

HEATHROW INVESTOR UPDATE

SEPTEMBER 2021



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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





BUSINESS UPDATE

PROTECT OUR BUSINESS – FLY SAFE

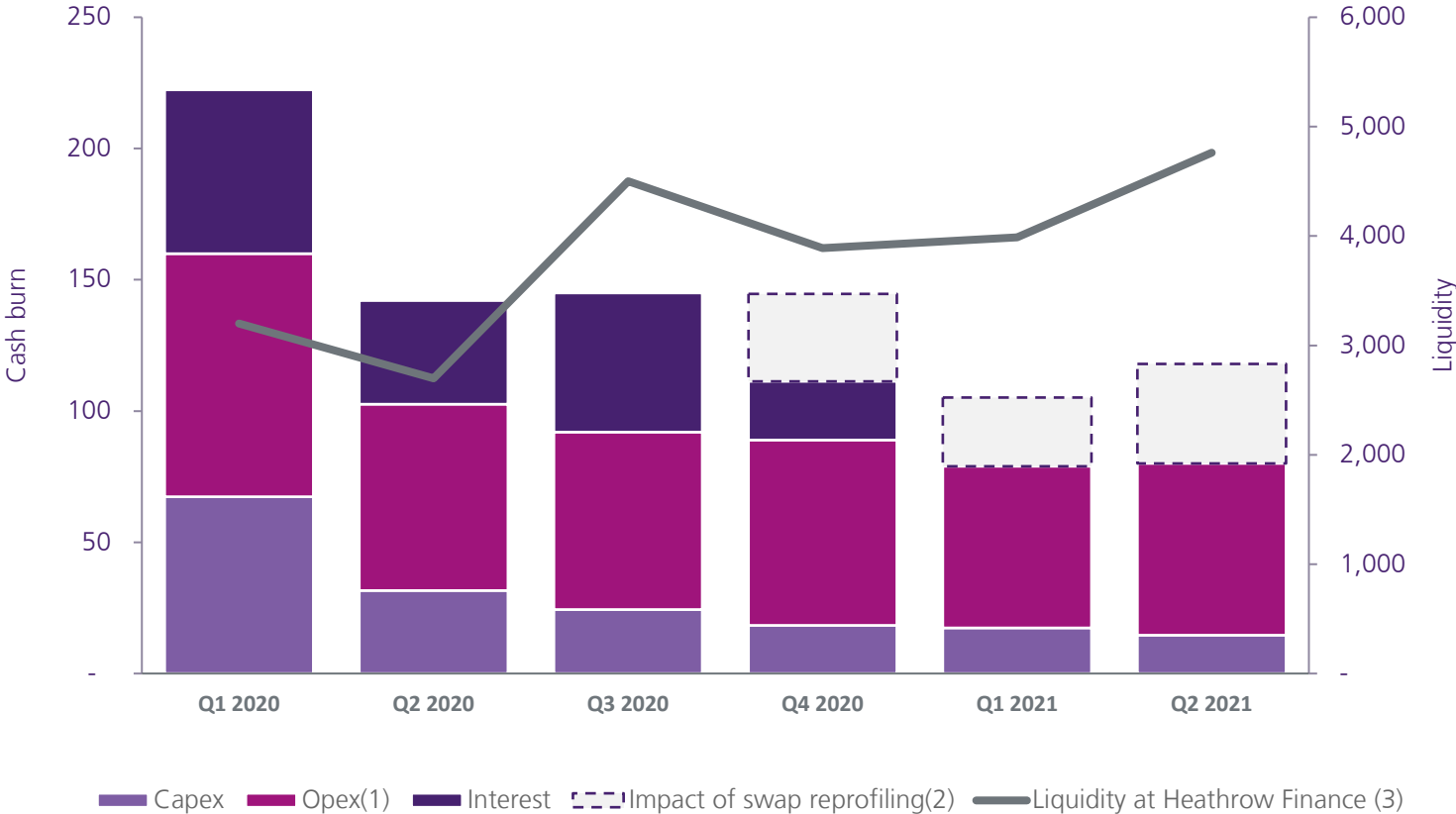
All COVID-19 safe measures will remain in place, including face coverings

Heathrow's COVID-19 Airport Safety Rating has been upgraded



PROTECTING OUR BUSINESS – CASH BURN REMAINS REDUCED

Average monthly cash burn levels and liquidity (£m)



(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



WINNING THE RECOVERY

Revenue protection initiatives

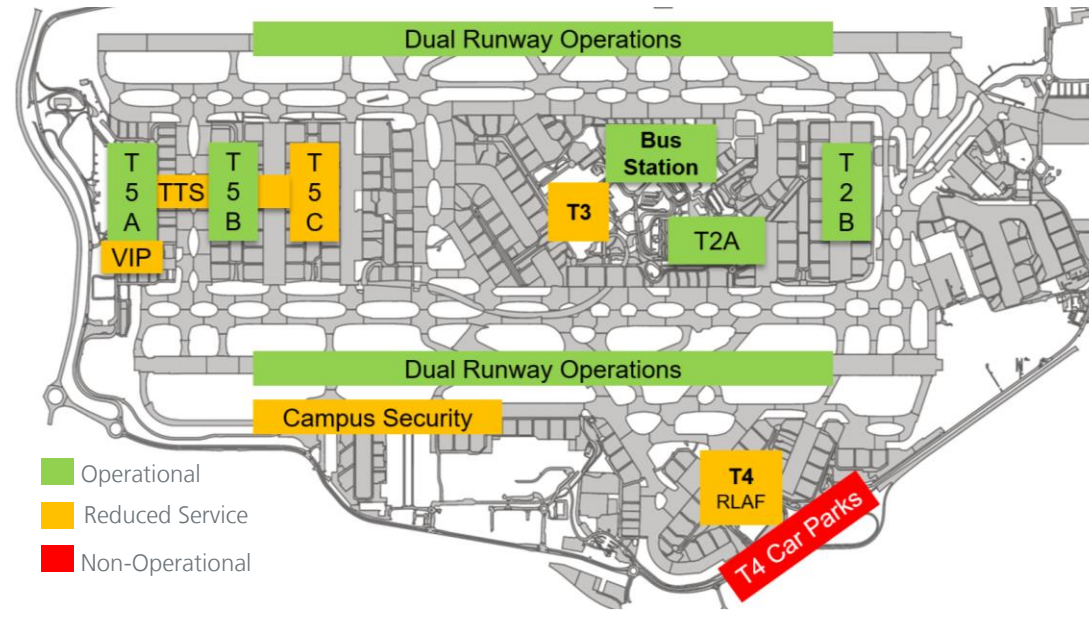
- Maximising traffic & cargo
- Rent protection & digital

Restarting Travel Safely

- Next travel update expected in coming weeks
- Opportunity to remove some restrictions
- Move towards individual risk-based approach and vaccination status

Gearing up for growth

- T3 and second runway operations recommenced
- T4 operating as a dedicated 'red list' facility
- Retail stores: 77% Terminal 2 and 78% Terminal 5

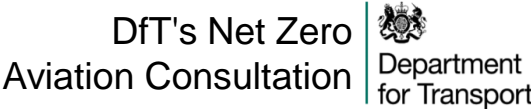


Heathrow Express & TFL Rail (normal timetable T2, T3, T5)	Restaurants
Passenger Car Parks (MSCP2, MSCP3, MSCP5 CTA / T5 Long Stay)	Retail (Non-essential retail at T2 / T3 / T5)
POD parking and business parking	Airline lounges
	Colleague Car Parks (N1/N5, MSCP1a/3 and PEX)



BUILDING BACK BETTER – DELIVERING HEATHROW 2.0 AND PATH TO NET ZERO CARBON

We continue playing a leadership role on decarbonising the aviation sector



and making tangible progress



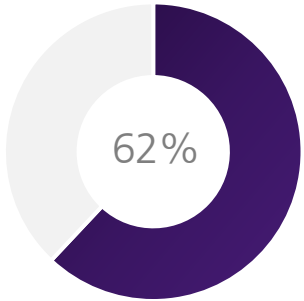
Airport operation carbon neutral



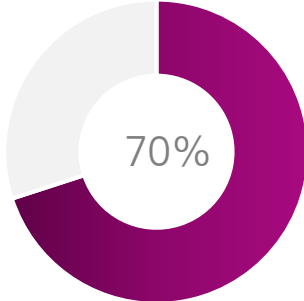
Sustainable Aviation Fuels (SAF) integrated in our operation



UK 'Future Flight' programme



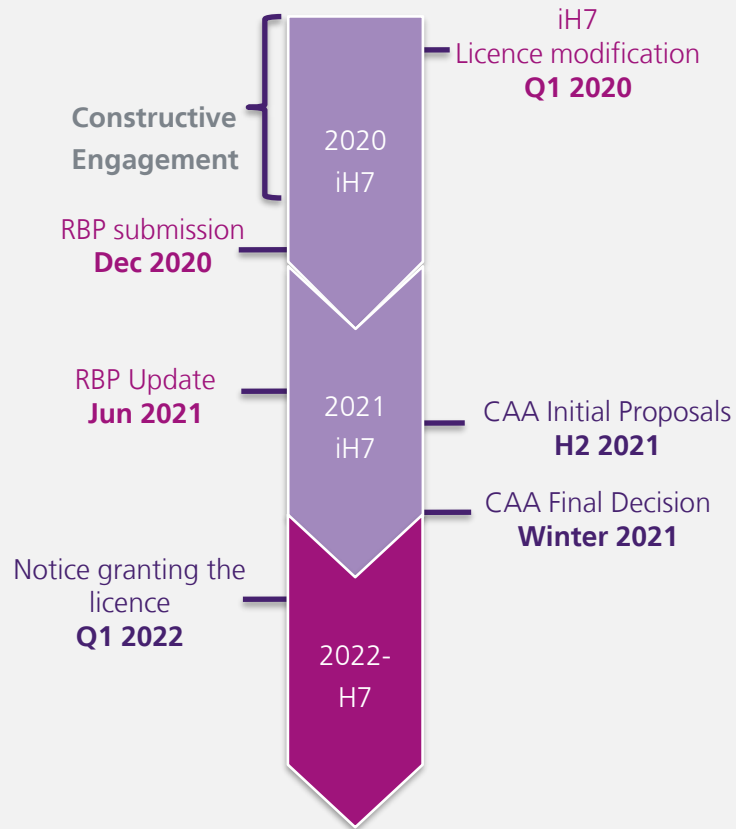
62% of Heathrow airlines have committed to 10% SAF by 2030



Over 70 % of Heathrow airlines have committed to net zero by 2050

BUILDING BACK BETTER – REGULATORY DEVELOPMENTS

H7 Timetable



H7 next steps

- Revised Business Plan update
- CAA to publish Initial Proposals later in 2021 for the next regulatory settlement (H7) which will start in 2022

Full recovery of COVID losses (£2.5bn RAB adjustment)

Average Aero Charge £32

£4.2bn CAPEX Plan

8.5% WACC

Partial recovery of COVID losses (£300m RAB adjustment)

Average Aero Charge £43

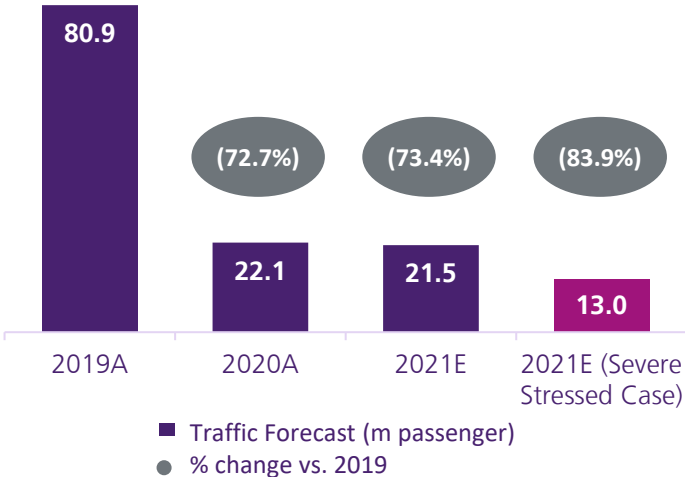
£2.5bn CAPEX Plan

10.4% WACC

PERFORMANCE UPDATE AND OUTLOOK

TRAFFIC FORECAST REFLECTS UNCERTAINTY AND DEPENDENCE ON GOVERNMENT POLICY

Annual traffic forecast (m) vs. 2019 levels



ASSUMPTIONS - BASE CASE

- Slower reopening and gradual increase on 'green list'
- Key European destinations reopen gradually from June
- US gradually reopens from July
- US quarantine requirements remain in place until October
- Asia remains heavily restricted until later this year
- Rest of the world largely essential travel only
- Gradual recovery driven by pent-up demand in 'Visiting Friends & Relatives' and leisure

FINANCIAL RESILIENCE

Protecting the business

- Cashflow management
- Balance sheet management
- 2021 Heathrow Finance ICR waiver approved in August

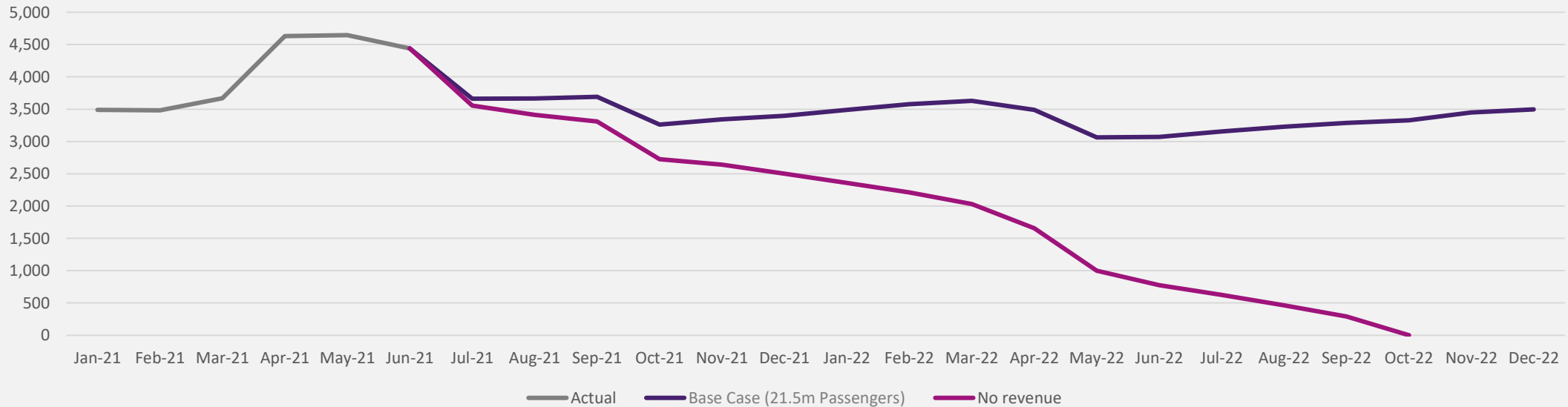
Winning the recovery

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

Building back better

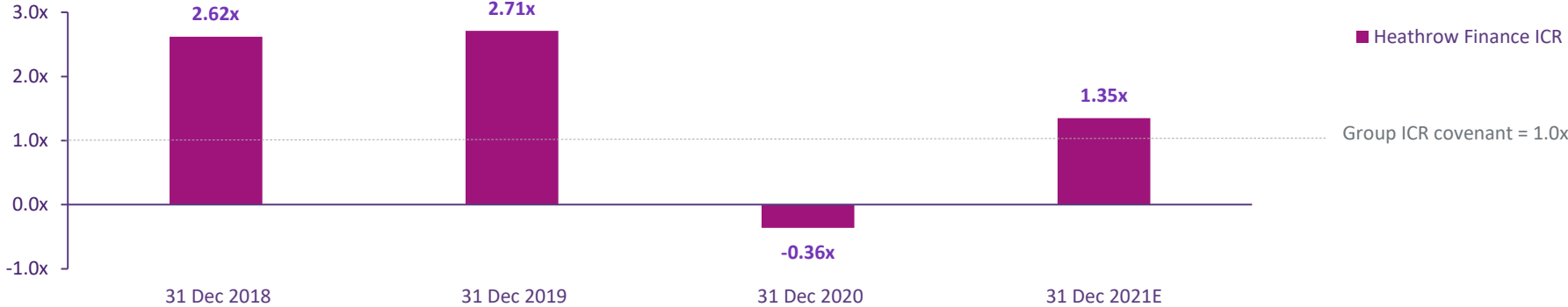
- ESG financing

Liquidity horizon - Heathrow (SP) Liquidity position - £ million

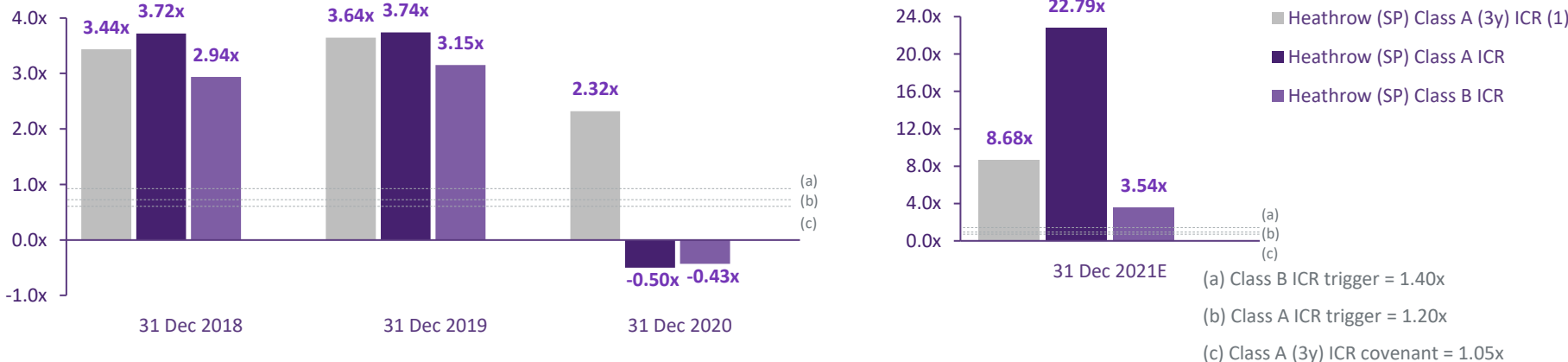


HEATHROW FINANCE ICR WAIVER MITIGATES COVENANT PRESSURE IN 2021

NO COVENANT BREACH FORECAST AT HEATHROW FINANCE. LIMITED HEADROOM OF £66M IN CASHFLOW/EBITDA TERMS NOW MITIGATED THROUGH THE WAIVER APPROVED IN AUGUST

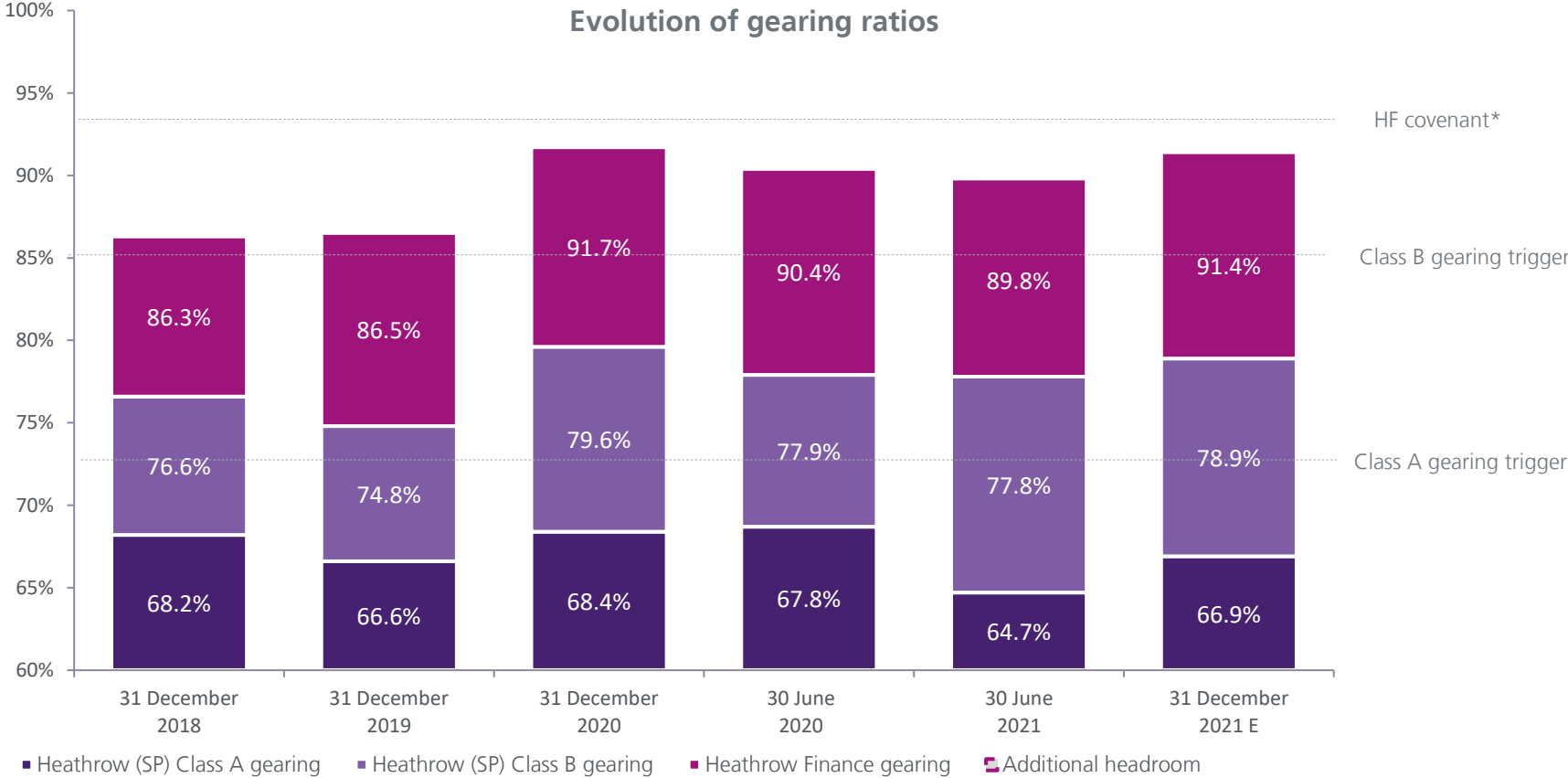


CONTINUING TRIGGER EVENT AT HEATHROW (SP) PREVENTS RESTRICTED PAYMENTS, BUT NO DEFAULT



MANAGEMENT ACTIONS PROVIDE ADDITIONAL HEADROOM WHILE TRAFFIC RECOVERS

£600m capital injection secured in 2020 and interim £300m RAB adjustment protect gearing covenant in 2021 and give c.5% additional headroom



(*) 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, revised base case of 21.5m passengers

- Adjusted EBITDA of £332m, as per June Investor Report
- Strong liquidity position
- Base case scenario: no covenant breach forecast in 2021, with the waiver successfully approved in August mitigating the limited headroom to our Heathrow Finance ICR covenant
- 13 million passenger severe but plausible downside scenario: no gearing covenant breach across the Group. Expected breach of Heathrow Finance's ICR covenant now mitigated via the waiver





APPENDICES

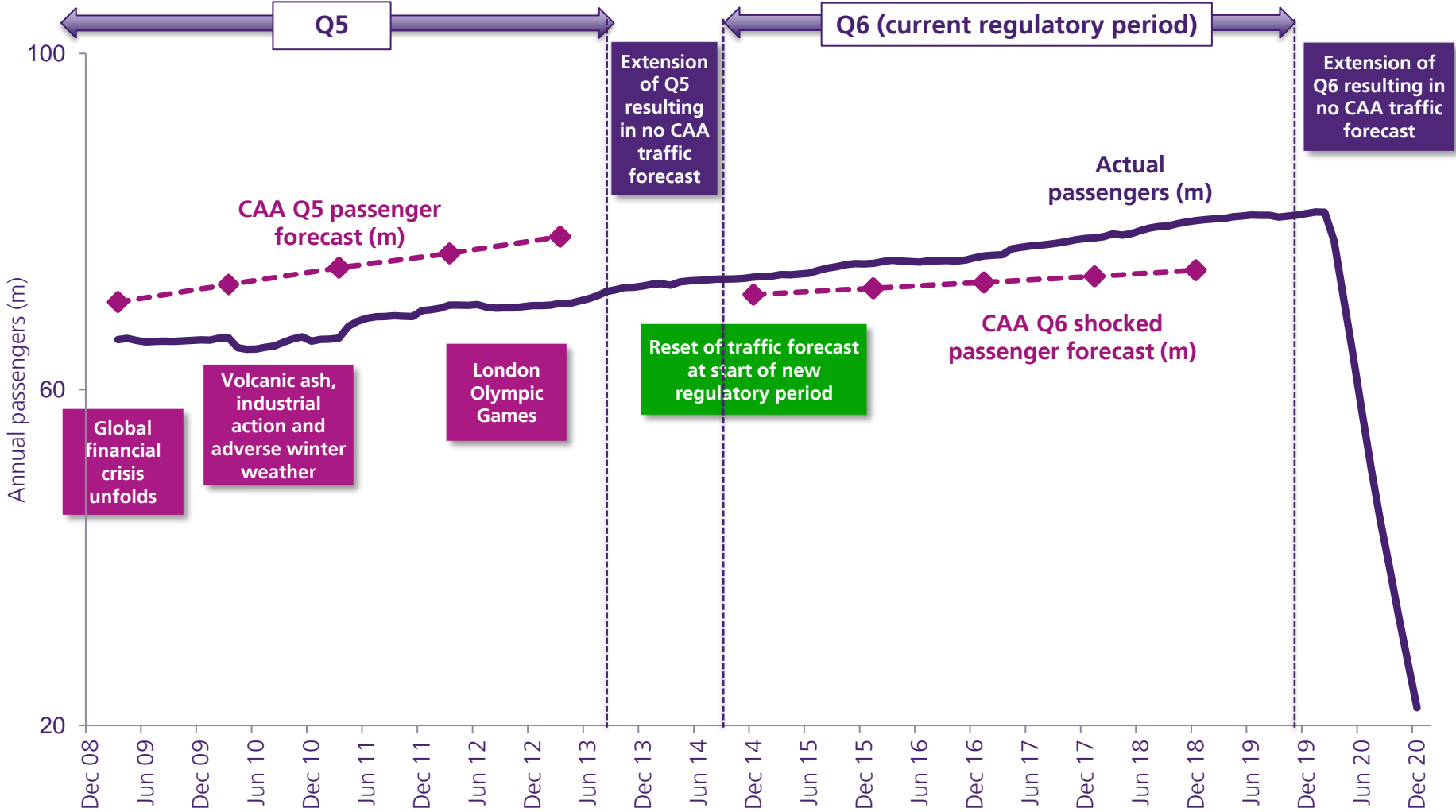
Heathrow

FINANCIAL REVIEW

(£ million)	H1 2020	H1 2021	Versus 2020 %	Q2 2020	Q2 2021	Versus 2020 %
Revenue	712	348	(51.1)	119	183	53.8
Adjusted operating costs	(490)	(381)	(22.2)	(212)	(196)	(7.5)
Adjusted EBITDA	222	(33)	(114.9)	(93)	(13)	(86.0)
Loss before tax	(1,059)	(868)	(18.0)	(781)	(561)	(28.2)
Cash generated from operations	294	177	(39.8)	(81)	45	(155.6)
Capital expenditure	296	96	(67.6)	72	44	(38.8)

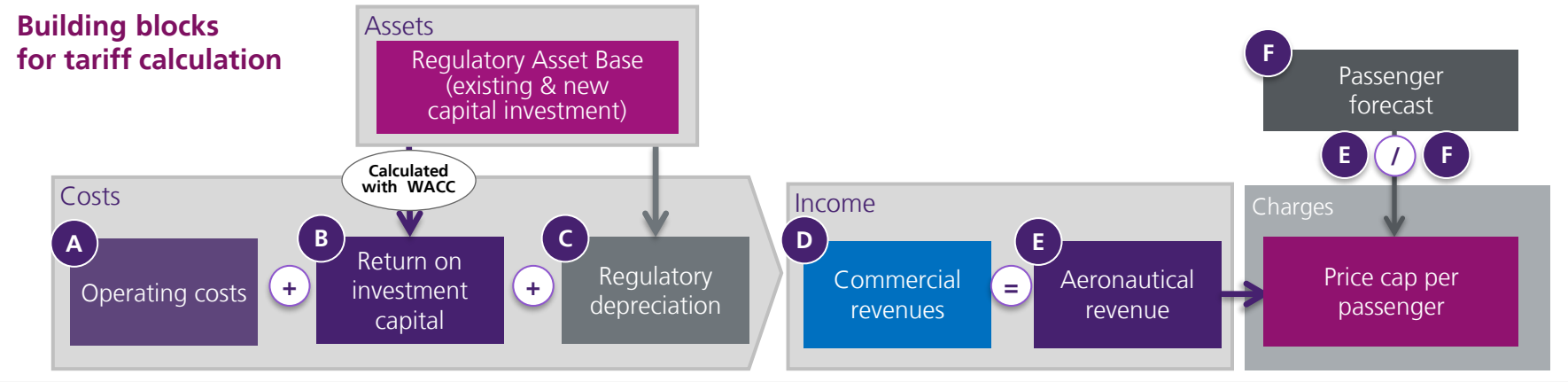
(£ million)	Dec 2020	Jun 2021	Versus Dec 20 %
Consolidated nominal net debt			
Heathrow (SP)	13,131	13,176	0.3
Heathrow Finance	15,120	15,222	0.7
Regulatory Asset Base	16,492	16,946	2.8
Consolidated cash at Heathrow Finance	3,891	4,759	22.3

TRAFFIC OUTPERFORMANCE IN Q6



CASH FLOW PREDICTABILITY FROM A STABLE REGULATORY FRAMEWORK

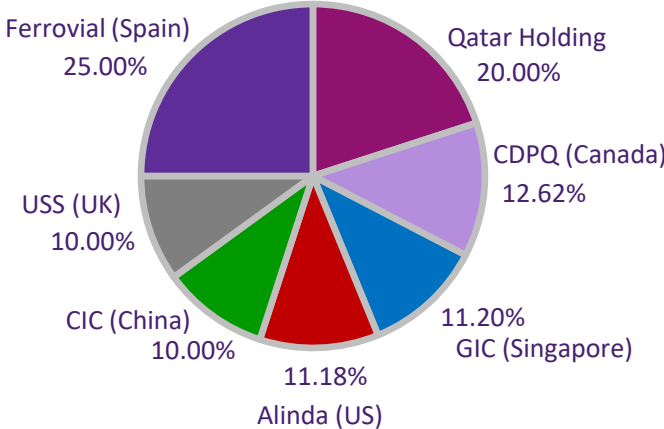
- Heathrow is regulated by UK Civil Aviation Authority, with role defined by English law
- Re-set of tariff every five years provides strong visibility of cost recovery
 - tariff set using ‘building block’ principle, allowing recovery of capital investment, operating costs and cost of capital
 - license includes possibility to reopen settlement under exceptional circumstances
- £16.9 billion Regulatory Asset Base (‘RAB’) as at 30 June 2021 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
- Current ‘Q6’ regulatory period extended until at least end of 2021. The 2-year extension is known as iH7



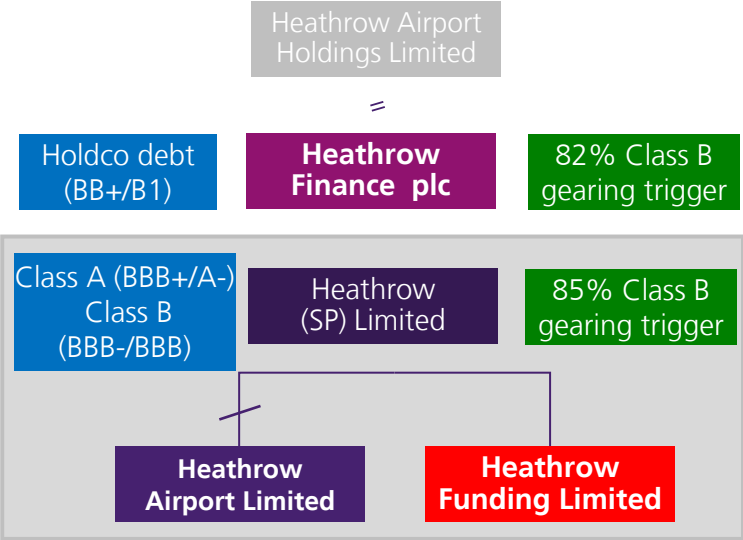
OVERVIEW OF HEATHROW FINANCING

- 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 31 August 2021
 - Class A: £11,079 million
 - Class B: £2,221 million
 - Heathrow Finance: £2,050 million

Heathrow ownership



Summary Heathrow financing structure



HEATHROW PROVIDES A STRONG SUITE OF CREDITOR PROTECTIONS

- Heathrow Finance creditors have senior security over Heathrow (SP) Limited shares
- Heathrow Finance strong liquidity position sufficient for 4 years debt service with no maturities before 2024
- Indirect benefit from Heathrow (SP) operational and financial covenants and distribution lock-ups
- Additional Junior Debt lock-up tests for Heathrow Finance debt
- Information covenants including semi-annual investor report with financial forecasts
- Cross-acceleration of Heathrow Finance debt with Heathrow (SP) debt

(*) 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 30 June 2021, and 93.5% for the testing date occurring on 31 December 2021.

(**) As a result of the waivers secured on 8 July 2020 and 10 August 2021, Heathrow Finance's ICR covenant is waived for the financial years ended 31 December 2020 and 31 December 2021 and reinstated for the financial year ended 31 December 2022.

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*	95.0%/93.5%
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Interest Cover Ratios (ICR)

Class A trigger	1.40x
Class B trigger	1.20x

Heathrow Finance covenant**	1.00x
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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

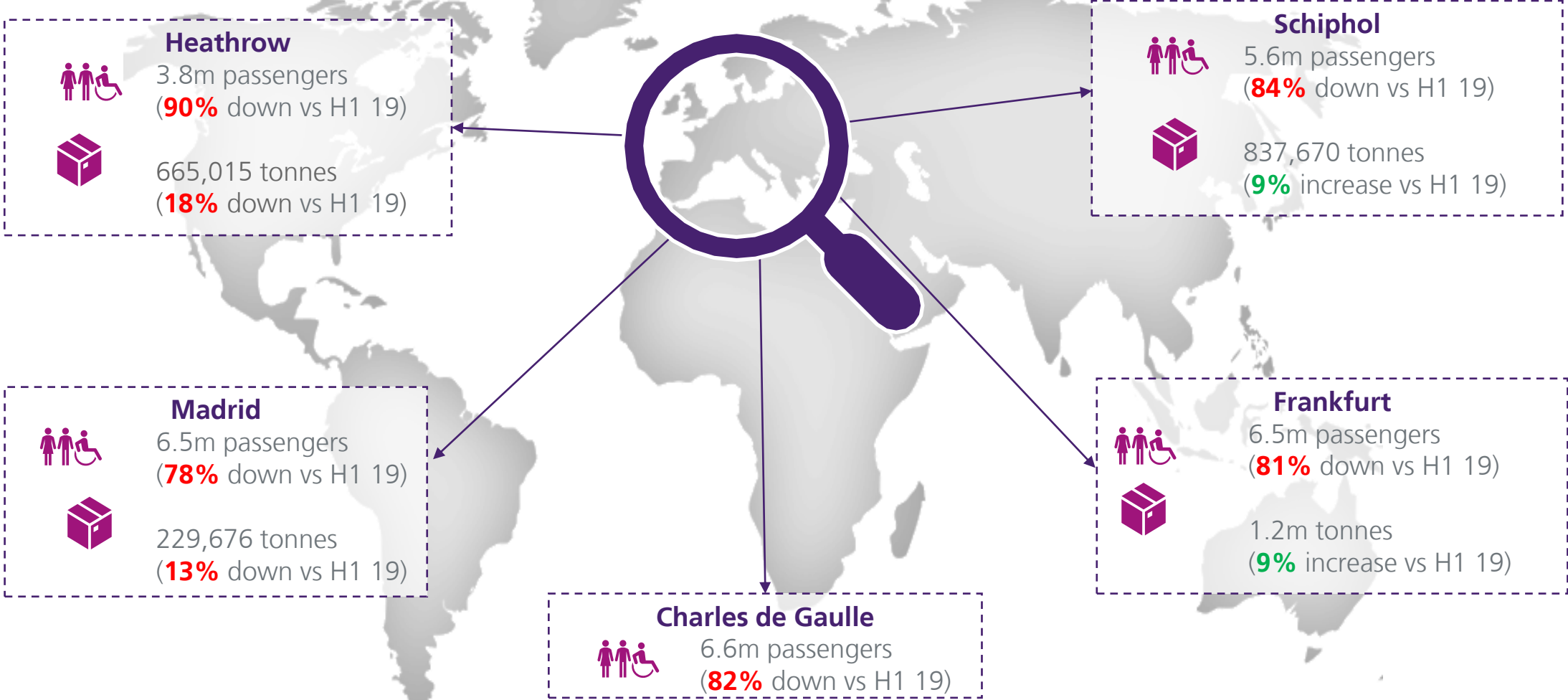
BUILDING BACK BETTER – EXPANSION

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 reopened our Interim Property Hardship Scheme following the CAA's approval in May 2021



COMPARISON TO EUROPEAN HUBS



HEATHROW NOMINAL NET DEBT AT 31 AUGUST 2021

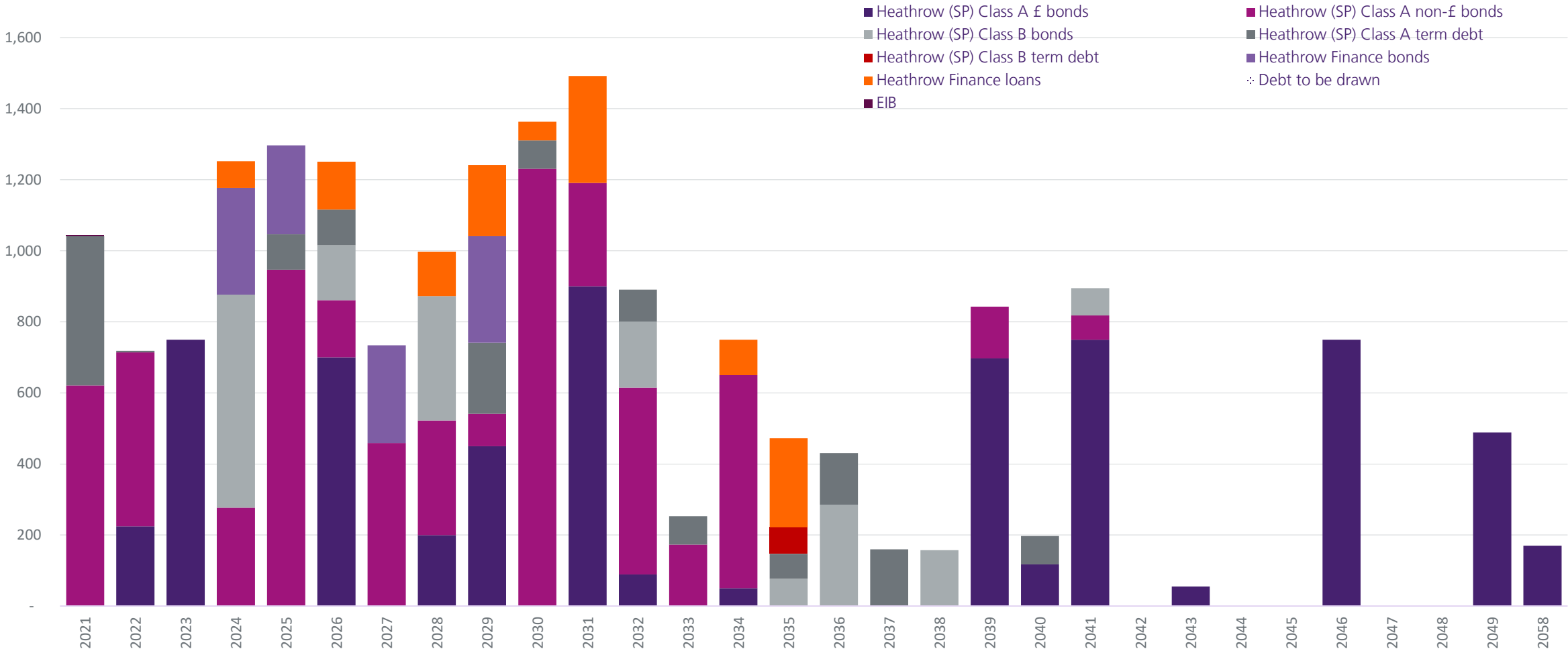
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£180m RPI +1.65%	227	227	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$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
£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%	90	90	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
C\$300m 3.7%	173	173	2033
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	60	60	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	645	645	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	119	119	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
£75m RPI +1.372%	90	90	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	171	171	2058
Total senior bonds	12,188	12,188	
Term debt	1,527	1,527	Various
index-linked derivative accretion	247	247	Various
Revolving/working capital facilities	900	900	2021
Operating lease liability	3	3	2021
Total other senior debt	2,677	2,677	
Total senior debt	14,865	14,865	
Heathrow (SP) Limited cash	(3,786)		
Senior net debt	11,079		

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%	187	187	2032
£75m RPI + 0.347%	78	78	2035
£75m RPI + 0.337%	78	78	2036
£180m RPI +1.061%	211	211	2036
£51m RPI + 0.419%	53	53	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	78	78	2041
Total junior bonds	1,896	1,896	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2021
Total junior debt	2,221	2,221	
Heathrow (SP) Limited group net debt	13,176		

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	(314)		
Heathrow Finance plc net debt	2,050		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	14,865	14,865
Heathrow (SP) Limited junior debt	2,221	2,221
Heathrow Finance plc debt	2,364	2,364
Heathrow Finance plc group debt	19,450	19,450
Heathrow Finance plc group cash	(4,100)	
Heathrow Finance plc group net debt	15,350	

£1.5 BILLION MATURITIES IN 2021 ARE ALREADY PREFUNDED



NOTES, SOURCES AND DEFINED TERMS

Page 8

- Capital expenditure includes capital creditors

Pages 13 to 14

- Forecast values are as per the June Investor Report published on 11 June 2021.

Page 15

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

Page 19

- Operating costs exclude depreciation, amortisation 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

Page 22

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

Page 23

- 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%. 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 on 30 June 2021, and 93.5% for the testing date occurring on 31 December 2021.
- ICR is trigger event at Class A and Class B and financial covenant at Heathrow Finance
- Five Year Period is each consecutive five year period from 1 April 2008

Page 25

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

Page 26 & 27

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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