



Heathrow Investor Day

Delivering a sustainable, affordable and financeable expanded Heathrow

4 October 2018

Heathrow
Making every journey better

Disclaimer

These materials do not contain or constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for, securities (or an interest in any securities) to any person in any jurisdiction in which such offer or solicitation is unlawful prior to registration or qualification under the relevant securities laws of any such jurisdiction. Nothing in this material shall be intended to provide the basis for any credit or other evaluation of securities, and/or be construed as a recommendation or advice to invest in any securities.

These materials are not being distributed to or directed at persons other than persons whose ordinary activities involve them in acquiring, holding, managing or disposing of securities (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of securities (as principal or agent) for the purposes of their businesses where the issue of securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") by Heathrow. In addition, these materials are not an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of the securities other than in circumstances in which section 21(1) of FSMA does not apply to Heathrow.

These materials have been prepared by Heathrow solely for information and reference purposes. The information and opinions contained herein are provided as at the date of these materials. Please note that these materials and any other information or opinions provided in connection with these materials have not been independently verified or reviewed, including by Heathrow's auditors. Accordingly, these materials and any other information or opinions provided in connection with these materials may not contain all material information concerning Heathrow and no representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of these materials and any other information or the opinions provided in connection with these materials, and no person shall have any right of action (in negligence or otherwise) against Heathrow and/or its representatives (including employees, officers, contractors and professional advisers) in relation to the accuracy or completeness of any such information or in relation to any loss howsoever arising from any use of this presentation or the information or opinions provided in connection with this presentation or otherwise arising in connection with the presentation. Heathrow expressly disclaims any obligation or undertaking to update any forward-looking statements, information or opinions contained in these materials or provided in connection with these materials, or to correct any inaccuracies in these materials which may become apparent.

These materials contain certain tables and other statistical analyses (the "Statistical Information") which have been prepared in reliance on publicly available information and may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Statistical Information. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Where publicly available information has been used or referred to in these materials, such information has been taken from sources which Heathrow believes to be reliable but there is no guarantee of the accuracy or completeness of such information.

These materials may contain statements that are not purely historical in nature, but are "forward-looking statements" with respect to certain of Heathrow's plans, beliefs and expectations relating to its future financial condition, performance, results, strategy and objectives. These include, among other things, projections, forecasts, estimates of income, yield and return, and future performance targets. These forward-looking statements are based upon certain assumptions, not all of which are stated. By their nature, all forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, and are not guarantees of future performance, therefore undue reliance should not be placed on them. Future events are difficult to predict and are beyond Heathrow's control. Actual future events may differ from those assumed, and a number of important factors could cause Heathrow's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Any forward-looking statements speak only as of the date on which they are made. Neither Heathrow nor its advisers assume any obligation to update any of the forward-looking statements contained in these materials or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to any applicable laws and regulations. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

These materials may have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from Heathrow.

These materials are the property of Heathrow except where otherwise indicated and are subject to copyright with all rights reserved.

Any reference to "Heathrow" means Heathrow Airport or Heathrow Airport Limited (a company registered in England and Wales, with company number 1991017) and will include any of and its parent companies, subsidiaries and affiliates and their respective directors, representatives or employees and/or any persons connected with them from time to time, as the context requires.



Introduction

A passenger-centric strategy to deliver sustainable growth

Vision To give passengers the best airport service in the world

Purpose Making every journey better

Priorities



Values



Keeping everyone safe



Treating everyone with respect



Giving excellent service



Working together



Doing the right thing



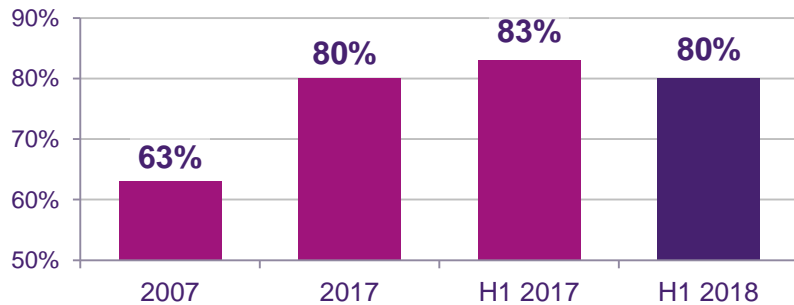
Improving every day

Customer satisfaction at an all time high alongside a record number of passengers

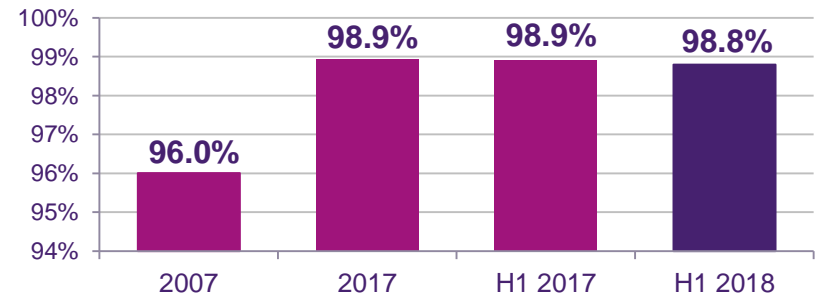
Pax (m - MAA)



Departures
within 15 minutes of schedule



Baggage performance
connection rate per 1,000 passengers



Case for Heathrow expansion

130 million
passengers per year capacity



£187 billion
in economic
benefits across
the UK

740,000 ATMs
Serving new long haul and regional
routes and increasing frequencies



**Doubling
freight**
capacity for exporters

10,000
apprenticeships



Up to
40,000
new local
jobs



Up to **£1.4 billion**
noise & property compensation

Heathrow
Making every journey better

Delivering a sustainable, affordable and financeable Heathrow expansion



Colleagues



Passengers



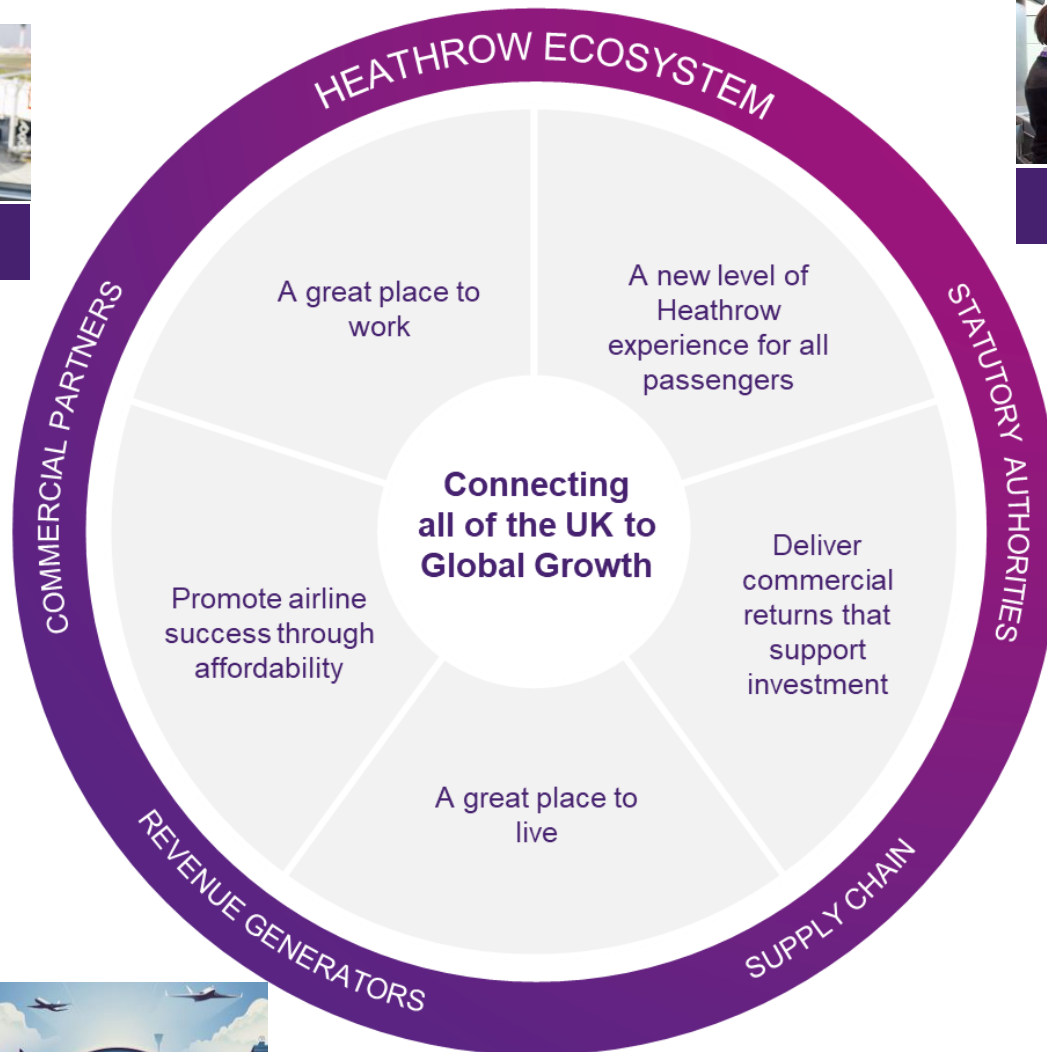
Airlines



Communities & Environment



Investors



The journey so far



2018

Parliament votes resoundingly in favour of designating the final NPS Essentially approving outline planning permission

2017

Government publishes draft National Policy Statement (NPS) and conducts a large scale public consultation

2016

Government endorses the Airports Commission and announces policy support for Heathrow expansion

2015

Airports Commission unanimously recommends the north west runway at Heathrow

2013

Airports Commission publishes interim report with three options

2012

Independent Airports Commission established by Government

Heathrow

Making every journey better

Heathrow expansion on track

- CAA consultations and policy updates

Heathrow consultation 1 launched

CAA consultation and final report to Secretary of State on airline engagement

Completed To come

Heathrow		
Government		
CAA		



2017

2018

2019

2020

2021

- Government consultation on draft National Policy Statement ('NPS')
- NPS consultation 2
- Parliamentary scrutiny

NPS 'designated' by Government

Heathrow Innovation Partners short list

Heathrow statutory consultation

Heathrow Initial Business Plan ('IBP')

Heathrow submits Development Consent Order (DCO) application

Government decision to grant DCO

Heathrow

Making every journey better



Delivering a sustainable expansion

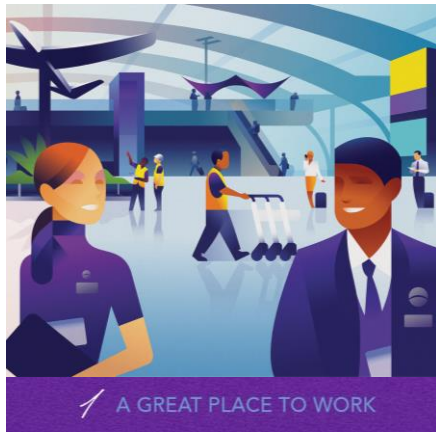
HEATHROW 2.0

Our plan for sustainable growth

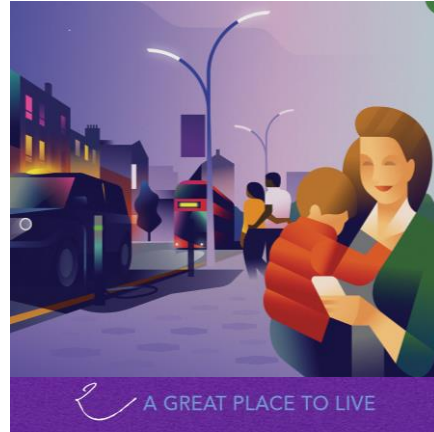


Heathrow

Heathrow 2.0 flagship goals



- 10,000 apprenticeships by 2030
- Reflect local diversity at every level by 2025



- We will seek to at least halve the number of flights on non-disrupted days
- Airside ultra-low emissions zone by 2025
- 50% airport passenger journeys made by public and sustainable transport by 2030



- Largest 100 towns and cities connected to Heathrow by 2033
- Direct supply chain colleagues working at Heathrow will be transitioned to be paid the London Living Wage by the end of 2020



- An aspiration to make growth from our new runway carbon neutral
- Establishing the Heathrow Centre of Excellence
- Carbon neutral airport by 2020

Heathrow 2.0: a great place to work



76,000
people work at Heathrow

1 in 5
local jobs are supported by the airport

In 2017 Heathrow became the first British airport to be a fully accredited **Living Wage Employer**

Ambition to **reflect local diversity** at every level of the company by 2025



Heathrow 2.0: a great place to live

Meeting and exceeding the Airports Commission conditions

Airside **ultra-low emissions** zone by 2025

50% of passenger journeys by **public transport** by 2030

Heathrow's third runway commitments to our neighbours

- **10,000** apprenticeships
- New independent **Community Engagement Board**
- An **extended ban** on scheduled night flights

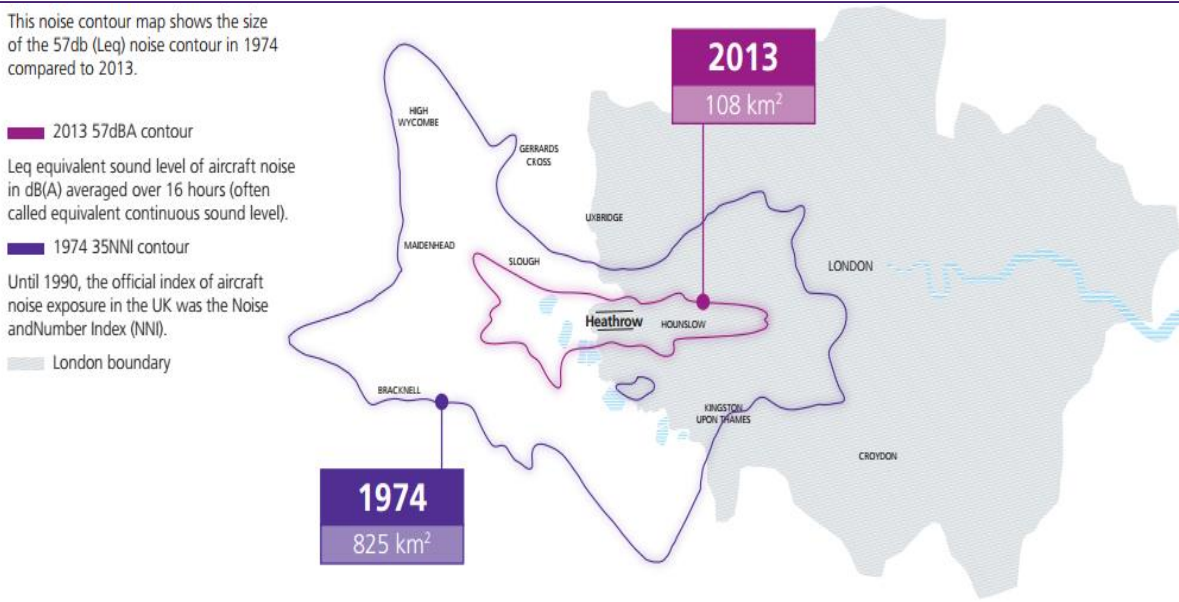


Heathrow 2.0: noise

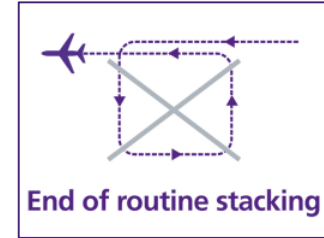
Our committed goal is to expand Heathrow whilst **affecting fewer people** with noise than today

Collaboration with airlines and NATS is crucial to delivering a quieter Heathrow

This noise contour map shows the size of the 57db (Leq) noise contour in 1974 compared to 2013.



Expansion means...



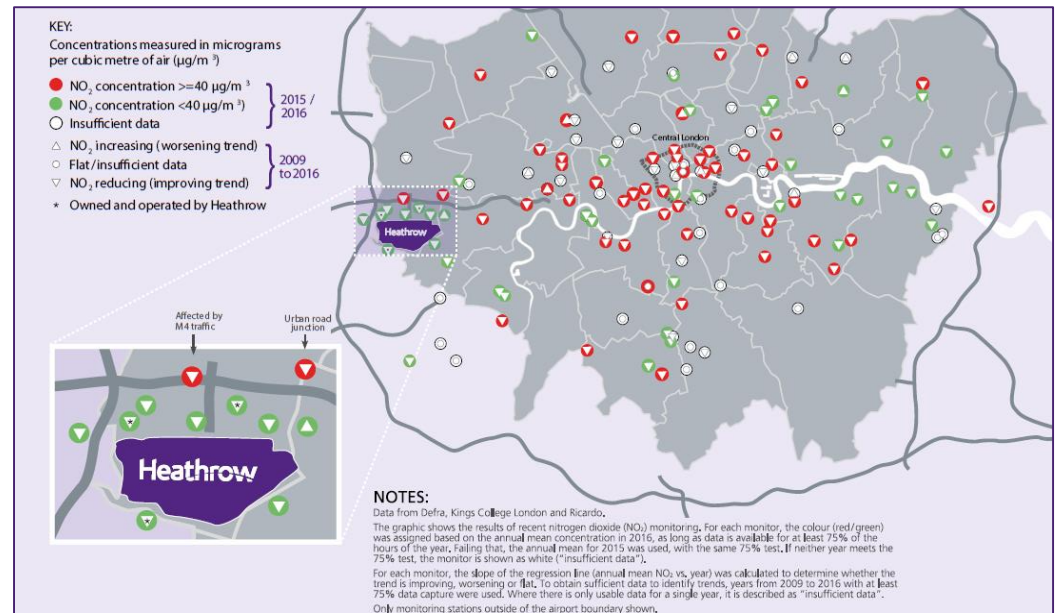
Heathrow is quieter now than it was in the 1970s even though we have double the number of air traffic movements

Heathrow 2.0: air quality

Heathrow has made a
16% reduction
in ground based NOx
emissions
between 2008-2013

Almost **55% of vehicles**
on London's roads are
forecasted to be electric by
2030.

This will improve London's air
quality by reducing the city's
average concentration of
nitrogen dioxide by as much **as**
8%.



9 out of 11
air quality monitors
near Heathrow are
within legal limits

The two that breach
are
next to
the M4

Heathrow
Making every journey better

Heathrow 2.0: zero emission vehicles and innovation

£5.6M
invested in
EV charging
infrastructure
throughout the airport



114 EV
charging
points
for passengers,
colleagues, airside
vehicles, buses and
taxis



Supporting
innovation
trials and real-
world operations
of electric and
autonomous
vehicles

EV **100**

75 EVs
in our own fleet by end of year,
well on track to replace all cars
and small vans by 2020 and
EV100 by 2030

Heathrow 2.0: air quality after expansion



Plan to provide
35 million
public transport
passenger journeys to
Heathrow by
2030

**Comprehensive
Measures**
on air quality

Meeting our existing commitment to improve air quality

Ensuring further options are ready to be introduced if required to reduce traffic

New capacity will only be released when it is clear Heathrow's contribution will not delay compliance with air quality limits

Actions on carbon

Since **2017** Heathrow has been fully running on renewable electricity.

Heathrow has already reduced its on-airport carbon emissions by **37%** since 1990, despite passenger numbers rising from 43 million per year in 1990 to over 78 million today.

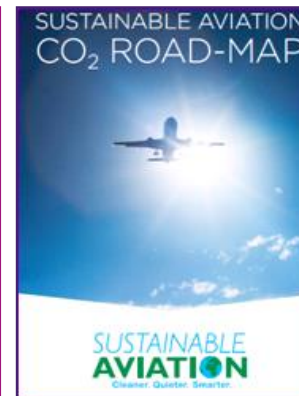
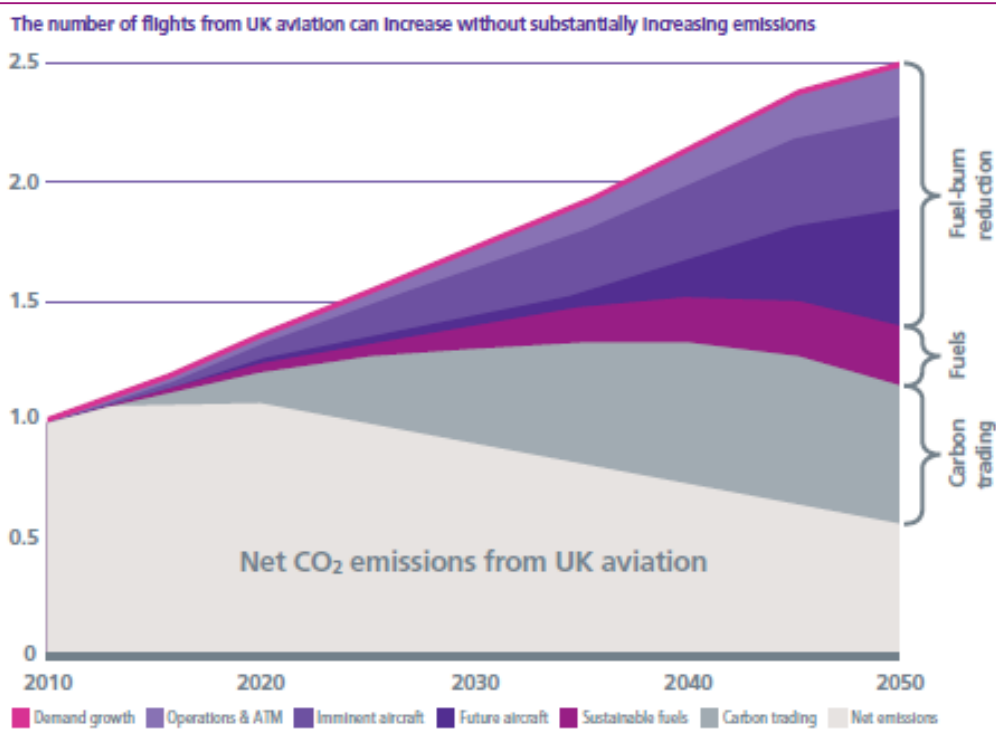


Our targets, as set out in Heathrow 2.0:

- Carbon neutral airport operations by 2020
- Zero carbon airport operations by 2050
- Carbon neutral growth from the new runway

Heathrow 2.0: sustainable growth

We can decouple growth in traffic from growth in emissions, and **further reduce CO2** through carbon trading



Industry goal of a net CO₂ reduction to **50% of 2005 levels** through international carbon trading

Establishing a **Centre of Excellence** for sustainability in aviation

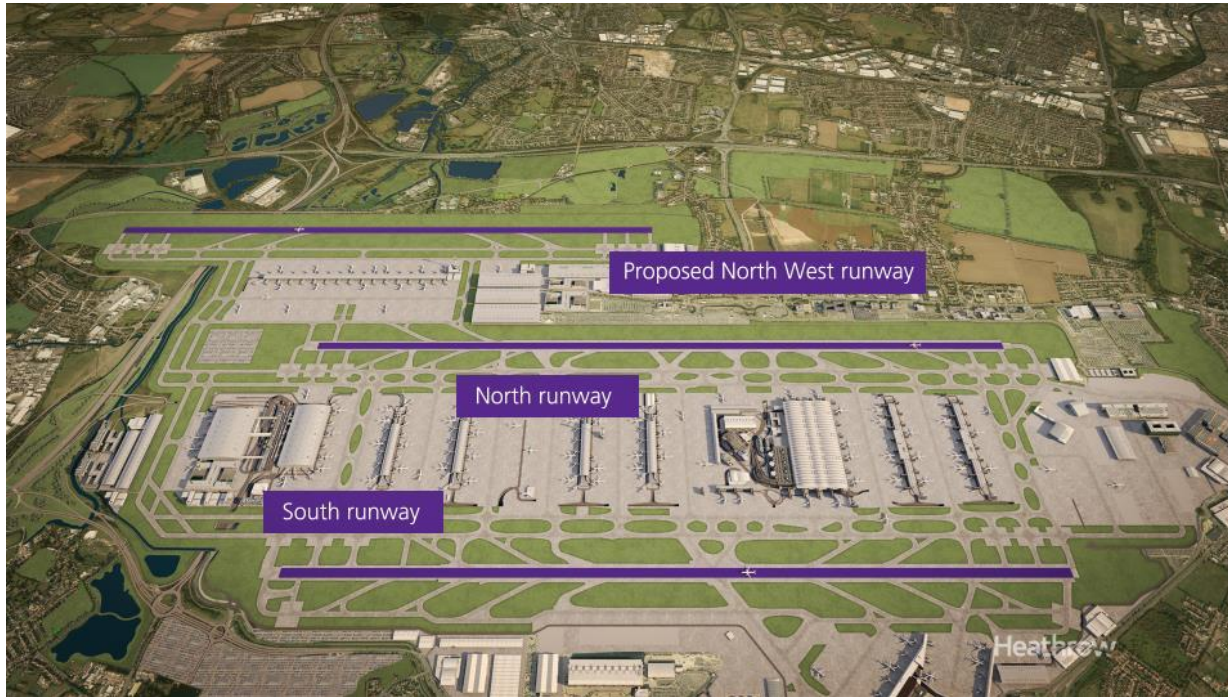
Heathrow

Making every journey better



Delivering an affordable and financeable expansion

Heathrow expansion



Expansion in numbers:

- **1 Development Consent Order application**
- 1 new runway
- New terminals and satellites
- From 480k to 740k+ Air Traffic Movements
- From c.78million passengers per annum to c.130+mppa
- **c. £14bn Expansion Capex**

£12 billion invested since 2004 to create a world class airport

Terminal 5 A, B & C

- £4.3bn investment
- Enabler of 'masterplan'
- Winner of Skytrax award for world's best airport terminal
- Home of British Airways

Integrated baggage

- Automated hub connecting baggage across all terminals
- 110m bags a year

CLOSED: Terminal 1

- Closed 2015
- Baggage facility retained
- Site of future T2 phase 2

Northern runway

5

5b

5c

3

2

2b

Terminal 2 A and B

- £2.5bn investment
- Opened 4 June 2014
- Home of Star Alliance

Southern runway

Terminal 3

- A380 pier, check-in, forecourt and car park
- Refurbished departure, immigration and reclaim
- Home of **oneworld**

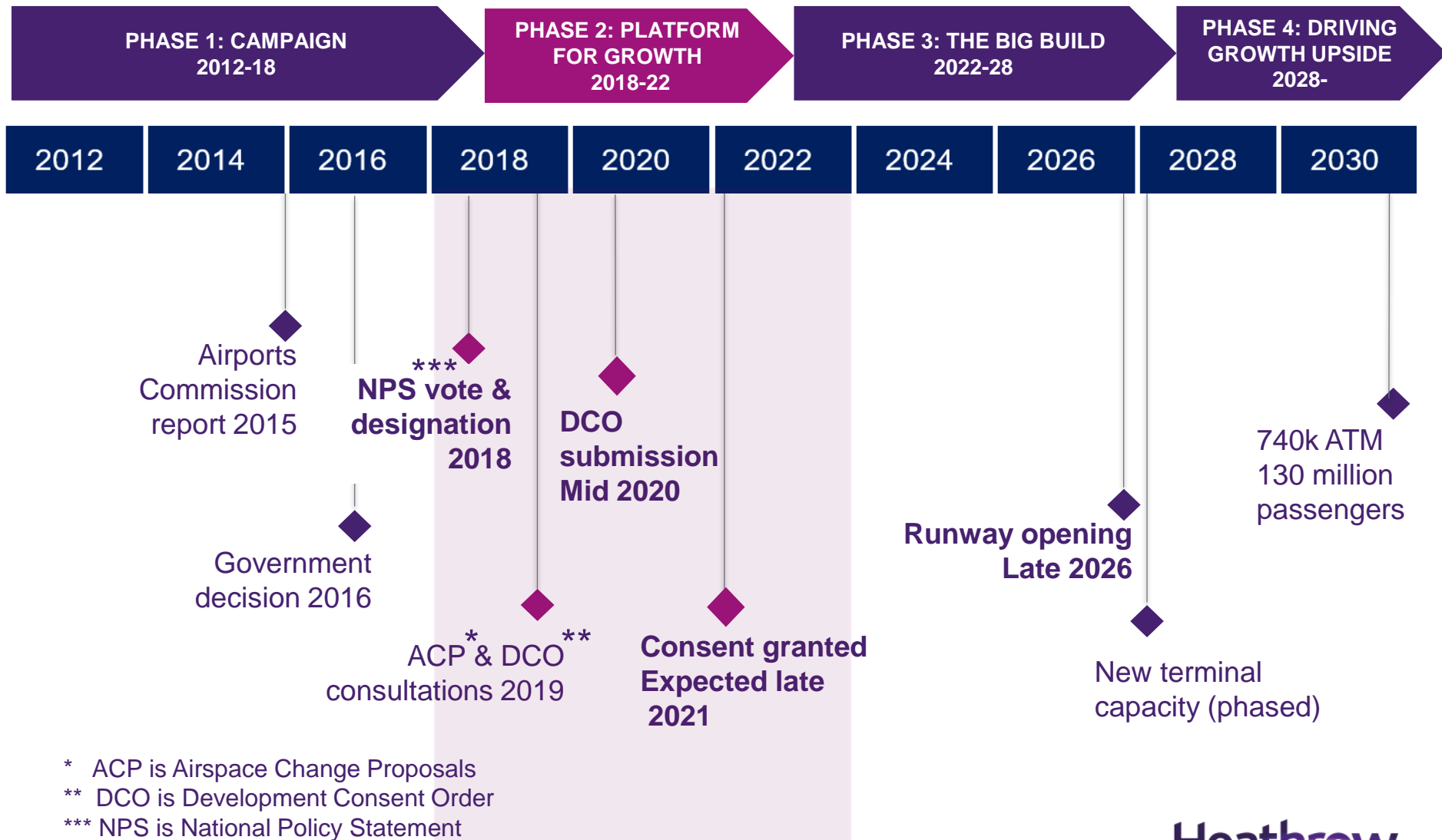
4

Terminal 4

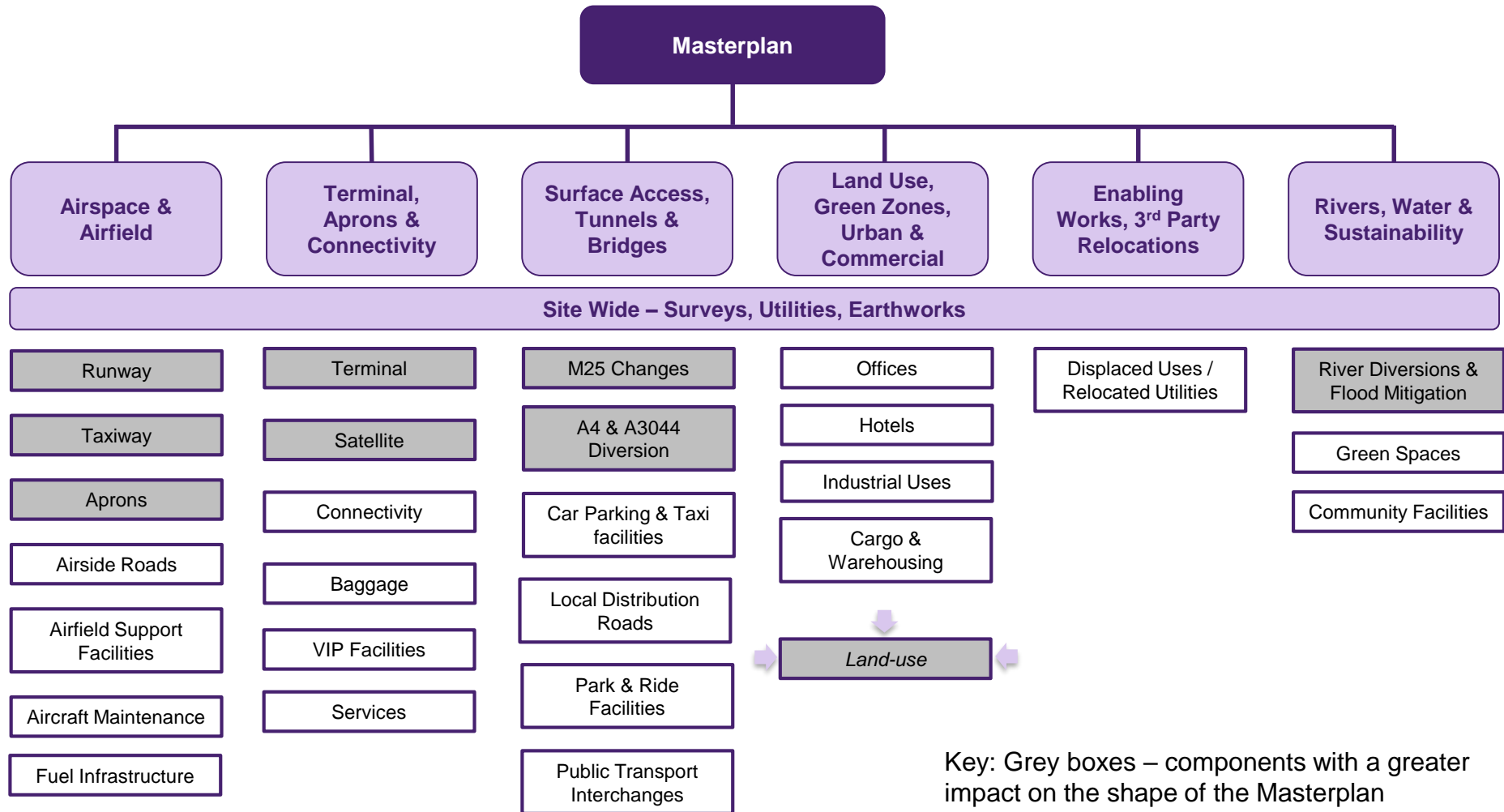
- New+extended check-in area
- A380 pier, security screening, immigration, and connection areas
- Home of Sky Team

2018

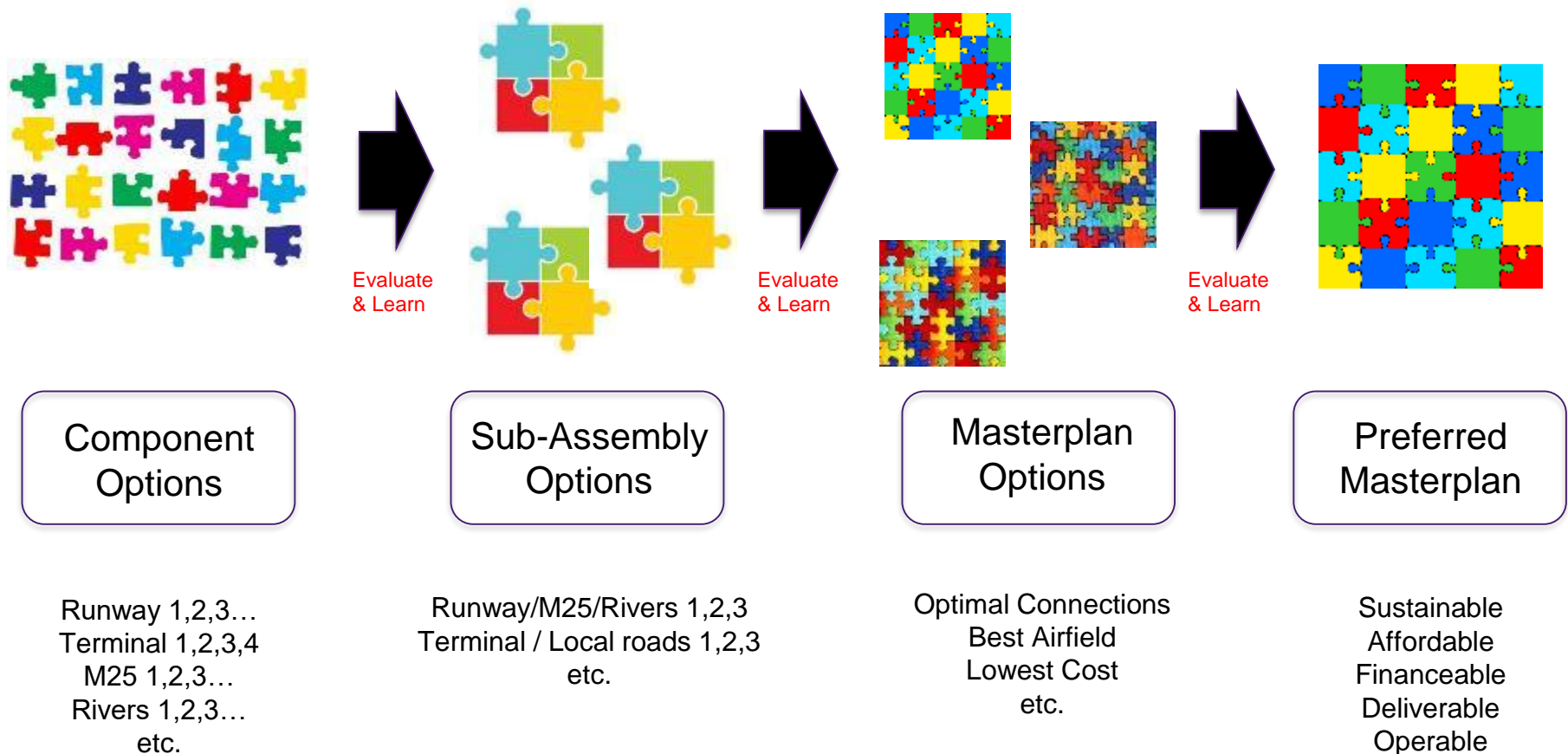
Heathrow expansion: decision to delivery



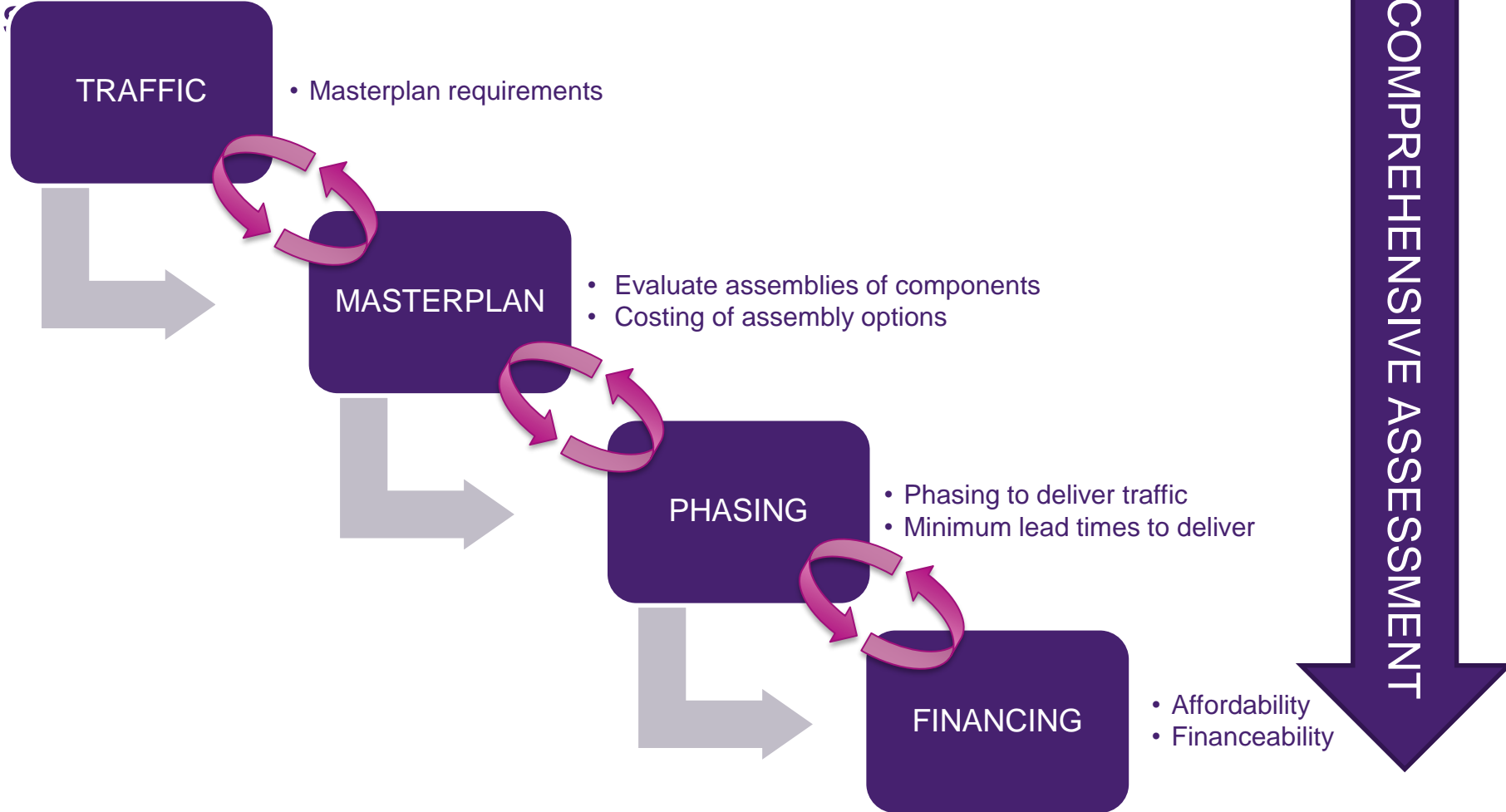
Heathrow's approach to a masterplan: workstreams and components



Process to build a “preferred” masterplan for the statutory consultation



Assembly option A



What's coming up?

**Next phase of
Innovation
Partner Process**

**900 new jobs
&
200 new
apprenticeships**

**Logistics Hubs
shortlist announced
Spring 2019**

**11 Business
Summits**
across the UK in
2019



Our response to
**the Skills
Taskforce**

Regulation remains a critical foundation for an affordable and financeable expansion

a) Predictable and robust decision-making

b) Building on the strength of current regulatory framework

c) Innovations in consumers' best interest

Predictable and robust decision-making

- **Consistent with the Civil Aviation Act 2012**

“ . . . the economic regulation of new runway capacity at Heathrow will be conducted in accordance with its primary duty under the CAA12 to further the interests of present and future consumers...”*

- **Consistent with Better regulation principles**

1) Proportionality 2) Accountability 3) Consistency 4) Transparency 5) Targeting

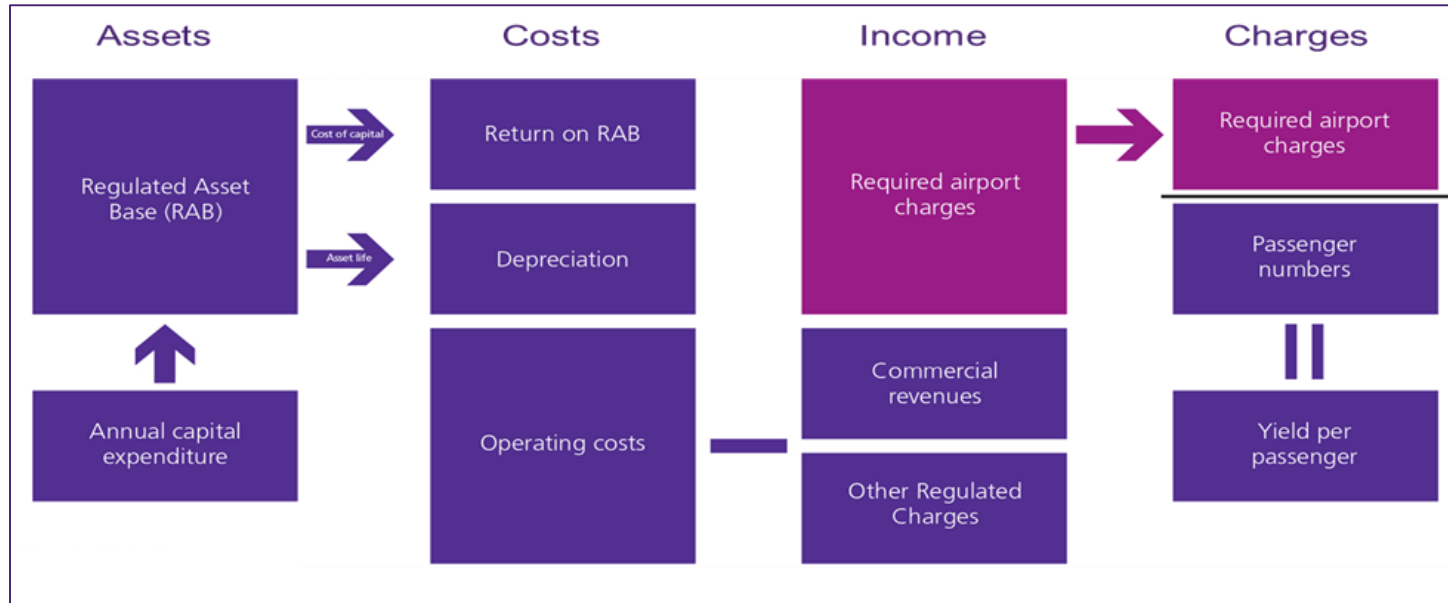
- **Stable programme of work leading to regulatory decision**

- *From framework definition to quantification of building blocks*

*Airport National Policy Statement: the CAA’s approach to economic regulation of the expansion of airport capacity at Heathrow.
Letter from the CAA to the DfT, 30 April 2018

Building on the strength of current regulatory framework

Retention of RAB based regulation



Risk adjusted return
determination

Periodic price
resets

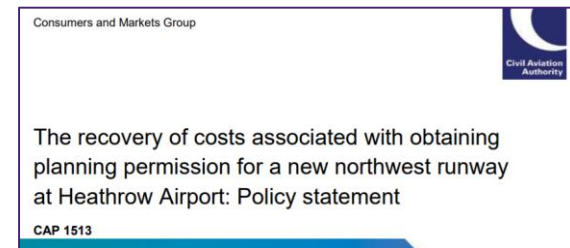
Explicit duty of the CAA to ensure that Heathrow can
finance its activities

Innovations in consumers' best interest

- Extension of Q6 price control



- Category B costs policy
- Innovation partnerships



- Introduction of Consumer Challenge Board (CCB)

The CCB's role is to provide independent scrutiny and challenge to Heathrow Airport Limited on behalf of consumers on how Heathrow Airport Limited takes account of and reflects the interests of consumers in its business strategy and operations.

Heathrow's financing strategy

Funded privately

by a mix of debt and equity via existing debt platform

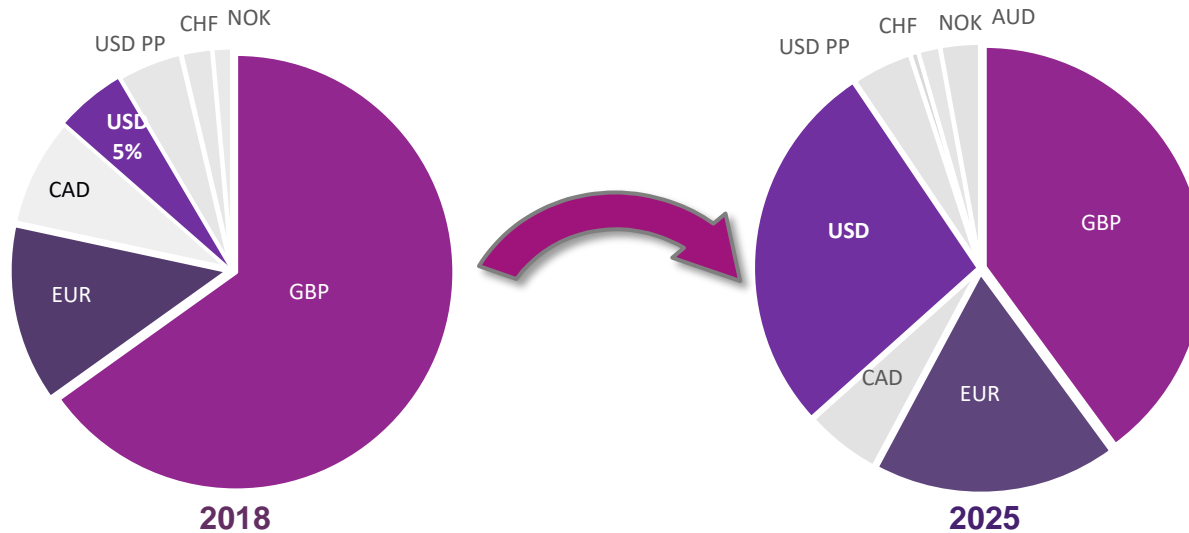
Commitment to maintain **existing** investment grade credit rating

Maintain **capital structure discipline** via buffers to leverage

triggers and diversified debt maturities

Illustrative Currency Evolution

Optimise issuance in different currencies with the desire to be repeat issuer in each currency market; combine public issuance with private placements

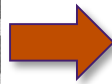


Heathrow

Making every journey better

High confidence in upscaling capability

- Our **strong debt financing platform** has allowed us to **triple the size of our RAB** over the last decade
- Over 99% of Q6 capex has been included in the RAB



Established presence in 6 **currency markets** with scope to increase further

Estimated debt market capacity around **triple** Heathrow's needs

Expanding, strengthening and diversifying our **bank lending group** to build liquidity & swap line capacity.

No. of relationships has doubled from 15 to 30 in the last 4 years

Maturity profile extends to **2058** with 60% of our current debt portfolio having a maturity date after expected opening date of new runway

£1.6bn per annum of debt on average has been raised over the past 8 years

Heathrow
Making every journey better

Heathrow

Making every journey better