

Heathrow

HEATHROW (SP) LIMITED

RESULTS FOR THE THREE MONTHS ENDED
31 MARCH 2021



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Q1 2021 PERFORMANCE

OPERATIONAL AND FINANCIAL PERFORMANCE

Passengers

1.7m

-88.5% vs. Q120

Revenue

£165m

-72.2% vs. Q120

Operating costs

£185m

-33.5% vs. Q120

Adjusted EBITDA

-£20m

-106.3% vs. Q120

Proforma liquidity^(*)

£4.5bn

+40.6% vs. Q120

RAB

£16.4bn

-0.6% vs. Q120

Our response to COVID-19

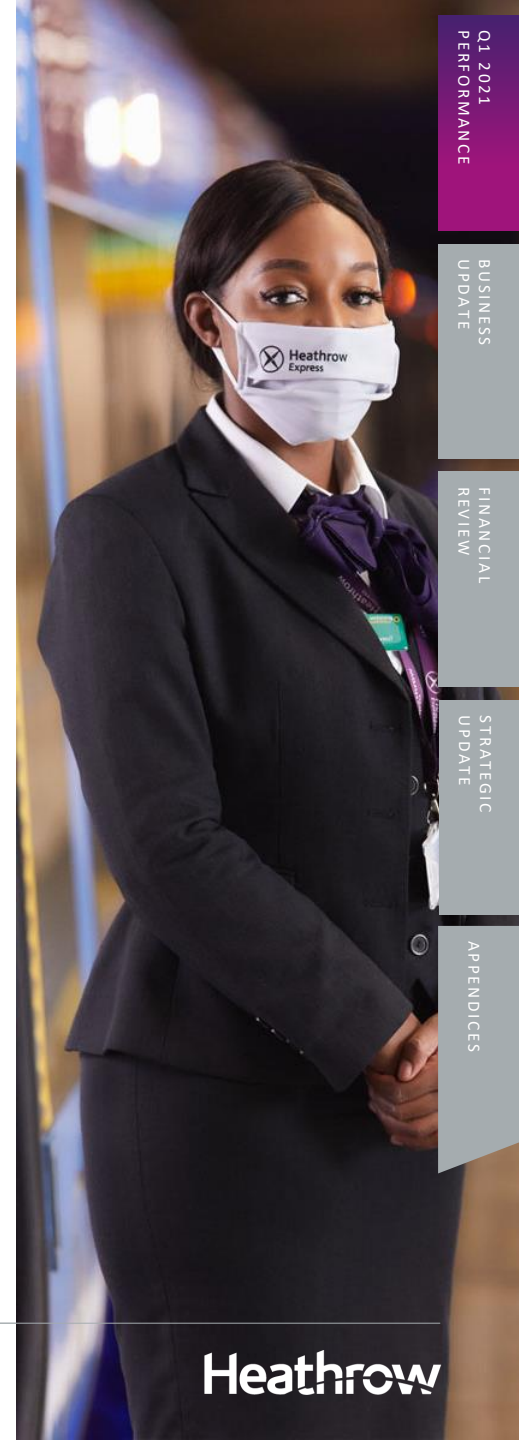
- Cost base reduced to lowest possible and safe level
- Revenue optimisation initiatives in place
- Liquidity position further strengthened by £1.3bn additional funding
- 2021 traffic scenarios ranging from 13m to 36m passengers

(*) Heathrow Finance liquidity includes the CAD950 million transaction completed in April 2021. As at 31st March 2021, liquidity was £4.0bn



STRATEGIC PRIORITIES

- Greater resilience, better service, lower cost
- Support the Government's Global Travel Taskforce framework for the recovery of international travel
- Timely enforcement of existing regulation to correctly balance risk and reward
- Net zero-carbon aviation
- Sustainable, affordable, financeable and deliverable expanded Heathrow

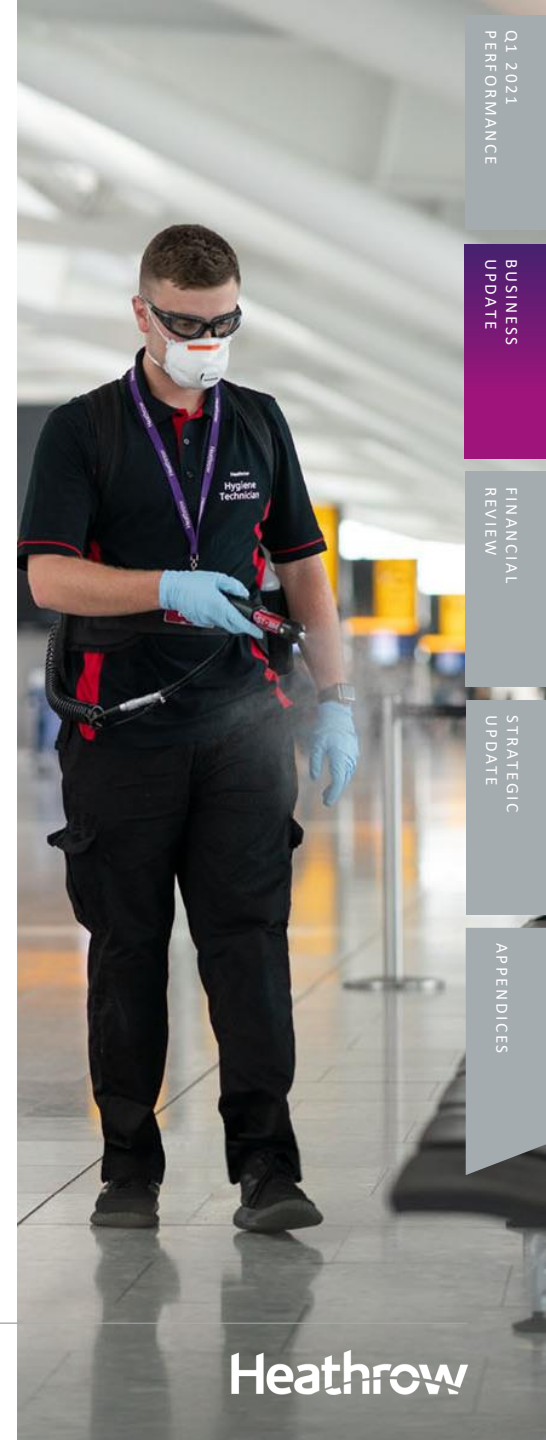
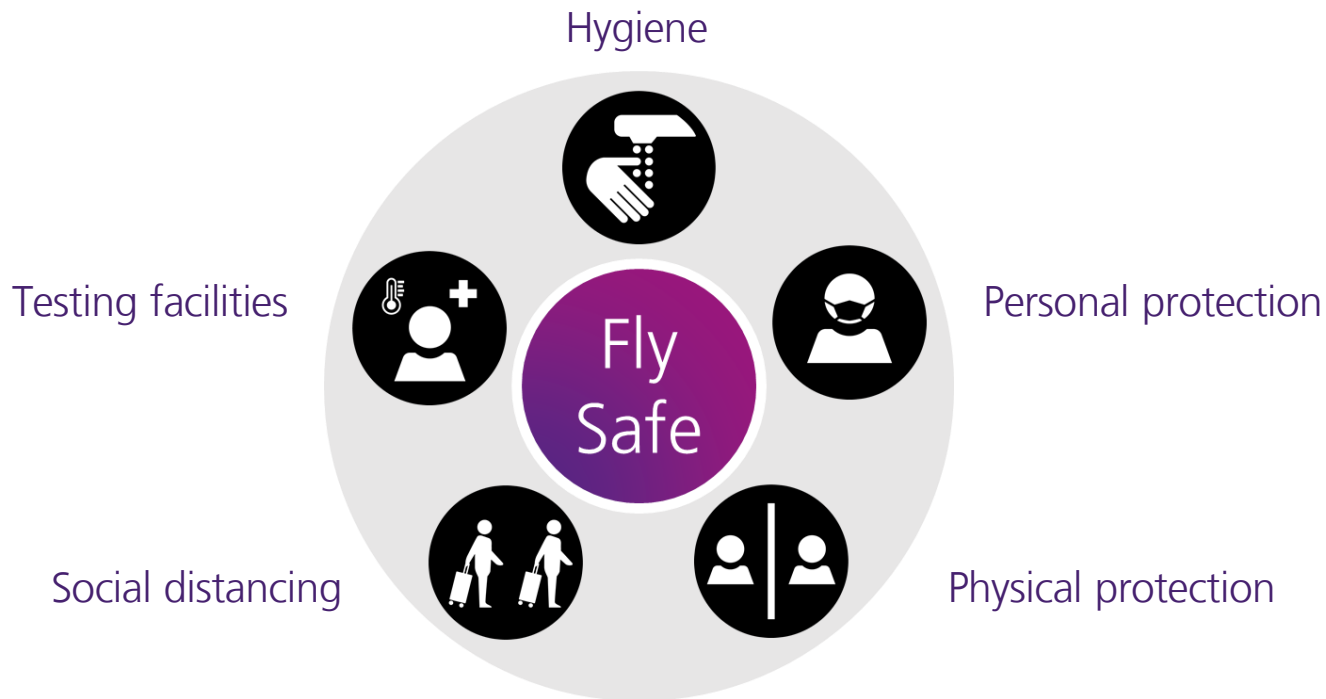


BUSINESS UPDATE

PROTECT OUR BUSINESS – FLY SAFE

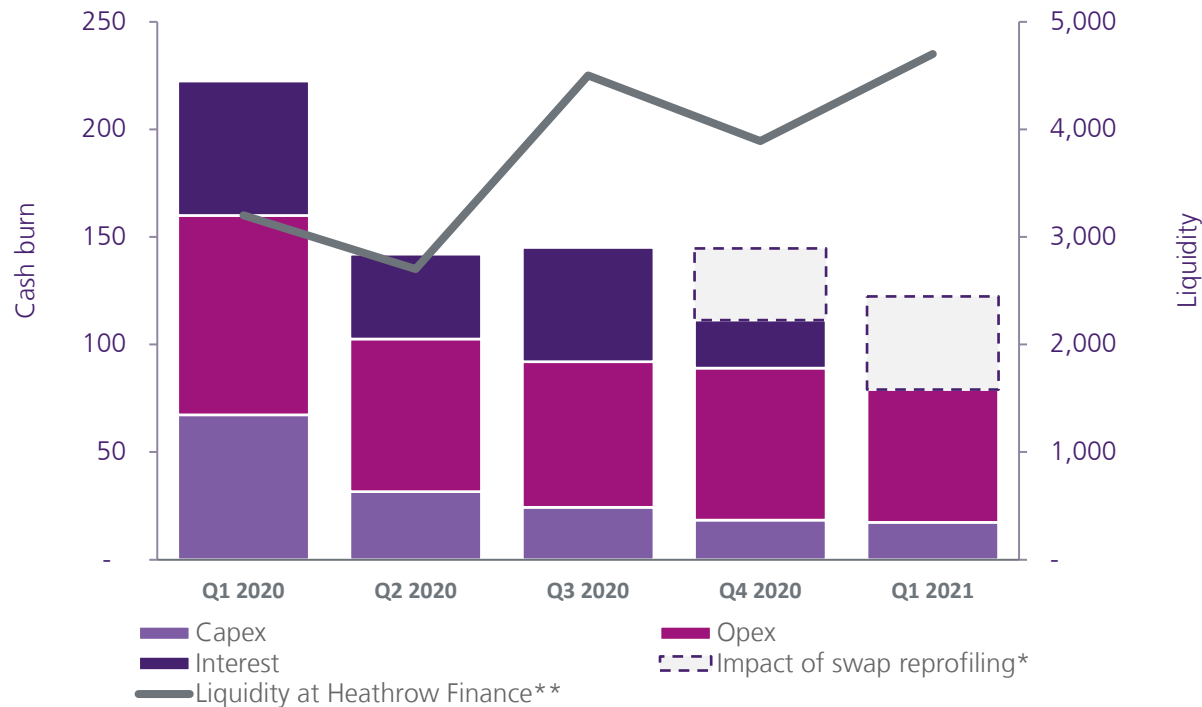
Fly Safe - we are playing our part in developing solutions

- CAA's COVID-Security Assurance Scheme pilot
- Airport Health Accreditation (AHA)
- Airside and landside testing centres in Terminals 2 and 5
- Part of our head office building transformed into NHS COVID-19 vaccination centre



PROTECTING OUR BUSINESS – CASH BURN REDUCED BY OVER 50%

Average monthly cash burn levels and liquidity (£m)

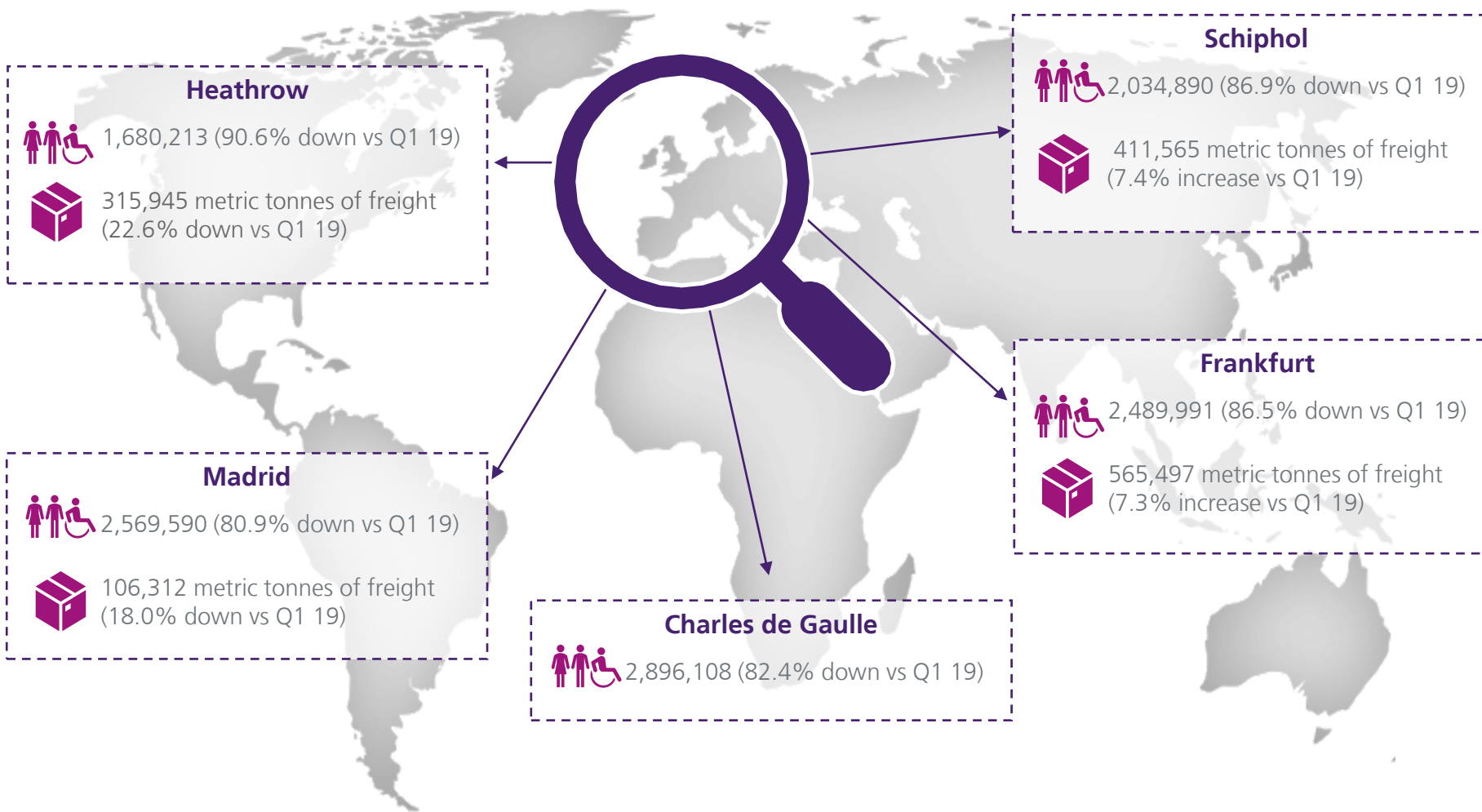


(*) Our swap portfolio reprofiling resulted in c.£100m of interest prepayment in Q4 2020 while interest savings started flowing through from Q1 2021

(**) Liquidity position including cash and undrawn facilities – Q1 2021 is pro-forma following April transaction



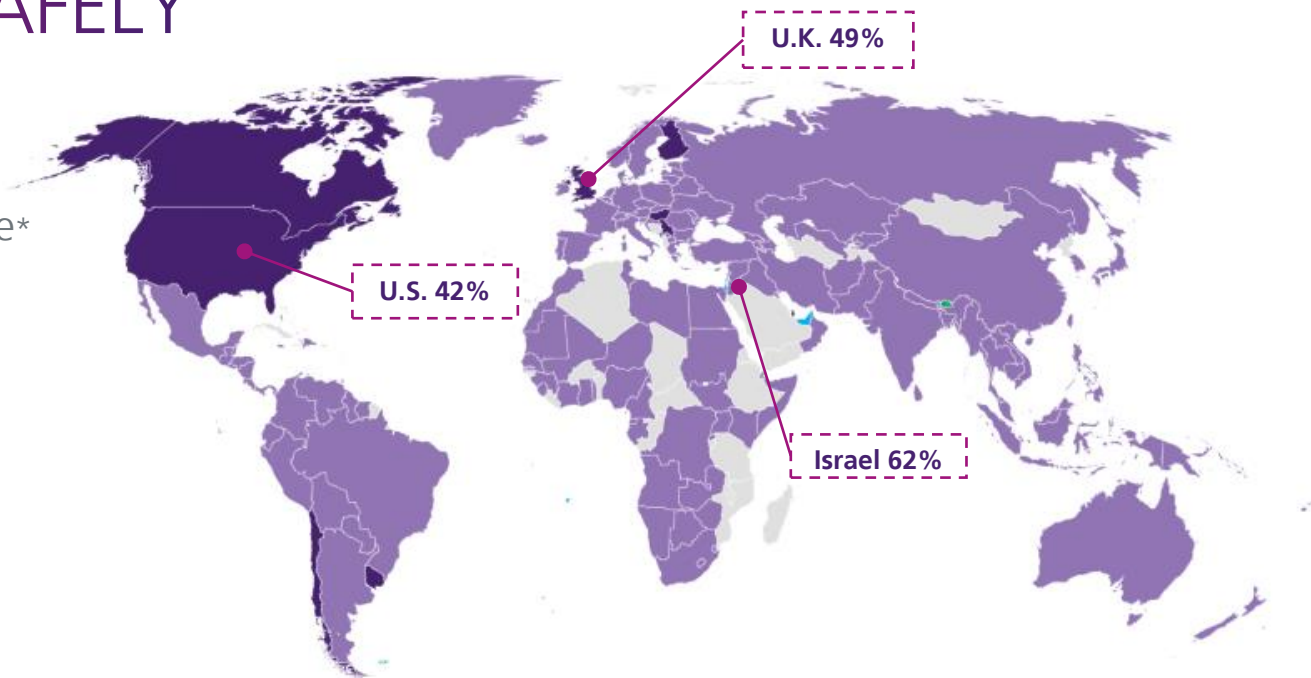
COMPARISON TO EUROPEAN HUBS



NOW IS THE TIME TO RESTART INTERNATIONAL TRAVEL SAFELY

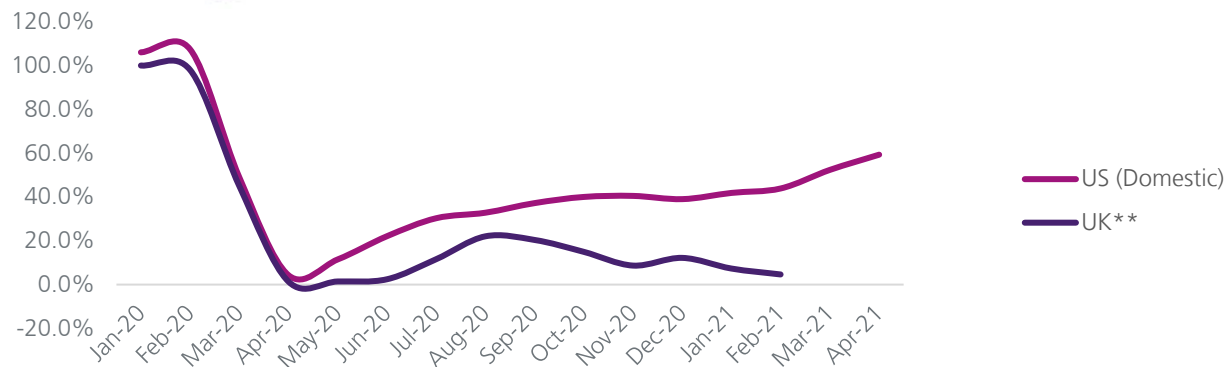
COVID-19 Vaccination rate*

- 75% - 100%
- 50% - 75%
- 25% - 50%
- 0% - 25%



Traffic recovery – U.S / U.K.

(Traffic numbers as a share of 2019 - Pre-Crisis)



(*) Source: Our World in Data 24/04/2021 - COVID-19 vaccinations (doses administered, people with at least 1 dose, and people fully vaccinated) - grey countries no available data

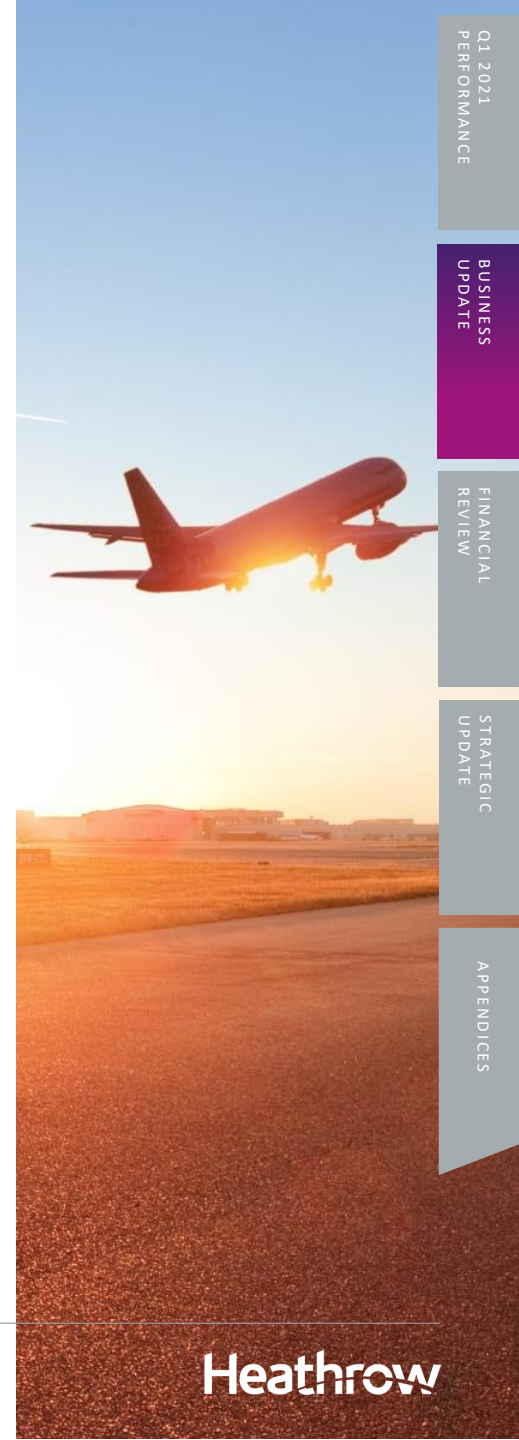
(**) March and April data not available.

WINNING THE RECOVERY – RESTARTING TRAVEL SAFELY

Global Travel Taskforce recommends risk-based approach in line with Heathrow's proposal

- International travel expected to resume on **17 May at the earliest**
- **Key information still required**, mainly related to countries tiering, types of tests, costs and process
- U.S, Israel, Caribbean, Singapore, Hong Kong, Iceland, Australia and New Zealand **should be prioritised to green list**
- **Border force resilience critical to support recovery** and to be enabled by digital solutions to access health information
- Welcome **commitment to promote more inbound tourism** through a Tourism Recovery Plan in May

- **Red countries:**
High-risk countries
- **Amber countries:**
Moderate-risk countries.
- **Green countries:**
Low-risk countries.

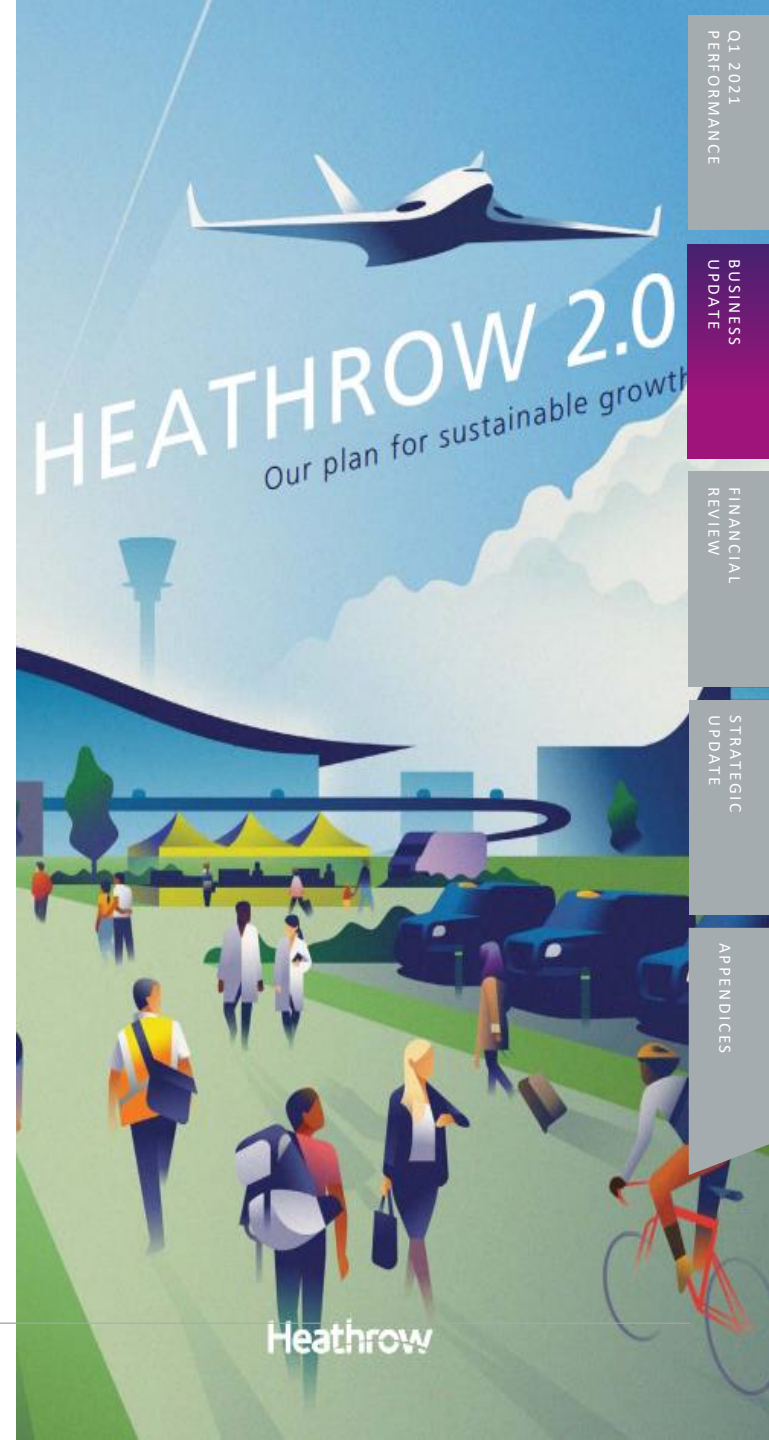


BUILDING BACK BETTER – DELIVERING HEATHROW 2.0

- A GREAT PLACE TO WORK
- A GREAT PLACE TO LIVE
- A THRIVING SUSTAINABLE ECONOMY
- A WORLD WORTH TRAVELLING



Heathrow 2.0 aligned with the UN's sustainable development goals



BUILDING BACK BETTER – PATH TO NET ZERO CARBON

The Jet Zero Council provides a real opportunity to accelerate UK aviation net zero plans

- Chaired by Secretaries of State for Transport & Business
- Emma Gilthorpe (HAL COO) appointed CEO to drive the action plan
- 30 leaders from aviation, fuel producers, research and environment

We welcome the Government's 6th Carbon Budget to accelerate the decarbonisation of aviation

- Over 70 % of Heathrow airlines have committed to net zero by 2050
- 60% of Heathrow airlines have also committed to 10% SAF by 2030, ahead of the CCC target of 7%.

Two key workstreams:
Sustainable Aviation Fuel



Zero emissions aircraft



BUILDING BACK BETTER – REGULATORY DEVELOPMENTS

CAA confirms inadequate interim RAB adjustment of £300m

- Despite all our efforts to protect the business, we will face cumulative losses of c.£3bn over 2020-21
- Inadequate regulatory action could have expensive consequences for consumers and undermines confidence in any future investment and the UK's wider RAB based investment
- The CAA will need to address all the issues related to the adjustment fully in the upcoming H7

H7 framework needs to rebalance risk and return

- CAA to publish Initial Proposals in summer 2021 for the next regulatory settlement (H7) which will start in 2022.
- Our December Plan – RBP outlines base case traffic forecast, resulting operational and investment choices and financeability principles



FINANCIAL REVIEW

FINANCIAL REVIEW

(£ million)	Q1 2020	Q1 2021	Versus 2020 %
Revenue	593	165	(72.2)
Adjusted operating costs	(278)	(185)	(33.5)
Adjusted EBITDA	315	(20)	(106.4)
Loss before tax	(278)	(307)	(10.4)
Cash generated from operations	375	132	(64.8)
Capital expenditure	208	52	(76.7)

(£ million)	Dec 2021	Mar 2021	Versus 2020 %
Consolidated nominal net debt			
Heathrow (SP)	13,131	13,064	(0.5)
Heathrow Finance	15,120	15,109	(0.1)
Regulatory Asset Base	16,492	16,396	(0.6)
Consolidated cash at Heathrow Finance*	3,891	4,535	16.5

(*) Heathrow Finance liquidity is pro-forma, including the CAD950 million transaction completed in April 2021. As at 31st March 2021, liquidity was £4.0bn



REVENUE IMPACTED BY REDUCED TRAFFIC

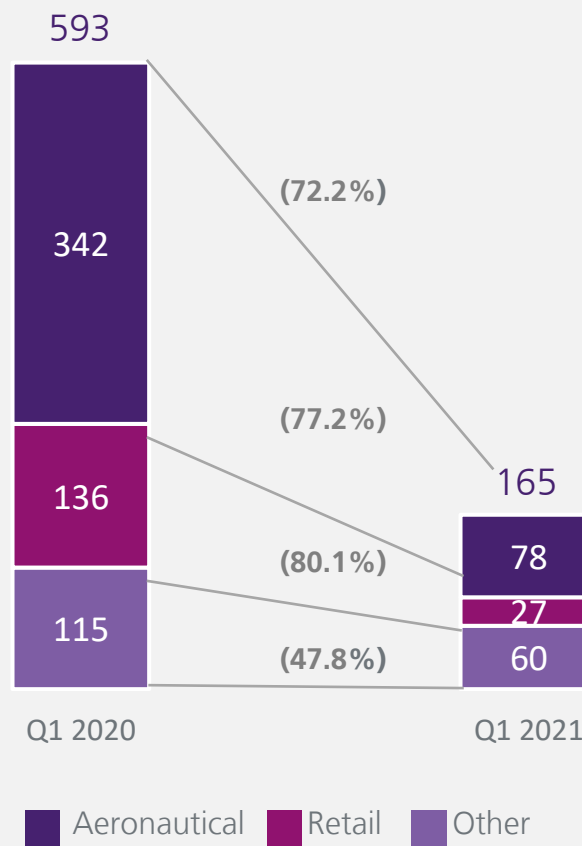
Multiple lockdowns hit aeronautical and retail revenue hardest

- passenger numbers remain low
- lower aircraft movements
- consolidation of retail outlets
- Government decision on VAT

Seeking opportunities to optimise our revenue

- cargo
- digital initiatives
- rent protection
- keep bad debt under control

Analysis of revenue (£m)



EARLY MANAGEMENT ACTIONS DRIVE 33.5% COST REDUCTION

Management initiatives drive annualised costs down to c.£780m

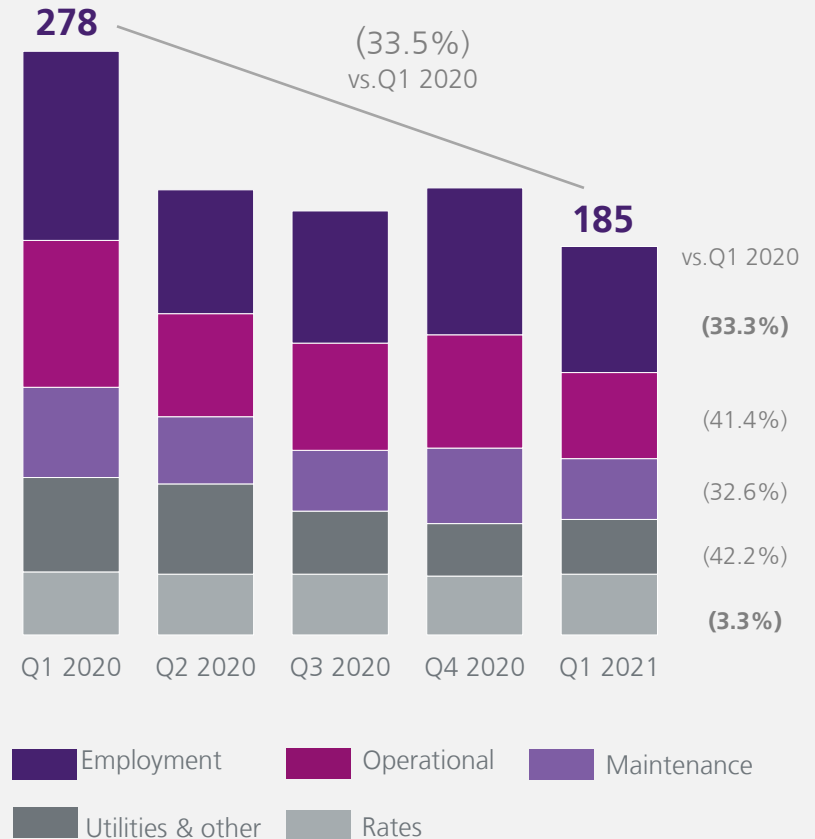
- benefits of our organisational changes
- consolidation of operations
- renegotiation of our suppliers' contracts

Inadequate governmental support puts pressure on our controllable costs

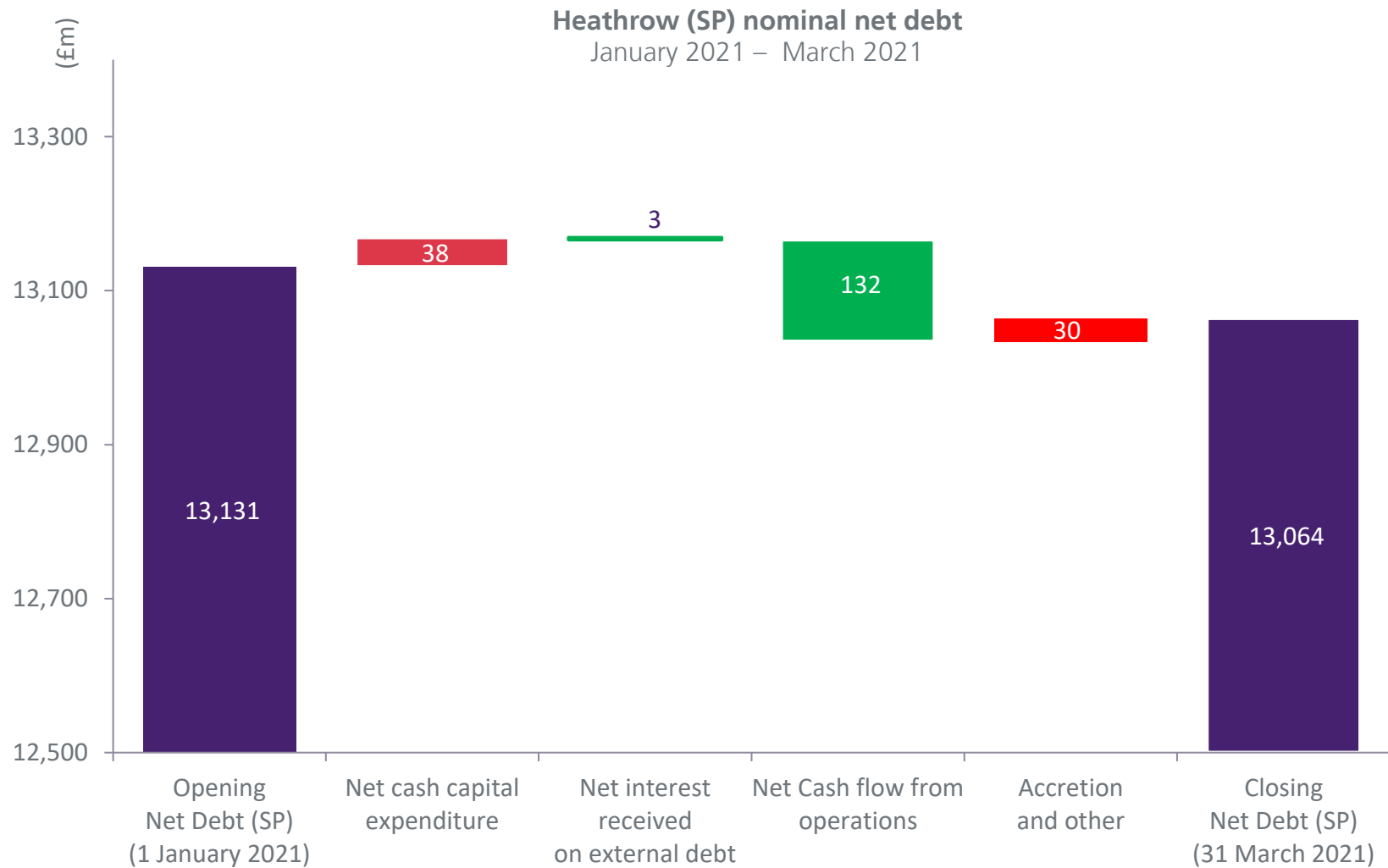
- business rates

Based on annualised Q1 run rate, costs are below December Investor Report forecast of £942m

Analysis of adjusted operating costs (£m)



FOCUS ON CASHFLOW PROTECTION



FINANCIAL RESILIENCE

Protecting the business

- Cashflow management
- Balance sheet management

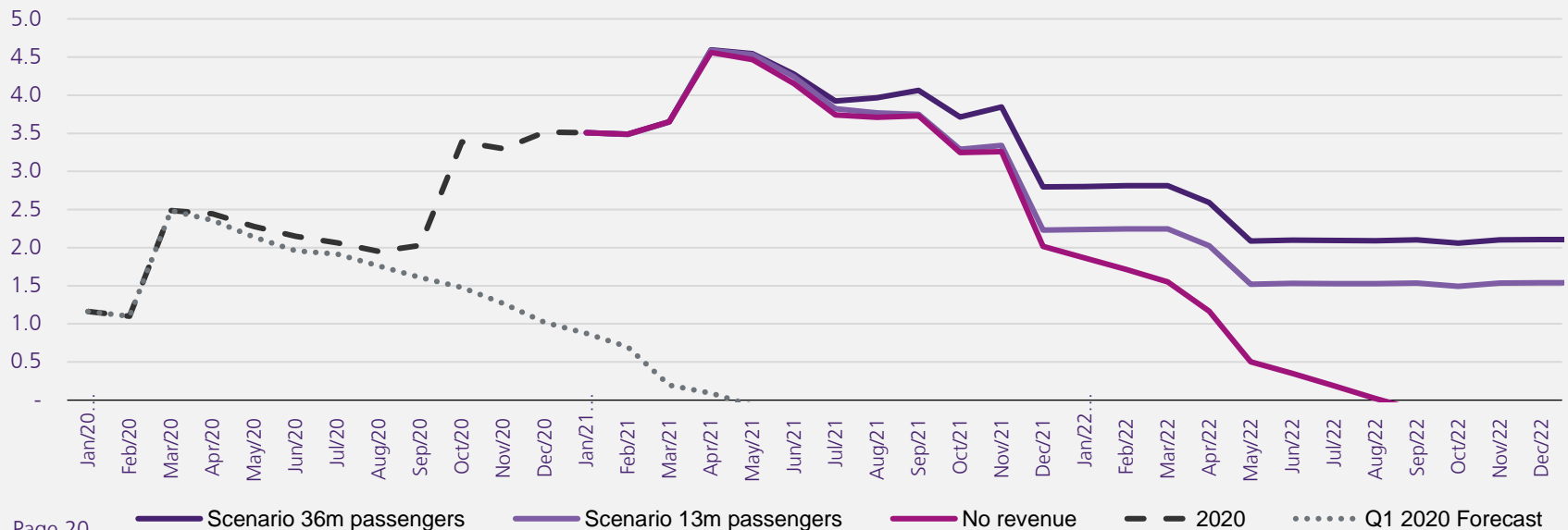
Winning the recovery

- S&P and Fitch affirmed our credit rating as investment grade

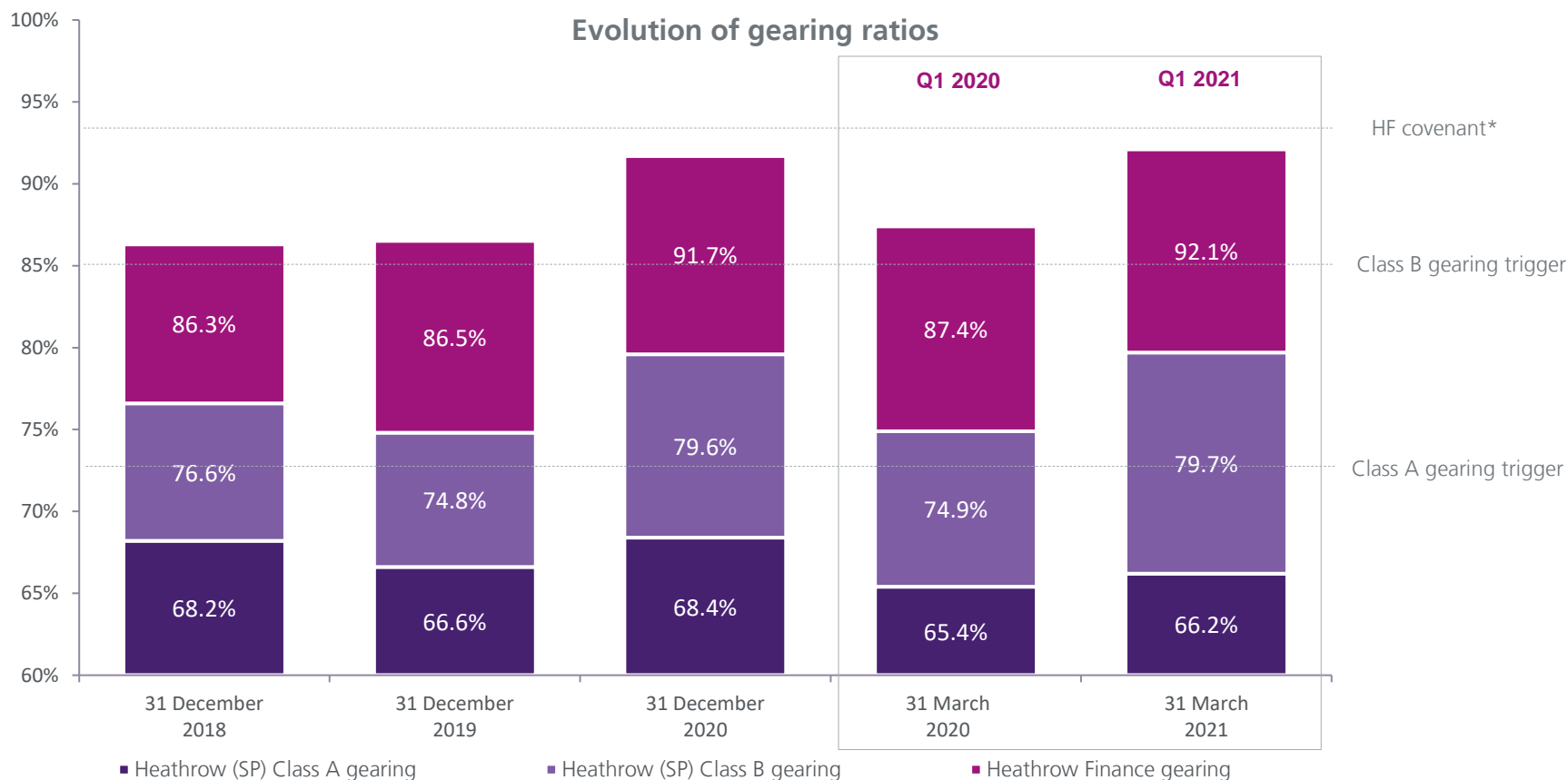
Building back better

- ESG financing

Liquidity horizon - Heathrow (SP) Closing Cash - £ billion



MANAGEMENT ACTIONS PROVIDE ADDITIONAL HEADROOM WHILE TRAFFIC RECOVERS

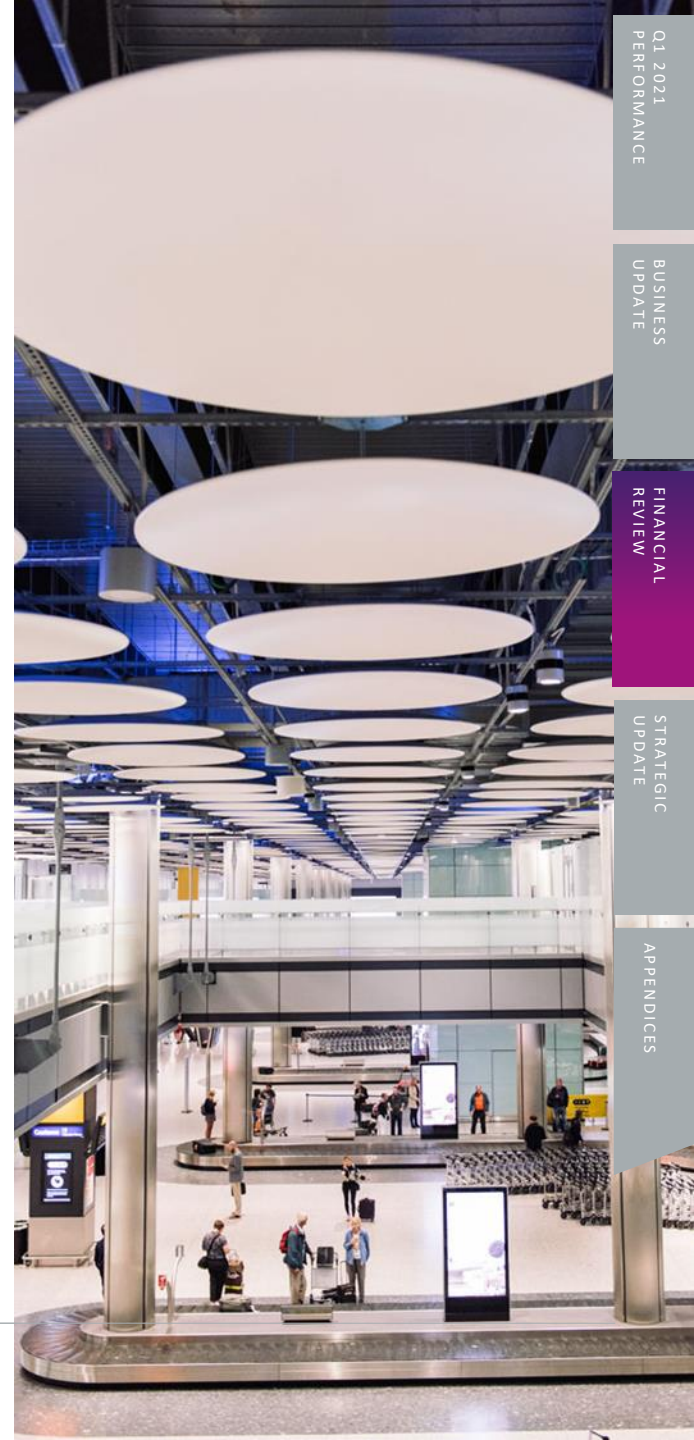


(*) As a result of the waiver secured on 8 July 2020, Heathrow Finance's RAR covenant increased to 95.0% for the testing date occurring on 31 December 2020, and 93.5% for the testing date occurring on 31 December 2021.

OUTLOOK

Material uncertainty remains on traffic recovery

- 2021 traffic scenarios ranging from 13 million to 36 million passengers.
- Tension between expected strong pent-up demand and government policy to restart international travel
- No covenant breach forecasted in 2021 at Heathrow SP across range of scenarios and within cashflow modelling assumptions
- Some downside scenarios may result in covenant breach at Heathrow Finance
- Updated financial forecast in our next Investor Report due to be published in June 2021

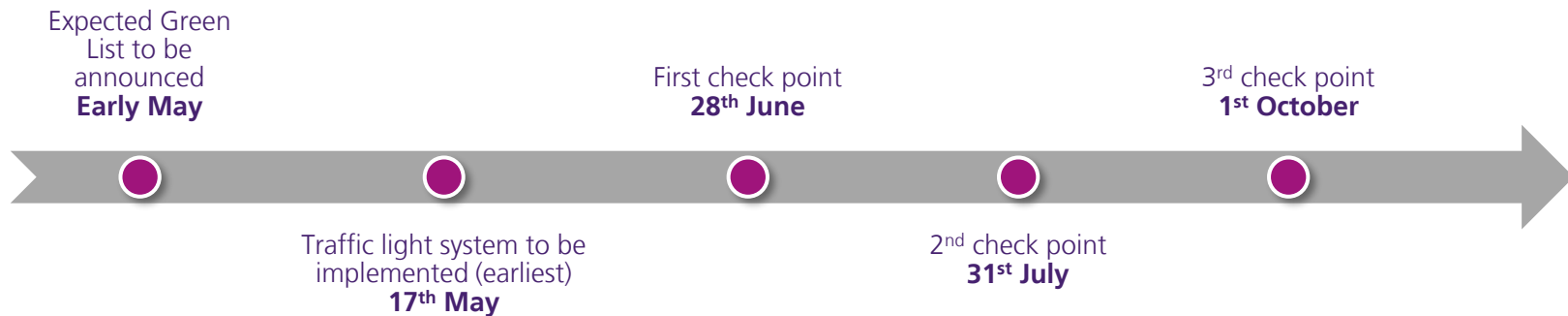


STRATEGIC UPDATE

TO GIVE PASSENGERS THE BEST AIRPORT SERVICE IN THE WORLD



Global Travel Taskforce (expected key dates)



QUESTIONS?

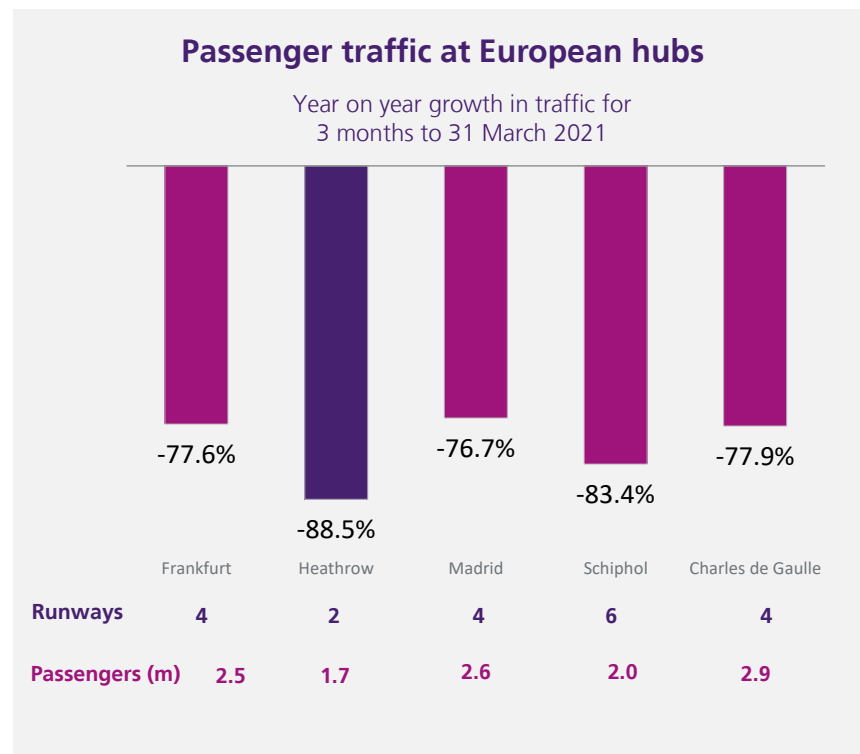


APPENDICES

COMPARISON AGAINST EUROPEAN HUBS

	2020	2021
Passengers	14.6	1.7
Long-haul traffic growth/(decline) (%)	(20.4)	(88.8)
Short-haul traffic growth/(decline) (%)	(16.5)	(88.3)
Passengers ATM	98,206	26,782
Cargo ATM	760	9,015
Load factors (%)	68.6	39.8
Seats per ATM	217.5	236.6
Cargo tonnage ('000)	333	315

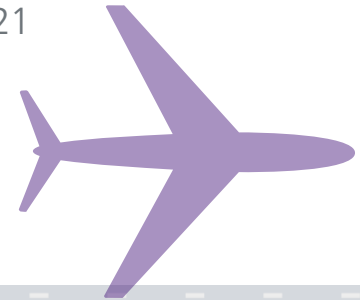
	2020	2021
ASQ	4.20	4.25
Baggage connection	99.0	99.0
Departure punctuality	83.4	82.5



BUILDING BACK BETTER – EXPANSION

We remain committed to a long-term sustainable expansion

- Positive outcome from a judicial review last year
- Decarbonising aviation a central part the Government's green growth agenda
- We will consult with investors, Government, airline customers and regulators on our next steps
- We are reopening our Hardship Scheme following the CAA's approval in May 2021



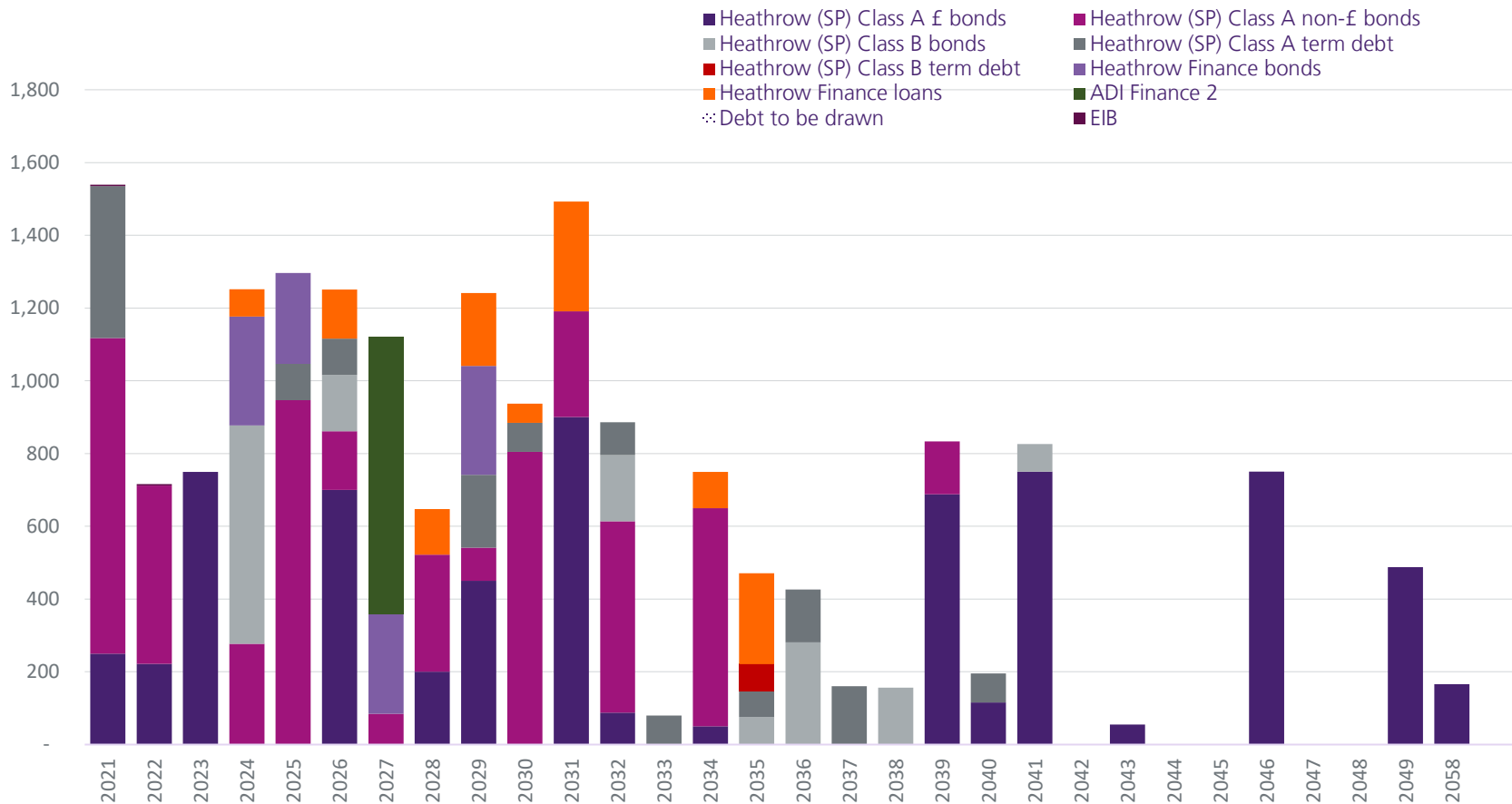
HEATHROW NOMINAL NET DEBT AT 31 MARCH 2021

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Senior debt			
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	222	222	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
£450m 2.75%	450	450	2029
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
C\$500m 3.661%	291	291	2031
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	88	88	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	59	59	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	631	631	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	115	115	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	89	89	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	167	167	2058
Total senior bonds	11,982	11,982	
Term debt	1,529	1,529	Various
Index-linked derivative accretion	117	117	Various
Revolving/working capital facilities	900	900	2021
Operating lease liability	3	3	2021
Total other senior debt	2,549	2,549	
Total senior debt	14,530	14,530	
Heathrow (SP) Limited cash	(3,669)		
Senior net debt	10,862		

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Junior debt			
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£350m 2.625%	350	350	2028
£182 0.101%	182	182	2032
£75m RPI + 0.347%	76	76	2035
£75m RPI + 0.337%	76	76	2036
£180m RPI +1.061%	205	205	2036
£51m RPI + 0.419%	51	51	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	76	76	2041
Total junior bonds	1,877	1,877	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2021
Total junior debt	2,202	2,202	
Heathrow (SP) Limited group net debt	13,064		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
£300m 4.125%	300	300	2029
Total bonds	1,125	1,125	
£75m	75	75	2024
£135m	135	135	2026
£125m	125	125	2028
£150m	200	200	2029
£52m	53	53	2030
£301m	301	301	2031
£52m	100	100	2034
£300m	250	250	2035
Total loans	1,239	1,239	
Total Heathrow Finance plc debt	2,364	2,364	
Heathrow Finance plc cash	(319)		
Heathrow Finance plc net debt	2,045		
Heathrow Finance plc group	Amount	Available	
	(£m)	(£m)	
Heathrow (SP) Limited senior debt	14,531	14,531	
Heathrow (SP) Limited junior debt	2,202	2,202	
Heathrow Finance plc debt	2,364	2,364	
Heathrow Finance plc group debt	19,098	19,098	
Heathrow Finance plc group cash	(3,988)		
Heathrow Finance plc group net debt	15,110		

£1.5 BILLION MATURITIES IN 2021 ARE ALREADY PREFUNDED



NOTES, SOURCES AND DEFINED TERMS

Page 4

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Page 9

Passenger and cargo numbers as at 31 March 2021 sourced from companies websites.

Page 10

Source of passenger: CAA - United Kingdom - Bureau of Transport Statistics - United States

Page 16

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Capital expenditure includes capital creditors.

Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion.

RAB: Regulatory Asset Base.

Capital expenditure includes capital creditors.

Page 18

Operating costs exclude depreciation, amortisation and fair value adjustments on investment properties and exceptional items.

Page 19

Opening and closing nominal net debt includes index-linked accretion.

Cash capital expenditure for the period.

Other comprises index-linked accretion, external tax payments and fees paid in relation to financing transactions.

Page 20

From 2022 onwards, business plan is aligned with RBP assumptions submitted in December 2020

Page 21

Gearing ratio: external nominal net debt (including index-linked accretion and additional lease liabilities) to RAB (regulatory asset base).

Page 27

Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

Passenger numbers as at 31 March 2021 sourced from companies websites.

Page 29-30

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing.

Maturity is defined as the Scheduled Redemption Date for Class A bonds.

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Heathrow

