

A photograph of a woman with short grey hair and glasses hugging a man from behind. She is smiling broadly, showing her teeth. She is wearing a dark jacket and has her hands on the man's shoulders. The man has dark hair and is wearing a dark jacket. The background is blurred, suggesting an indoor setting with large windows.

Heathrow January Investor Update

January 2020

Heathrow

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Key credit strengths

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

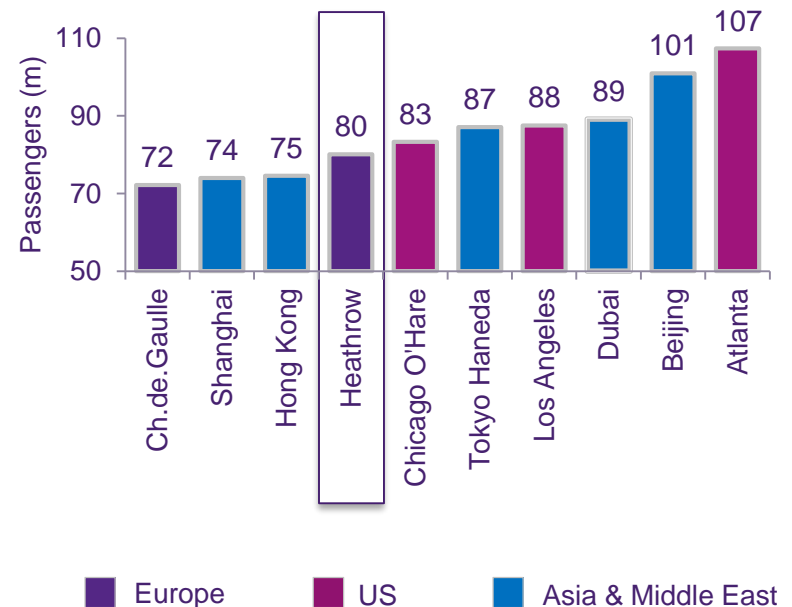
Sustainable growth



Heathrow is the primary airport in the world's largest aviation market

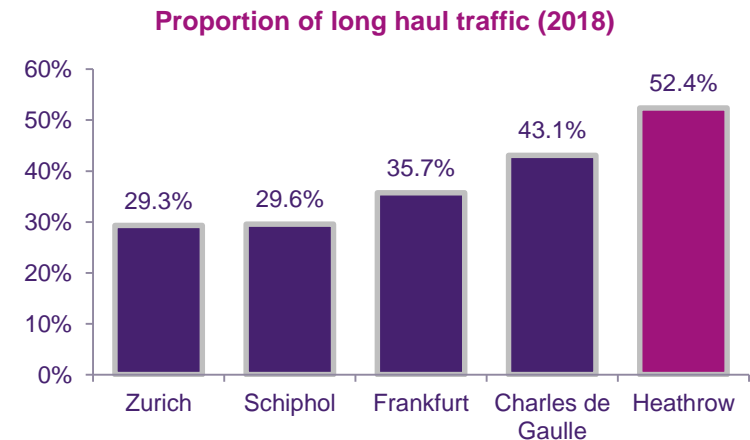
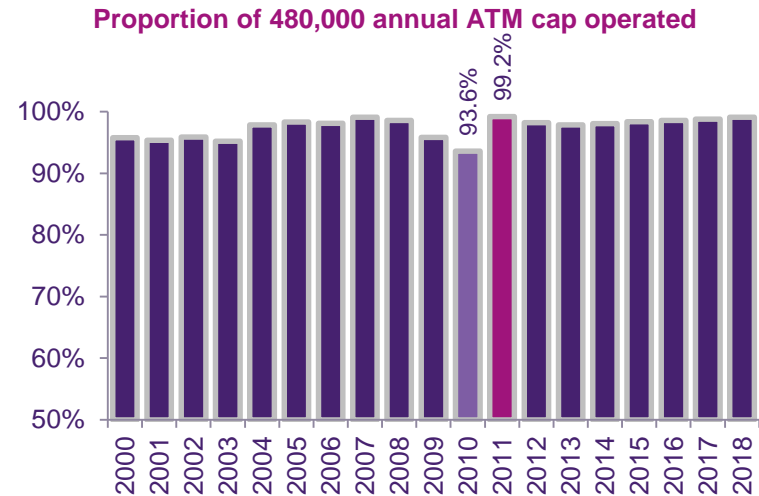
- Demand to fly to and from London is c.30% higher than the next largest market
 - Heathrow is the primary airport connecting Britain to global growth
 - It is the busiest airport by passenger numbers in Europe and seventh busiest airport in the world
- Heathrow enjoys strong industry position
 - Nearly 50% of all London passenger traffic
 - 70% of UK long haul scheduled seats which are highly profitable for airlines
 - 1 of only 4 airports globally with >100 long haul routes
 - Less dependent on low yield transfer traffic than other hubs
 - 5 of global top 10 intercontinental long haul routes operate at Heathrow
 - Cargo handles >30% by value of all UK's non-EU exports, fundamental for British exporters

Top 10 busiest global airports
12 months to 31 December 2018



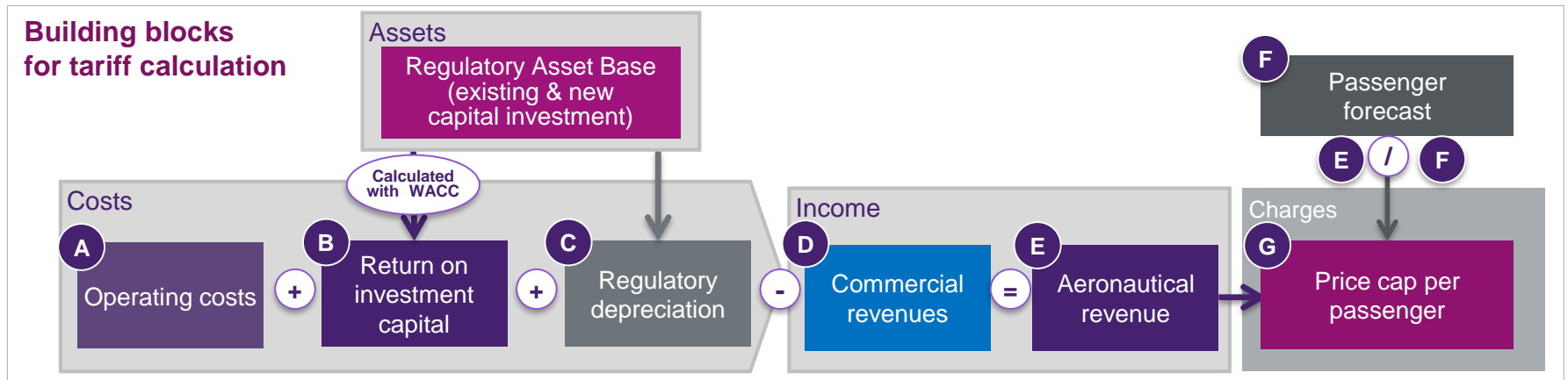
Heathrow's strength and resilience driven by traffic profile

- Catchment area and hub characteristics provide enviable demand resilience
- Heathrow has been operating at close to its permitted capacity for many years
 - unfulfilled demand reduces traffic volatility
- Significantly greater exposure than peers to intercontinental long haul traffic
 - long term emerging market growth driving increased propensity to fly
- Countercyclical transfer traffic
 - traffic has tended to concentrate towards hub airports in economic downturns
- London's profile as a major global city
 - balanced outbound and inbound demand



Cash flow predictability from a stable regulatory framework

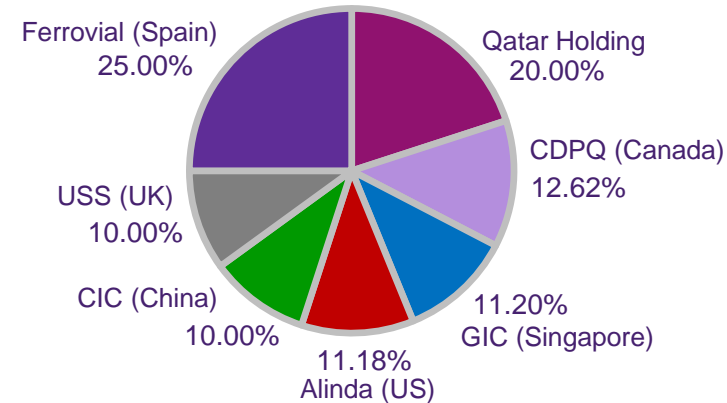
- Heathrow is regulated by UK Civil Aviation Authority, with role defined by English law
- Re-set of tariff every five years provides strong visibility of cost recovery
 - tariff set using ‘building block’ principle, allowing recovery of capital investment, operating costs and cost of capital
- £16.5 billion Regulatory Asset Base (‘RAB’) as at 30 September 2019 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



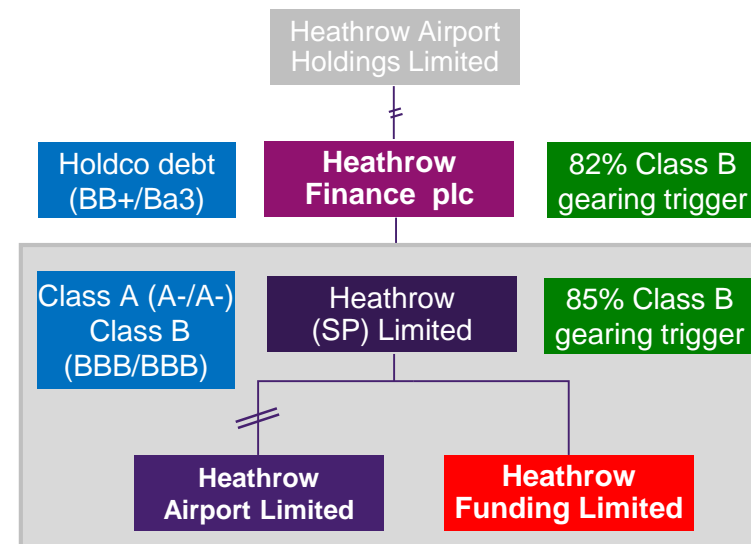
Overview of Heathrow financing

- 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 30 September 2019
 - **Heathrow Finance: £1,331 million**
 - Class B: £1,357 million
 - Class A: £11,487 million

Heathrow ownership



Summary Heathrow financing structure



Structural features of Heathrow Finance financing

- Senior security Heathrow (SP) Limited shares
- Heathrow Finance debt serviced by distributions from Heathrow (SP) Limited
 - £57 million in 2018 in Heathrow Finance debt service
 - significant debt service cover given £500 million in dividends to ultimate shareholders and nearly £1.4 million in debt service costs at ADIF2 in 2018
 - around £485 million liquidity buffer provided by differential Class B trigger events between Heathrow Finance (82.0%) and Heathrow (SP) (85.0%) in 2018
- Indirect benefit from Heathrow (SP) operational and financial covenants and distribution lock-ups
- 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)

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

Interest Cover Ratios (ICR)

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

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 plan to secure long-term growth

Heathrow 2.0 has a strong strategic business case, supporting four key business benefits:

Maintaining the licence to operate and grow

- Managing environmental risks and transforming Heathrow's performance on sustainability builds trust with local, political and NGO stakeholders and positions Heathrow as a leader

Attracting and retaining talent

- Nearly 40% of millennials have chosen a job because of the company's sustainability approach (*survey by Swytch, Feb 2019*)

Creating brand preference in response to changing consumer perceptions

- Passengers welcome an airport experience that induces a sense of emotional well-being as well as meeting their practical needs and sustainability can bring a human touch to a functional place

Delivering cost efficiencies

- Key Heathrow 2.0 objectives such as zero carbon infrastructure, zero waste and water reduction deliver cost efficiencies as well as environmental improvements



Strategic developments

Masterplan overview

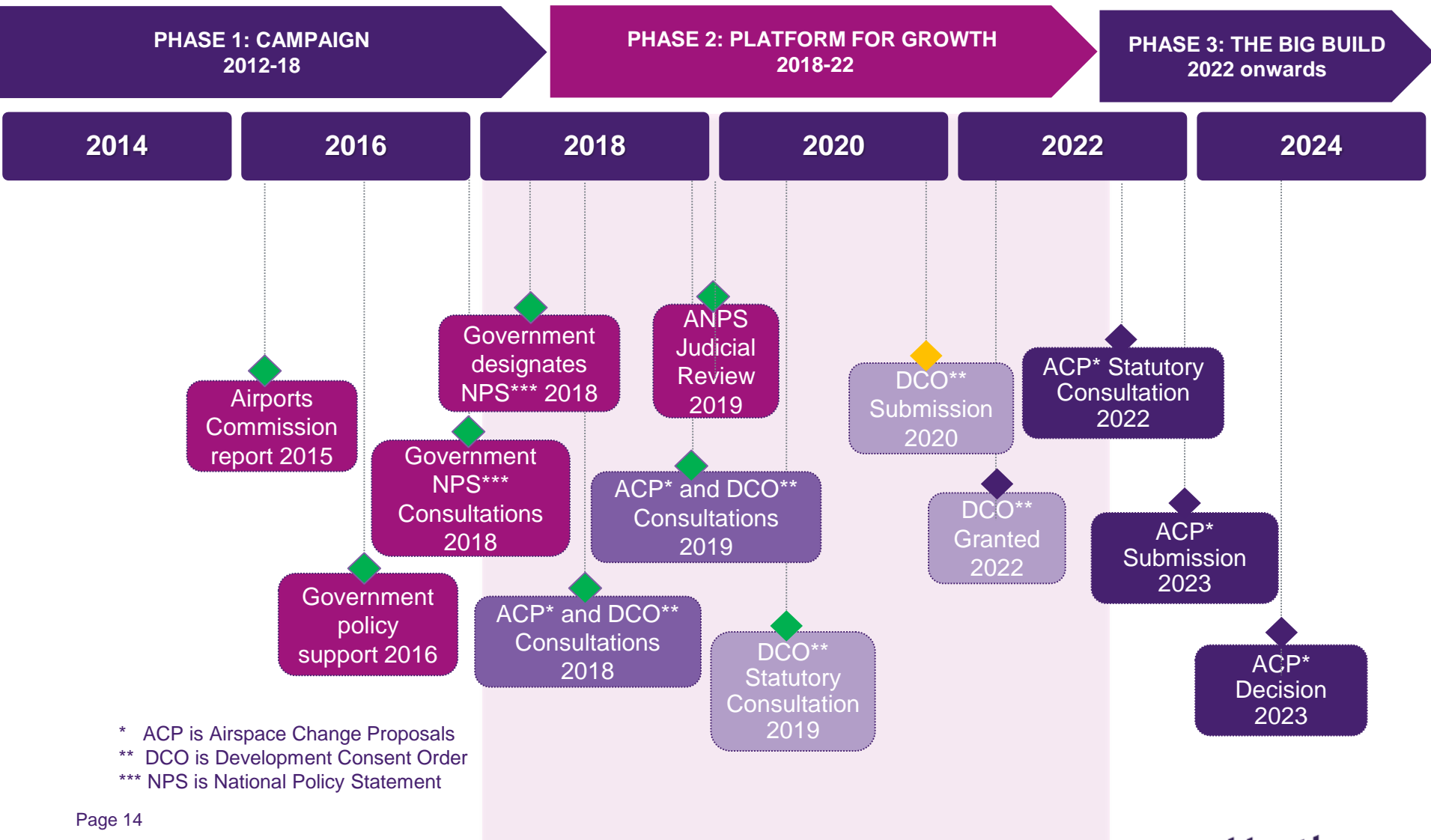
Heathrow Expansion proposal is a new full length runway to the north-west.

Benefits include:

- 10,000 apprenticeships by 2030
- Up to 40,000 new local jobs during construction and operation of the expanded airport
- Supply chain opportunities spread across the UK, including 4 Logistics Hubs
- At least 260,000 additional ATMs
- Up to 40 new long haul trading routes
- 2x current cargo capacity for British exporters
- Economic growth and benefits for UK PLC



Policy and Expansion consenting process



Tangible benefits of an expanded Heathrow materialising

Sustainable

- Environmentally managed growth, with limits based on
 - Noise and Air Quality
 - Surface Access, and
 - Carbon
- New local jobs and further supply chain opportunities spread across the UK, including 4 Logistics Hubs
- Economic growth benefits for UK PLC



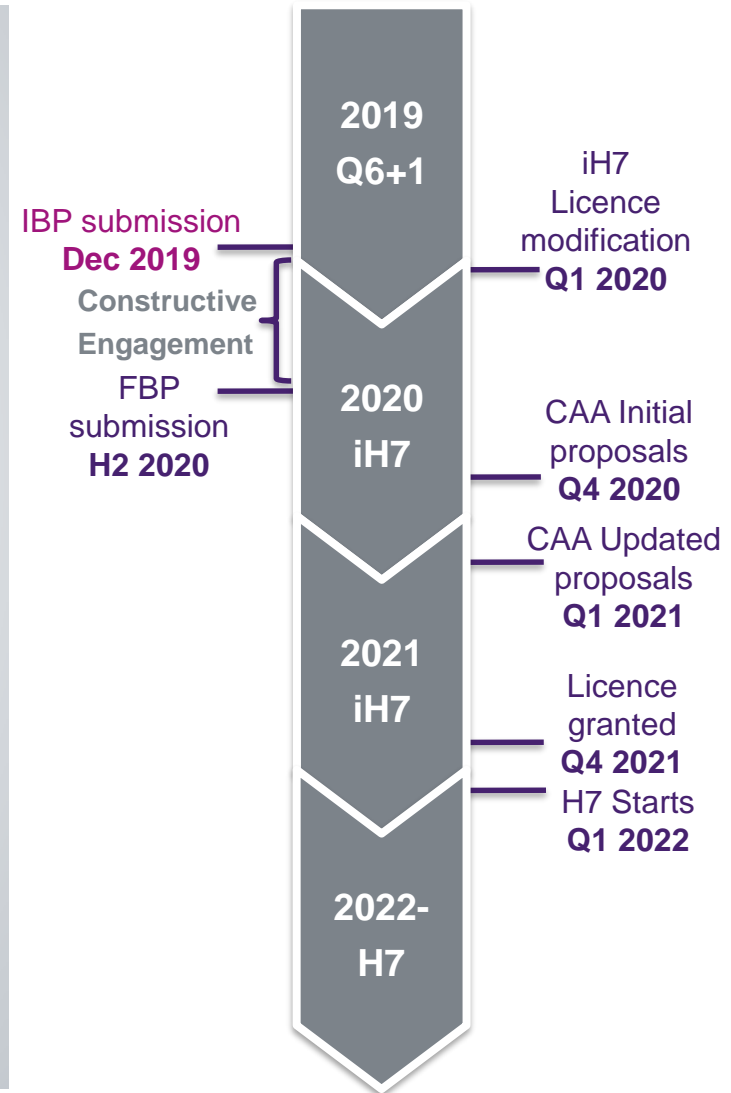
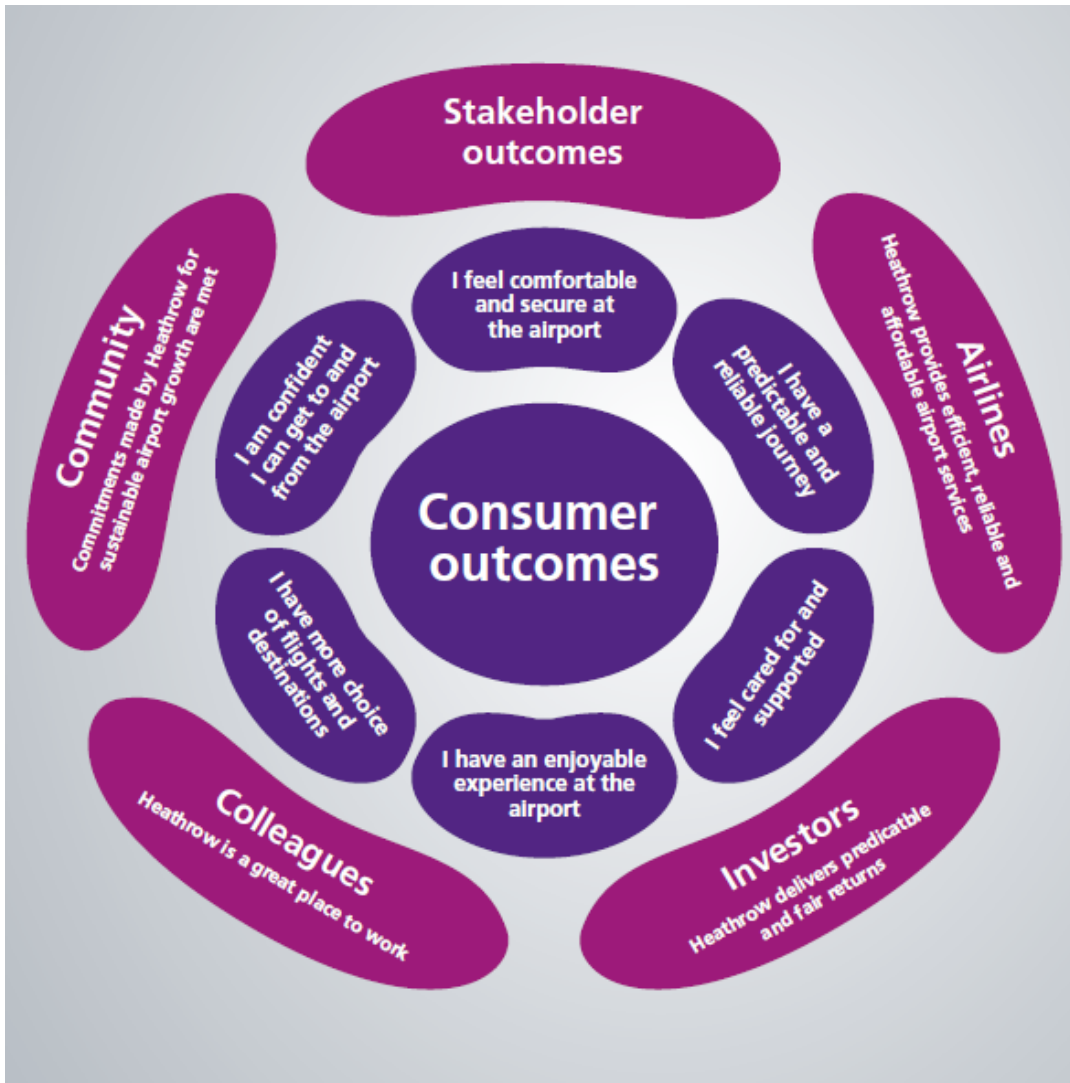
Affordable

- Proposed ATM cap lifted by 25,000 once DCO is granted
- Promote competition between airlines and increase choice of routes
- Phased approach to new terminal capacity
- CAPEX plan out to 2050

Financeable

- Finalise masterplan for summer 2020
- Engage with the CAA to confirm the regulatory framework
- Ongoing engagement with rating agencies to deliver on our investment grade credit rating commitments

Initial Business Plan ('IBP')



Expansion will unlock material reductions in airfares

- Baseline IBP is sustainable, affordable, financeable and deliverable
- We have provided two strategic bookend range options for us to go further, summarised in the table below

	PRIORITISING SAVINGS	PRIORITISING SERVICE
Airfare saving	<ul style="list-style-type: none"> • Short haul; £37 • Long haul; £142 	<ul style="list-style-type: none"> • Short haul; £21 • Long haul; £81
Growth schedule	<ul style="list-style-type: none"> • Runway opens in 2028 - subject to consent and investment conditions • Terminal expansion occurs more quickly, developing T5 and T2/T3 campuses simultaneously 	<ul style="list-style-type: none"> • Runway opens in 2029 - subject to consent and investment conditions • Slower sequential terminal expansion from 2031
Capacity and passenger growth	<ul style="list-style-type: none"> • Slots and ATM capacity released at a faster rate, meaning faster passenger growth, potential different approach to traffic risk sharing 	<ul style="list-style-type: none"> • Slower release of slots and ATMs and slower passenger growth
Service	<ul style="list-style-type: none"> • Basic service investments in key initiatives • Current service levels to be maintained 	<ul style="list-style-type: none"> • Additional service investments of c£500m • Target higher service quality levels
Other developments	<ul style="list-style-type: none"> • Minimal investment in Western Rail and no investment in Southern Rail as per allowance made in M4 exit masterplan • No commercial property development 	<ul style="list-style-type: none"> • Additional contribution to both Western Rail and Southern Rail • Commercial property development
Airport charge* (2022-2036)	£23.81 (2014p) £26.20 (2018p)	£27.19 (2014p) £29.91 (2018p)

IBP delivering for our investors

Maintaining
confidence
from rating
agencies,
debt markets
and
equity
investors

Deliverables

INVESTMENT GRADE CREDIT RATING

Commitment to maintain existing
A- investment grade credit rating

FAIR RETURN

Fair-return taking risks into
account

STABLE REGULATORY FRAMEWORK

Long-term stable regulatory
framework

Financing strategy

LIQUIDITY

increasing liquidity to
support large capital
expenditures and absorb the
variations in expenditure and
volatile access to debt capital
markets

DIVERSIFICATION

establishing strong
positions in global debt markets
to support our large capital
expenditure plans while
maintaining efficient pricing and
reducing costs for consumers

DURATION

focusing on maximizing the
available duration in each market

IBP proposes a fit for purpose evolution to the regulatory framework to ensure the CAA fulfil their duties

BUILDING BLOCK	COMPONENT	RECOMMENDED OPTION
PASSENGER FORECASTS	OVERALL FORECASTS	Subject to performance-based or periodic reset through 15 years
	25K EARLY GROWTH ATMS	Mechanistic adjustment to airport charges when cap is lifted
CAPEX	INCENTIVES AND FRAMEWORK	Development and Core ex-ante milestone triggers set at G3
	RAB INDEXATION	RPI for duration of the settlement
OPEX	GENERAL OPEX	Subject to performance-based or periodic reset through 15 years
COMMERCIAL	GENERAL COMMERCIAL	Subject to performance-based or periodic reset through 15 years
	VEHICLE ACCESS CHARGES	Income in single till with options to mitigate risk
SERVICE QUALITY	INCENTIVES	Outcomes based targets building on SQRB with potential for ongoing evolution over 15 years
WACC	COST OF DEBT	Debt indexation for new debt and defined allowance for embedded debt
	COST OF EQUITY	Fixed for 2022-2036 Explicit Expansion Risk Premium based on additional risks, confirmed once expansion triggered
	FINANCIAL STRUCTURE	60/40% Debt to Equity notional fixed to 2036
	TAX	Based on notional structure, updated for corporation tax
ALTERNATIVE MECHANISMS	COMMERCIAL DEAL	Supported to supplement regulatory framework and promote growth
	INNOVATION PARTNERSHIPS	Included to drive efficiency and service innovation for an integrated hub airport
	COMMERCIAL PROPERTY	Options to develop ancillary facilities over longer term period

Indicates key changes to standard approach



Sustainable growth

Heathrow 2.0



A GREAT PLACE
TO WORK



A GREAT PLACE
TO LIVE



A THRIVING
SUSTAINABLE
ECONOMY



A WORLD WORTH
TRAVELLING

Heathrow 2.0 – 2018 achievements

A GREAT PLACE TO WORK

GENDER PAY GAP REDUCED from 6.53% in 2017 to 0.56% in 2018

159 APPRENTICESHIP starts through the Heathrow Academy

604 SENIOR MANAGERS trained on sustainability to date

RESPONDED TO RECOMMENDATIONS made by the Heathrow Skills Taskforce and launched a new Shared Apprenticeship scheme

A GREAT PLACE TO LIVE

OVER 100 ELECTRIC VEHICLE CHARGING POINTS now installed

72 ELECTRIC AND PLUG-IN HYBRID VEHICLES now in our fleet

60% of movements by aircraft **IN THE QUIETEST CATEGORY**

RECEIVED THE WILDLIFE TRUST'S BIODIVERSITY BENCHMARK for the 11th year

A THRIVING SUSTAINABLE ECONOMY

TENS OF MILLIONS OF POUNDS IN DEALS SECURED by small and medium businesses attending our business summits to date

CELEBRATED OUR SECOND YEAR AS AN ACCREDITED LIVING WAGE EMPLOYER and published a plan to ensure all of our direct suppliers also guarantee the Living Wage

ACHIEVED LEVEL 3 CARBON TRUST SUPPLY CHAIN ACCREDITATION, one of only three companies to do so

A WORLD WORTH TRAVELLING

TERMINAL 2 NOW POWERED ENTIRELY BY RENEWABLE ENERGY (gas, biomass and electricity), and 100% renewable electricity across the airport since 2017

70 HECTARES OF ENGLISH PEATLAND RESTORED with the Lancashire Wildlife Trust, through a £94,000 investment match funded by the UK Government

CARBON NEUTRAL GROWTH ROADMAP published
HELD FIRST TEAM HEATHROW FORUM to tackle illegal wildlife trafficking, followed by a passenger awareness campaign with the UN Environment Programme



Focus on the Carbon Neutral Growth Roadmap

Initiatives in the air

- Providing **incentives to fuel-efficient and lower carbon planes**
- Exploring policies that price carbon while contributing to the goal of fair and equitable access to air travel for all

1 Aircraft Technology

- Reduced landing fee incentive for quieter, less polluting aircraft – less than 0.1% of movements at Heathrow operated by highest noise category aircraft
- A year's free landing for the first electric aircraft to operate commercially-viable flight from Heathrow

2 Airspace and Operations

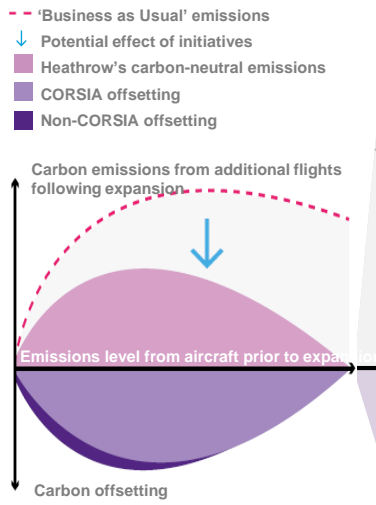
- Supply plug-in power at every plane stand and plug-in air conditioning at over half the plane stands, reducing need for aircraft to keep engines running
- Working with infrastructure providers towards making Heathrow ready for the arrival of electric aircraft

3 Sustainable Fuels

- One of first flights powered by alternative jet fuel took off from Heathrow in 2008, a Virgin Atlantic flight powered by a 20% blend of biofuel & regular jet fuel
- Providing in-kind support to sustainable fuel projects by Virgin Atlantic and Lanzatech

4 Carbon Pricing and Offsetting

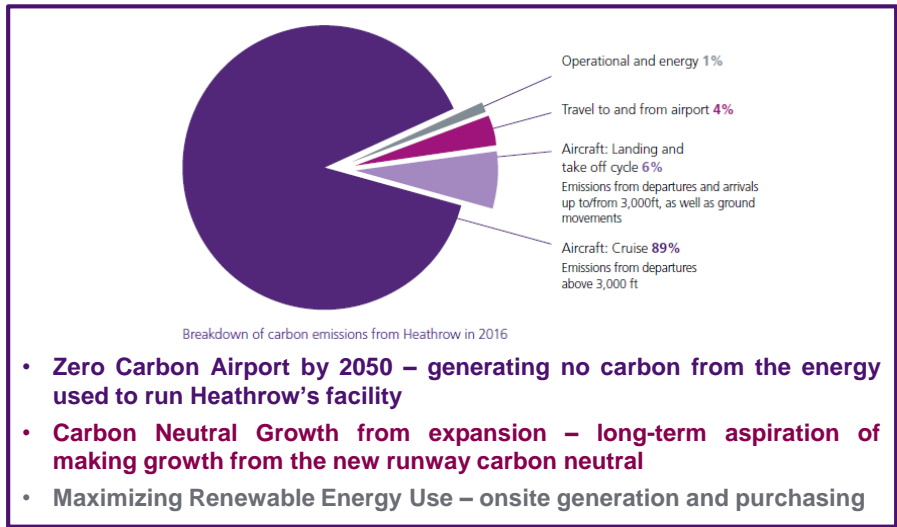
- Funded a project to restore 70 hectares of Peatland
- Corsia – the world's first sector-wide market-based measure for offsetting the growth in aviation emissions

Initiatives on the ground

- Powering Heathrow with **100% renewable energy**, including on-site generation
- Converting the **entire HAL fleet of cars and vans to electric or plug-in hybrid** by 2020
- Developing **the infrastructure for EVs** driven by passengers and colleagues
- Subsidising local public transport; running the largest car sharing scheme in Europe
- Working with local partners to establish safe **cycle routes** to and from local boroughs

Components of Heathrow's Carbon Neutral Growth



Goal: To become a Zero Carbon Airport by 2050 – generating no carbon from the energy used to run Heathrow's facility

Note: Also investing in water efficiency measures and eliminating industrial water demand and working with Partners to retain the Wildlife Trust Biodiversity Benchmark

Social Dimension of the Strategy

Noise Pollution

2019-2023 Noise Action Framework

Quieter Planes	Quieter Procedures	Land-use planning and mitigation	Operating restrictions and voluntary measures	Working with local communities
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Progress since 2013 Noise Action Plan

- **Fly Quiet and Green** league table incentivising airlines to use their quietest aircraft and continually improving operational practices.
- Almost **no Chapter 3 (noisiest) aircraft** at Heathrow, with Chapter 14 (quietest) aircraft accounting for 60.8% of movements
- Reduction in the number of **late running departures**
- **52 new noise monitors** with a direct data feed to WebTrak flight information
- **xPlane web tool** enabling community members to analyse overhead flights by aircraft type, movement type and height
- Improving **transparency on disruptions** and flight track performance via WebTrak features, which now include a rainfall map layer and the introduction of a Noise Preferential Route map layer
- Trials of **steeper climb, slightly steeper approaches** and the detection of landing gear deployment
- Improved **ventilation facilities at local schools**
- Establishment of the **Heathrow Strategic Noise Advisory Group** and the **Heathrow Community Noise Forum**, bringing together industry and local stakeholders to shape Heathrow's noise management approach

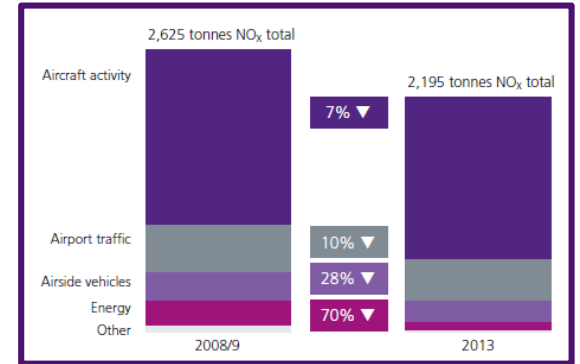
2019 – 2023 Key Performance Indicators

Overall Performance (area of noise contours)				
Quieter Planes	Quieter Procedures	Sound Insulation	Night Flights	Communities
Noise Action Plan Progress (% actions on track)				

Air Quality

Progress on Reducing Emissions

- Heathrow has a **strong track-record in reducing emissions from airport operations**, with our first Air Quality Strategy (AQS) published in 2002 and updated in 2007, 2011 and 2018
- Our current Emissions Strategy & Action Plan (published in 2018) is designed to **complement the measures being implemented by the local authorities in the area surrounding Heathrow, the Mayor of London's Air Quality Strategy and national initiatives**
- Heathrow's Emissions Strategy (as well as previous AQS's) is produced to **reflect the latest understanding of Heathrow's emissions**, as well as **emerging technologies and best practice**
- 2013 Emissions Inventory showed that the implementation of the AQS led to a **430 tonne (16%) reduction** in annual emissions of NO_x from ground-based sources since 2008/09



How Heathrow is Reducing Emissions

All Heathrow cars and vans to be EV or Hybrid by 2020	Improving taxiing efficiency	Modernising to low NO _x boilers	Infrastructure to reduce emissions at gates
EV charging infrastructure for Colleagues and Passengers	Setting up emission zones and standards	Consolidating freight and sharing space on trucks	Discounted public transport and car share scheme
Investment in rail connections	Airside EV charging infrastructure	Clean Vehicles Partnership	NO _x -based landing charges

Social Dimension of the Strategy

Social Initiatives Are Directly Aimed at Goals for the The First Three Stakeholder Groups

Selected Key Social Targets

Focus Areas	Target	Measure Outcomes
Education & Apprenticeships	<ul style="list-style-type: none"> Facilitate 10,000 apprenticeships by 2030 across Heathrow's direct operations, supply chain and Team Heathrow companies to help people develop skilled and sustainable careers Increase number of local people completing accredited employability programme to 1,600 by 2020 Increase people helped by the Heathrow Academy into employment at Heathrow to 2,000, of which 80% secure sustained employment (over six months) by 2020 Provide strategic advice on developing employment and skills for local community and supply chain 	<ul style="list-style-type: none"> Number of local people completing Heathrow Academy's programme Number of people helped into employment at Heathrow Number of people in sustained employment (over six months) Number of institutions/individuals receiving advice
Living Wage	<ul style="list-style-type: none"> Heathrow published a roadmap in 2017 that sets out how we can help transition our supply chain employees, working at Heathrow Airport, to be paid the London Living Wage 	<ul style="list-style-type: none"> % of supply chain employees at Heathrow paid a London Living Wage
Diversity	<ul style="list-style-type: none"> 100% strategic suppliers meet our diversity and inclusion requirements by 2020 	<ul style="list-style-type: none"> % of suppliers meeting D&I requirements
Human Trafficking	<ul style="list-style-type: none"> In 2017 Heathrow introduced new due diligence processes which focus on identifying the parts of our supply chain that present the greatest risk; and tackling slavery and trafficking risk in the supply chain All assessed strategic suppliers registered on external auditing software tool 	<ul style="list-style-type: none"> % suppliers / strategic suppliers registered on external auditing software tool
Small and Medium sized Enterprises	<ul style="list-style-type: none"> Establish a process to promote sustainable products (including ingredients) and services to retail business partners by the end of 2018 Establish a grant programme offering awards of up to £2k for SMEs to spend on travel to help them reach new markets The grant for trade missions has a maximum spend of £50k per annum 	<ul style="list-style-type: none"> Number of sustainable products on offer to passengers per year Total number of SMEs and SEs awarded a grant each year Awards per UK region

Governance of Sustainability & Environment



**LEADERSHIP
AND OVERSIGHT**

- Board and Sustainability & Operational Risk Committee
- Executive Committee
- Sustainability Leadership Team



**SUSTAINABILITY
EXPERTISE**

- Sustainability & Environment – subject matter experts
- Sustainability Business Partners
- Heathrow 2.0 Advisory Group



**EMBEDDING SUSTAINABILITY
IN OUR FUNCTIONS**

- Sustainability Leads
- Sustainability Ambassadors Network
- Sustainability Champions

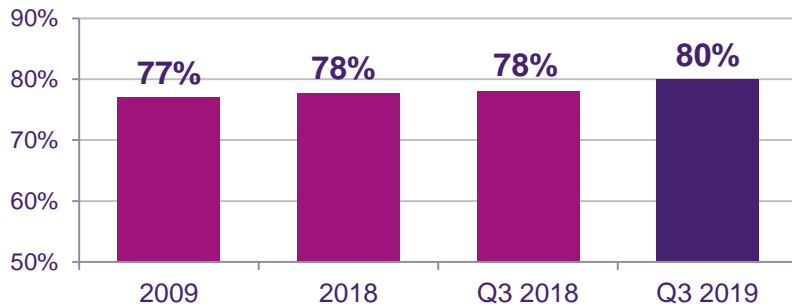


Recent trading and performance update

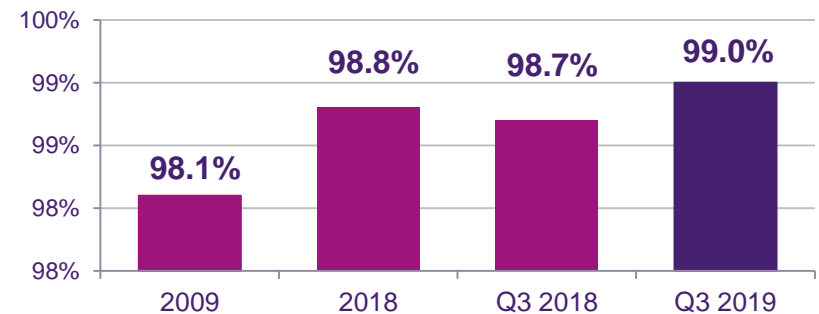
Record service standards complementing record traffic



Departures
within 15 minutes of schedule



Baggage performance
connection rate per 1,000 passengers



Strong performance in 9M 2019

(£ million)	9M 2018	9M 2019	Versus 9M 2018
Revenue	2,211	2,302	4.1%
Operating costs*	(839)	(880)	4.9%
Adjusted EBITDA*	1,372	1,422	3.6%
Capital expenditure	590	649	10.0%

	Dec 2018	Sep 2019	Versus 31 Dec 2018
Consolidated nominal net debt			
Heathrow (SP)	12,407	12,844	3.5%
Heathrow Finance	13,980	14,75	1.4%
RAB	16,200	16,529	2.0%

- Strong service standards while handling record traffic
- Record traffic driven by higher load factors, larger aircraft and more flights
- Retail income per passenger up 2.3%
- Continued focus on efficiency of existing operations whilst investing in service, resilience and growth
- Liquidity horizon extended to May 2021

*Excluding the impact of IFRS16 to ease comparability (£37 million of operating costs reclassified to below EBITDA in 2019)



Appendix

iH7 - Commercial Airline Deal

- iH7 is the period from the end of Q6 in 2018 to the start of H7 in January 2022
- Our economic licence was extended by one year to 31 December 2019, rolling over the current price control conditions of RPI-1.5% for the additional year. The CAA recently announced a further extension to our economic licence through to the end of 2021 on the basis of the commercial agreement
- The commercial agreement is built around rebates overlaid on an extension of the existing RPI-1.5% price path and regulatory framework.
- The commercial deal has been agreed with airlines as follows:
 - 'Fixed' rebate of £260 million to all airlines
 - Up to the first £50 million is accrued in 2019 with the remainder accrued in 2020 and 2021
 - Payment of the fixed rebate to be spread over 4 years from accrual
 - Additional volume based rebates if volumes increase above certain levels and protections if traffic falls below certain thresholds
- Benefits
 - Allows all parties to focus on H7
 - Lenders continue to benefit from all existing regulatory protections
 - Provides Heathrow with downside protection if traffic reduces as there will be an immediate rebate adjustment
 - Lower prices for airlines and faster monetisation of the rebate for consumers

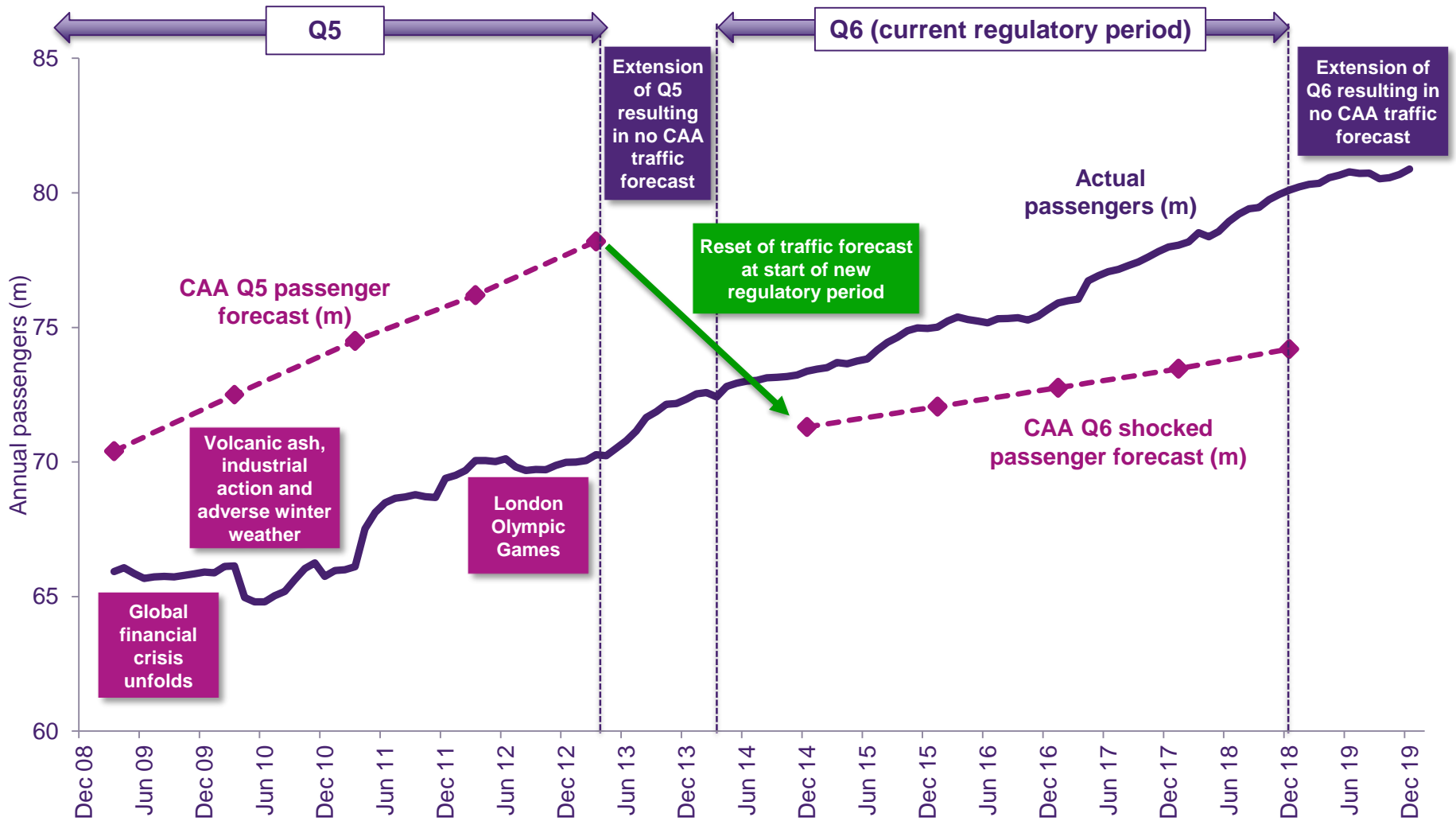
Expansion – Initial Business Plan ('IBP')

The below tables detail analysis based on the Price Control Model 'PCM' modelling accompanying the plan. This is expected to require additional equity of approximately £3.8 billion or £1.1 billion net equity. From 2022 onwards, we forecast issuing around £3 billion of new debt each year.

Prioritising Savings	(2018p)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Opening RAB	£m	17,378	19,681	22,886	26,436	29,466	31,793	33,830	35,419	36,177	36,461	36,598	36,244	36,019	36,061	36,357
Capex	£m	3,175	4,077	4,399	3,881	3,307	3,020	2,525	1,762	1,390	1,348	880	1,057	1,318	1,562	997
Depreciation	£m	(872)	(872)	(848)	(851)	(980)	(984)	(935)	(1,004)	(1,106)	(1,211)	(1,235)	(1,282)	(1,275)	(1,265)	(1,353)
Closing RAB	£m	19,681	22,886	26,436	29,466	31,793	33,830	35,419	36,177	36,461	36,598	36,244	36,019	36,061	36,357	36,002
Return on RAB	£m	1,134	1,305	1,512	1,713	1,877	1,870	1,973	2,040	2,069	2,081	2,016	2,000	1,995	2,004	2,002
Operating costs	£m	(1,250)	(1,266)	(1,273)	(1,272)	(1,333)	(1,325)	(1,349)	(1,326)	(1,421)	(1,461)	(1,439)	(1,518)	(1,487)	(1,482)	(1,475)
Commercial revenue	£m	1,344	1,350	1,349	1,345	1,584	1,576	1,640	1,595	1,674	1,743	1,796	1,860	1,902	1,936	1,969
WACC	%	6.1%	6.1%	6.1%	6.1%	6.1%	5.7%	5.7%	5.7%	5.7%	5.7%	5.5%	5.5%	5.5%	5.5%	5.5%
Passengers	m	84.1	85.6	86.4	87.0	87.8	88.4	93.5	98.5	103.5	107.9	112.3	115.8	118.9	121.3	123.7
Est. yield per pax	£	23.2	24.7	26.3	27.9	29.7	29.2	28.8	28.3	27.9	27.5	26.4	25.3	24.3	23.3	22.3

Prioritising Service	(2018p)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Opening RAB	£m	17,370	19,616	22,410	25,833	29,531	31,766	33,795	35,458	36,752	37,524	38,032	38,188	37,887	38,179	38,530
Capex	£m	3,118	3,666	4,293	4,568	3,203	3,140	2,676	2,330	1,908	1,779	1,533	1,112	1,681	1,802	1,633
Depreciation	£m	(872)	(872)	(870)	(871)	(968)	(1,110)	(1,013)	(1,036)	(1,136)	(1,271)	(1,378)	(1,412)	(1,389)	(1,451)	(1,545)
Closing RAB	£m	19,616	22,410	25,833	29,531	31,766	33,795	35,458	36,752	37,524	38,032	38,188	37,887	38,179	38,530	38,618
Return on RAB	£m	1,131	1,288	1,479	1,697	1,878	1,868	1,973	2,058	2,116	2,152	2,109	2,105	2,105	2,123	2,135
Operating costs	£m	(1,265)	(1,287)	(1,296)	(1,295)	(1,355)	(1,346)	(1,339)	(1,295)	(1,311)	(1,379)	(1,359)	(1,442)	(1,417)	(1,499)	(1,469)
Commercial revenue	£m	1,330	1,338	1,341	1,339	1,573	1,566	1,572	1,490	1,530	1,598	1,653	1,726	1,778	1,846	1,892
WACC	%	6.1%	6.1%	6.1%	6.1%	6.1%	5.7%	5.7%	5.7%	5.7%	5.7%	5.5%	5.5%	5.5%	5.5%	5.5%
Passengers	m	82.32	83.96	85.04	85.76	86.31	86.81	87.24	87.65	91.67	95.57	99.70	103.87	107.92	111.77	115.19
Est. yield per pax	£	23.4	25.2	27.0	29.0	31.0	31.5	32.1	32.6	33.1	33.7	32.3	31.1	29.8	28.6	27.5

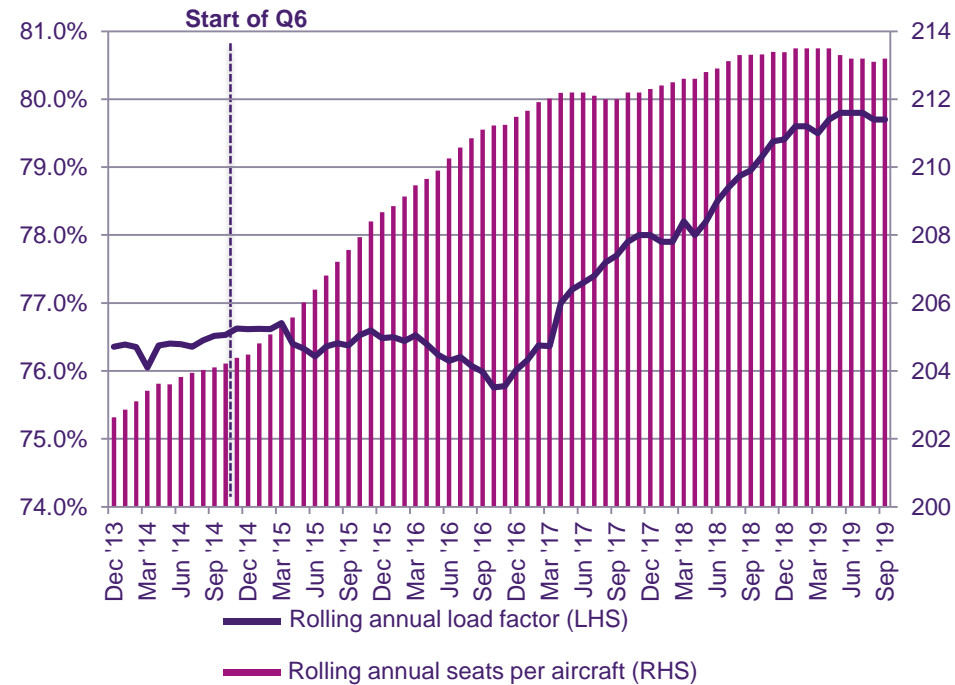
Traffic outperformance in Q6



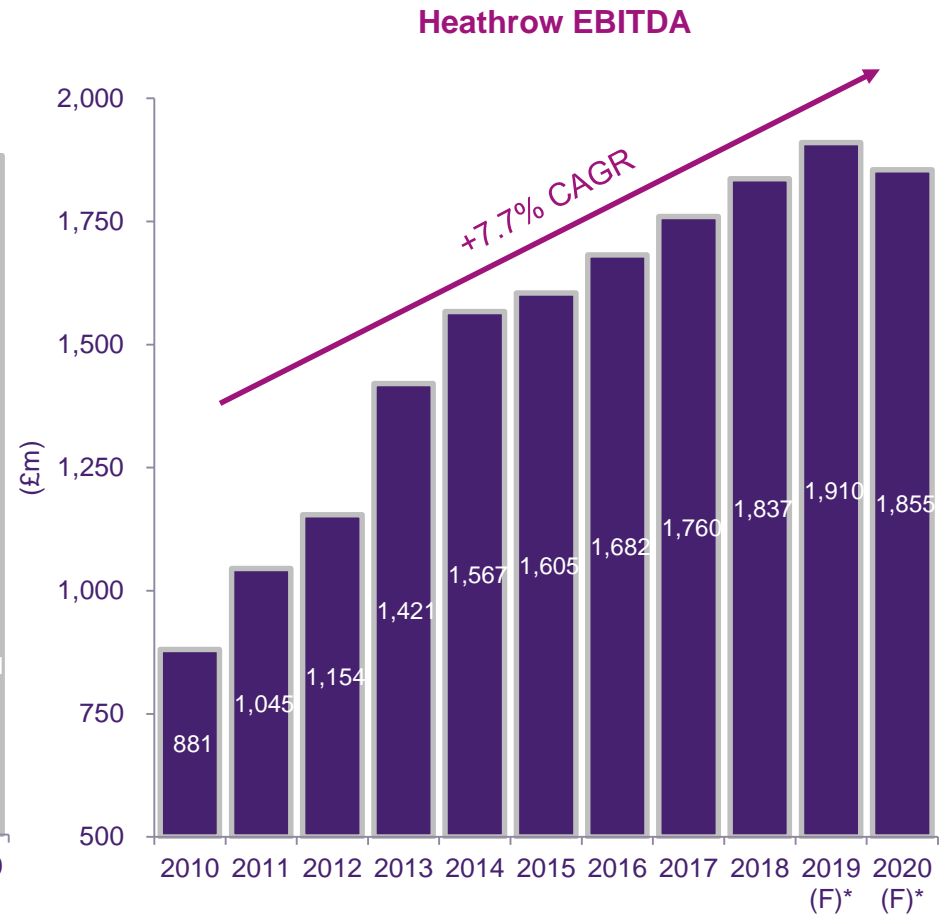
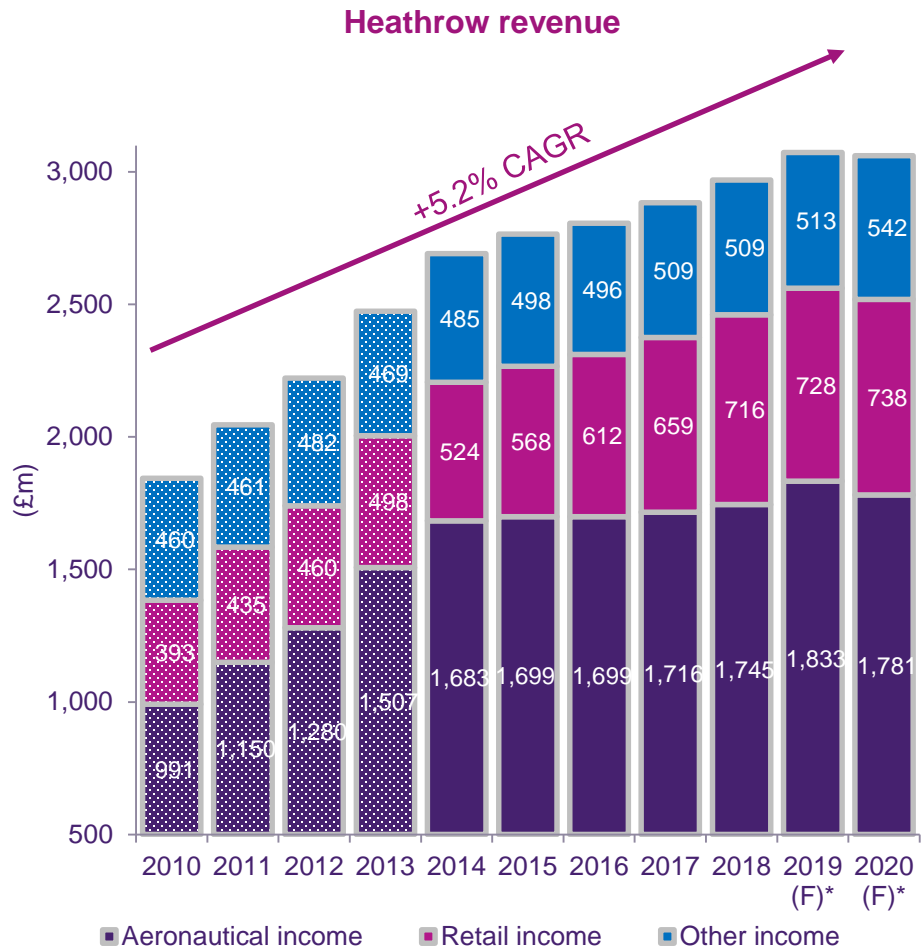
No shocks, benign macro environment, increasing seat capacity and recent boost from rising load factors in Q6

- Seat capacity increases based on larger aircraft (e.g. A380) and British Airways short haul fleet seat densification
- Buoyant traffic in 2017 driven by record load factors
 - driven by UK inbound demand, particularly intercontinental in Middle East and Asia Pacific
 - further capacity increases possible, e.g. British Airways' planned long haul seat densification
- 2018 exceeds 80 million passengers
 - additional flights and strong load factors
- Strong growth continued into 2019 with 80.9 million passengers
 - 9 consecutive years of passenger growth

Heathrow load factor/aircraft size trends (2013-2019)



Long term financial track record and resilience of a critical global transport infrastructure business



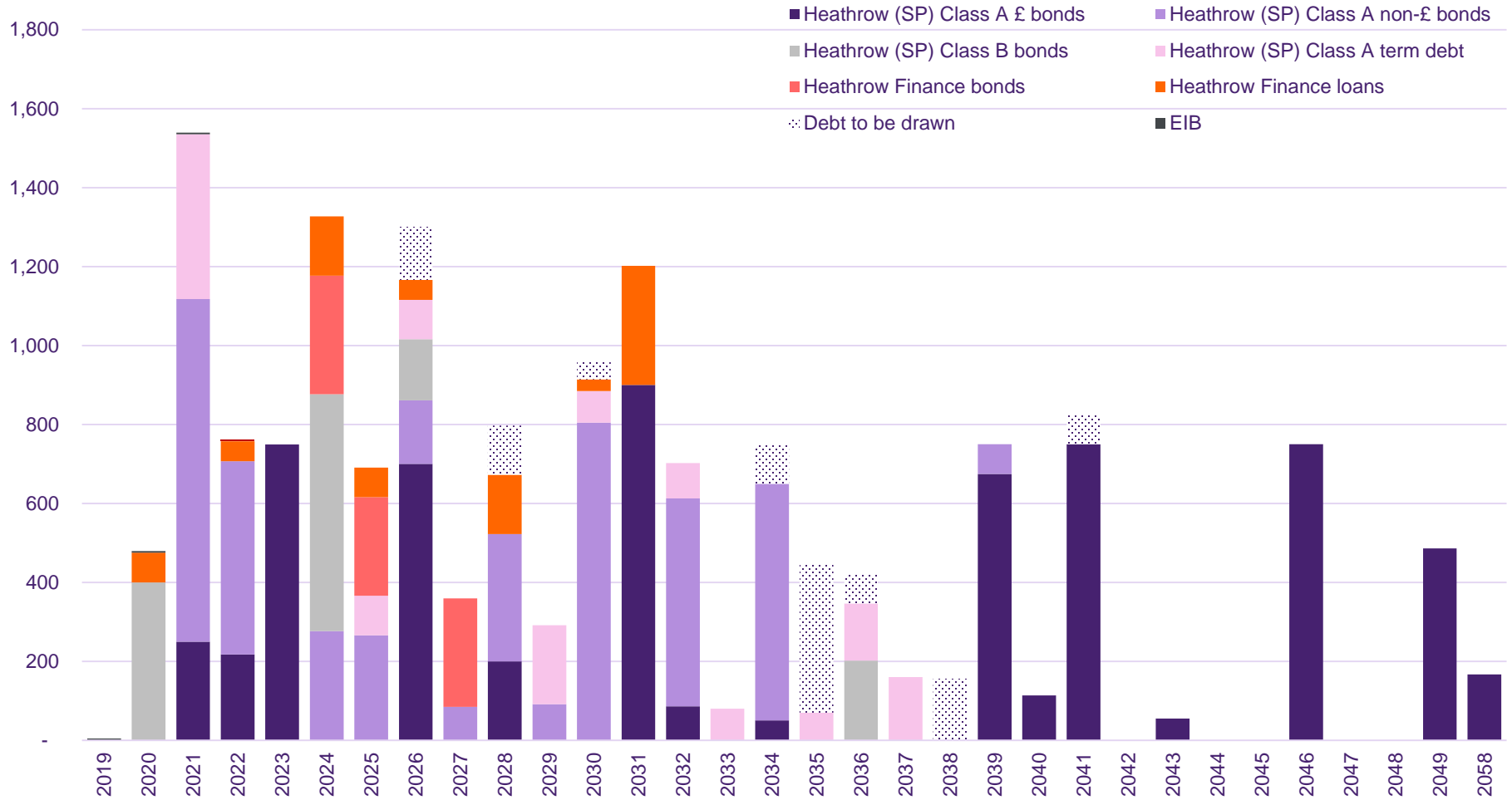
*2019 and 2020 forecast figures exclude the Brexit contingency of £9m and £5m respectively

See page 38 for notes, sources and defined terms

Robust stable financial ratios

As at or for year ended 31 December	Trigger / covenant	2013 (actual)	2014 (actual)	2015 (actual)	2016 (actual)	2017 (actual)	2018 (actual)	2019 (f'cast)	2020 (f'cast)
RAR: Regulatory Asset Ratio (Net debt/RAB)									
Heathrow (SP) Class A RAR	70%/72.5%	67.6%	68.0%	67.5%	66.7%	67.3%	68.2%	66.0%	60.9%
Heathrow (SP) Class B RAR	82.0%/85.0%	77.2%	78.4%	78.7%	78.2%	78.4%	76.6%	74.0%	69.0%
Heathrow Finance RAR	92.5%	82.4%	84.5%	84.9%	85.4%	86.6%	86.3%	85.8%	84.5%
Gearing ratios (Net debt/Adjusted EBITDA)									
Heathrow (SP) Class A gearing		6.9x	6.4x	6.3x	6.0x	6.0x	6.0x	5.8x	5.8x
Heathrow (SP) Class B gearing		7.9x	7.4x	7.3x	7.1x	7.0x	6.8x	6.5x	6.6x
Heathrow Finance gearing		8.5x	8.0x	7.9x	7.7x	7.8x	7.6x	7.6x	8.1x
ICR: Interest Cover Ratio									
Heathrow (SP) Class A ICR	1.40x	3.08x	2.98x	2.90x	3.12x	3.47x	3.72x	3.79x	3.98x
Heathrow (SP) Class B ICR	1.20x	2.43x	2.43x	2.36x	2.50x	2.76x	2.94x	3.16x	3.27x
Heathrow Finance ICR	1.00x	2.22x	2.23x	2.12x	2.25x	2.48x	2.62x	2.69x	2.66x

Debt maturity profile at 30 September 2019



Notes, sources and defined terms

- Page 6
 - Source of market size: Airport IS data December 2018. Source of airport rankings: ACI report, December 2018
 - Number of top 10 intercontinental routes involving Heathrow is sourced from OAG and based on available seats on non stop flights over 2,200 nautical miles for 2018
- Page 7
 - ATM: air transport movement
 - Low capacity utilisation in 2010 reflects primarily closure of air space due to ash from Icelandic volcano (April 2010) and disruption from severe winter weather (December 2010)
 - Proportion of long haul traffic as at 31 December 2018 sourced from companies websites
- Page 9
 - Heathrow Airport Limited has a wholly-owned subsidiary, Heathrow Express Operating Company Limited that sits within the ring-fenced financing structure
- Page 10
 - 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
 - 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 28
 - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI); survey scores range from 1 up to 5
- Page 29
 - Operating costs refer to Adjusted operating costs which exclude depreciation, amortisation and exceptional items
 - Adjusted EBITDA: earnings before interest, tax, depreciation, amortisation, certain re-measurements 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
 - Liquidity horizon takes into account payment of forecast capital investment, debt maturities, interest and distributions
- Page 35
 - EBITDA: Heathrow only (i.e. excludes Gatwick and Stansted) earnings before interest, tax, depreciation and amortisation, certain re-measurements and exceptional items
 - Other income: income from operational facilities and provision of utilities; rail income and property rental
 - Revenue figures prior to 2013 in different shading to reflect different categorisation of revenue between aeronautical, retail and other income; this does not impact total revenues
 - 2019 forecasts consistent with guidance published in Heathrow (SP) Investor Report released on released on 20 December 2019
- Page 36
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation, certain re-measurements and exceptional items
 - See notes to page 10 above regarding definitions and notes on RAR and ICR
 - 2019 forecasts consistent with guidance published in Heathrow (SP) Investor Report released on released on 20 December 2019

Heathrow