

HEATHROW INVESTOR UPDATE

USPP Conference

January 2023



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AGENDA

1.	Credit Fundamentals	4
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CREDIT FUNDAMENTALS



FOUNDATIONS OF HEATHROW CREDIT

1

Strength and resilience of the asset

2

Cash flow predictability from stable regulatory framework

3

Strong set of creditor protections

4

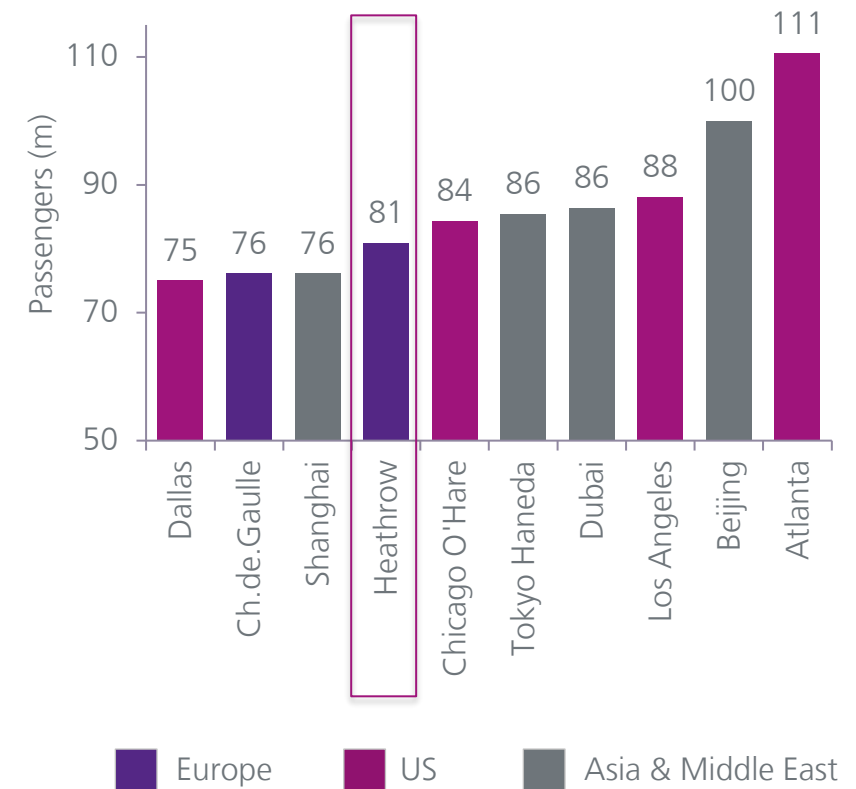
Sustainable growth



HEATHROW'S STRENGTH AND RESILIENCE DRIVEN BY INDUSTRY POSITION AND TRAFFIC PROFILE

- Heathrow enjoys a strong industry position
 - The UK's only hub airport connecting Britain to the rest of the world
 - Busiest airport by passenger numbers in Europe and seventh busiest airport in the world pre-pandemic
 - Typically serve 70% of UK long haul scheduled seats which are highly profitable for airlines
 - 1 of only 4 airports globally with >100 long haul routes
 - Largest port by value in the UK – strategically important for the UK economy
- Catchment area and hub characteristics provide demand resilience
 - Airline consolidation into Heathrow across 2020 and 2021
 - 11 new airlines and 57 new routes in 2021
 - London's profile as a major global city

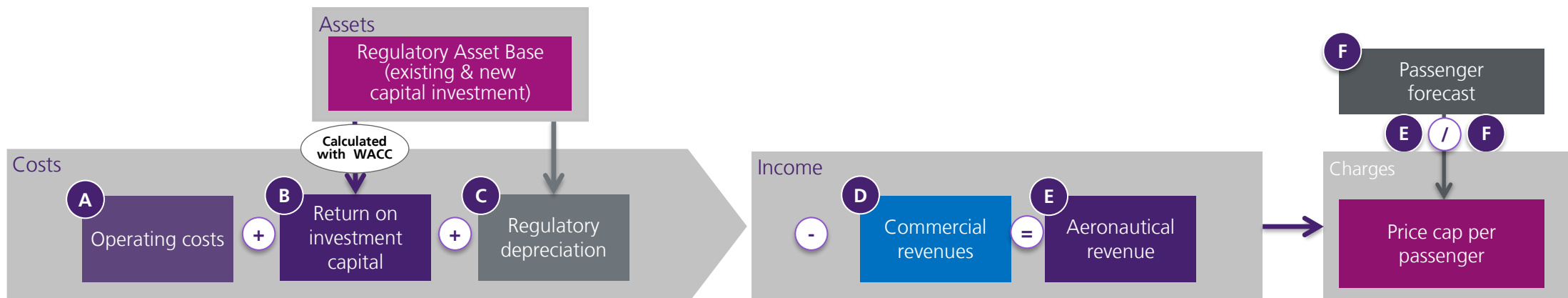
Top 10 busiest global airports
12 months to 31 December 2019



CASH FLOW PREDICTABILITY FROM A STABLE REGULATORY FRAMEWORK

- Heathrow is regulated by UK Civil Aviation Authority, with role defined by English law
- Re-set of tariff every five to seven years provides strong visibility of cost recovery
 - tariff set using 'building block' principle, allowing recovery of capital investment, operating costs and cost of capital
 - license includes possibility to reopen settlement under exceptional circumstances
- £18.7 billion Regulatory Asset Base ('RAB') as at 30 September 2022 includes virtually all assets in the business
- 'RAB based' price regulation similar to other UK regulated utilities
- CAA has duty to ensure Heathrow can finance its activities
- Currently waiting for the CAA's final decision in respect of the 'H7' regulatory period, due to run from 2022 to 2026

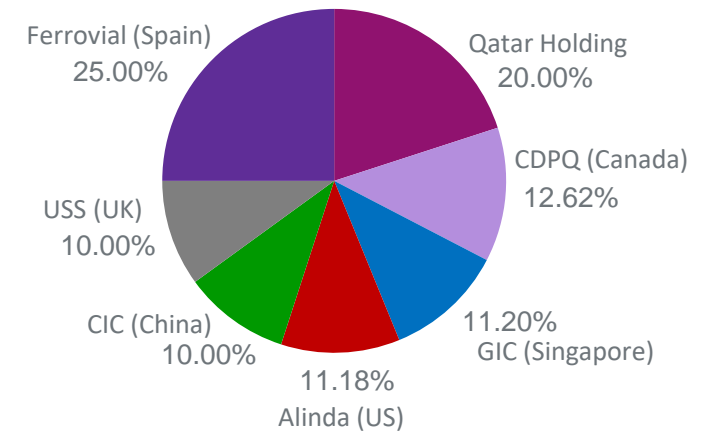
Building blocks for tariff calculation



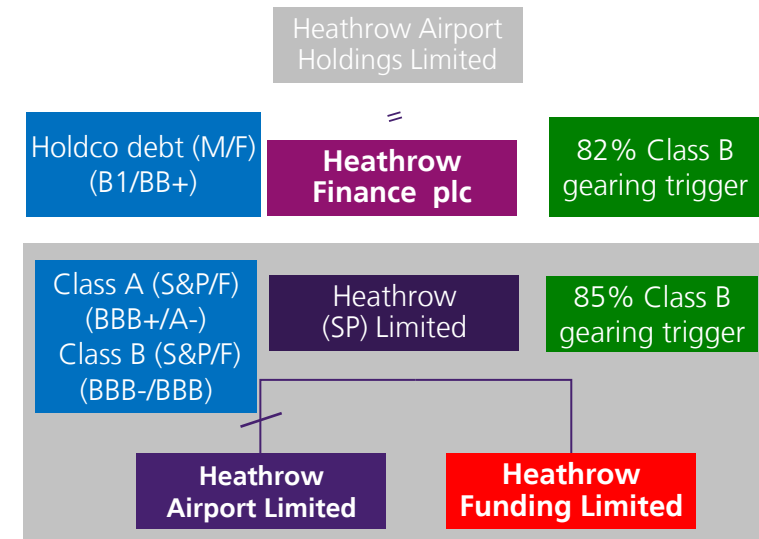
OVERVIEW OF HEATHROW FINANCING

- Largest wholly-privately financed airport globally, owned by seven international investors
- Established debt financing platform – similar to major UK regulated utilities – with issuance in 8 currencies
- Debt issued predominantly in senior (Class A), junior (Class B) and Heathrow Finance formats
- Common terms agreement governs all Class A and Class B debt
- All debt across capital structure benefits from covenants, limitations on distributions and security over assets
- Net debt at 30 September 2022:
 - Class A: £12,406 million
 - Class B: £2,108 million
 - Heathrow Finance: £1,109 million
 - Total HF Group: £15,623 million

Heathrow ownership



Summary Heathrow financing structure



HEATHROW PROVIDES A STRONG SUITE OF CREDITOR PROTECTIONS

- Class A creditors have first ranking security
 - mortgage over Heathrow Airport freehold land, runways, terminals and other fixed assets
 - share pledge over Group companies and charge over receivables
- Bonds and loans rank pari-passu within each level of capital structure
- Operational and financial covenants and distribution lock-ups provide creditor protections
- Information covenants including semi-annual investor report with financial forecasts
- Substantial public disclosures in addition to documented information covenants
- Restrictions on business activities, acquisitions and disposals

Summary operational/financial covenants and lock-ups across debt capital structure

Regulatory Asset Ratio (Net Debt/RAB)

Class A trigger	72.5%
Class B trigger	82.0%/85.0%
Heathrow Finance covenant	92.5%

Interest Cover Ratios (ICR)

Class A trigger	1.40x
Class B trigger	1.20x
Heathrow Finance covenant	1.00x

Other protections at Heathrow (SP)

Minimum liquidity	>12 months
Minimum Class A credit rating	BBB+
Currency risk on non-£ debt	100% swap to £
Debt maturities:	
- in any two year period	<30% RAB
- in any Five Year Period	<50% RAB
Minimum interest rate hedging:	
- current regulatory period	>75% debt
- next regulatory period	>50% debt

SUSTAINABLE GROWTH: CONNECTING ALL OF BRITAIN TO GLOBAL GROWTH

Heathrow 2.0: Ambitious series of goals to decarbonise flight and continue to improve the area around the airport for those who live and work in it.

- Ensure 2019 was the year of peak carbon
- Up to 15% cut in carbon in the air by 2030
- At least 45% cut in carbon on the ground by 2030
- 10,000 external jobs, apprenticeships and early career opportunities for local people by 2030

We remain committed to a long-term sustainable expansion

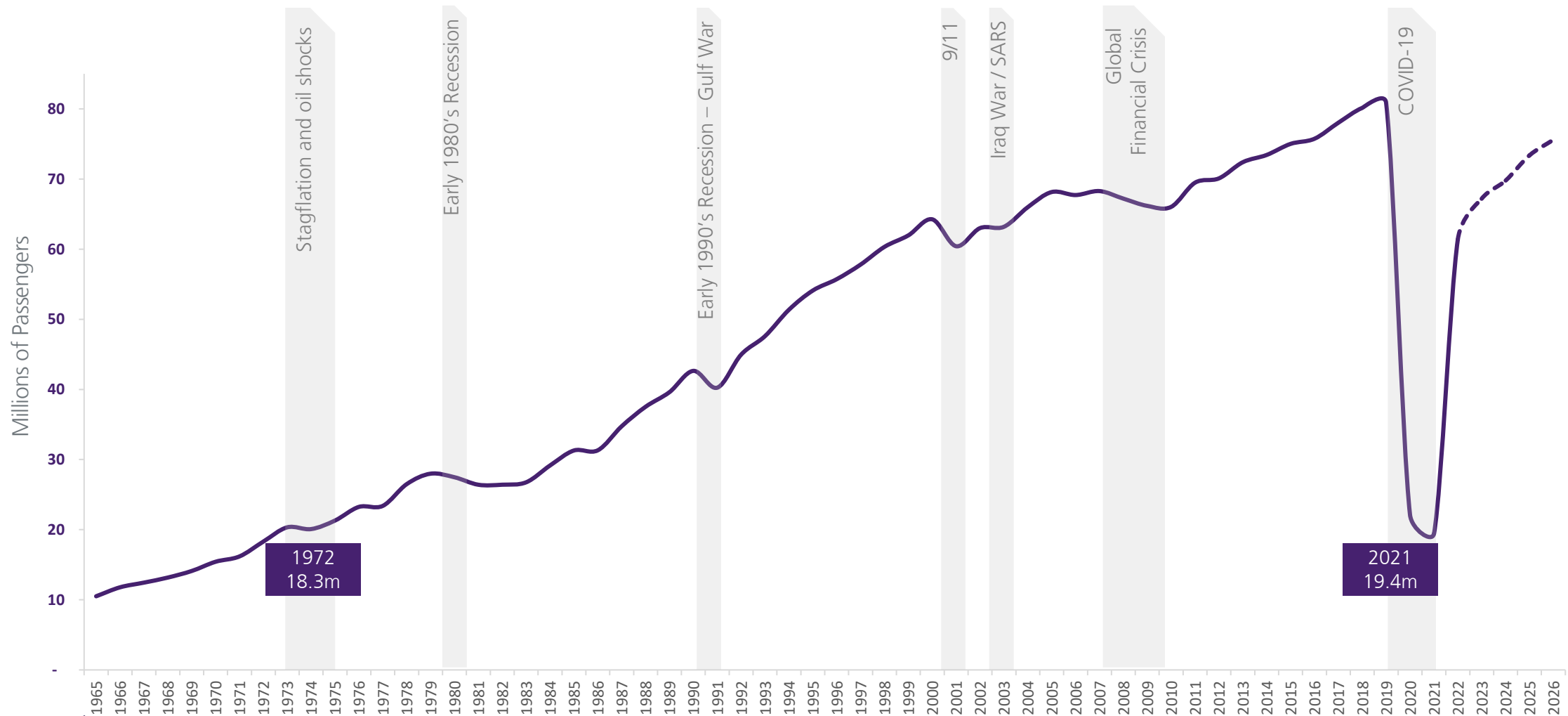
- Expansion plans under review
- Positive outcome from a judicial review and ANPS in place

The image features a large infographic on the left and an aerial photograph of Heathrow Airport on the right. The infographic is titled "Heathrow 2.0 Connecting People and Planet." and is set against a dark purple background. It is organized into several sections: "Net zero aviation" (with sub-points: Net zero in the air, Net zero on the ground), "Great place to live and work" (with sub-points: Clean air at and around the airport, Quieter nights, quieter flights, Nature positive airport, Zero waste airport), "Foundations: Responsible business" (with sub-points: Ethical and responsible business, Safe and secure airport), and "Thriving sustainable supply chain" (with sub-points: Better quality of life in Heathrow's neighbouring communities, Inclusive employer of choice for local diverse talent). The infographic also includes icons for each goal. The aerial photograph on the right shows the airport's runways, taxiways, and terminal buildings under a bright, hazy sky.

STRATEGIC DEVELOPMENTS



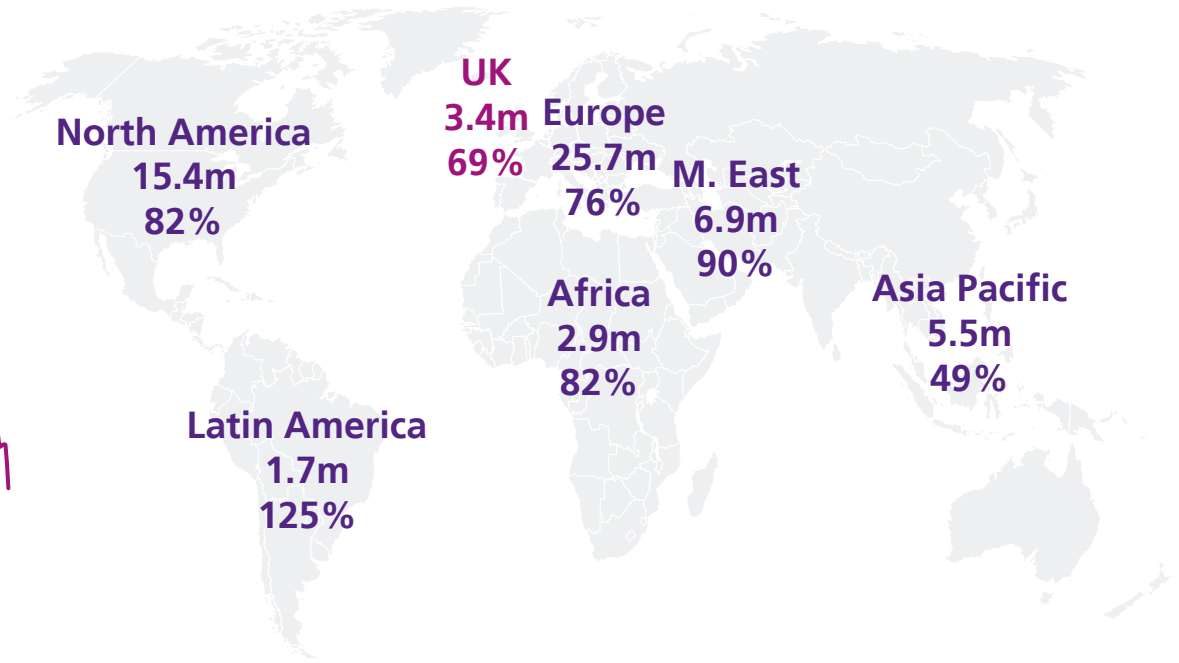
COVID-19 DWARFED ALL OTHER HEATHROW PASSENGER SHOCKS IN THE LAST 50 YEARS



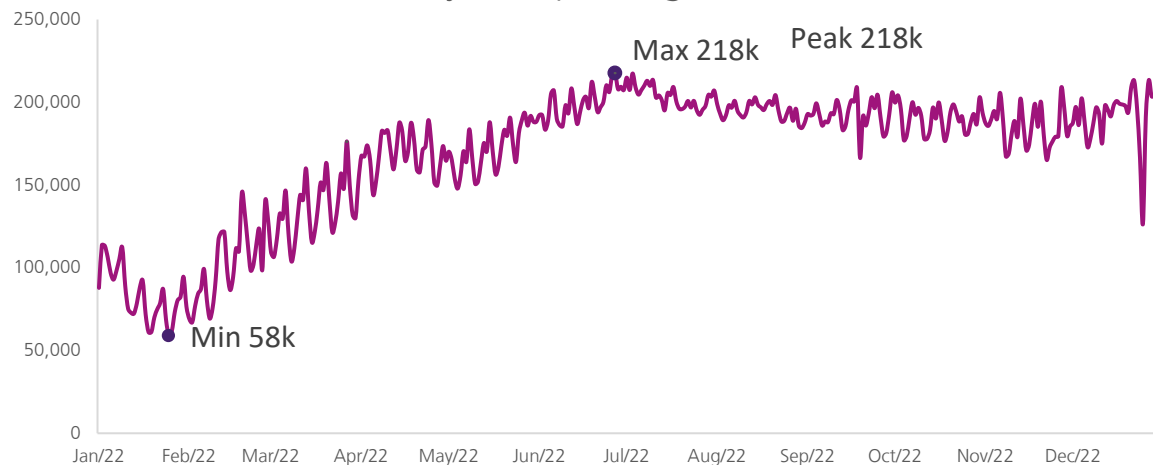
STRONG RECOVERY IN 2022: 62 MILLION PASSENGERS TRAVELLED THROUGH THE AIRPORT

Heathrow	2019	2020	2021	2022
Passengers	80.9	22.1	19.4	61.6
Passengers ATM	473,233	177,285	160,744	367,160
Cargo ATM	2,639	23,667	29,288	9,689
Load factors (%)	80.0	57.7	55.8	77.0
Seats per ATM	213.7	216.2	267.6	219.7
Cargo tonnage ('000)	1,587	1,141	1,403	1,351

2022 FY passenger numbers by market
(2022 as a % of 2019 levels)



2022 daily total passengers numbers

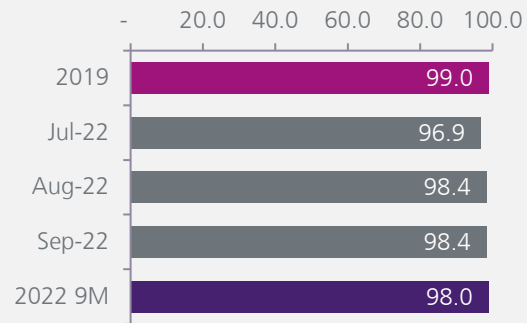


Total of 61.6 million passengers
(76% of 2019 levels)

OUR Q3 SERVICE STANDARDS REMAIN BEHIND PRE-PANDEMIC LEVELS

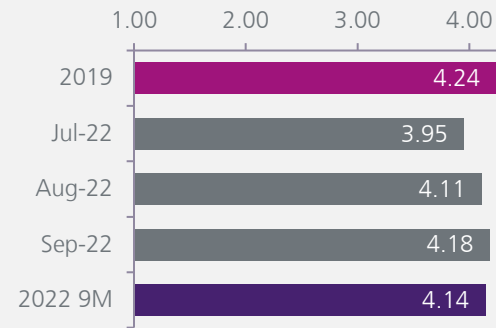
Baggage connection - %

Connection rate per 1,000 passengers



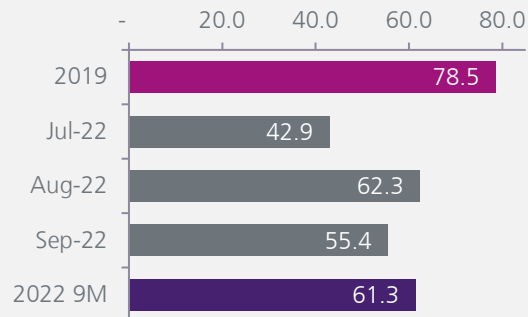
Passenger satisfaction

'QSM' Overall Departures Experience



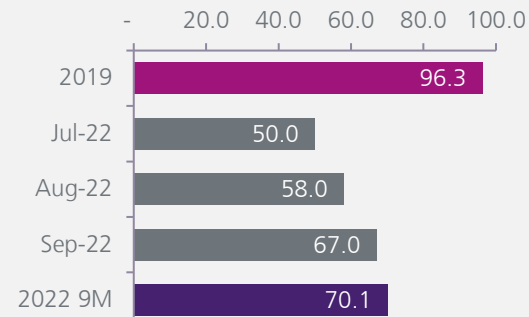
Departure punctuality - %

Within 15 minutes of schedule



Security queuing - %

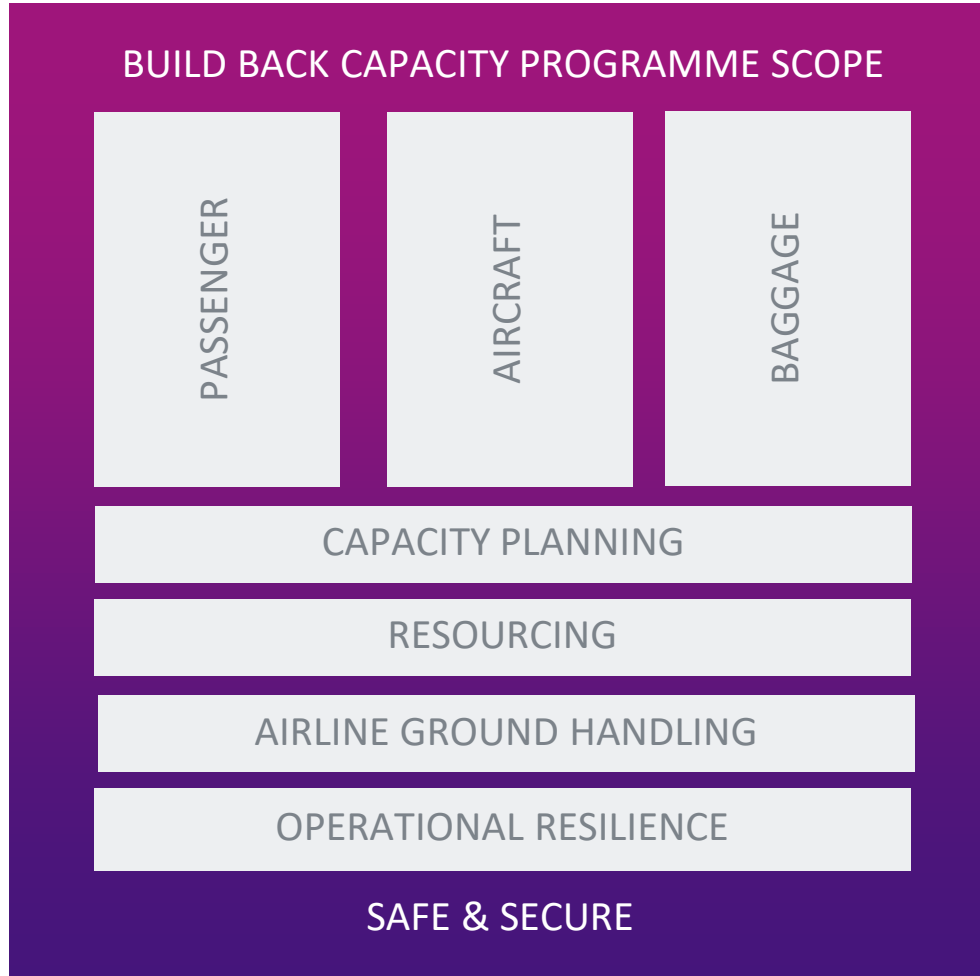
Waiting time measured under 5 minutes



Note: September was impacted by severe weather



OUR FOCUS IS NOW ON BUILDING BACK FULL CAPACITY, RESILIENCE AND SERVICE BY THE END OF 2023



- Ecosystem wide review to align capacity and demand to ensure the operation is not over-stretched during peak periods
 - Working with airlines on a more targeted approach to replace the cap
- Recruitment taskforce established to reduce the vacancy gap
 - Projects to accelerate the reduction of unfilled Heathrow colleague roles
 - Heathrow Academy to support Team Heathrow's resourcing
- Airline ground handling medium-term resilience and efficiency enhancements
 - Colleague ID process enhancements;
 - Collaboration between stakeholders;
 - Implement community-wide data sharing and planning.

CAA'S FINAL PROPOSAL RESTRICTS INVESTMENT AND DOES NOT DELIVER THE OUTCOMES CONSUMERS WANT

H7 Timetable



CAA's Final Proposals

H7 Charge
£24.14 (2020p)

Capex Plan
£3.6bn (2020p)

WACC
4.2%

RAB Adjustment
£0.3bn (2020p)

- CAA's proposals as currently set out are not deliverable or financeable
- Our response to the CAA included updated forecasts for H7 passenger traffic and requested correction of basic errors:
 - Review the unevidenced or inappropriate assumptions in its forecasts of opex
 - Correct the errors in its financial modelling and in its commercial revenues forecasting
 - Review its approach to cost of equity and implement a market-based approach
 - Align its approach to the treatment of inflation with that taken by the CMA

HEATHROW 2.0: CONNECTING PEOPLE AND PLANET

- We welcome the ICAO Assembly's landmark commitment to target net zero carbon emissions for international aviation by 2050
- Working with UK Government to ensure that policies are in place to support the rapid increase in production and use of SAF
- Our SAF landing charges incentive – designed to deliver 0.5% SAF during 2022 – was over-subscribed
- Consulting on incentives to more than double the SAF mix at Heathrow in 2023
- Surface Access Strategy published
- Heathrow Business Summit held in November



PERFORMANCE UPDATE AND BUSINESS OUTLOOK



Q3 OPERATIONAL AND FINANCIAL PERFORMANCE

PASSENGERS

44.2m

+335% vs. 2021 9M
-27% vs. 2019 9M

ADJUSTED EBITDA

£1,702m

+970% vs. 2021 9M
-14% vs. 2019 9M

REVENUE

£2,106m

+203% vs. 2021 9M
-9% vs. 2019 9M

LIQUIDITY

£4.3bn

+4% vs. 2021 9M
+19% vs. 2019 9M

OPERATING COSTS

£854m

+48% vs. 2021 9M
+1% vs. 2019 9M

RAB

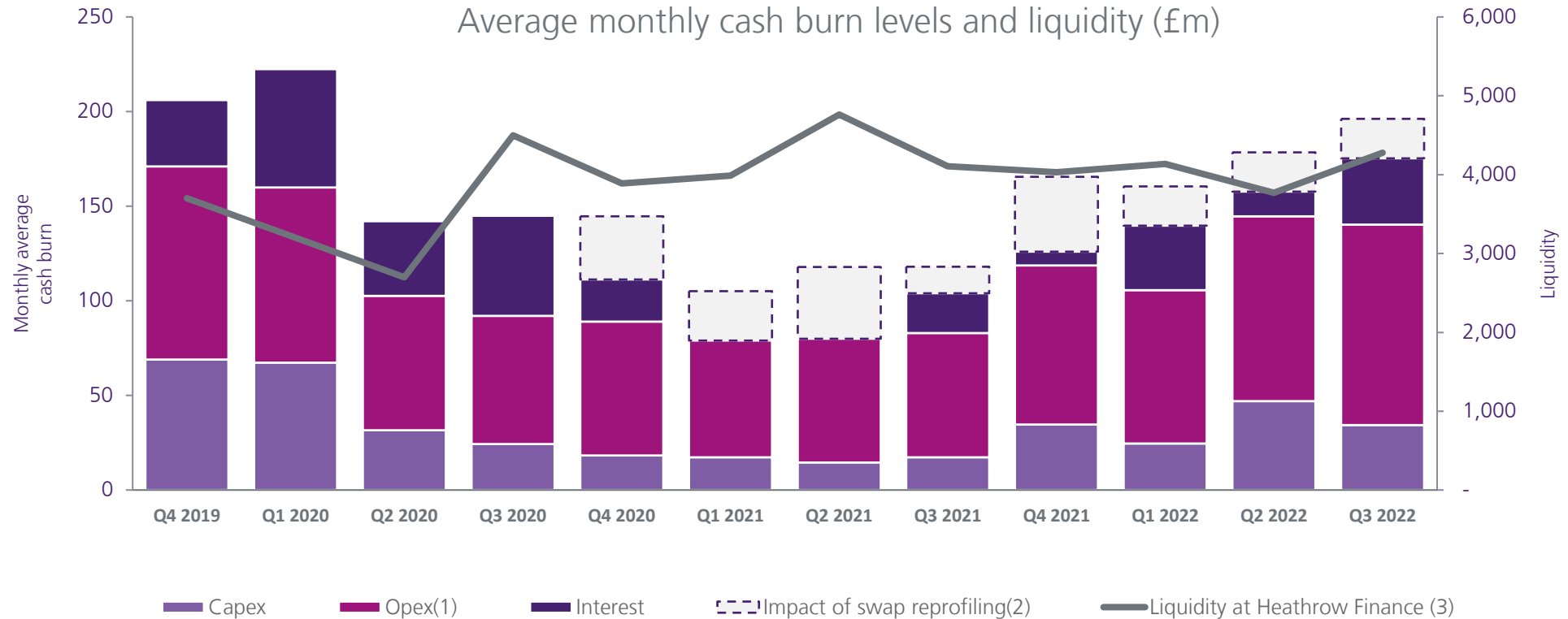
£18.7bn

+7% vs. Dec 21
+13% vs. Dec 19

Operational and financial highlights

- Over 18 million passengers in Q3 made Heathrow the busiest hub airport in Western Europe
- Delivered Summer ramp-up plan with over 1,500 new hires and the transition of airlines back to T4
- The temporary capacity limit introduced in July successfully improved passenger journeys while enabling airlines' ground handlers to resource back to minimum required levels
- Solid financial performance in line with the recovery in demand
- Continue to make an Adjusted loss before tax
- Balance sheet and liquidity remain strong, with RCF fully refinanced and expanded

CASH BURN CONTINUES TO INCREASE TO RESTORE CAPACITY AND SERVICE LEVELS TO PRE-PANDEMIC LEVELS

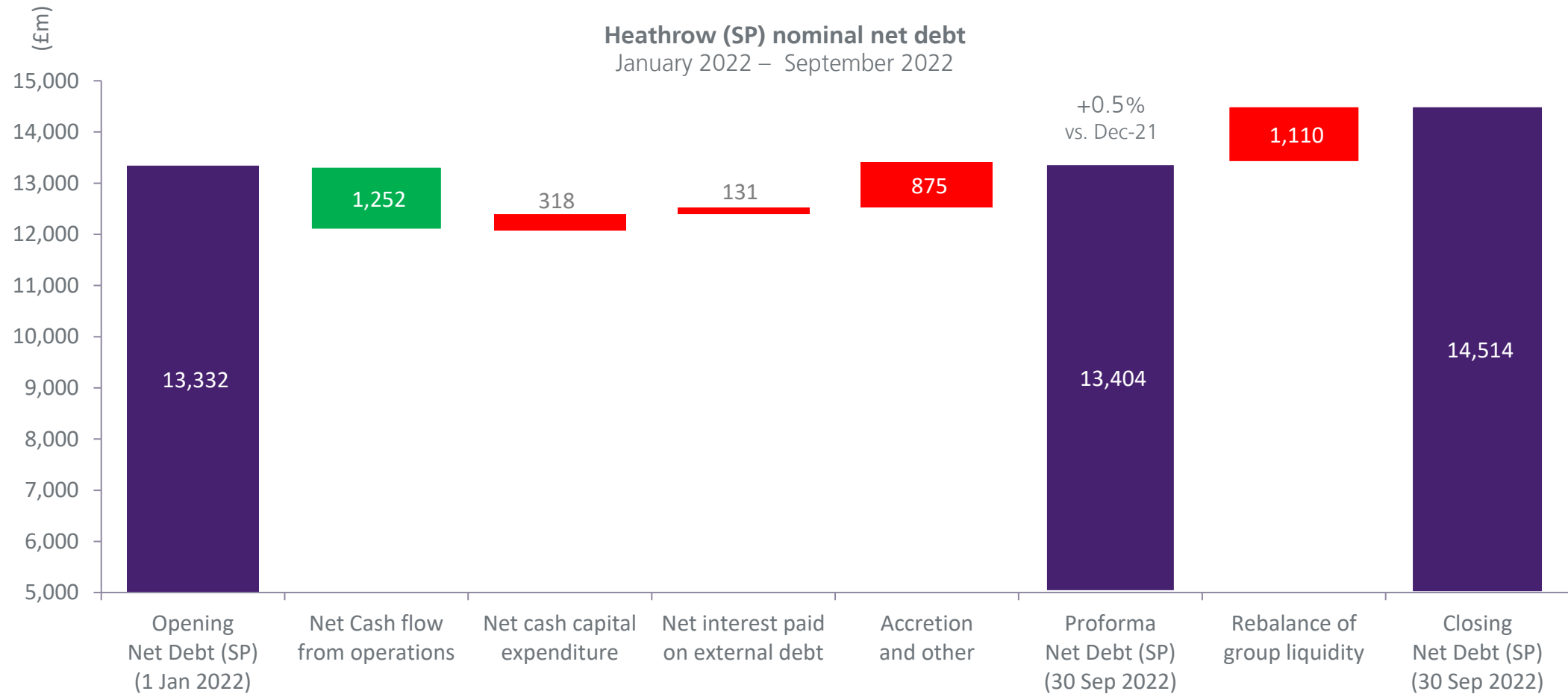


(1) Opex excludes impact of 2020 opex prepayments of c.£280m

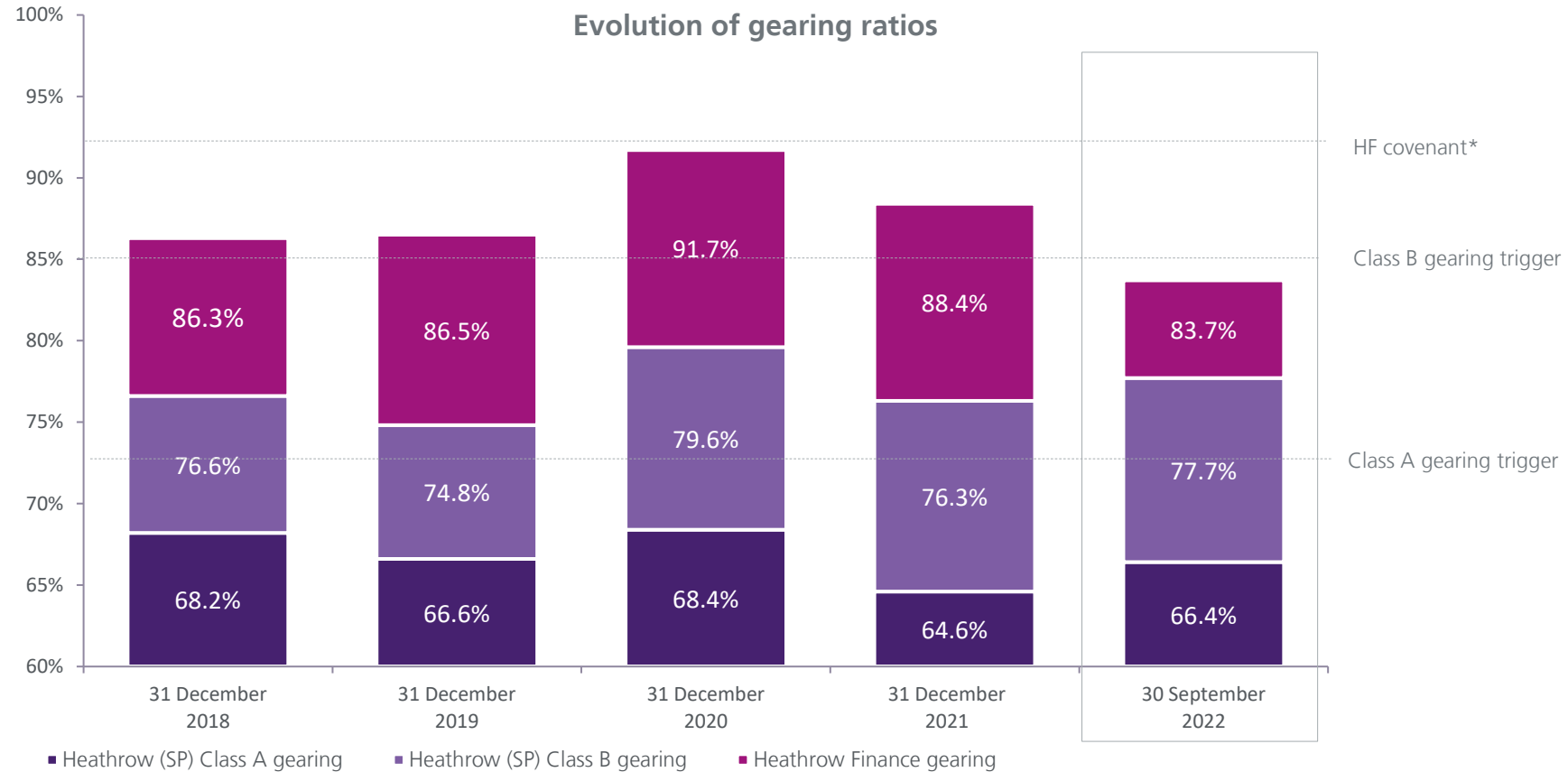
(2) Our swap portfolio reprofiling resulted in c.£100m of interest prepayment in Q4 2020 with interest savings arising from Q1 2021 to Q4 2022.

(3) Liquidity position including cash and undrawn facilities

OUR EFFORTS TO PROTECT LIQUIDITY AND CASHFLOW HAVE ENABLED NO MATERIAL CHANGE IN GROUP NET DEBT



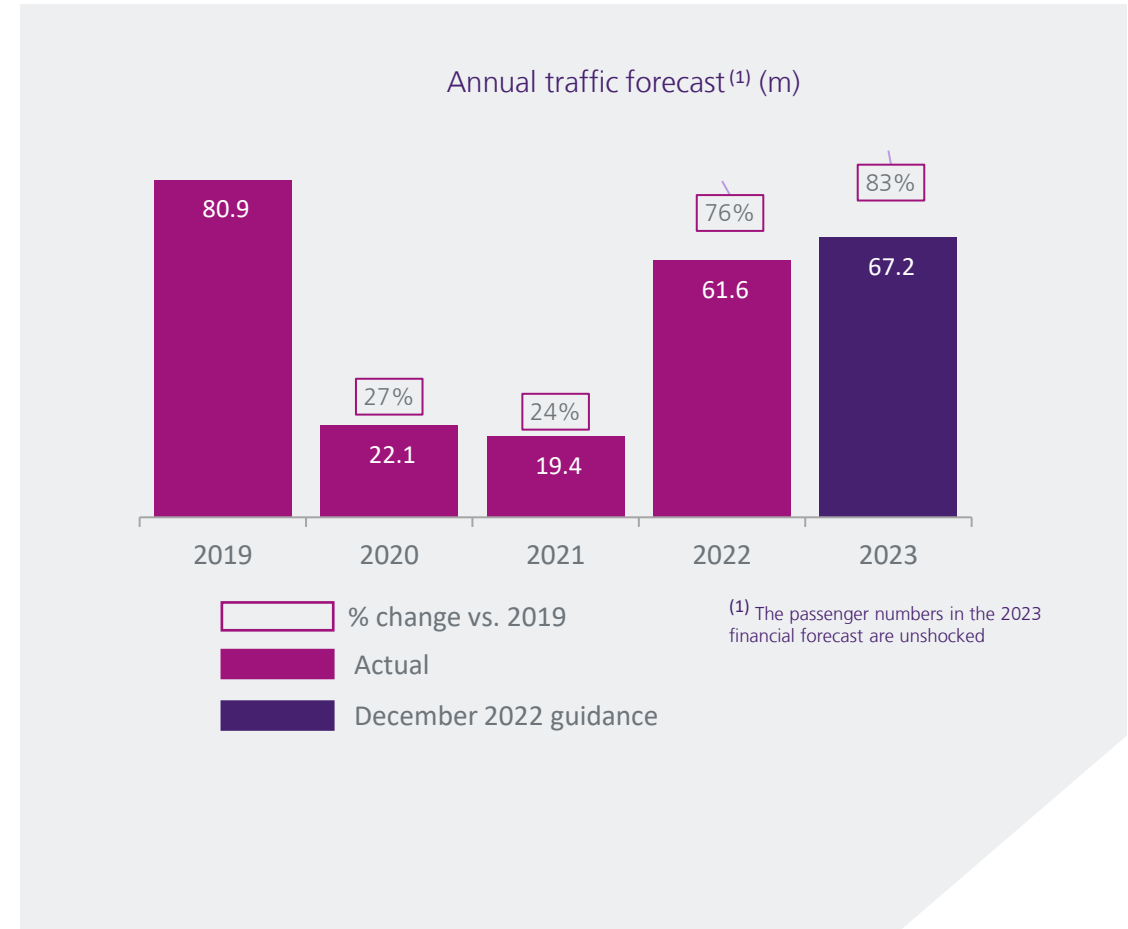
GROUP GEARING RATIOS ARE IN LINE WITH PRE-PANDEMIC LEVELS



(*) Heathrow Finance's RAR covenant now restored to 92.5% (temporarily 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, following the waiver secured on 8 July 2020)

OUTLOOK

- 2023 traffic forecast at 67.2m passengers and EBITDA forecast of £1,747 million
- 2022 Full Year results to be published on 23 February 2023



APPENDICES



HEATHROW NOMINAL NET DEBT AT 30 SEPTEMBER 2022

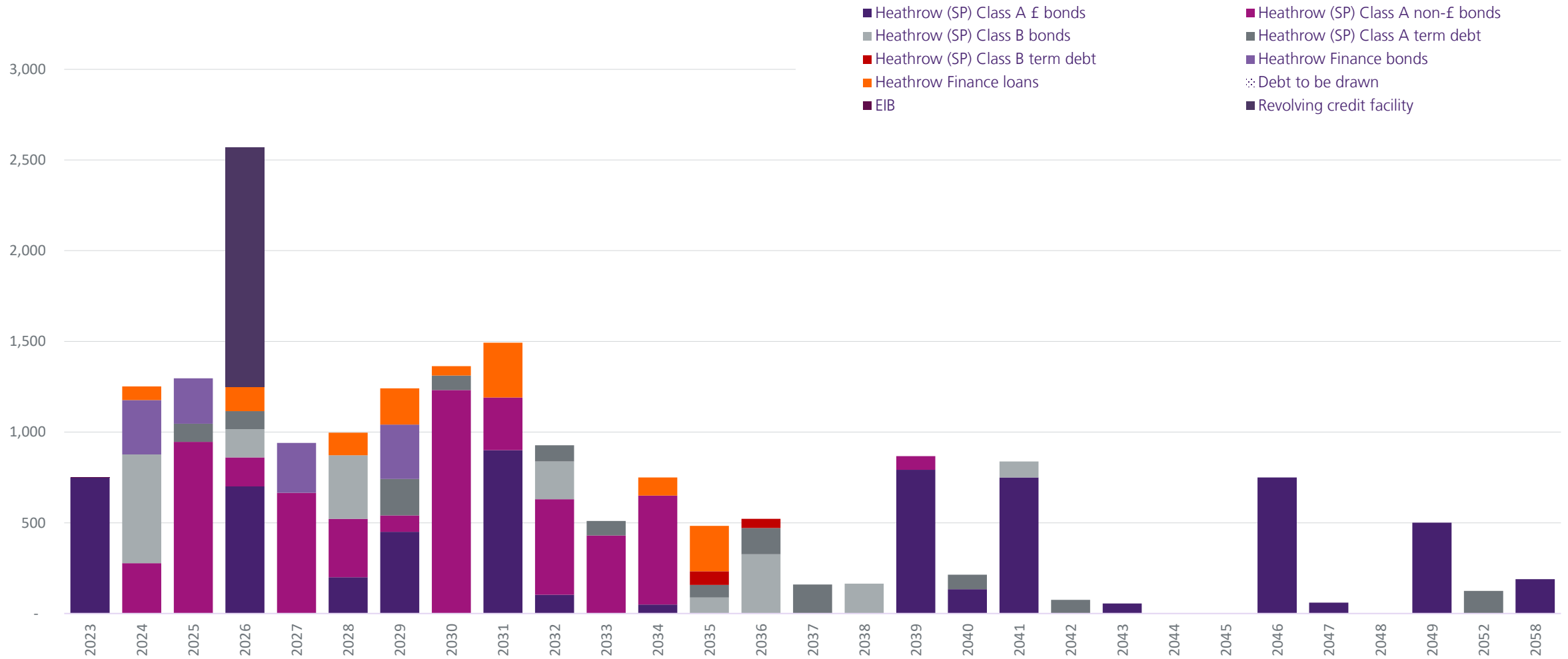
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$650m 2.7%	374	374	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
CHF165m 1.800%	136	136	2029
£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
€500m 1.125%	427	427	2030
C\$500m 3.661%	291	291	2031
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	103	103	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
C\$300m 3.7%	363	363	2033
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	67	67	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	724	724	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	133	133	2040
£750m 5.875%	750	750	2041
A\$125m 3.500%	68	68	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£60m 4.702%	60	60	2047
£75m RPI +1.372%	101	101	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	189	189	2058
Total senior bonds	11,999	11,999	
Term debt	1,305	1,305	Various
Index-linked derivative accretion	751	751	Various
Revolving / WC facilities	0	970	2026
Operating lease liability	34	34	Various
Total other senior debt	2,090	3,060	
Total senior debt	14,089	15,059	
Heathrow (SP) Limited cash	(1,683)		
Senior net debt	12,406		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£350m 2.625%	350	350	2028
£182m 0.101%	208	208	2032
£75m RPI + 0.347%	89	89	2035
£75m RPI + 0.337%	89	89	2036
£180m RPI +1.061%	238	238	2036
£51m RPI + 0.419%	60	60	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	89	89	2041
Total junior bonds	1,983	1,983	
Term debt	125	125	Various
Junior revolving credit facilities	0	350	2026
Total junior debt	2,108	2,458	
Heathrow (SP) Limited group net debt	14,514		

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	(1,255)		
Heathrow Finance plc net debt	1,109		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	14,089	15,059
Heathrow (SP) Limited junior debt	2,108	2,458
Heathrow Finance plc debt	2,364	2,364
Heathrow Finance plc group debt	18,561	19,881
Heathrow Finance plc group cash	(2,938)	
Heathrow Finance plc group net debt	15,623	

DEBT MATURITY PROFILE AT 30 SEPTEMBER 2022



NOTES, SOURCES AND DEFINED TERMS

Page 6

Source of airport rankings: ACI report, December 2019

Page 8

Heathrow Airport Limited has a wholly-owned subsidiary, Heathrow Express Operating Company Limited that sits within the ring-fenced financing structure

Page 9

Regulatory asset ratio (RAR) is nominal net debt (including index-linked accretion) to RAB (regulatory asset base). Interest cover ratio (ICR) is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid

RAR is trigger event at Class A and Class B and financial covenant at Heathrow Finance; Class A RAR trigger ratio is 72.5%; two Class B triggers apply: at Heathrow Finance it is 82.0% and Heathrow (SP) Limited it is 85.0%; Heathrow Finance RAR covenant is now 92.5 as the Heathrow Finance 2019 Notes have been repaid

Page 13 Cargo ATM(s) means an Air Traffic Movements the primary purpose of which is the carriage of goods including but not limited to freight, unaccompanied baggage and mail

Page 14

Airport Service Quality 'ASQ' – quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

Departure punctuality – percentage of flights departing within 15 minutes of schedule.

Baggage connection – numbers of bags connected per 1,000 passengers.

Security queuing - % of security waiting time measured under 5 minutes, based on 15-minute time period measured.

Page 19

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

Page 20

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

Page 21

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 22

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

Page 25-26

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.



Heathrow

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