

HEATHROW INVESTOR UPDATE

MORGAN STANLEY
LEVERAGED FINANCE CONFERENCE

12 MAY 2022



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AGENDA

1.	Credit Fundamentals	4
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4.	Appendices	24

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

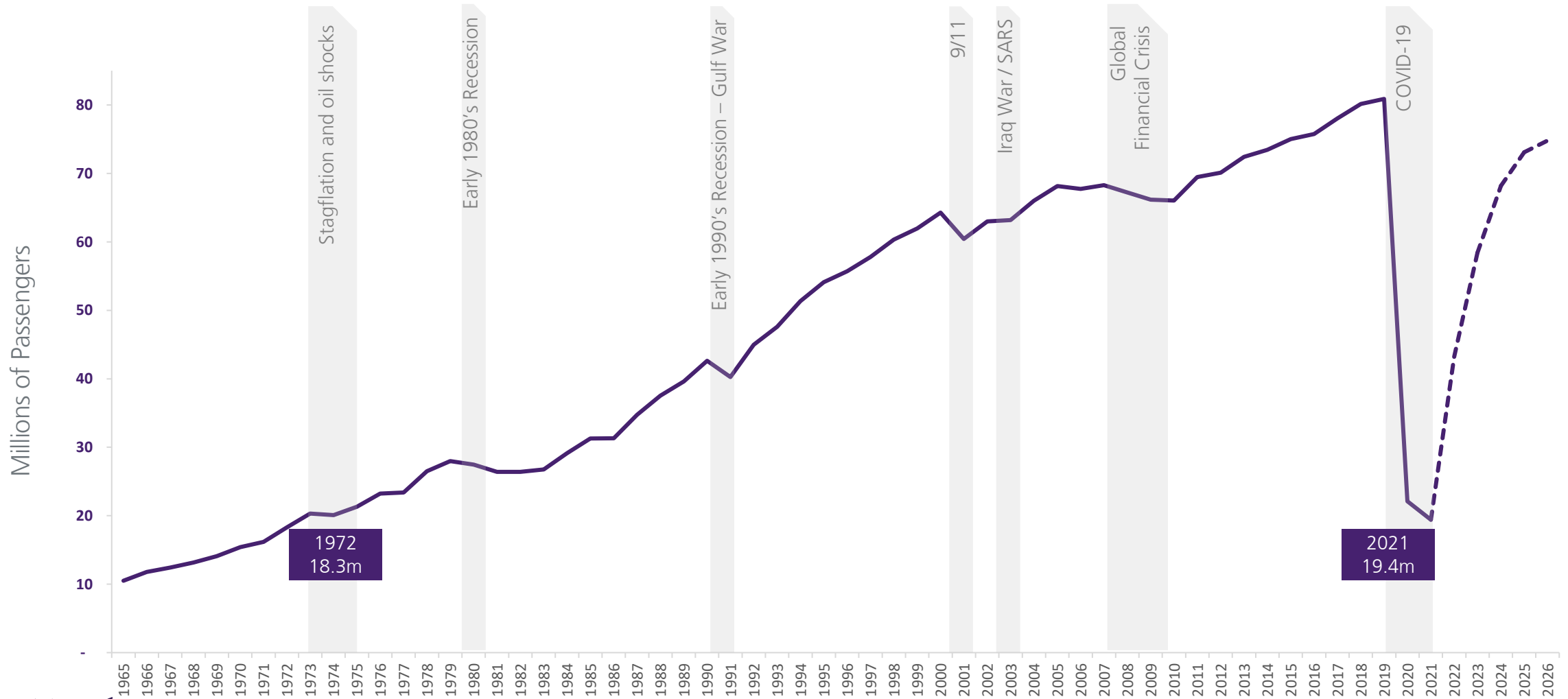
Sustainable growth



STRATEGIC DEVELOPMENTS



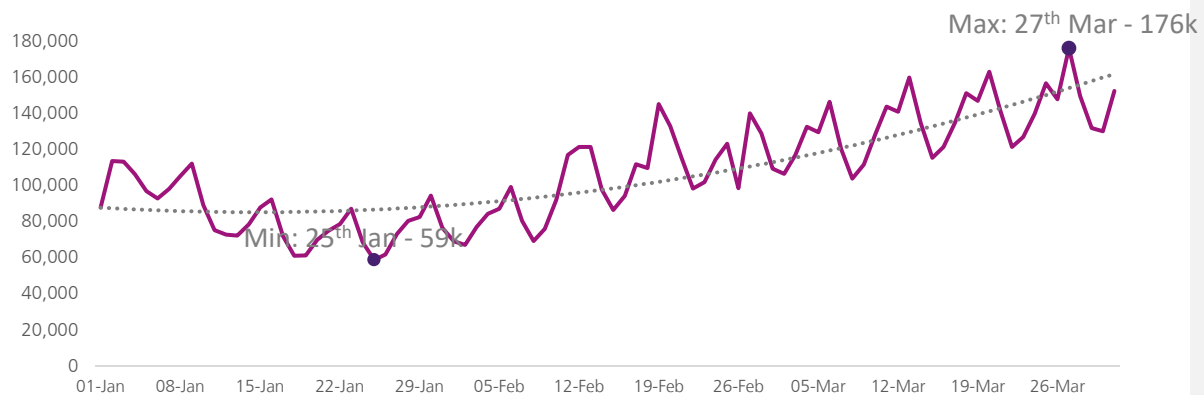
COVID-19 HAS DWARFED ALL OTHER HEATHROW PASSENGER SHOCKS IN THE LAST 50 YEARS



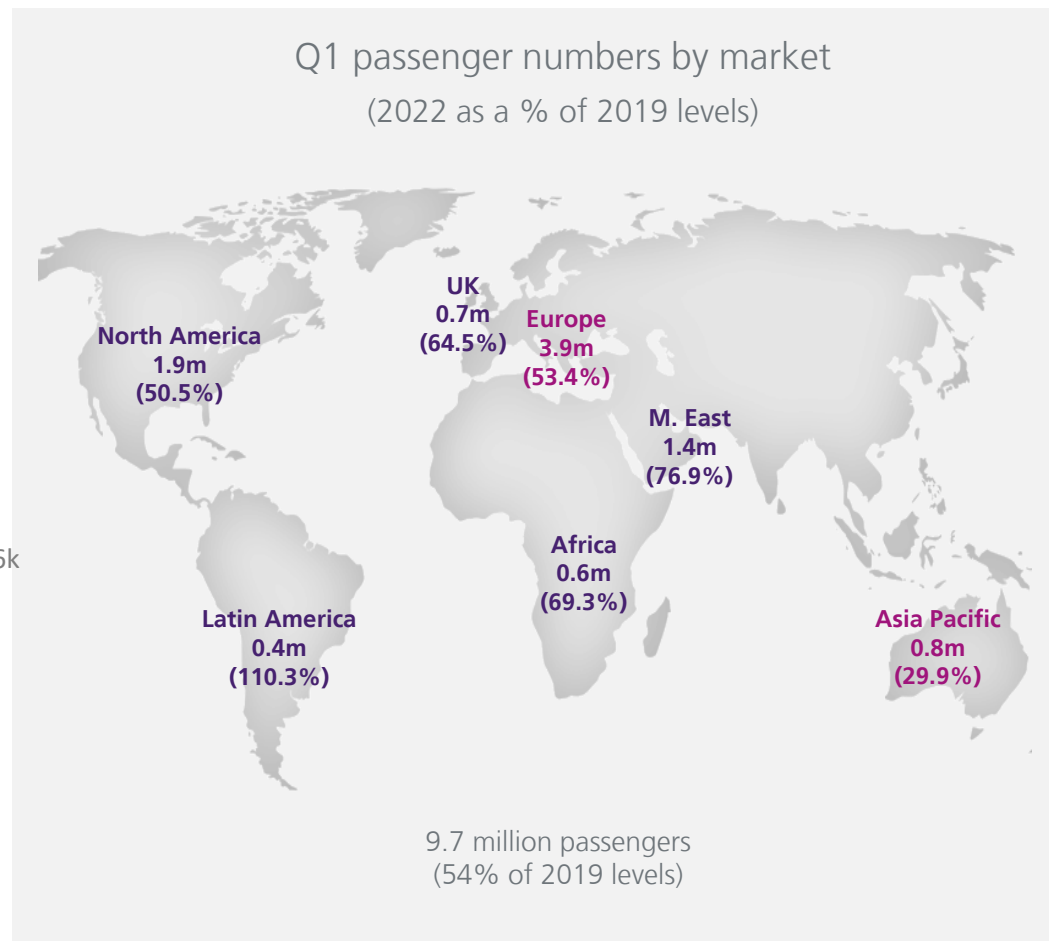
PASSENGERS NUMBERS DEMONSTRATE RECOVERY BUT DEMAND REMAINS PEAKY AND UNCERTAIN

Heathrow	2019 Q1	2020 Q1	2021 Q1	2022 Q1
Passengers	17.9	14.6	1.7	9.7
Passengers ATM	112,016	98,206	17,852	66,230
Cargo ATM	677	760	9,015	3,897
Load factors (%)	74.7	68.6	39.8	66.7
Seats per ATM	214.3	217.5	236.6	218.7
Cargo tonnage ('000)	408	333	321	349

2022 Q1 daily passenger numbers



Q1 passenger numbers by market
(2022 as a % of 2019 levels)

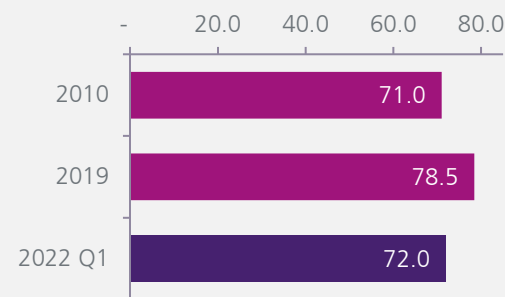


MAINTAINING STRONG SERVICE STANDARDS AND ROBUST OPERATIONS DESPITE RESOURCE CHALLENGES

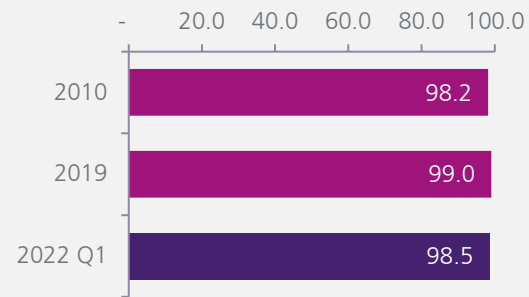
Passenger satisfaction
Airport Service Quality 'ASQ'



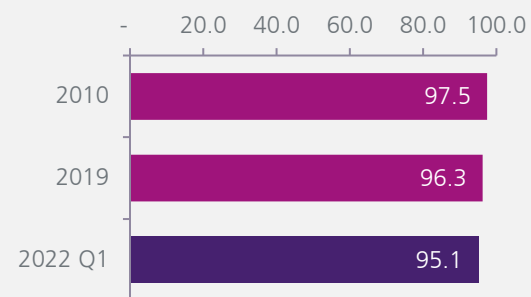
Departure Punctuality - %
Within 15 minutes of schedule



Baggage connection - %
Connection rate per 1,000 passengers

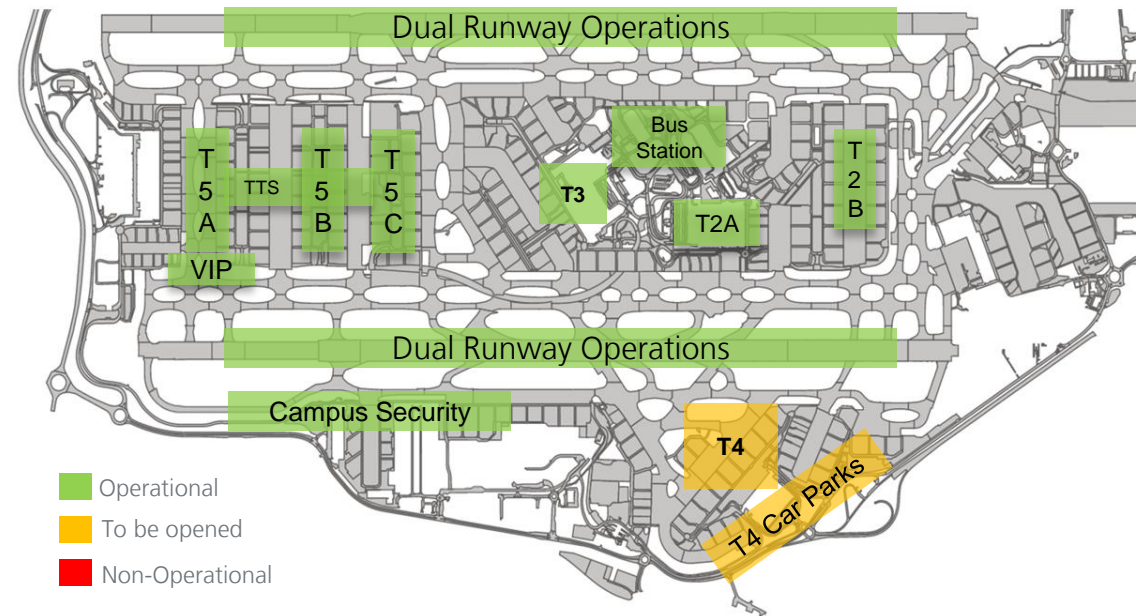


Security queuing - %
Waiting time measured under 5 minutes



SAFE AND SECURE RAMP UP FOCUSED ON CAPACITY, RESOURCING AND INFRASTRUCTURE

- Unlock capacity and improve flow in the terminals through:
 - Check in
 - Ramp/Baggage
 - Security
 - Passengers Requiring Support (PRS)
 - Stands
 - Punctuality
- Actively recruiting ahead of the Summer
- Terminal 4 to reopen by July



OUR PLAN FOR H7 IS AFFORDABLE, FINANCEABLE AND INVESTABLE

H7 Timetable



Revised Business Plan Update 2

H7 Charge
£41.95 (2018p)

Capex Plan
£4.1bn (2018p)

WACC
8.5%

RAB Adjustment
£2.5bn (2018p)

- A financeable plan with sufficient cashflow
- Identified material and basic errors in the CAA's analysis
- Our plan delivers the service consumers want, with only a 2% increase in ticket prices
- Reduce charge to £34 by deferring regulatory depreciation but only if a further RAB adjustment is granted
- A risk sharing mechanism which incentivises airlines and the airport to work together to grow passenger volumes

PERFORMANCE UPDATE AND BUSINESS OUTLOOK



2022 Q1 OPERATIONAL AND FINANCIAL PERFORMANCE

PASSENGERS

9.7m

+475% vs. 2021 Q1
-46% vs. 2019 Q1

ADJUSTED EBITDA

£273m

+1,465% vs. 2021 Q1
-33% vs. 2019 Q1

REVENUE

£516m

+213% vs. 2021 Q1
-24% vs. 2019 Q1

LIQUIDITY

£4.1bn

+3% vs. 2021 Q1
+17% vs. 2019 Q1

OPERATING COSTS

£243m

+31% vs. 2021 Q1
-11% vs. 2019 Q1

RAB

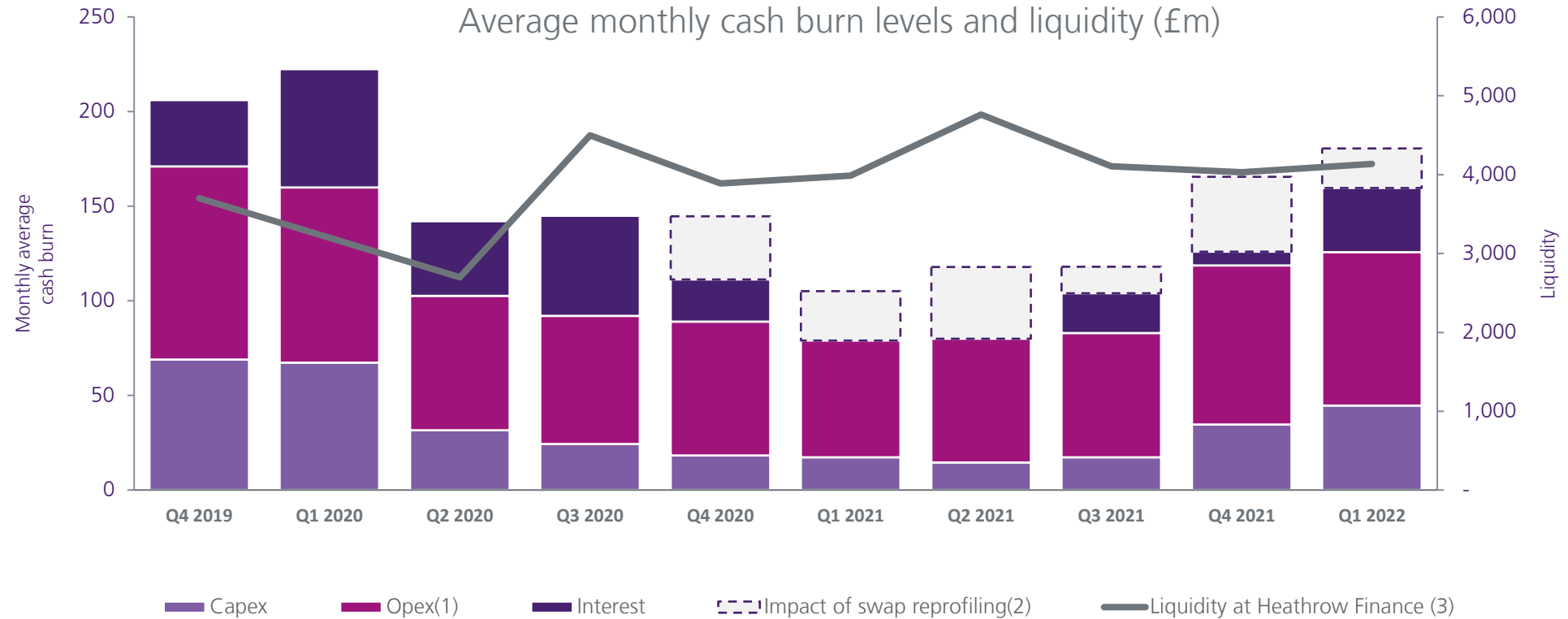
£17.7bn

+1% vs. Dec 21
+7% vs. Dec 19

Recovery from COVID-19 underway

- Passenger numbers in line with forecast with increased demand seen across the quarter
- Revenue and operating costs on plan leading to solid EBITDA growth
- Balance sheet remains strong with gearing ratios close to pre-pandemic levels
- Despite a recovery in passenger numbers, cumulative losses have now risen to £4.0bn
- Ramp-up plan delivery has ensured operational resilience, despite peak demand at certain times
- Continuing to rebuild capacity ahead of the Summer

WE CONTINUE TO INVEST AHEAD OF GROWTH

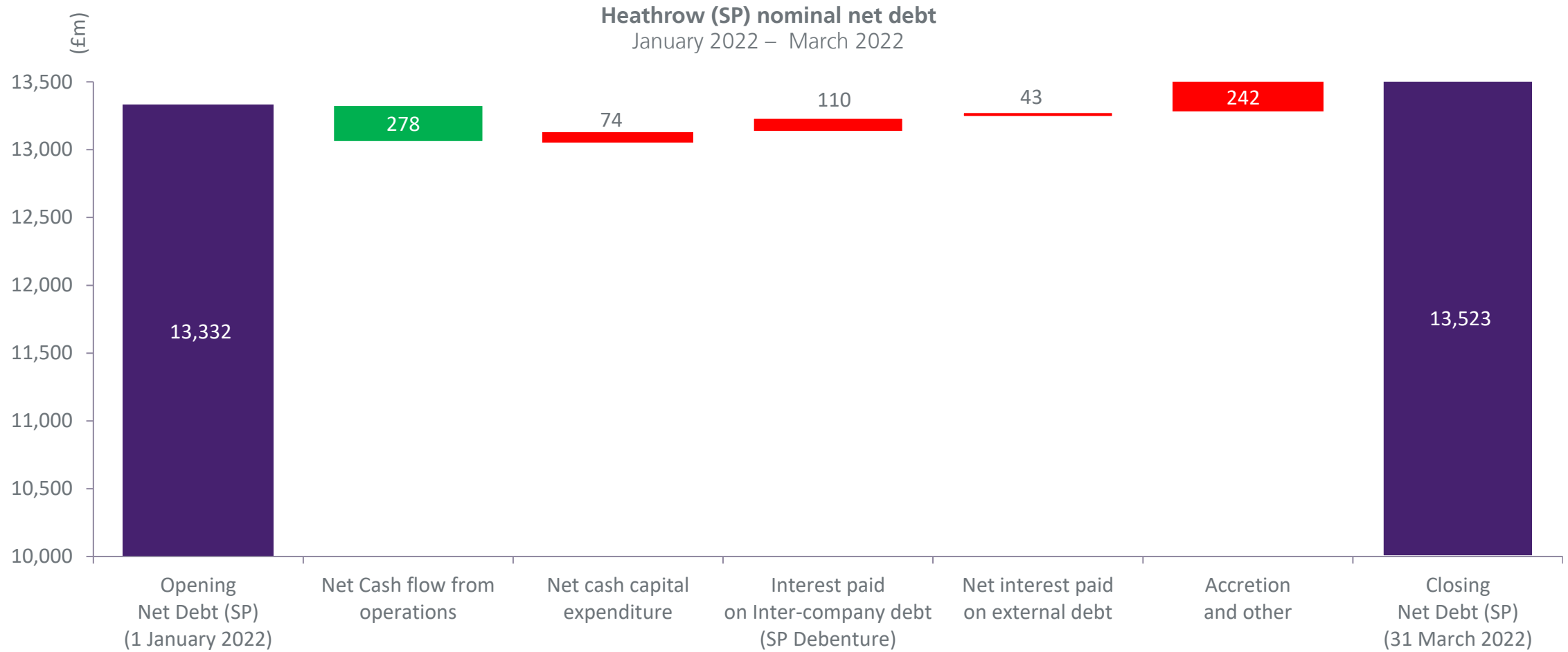


(1) Opex excludes impact of 2020 opex prepayments of c.£280m

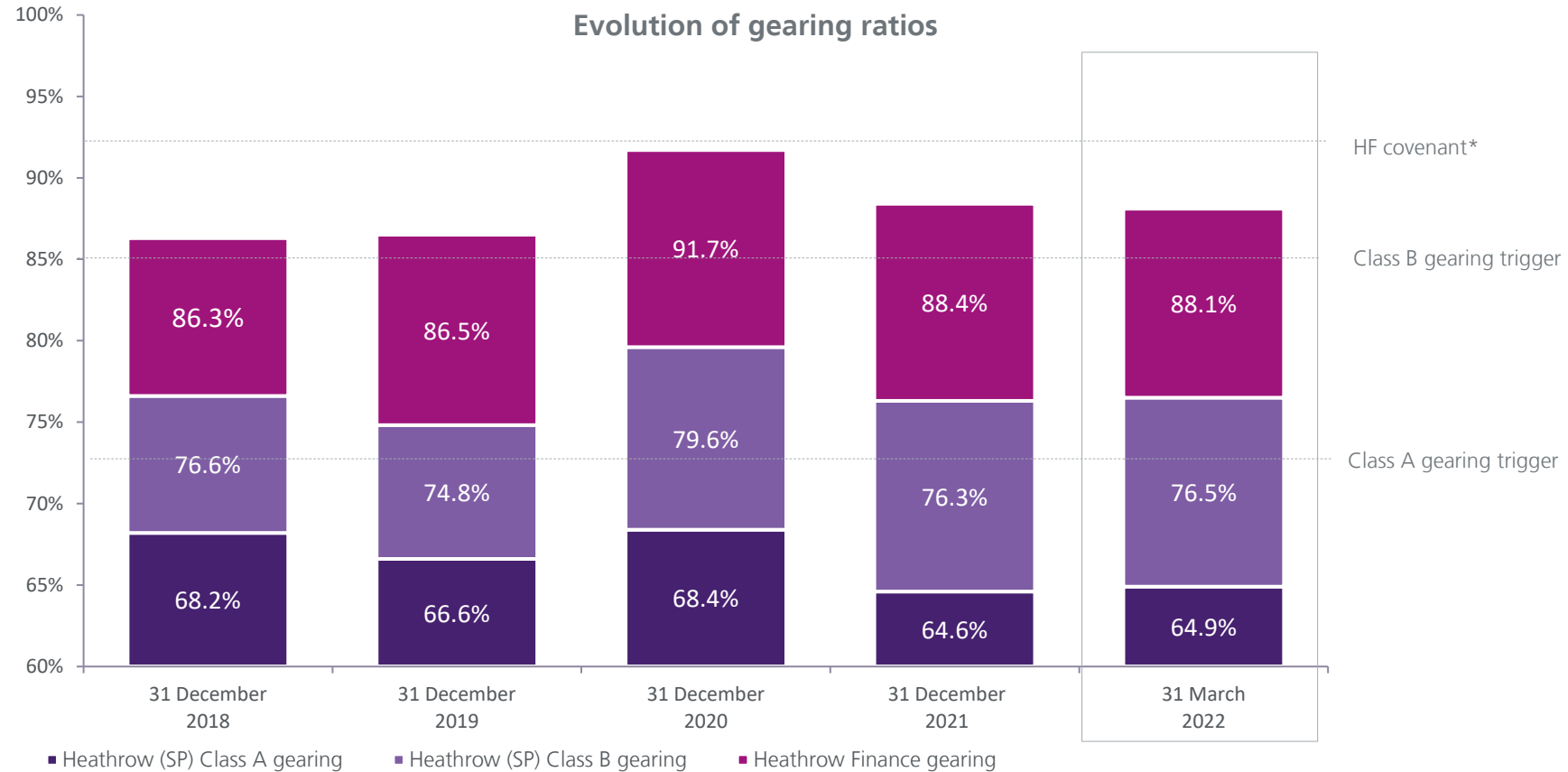
(2) Our swap portfolio reprofiling resulted in c.£100m of interest prepayment in Q4 2020 with interest savings arising from Q1 2021 to Q4 2022.

(3) Liquidity position including cash and undrawn facilities

FOCUS ON CASHFLOW PROTECTION



GEARING RATIOS RETURNING TO PRE-PANDEMIC LEVELS



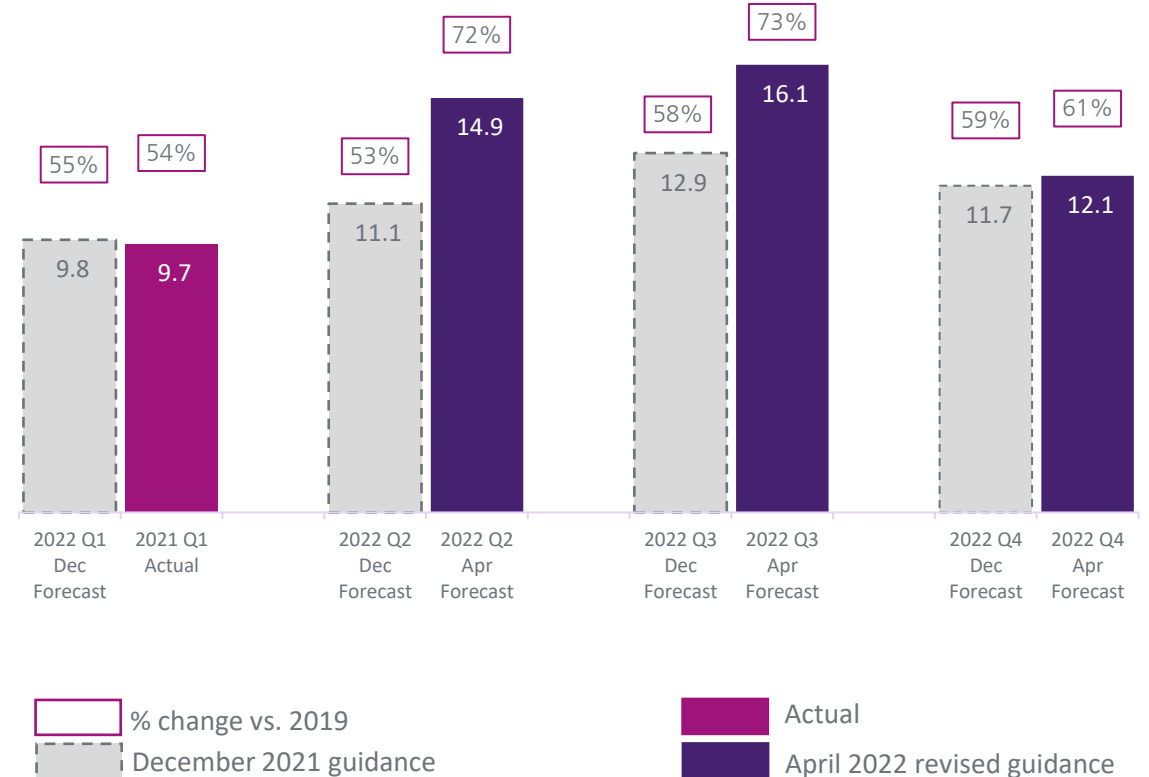
(*) Heathrow Finance's RAR covenant now restored to 92.5% (temporarily increased to 95.0% for the testing date occurring on 31 December 2020 and 93.5% for the testing date occurring on 31 December 2021, following the waiver secured on 8 July 2020)

UPDATED PASSENGER FORECAST FOR 2022

2022 traffic forecast revised upwards to reflect stronger expected demand through to Summer

- 2022 traffic forecast revised to 52.8 million to reflect strength of short-term demand outlook
- Upwards revision based on a strong Easter following faster than expected removal of UK travel restrictions and release of pent-up demand
- Strong summer forecasted but with significant downside risk due to capacity concerns

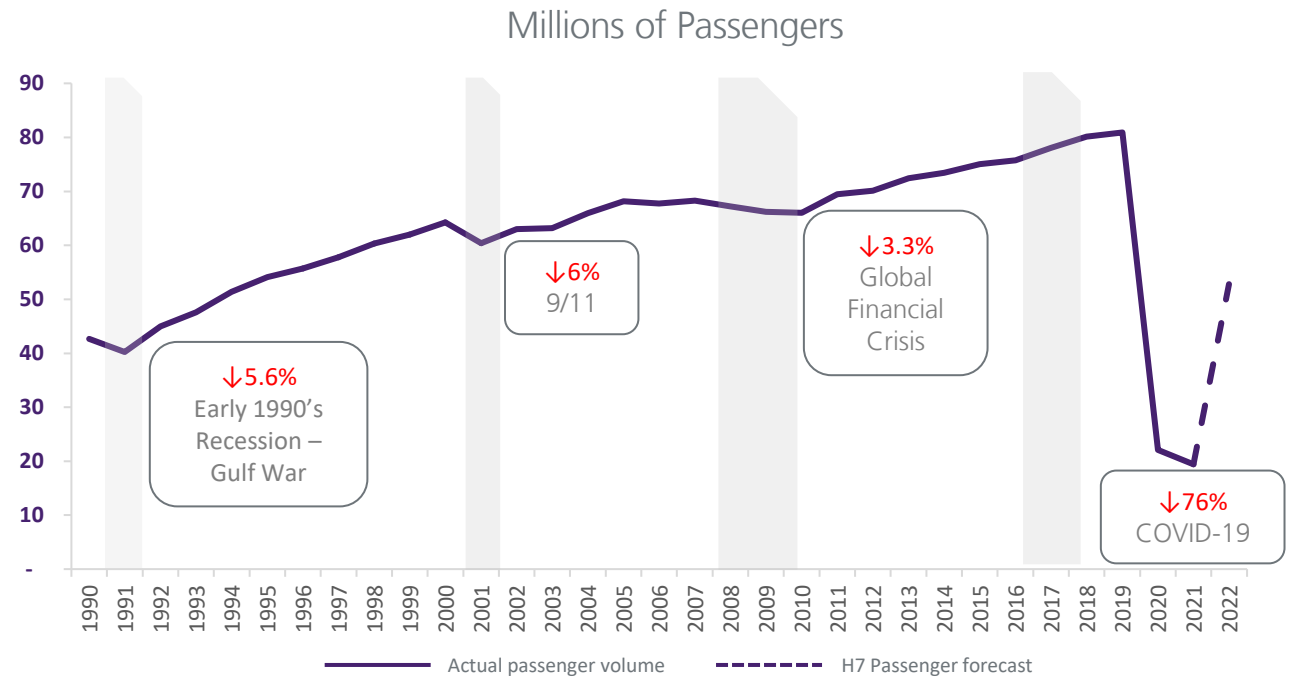
2022 Traffic forecast and % change vs. 2019



GLOBAL EVENTS BRING UNCERTAINTY TO MEDIUM-TERM FORECASTS

It is unclear whether the current surge in outbound leisure demand is sustainable or when inbound demand will return at scale

- historical traffic affected by global events
- medium term uncertainty remains high with some significant potential headwinds for later in the year:
 - high fuel prices
 - cost of living increase
 - impact of war in Ukraine
 - new COVID variants of concern
- Further details including a financial update will be provided in the next Investor Report in June
- 2022 H1 results to be published on 26 July 2022



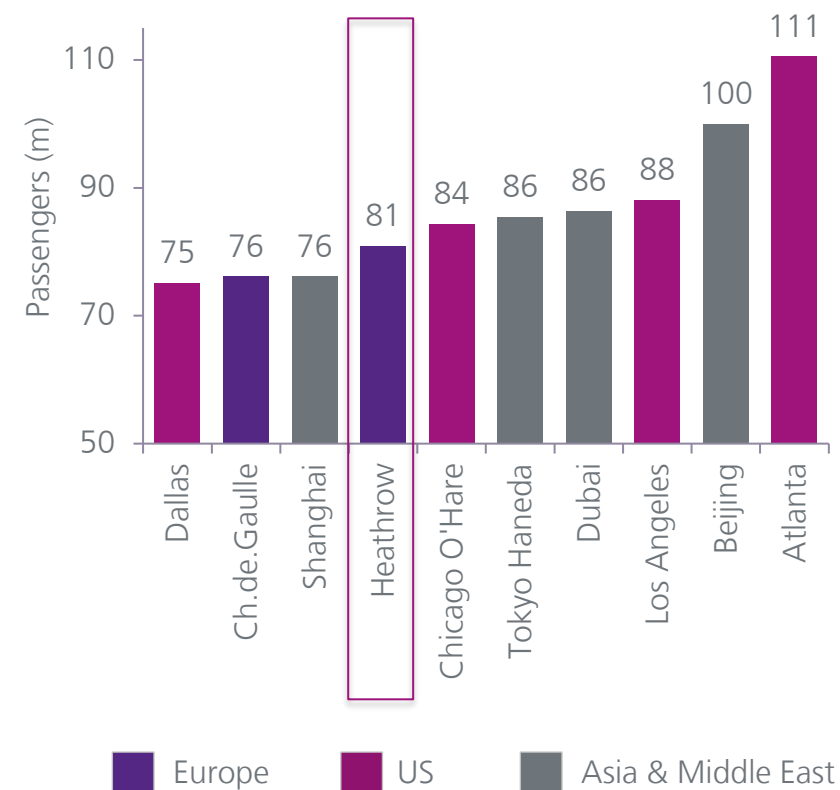
APPENDICES



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

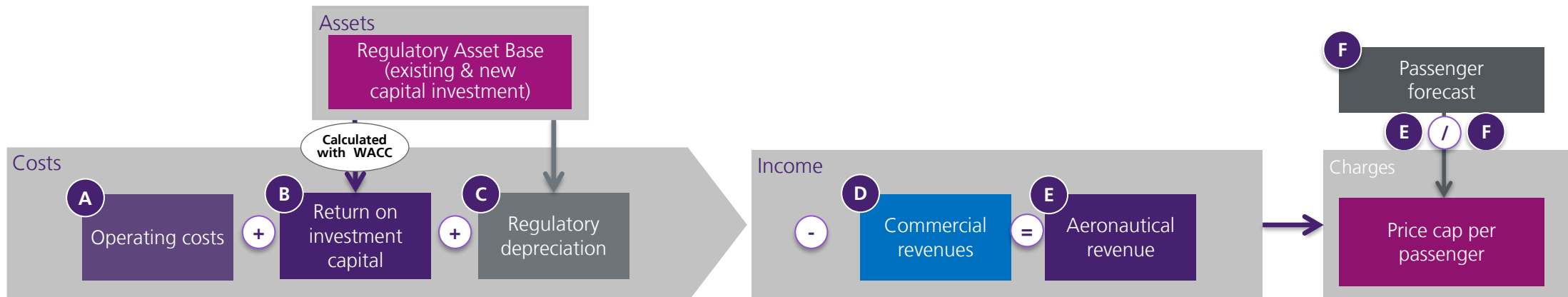
Top 10 busiest global airports
12 months to 31 December 2019



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
- £17.7 billion Regulatory Asset Base ('RAB') as at 31 March 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 proposals in respect of the 'H7' regulatory period, due to run from 2022 to 2026

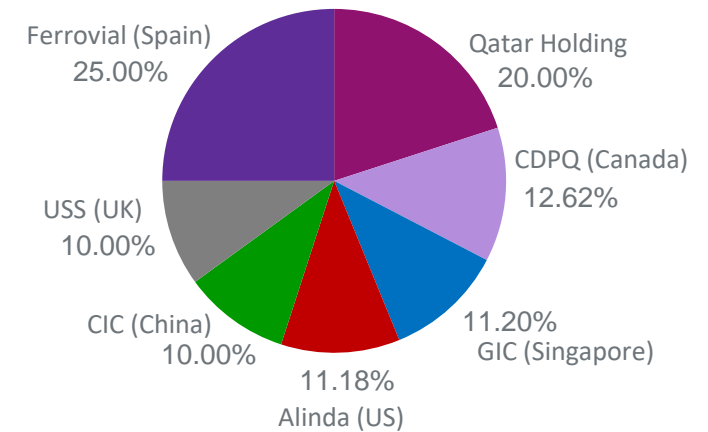
Building blocks for tariff calculation



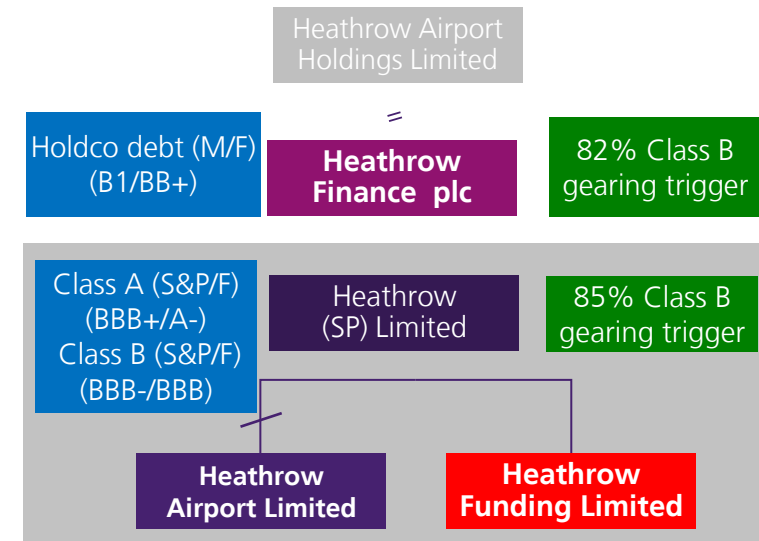
OVERVIEW OF HEATHROW FINANCING

- 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 31 March 2022:
 - Class A: £11,468 million
 - Class B: £2,055 million
 - Heathrow Finance: £2,053 million
 - Total HF Group: £15,576 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 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

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 - HEATHROW 2.0: CONNECTING PEOPLE AND PLANET

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
- Transitioned 0.5% of the airport's fuel to Sustainable Aviation Fuel (SAF), the largest user out of any major airport globally
- Extended the London Living Wage to include the airport's full direct supply chain
- Over 12,000 new skilled job vacancies across the airport

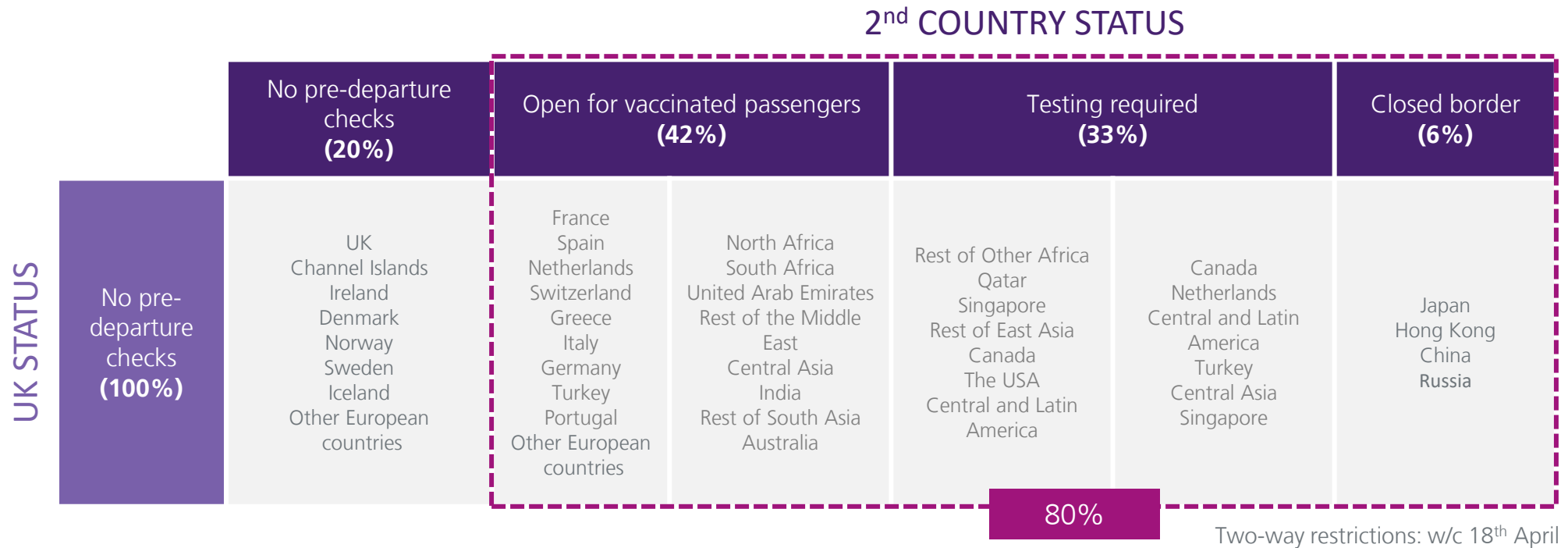
We remain committed to a long-term sustainable expansion

- Reviewing plan later this year



TRAVEL RESTRICTIONS CONTINUE TO LIMIT FULL RECOVERY WHILST INCREASING SHORT TERM OPERATIONAL CHALLENGE

Whilst more countries have removed entry requirements in 2022, 80% of our markets have some form of pre-departure check which increases operational pressure



EXPANSION: CONNECTING ALL OF BRITAIN TO GLOBAL GROWTH

We remain committed to a long-term sustainable expansion

- 4:1 majority vote in parliament, majority of Labour and Conservative MP's
- Positive outcome from Judicial Review
- Planning suspended in March 2020
- Reviewing plan later this year



OUR PLAN FOR H7 DELIVERS FOR CONSUMERS AND INVESTS IN SERVICE AND RESILIENCE

MAINTAINS CURRENT SERVICE LEVELS	WHILE INVESTING TO ADDRESS CONSUMER HOTSPOTS	KEY FOCUS AREAS FOR INVESTMENT
<p>4.26 Overall Satisfaction</p> <p>95% < 5 mins Security Queues</p> <p>99% Asset Availability</p> <p>80.5% on time Punctuality</p> <p>0.7% Baggage misconnect</p> <p>4.00 PRS satisfaction</p>	<p>Enhanced Service – Asset Resilience</p> <p>Enhanced Service - Passengers Requiring Support (PRS)</p> <p>COVID-19 Safety</p>	<ul style="list-style-type: none"> ▪ Asset maintenance and replacement ▪ Replacing the Terminal 2 baggage system ▪ Replacing security lanes ▪ Investing in commercial proposition ▪ Investing in carbon and sustainability ▪ Efficient airport programme



HEATHROW NOMINAL NET DEBT AT 31 MARCH 2022

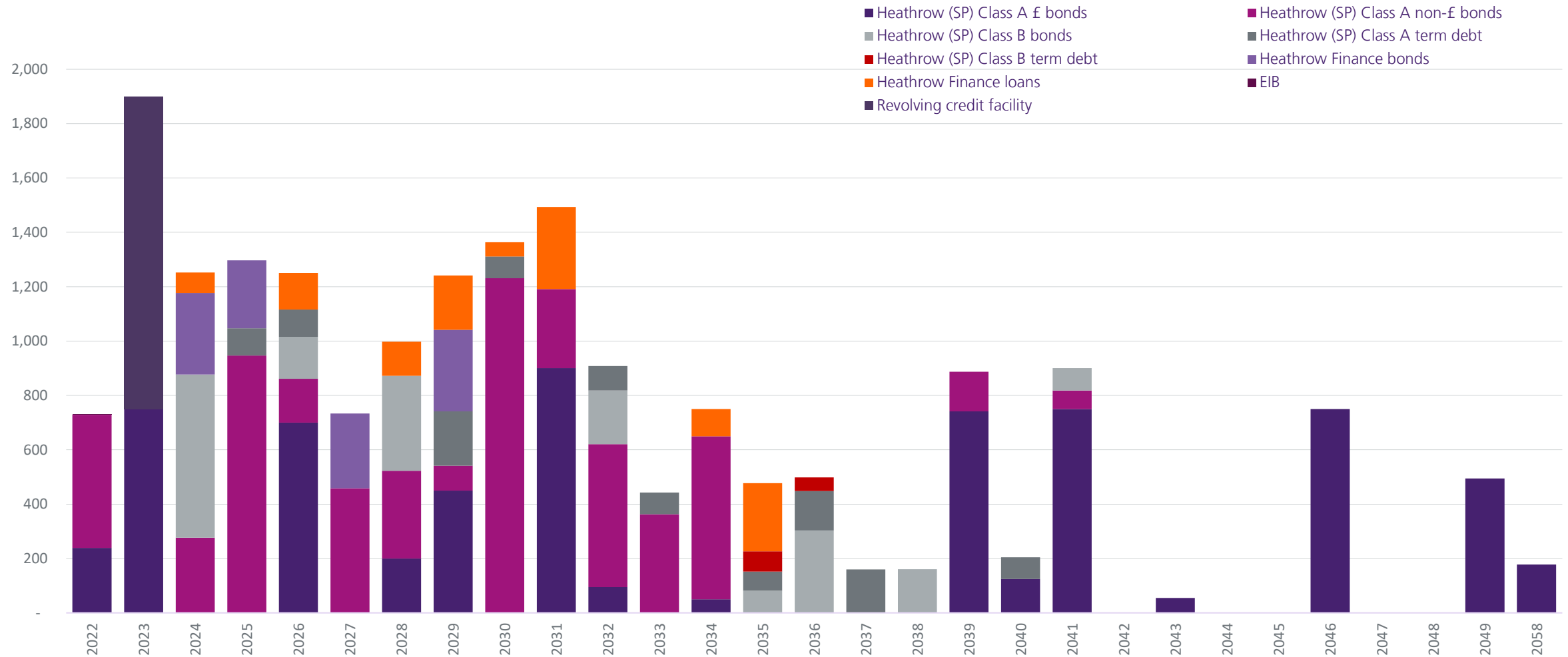
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£180m RPI +1.65%	239	239	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	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%	95	95	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%	63	63	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	678	678	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	124	124	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%	95	95	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	178	178	2058
Total senior bonds	12,448	12,448	
Term debt	1,105	1,105	Various
Index-linked derivative accretion	537	537	Various
Revolving / WC facilities	0	900	2023
Operating lease liability	35	35	Various
Total other senior debt	1,677	2,577	
Total senior debt	14,125	15,025	
Heathrow (SP) Limited cash	(2,656)		
Senior net debt	11,468		

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%	197	197	2032
£75m RPI + 0.347%	82	82	2035
£75m RPI + 0.337%	82	82	2036
£180m RPI +1.061%	222	222	2036
£51m RPI + 0.419%	56	56	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	82	82	2041
Total junior bonds	1,930	1,930	
Term debt	125	125	Various
Junior revolving credit facilities	0	250	2023
Total junior debt	2,055	2,305	
Heathrow (SP) Limited group net debt	13,523		

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	(311)		
Heathrow Finance plc net debt	2,053		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	14,125	15,025
Heathrow (SP) Limited junior debt	2,055	2,305
Heathrow Finance plc debt	2,364	2,364
Heathrow Finance plc group debt	18,544	19,693
Heathrow Finance plc group cash	(2,968)	
Heathrow Finance plc group net debt	15,576	

DEBT MATURITY PROFILE AT 31 MARCH 2022



NOTES, SOURCES AND DEFINED TERMS

Page 8

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

Page 9

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.

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

Page 14

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

Page 15

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 16

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

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Source of airport rankings: ACI report, December 2019

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%; Heathrow Finance RAR covenant is now 92.5 as the Heathrow Finance 2019 Notes have been repaid

Page 28-29

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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