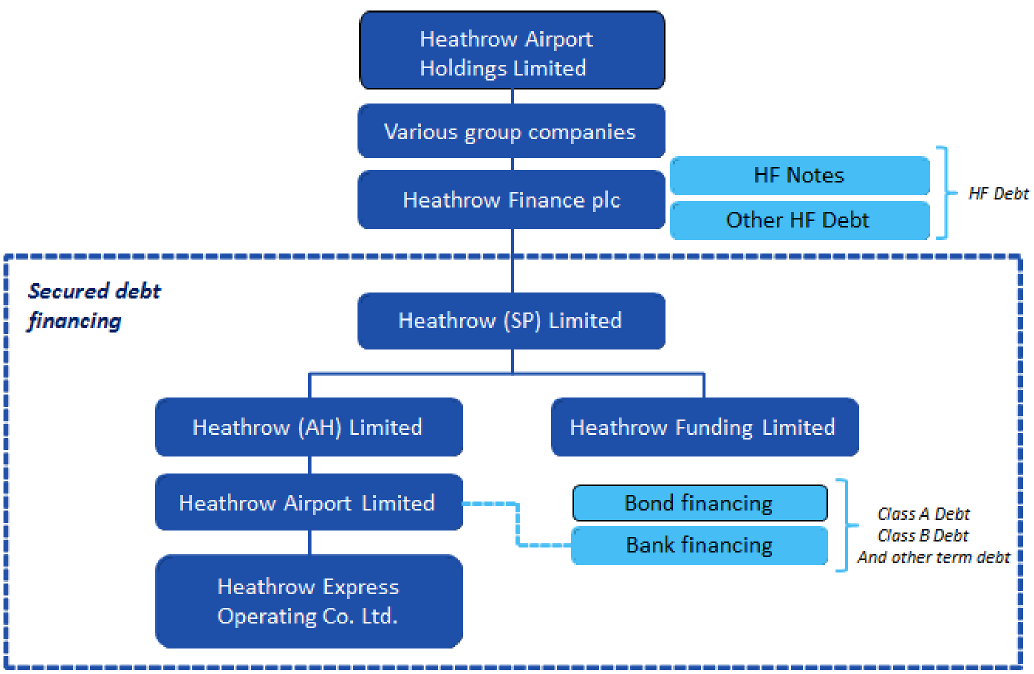
Structural considerations

The B1 rating of the HF notes reflects the structural subordination of the notes in the HF group structure versus the debt at 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.

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.

Exhibit 15
Simplified HF group structure
HF debt is structurally subordinated to HSP secured debt financing



Source: Moody's Ratings

The HSP SDF isolates the credit profile of the group from that of Heathrow Airport Holdings Limited (HAH). While there is some reliance on HAH for operational support, this is considered acceptable in the context of the rating level. 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, and additional reporting requirements. While such protections only benefit HSP debt holders directly, they provide some element of protection to HF creditors by helping to protect the financial profile of HSP.

HF's financial profile and liquidity will depend on the management's financial policies, including for the HSP group, on whose cash flow the company is reliant for its debt service. In this regard, we expect management to follow prudent financial policies and manage capital structure across the wider Heathrow airport group without materially altering the balance of risks to individual companies.

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.

Exhibit 16

Heathrow Finance plc

Rating factors

Privately Managed Airports and Related Issuers Industry [1][2]	Current FY 12/31/2022		Moody's Forward View 2024-26 As of March 2024 [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	Baa	Baa	A	A
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)	1.3x	Caa	1.8x - 2.2x	Ba
b) FFO / Debt	2.1%	Caa	4% - 5%	B
c) Moody's Debt Service Coverage Ratio	1.6x	B	1.4x - 1.6x	B
d) RCF / Debt	1.5%	Caa	2% - 4%	B
Rating:				
Scorecard-Indicated Outcome Before Notch Adjustment		B1		Ba2
Notch Lift		-		-
a) Scorecard-Indicated Outcome		B1		Ba2
b) Actual Rating Assigned				Ba2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 31/12/2022.
[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 Ratings

Ratings

Exhibit 17

Category	Moody's Rating
HEATHROW FINANCE PLC	
Outlook	Stable
Corporate Family Rating	Ba2
Senior Secured -Dom Curr	B1/LGD5

Source: Moody's Ratings

Appendix

Exhibit 18
Peer comparison table

(in GBP million)	Heathrow Finance plc Ba2 Stable FYE Dec-20	FYE Dec-21	FYE Dec-22	Royal Schiphol Group N.V. A2 Stable FYE Dec-20	FYE Dec-21	FYE Dec-22	Aeroporti di Roma S.p.A. Baa2 Negative FYE Dec-20	FYE Dec-21	FYE Dec-22
Revenue	1,175	1,214	2,913	612	702	1,271	331	545	689
EBITDA	234	421	1,762	(110)	296	386	(23)	41	197
EBITDA margin %	19.9%	34.7%	60.5%	-18.0%	42.2%	30.3%	-6.8%	7.5%	28.6%
Funds from Operations (FFO)	(308)	(297)	403	(164)	(9)	236	(15)	110	215
Total Debt	19,544	18,606	19,488	4,388	4,586	4,774	2,150	1,928	2,013
(FFO + Interest Expense) / Interest Expense	0.5x	0.6x	1.3x	-1.0x	0.9x	4.5x	0.7x	3.5x	5.7x
FFO / Debt	-1.6%	-1.6%	2.1%	-3.8%	-0.2%	5.1%	-0.7%	5.6%	11.1%
RCF / Debt	-2.1%	-1.6%	1.5%	-3.8%	-0.2%	5.1%	-0.7%	5.6%	11.1%
Debt Service Coverage Ratio	0.3x	0.4x	1.6x	-0.8x	0.7x	3.5x	0.3x	1.6x	2.5x

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 19
Heathrow Finance plc adjusted debt breakdown

(in GBP million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
As Reported Total Debt	**14,735**	**16,424**	**19,992**	**18,577**	**18,637**
Pensions	28	28	30	29	125
Leases	324	0	0	0	0
Non-Standard Adjustments	35	(109)	(478)	0	726
Moody's Adjusted Total Debt	**15,122**	**16,343**	**19,544**	**18,606**	**19,488**

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 20
Heathrow Finance plc adjusted FFO breakdown

(in GBP million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
As Reported Funds from Operations (FFO)	**1,739**	**1,777**	**158**	**393**	**1,690**
Pensions	22	26	20	0	12
Leases	33	0	0	0	0
Capitalized Interest	(50)	(44)	0	0	0
Alignment FFO	(189)	(128)	28	(607)	(1,260)
Unusual Items - Cash Flow	0	0	125	11	2
Cash Flow Presentation	0	0	(609)	(205)	(301)
Non-Standard Adjustments	(532)	(561)	(30)	111	260
Moody's Adjusted Funds from Operations (FFO)	**1,023**	**1,070**	**(308)**	**(297)**	**403**

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™

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