



Heathrow

# HEATHROW (SP) LIMITED AND HEATHROW FINANCE PLC

Investor Report June 2021

11 June 2021

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This Investor Report summarises the financial performance of Heathrow (SP) and its subsidiaries (the 'Group') for the period to 31 March 2021 and its passenger traffic for the period to 31 May 2021. It also contains forecast financial information derived from current management forecasts for the 'Group' for the whole of 2021.

Defined terms used in this document (other than in Appendix 6) have the same meanings as set out in the Master Definitions Agreement unless otherwise stated. Defined terms in Appendix 6 have the same meanings as set out either in the Master Definitions Agreement or in Heathrow Finance's facilities agreements and bond terms and conditions.

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# 1. OVERVIEW

This report sets out the actual and forecast financial performance and ratios for Heathrow (SP) in 2020 and 2021 respectively, together with key business updates. Additional information specific to Heathrow Finance is set out in Appendix 6.

Over a year after COVID-19 was declared a pandemic, the impacts on the aviation industry remain dramatic, including at Heathrow. Progress in vaccination rollouts and testing technologies coupled with lower infection rates both in the UK and abroad have enabled governments to start easing travel restrictions. In the UK, the government took a risk-based approach allowing international travel to partially resume from 17 May 2021. Countries have been allocated to three categories – green, amber and red – depending on their vaccination rate, infection rate and emergence of variants of concern. Health screening requirements for passengers travelling to these countries vary depending on which category a country is allocated to. At the time of publication, only 11 countries have been categorised as green, the lowest risk level, meaning that air travel remains significantly constrained. While the traffic light system resulted in a widely reported surge in bookings, further evidencing pent-up demand for travel, the path and speed of the recovery remain uncertain and largely dependent on government policy.

In late April, we revised our 2021 traffic outlook from our December 2020 guidance of 37.1m passengers to a range going from 13m to 36m passengers. Since then, we have further updated our forecast to factor in the ongoing political caution around border controls and the expected gradual addition of countries to the UK government's green list over the balance of the year. Our updated base case is that 21.5m passengers are forecasted to travel through Heathrow in 2021, representing a 2.7% decline compared to 2020 but a dramatic 73.4% decline vs. 2019. The 15.6m reduction in passengers compared to our December 2020 guidance reflects the impact of five months of significant travel restrictions and cautious gradual reopening now expected during the months ahead.

Despite a decline in passengers compared to 2020, our 2021 Adjusted EBITDA is expected to increase 23% to £332m, driven by the annualised benefit of cost reduction initiatives implemented in 2020, as well as management actions taken to optimise revenue. Prudent financing action has increased liquidity to c.£5bn of cash as at 31 May 2021, sufficient to meet all obligations into 2025 under our current base case traffic forecast or until October 2022 in the extreme no revenue scenario.

Our RAB is forecast to be £16.8bn at the end of 2021 compared to £19.4bn published in the December 2020 Investor Report. This includes the immediate interim RAB adjustment of £300m confirmed by the CAA in April. We will continue engaging with the regulator on this matter as part of our H7 settlement as we believe our proposed £2.5bn RAB adjustment will provide the best outcome for consumers. While compliance with our financial covenants is not dependent on the RAB adjustment, it is critical that the CAA demonstrates the good functioning of regulatory principles and protections and addresses the current imbalance of risk and reward for investors. This will in turn ensure that investment can be maintained to deliver appropriate service and resilience levels and that charges can be kept lower than they would be otherwise.

As at the date of this report, a Forecasting Event and a Trigger Event have occurred and are continuing in relation to the historic ICR for senior and junior debt for the year ended 31 December 2020. This means that a distribution lock-up will remain in place during 2021, despite forecast ICR for senior and junior debt expected to be above the trigger event levels for the year ended 31 December 2021. The distribution lock up prevents cash from leaving the Heathrow SP Group and provides additional protection to Heathrow SP creditors. We expect the Trigger Event to be remedied by mid 2022 under our base case scenario. Heathrow secured a waiver from Heathrow Finance's creditors in July 2020. As a result, Heathrow Finance's ICR covenant was waived for 2020. In addition, Heathrow Finance's RAR covenant was revised from 92.5% to 95% in 2020 and 93.5% in 2021. We forecast no covenant breach at Heathrow Finance under our base case scenario however the headroom to our ICR covenant is expected to be limited given ongoing pressures on our cashflow generation.

We also stress tested the financial covenants of the 13 million passenger scenario – the bottom end of the range disclosed in our Q1 results, severe but plausible – and demonstrate that even in this severe stressed case no covenant breach occurs at Heathrow (SP) or with Heathrow Finance gearing ratios. However, in that case, a breach of Heathrow Finance's ICR covenant would likely occur. Please refer to appendices 2, 3 and 6 for more details.

## 2020 and 2021 financial performance

(£m unless stated)	2020 (A)	2021 (F)	Trigger / Forecasting Event
<b>Summary financials</b>			
Revenue	1,175	1,210	
Adjusted EBITDA <sup>(1)</sup>	270	332	
Adjusted Cashflow from operations <sup>(2)</sup>	30	588	
Regulatory Asset Base (RAB)	16,492	16,791	
<b>Nominal net debt</b>			
Senior net debt	11,280	11,227	
Junior net debt	1,851	2,020	
<b>Consolidated net debt</b>	<b>13,131</b>	<b>13,247</b>	
<b>Interest paid</b>			
Senior interest paid	461	11	
Junior interest paid	78	60	
<b>Total interest paid</b>	<b>539</b>	<b>71</b>	
<b>Ratios<sup>(3)</sup></b>			
Senior(Class A) RAR	68.4%	66.9%	72.5% / 72.5%
Junior (Class B) RAR	79.6%	78.9%	85.0% / 85.0%
Senior(Class A) ICR	-0.50x	22.79x	1.40x / 1.60x
Junior (Class B) ICR	-0.43x	3.54x	1.20x / 1.40x
(£m unless stated)	2020 (A)	2021 (F)	Covenant
<b>Heathrow Finance</b>			
Borrower net debt	1,989	2,106	
<b>Group net debt</b>	<b>15,120</b>	<b>15,353</b>	
Borrower interest paid	99	116	
<b>Group interest paid</b>	<b>638</b>	<b>187</b>	
Group RAR <sup>(3)(4)</sup>	91.7%	91.4%	95%/93.5%
Group ICR <sup>(3)</sup>	-0.36x	1.35x	1.00x

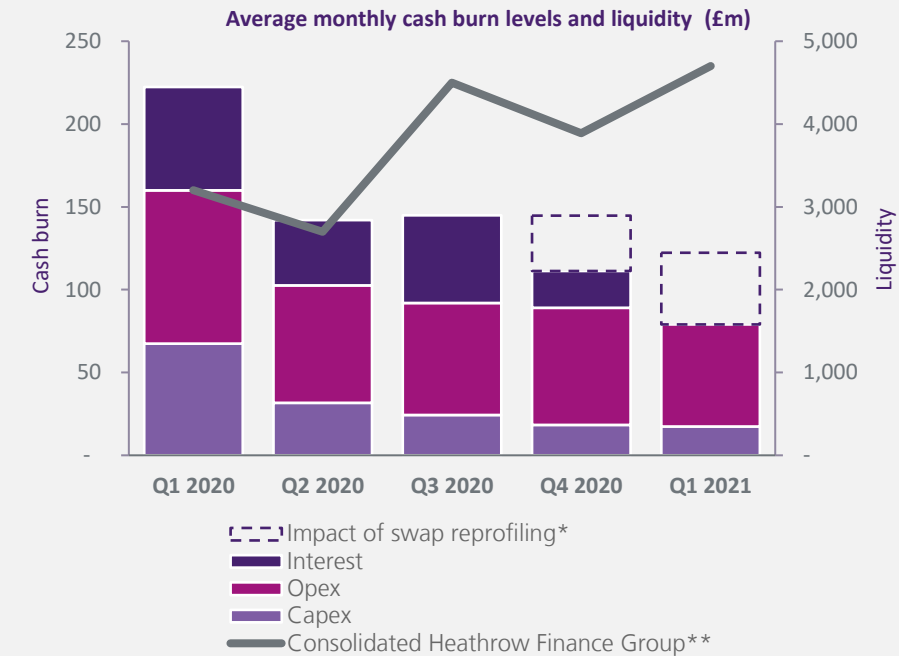
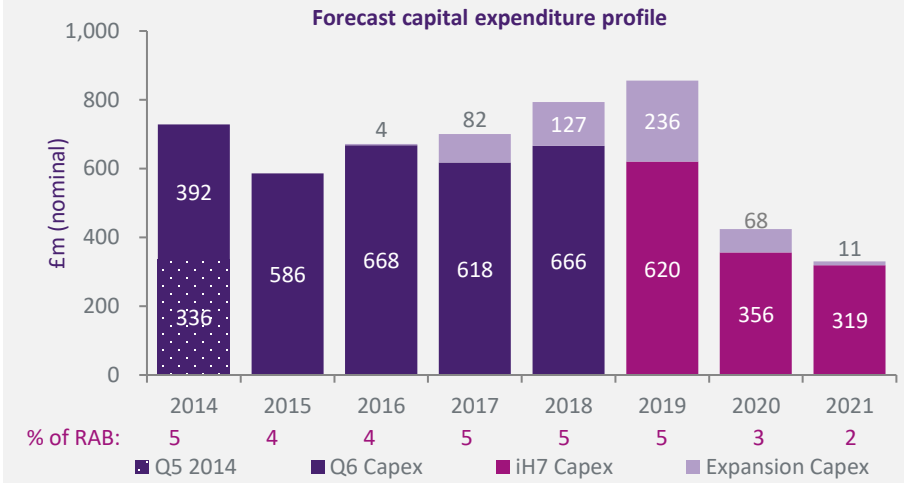
- 1) Pre-exceptional earnings before interest, tax, depreciation and amortisation
- 2) Adds back cash one-off items, non-recurring extraordinary items & exceptional items
- 3) Ratios calculated using unrounded data. Ratio definitions and calculations in Appendices 2 and 3
- 4) RAR covenant was revised from 92.5% to 95% in 2020 and 93.5% in 2021

# 2. BUSINESS DEVELOPMENTS

## PROTECT OUR BUSINESS

- Keep people safe** – Safety and security are our first and non-negotiable priorities. We are pleased that our COVID-safe programme has been recognised externally by Airports Council International and the CAA. Also, Heathrow has been upgraded to the prestigious 4 Star COVID-19 Airport Safety Ranking by Skytrax – the highest ranking achieved by a UK airport. Unfortunately, our maximum potential was impacted by recent Border Force issues, which are completely avoidable if all desks are staffed at peak times or with the full roll out of the Government’s e-Gates upgrade programme.
 

We have continued to significantly expand our COVID-19 screening services, reaching now a capacity of over 400,000 tests per month. Our new partnership with a market leading testing provider will offer tests to arriving and departing passenger at a competitive price across all terminals and our car parks. Also, to support the Government’s mass vaccination programme, part of our head office building was transformed in March into an NHS COVID-19 vaccination centre. However, a digitised process for capturing testing and vaccination records will be vital to deliver effective and efficient ways for people to conduct international travel on a larger scale than is possible today. To support these efforts, we are working with our airlines partners and various organisations providing ‘digital health certificates’.
- Service Standards** – Our vision remains to give passengers the best airport service in the world. In the first three months of 2021, we delivered a strong Airport Services Quality score of 4.25 compared to 4.20 in the same period of 2020. From January 2020 to 30 April 2021, rebates of £361,489 were paid by Heathrow under the SQR scheme in relation to campus security in December 2020. However, in relation to the same period, a £1.4m bonus is also expected for exceeding performance targets mainly related to seat availability and cleanliness.
- Cost mitigation** – We delivered over 33% of cost reduction in the first three months of 2021 versus same period of 2020, mainly driven by the cost initiatives rapidly implemented in 2020. The savings reflect the benefits of our organisational changes, consolidation of operations into two terminals and one runway, renegotiation of our suppliers’ contracts and utilisation of the government furlough scheme which was extended until September 2021. Our capital plan focuses on the safety and resilience of the airport and remains constrained to preserve our cash position with £47m spent in the first three months of 2021 compared to £224m in the prior comparable period. Early and decisive management actions to reduce costs allowed us to reduce our average monthly cash burn by over 50% during the first quarter to £79m from £222m in prior comparable period. We expect our monthly cashburn to average around £116m in 2021. Despite our call for action over the last 12 months, limited and inadequate government support on business rates continues putting pressure on our controllable costs.
- Revenue protection and loss mitigation** – Whilst we are waiting for traffic to return to normal levels, we are seeking opportunities to optimise our revenue with digital technology and reduce risks associated with bad debts. In the meantime, it is disappointing that the Treasury has baked-in a competitive disadvantage for UK tourism by making this the only country in Europe not to offer tax-free shopping. Whilst the Court recognised that the Government’s consultation process was flawed, the Government still chose to press ahead with this ill-considered decision. At a time when Ministers should be doing everything they can to help stimulate the country’s economic recovery, we would urge them to look again at all of the clear evidence which proves the revised policy is damaging for tens of thousands of jobs across the country.
- Strengthening liquidity and protecting our financial covenants and credit ratings** – We raised £1.3bn from global debt capital markets since the start of 2021. To provide more headroom to our covenants, we also extended our swap portfolio reprofiling programme and expect an additional £50m of interest savings in both 2021 and 2022, in addition to the c.£308m interest savings for 2021 and c.£207m for 2022 which we secured last year. Despite the high degree of uncertainty ahead, our liquidity position and cost mitigation plans have been recognised by Standards and Poor’s (S&P) and Fitch. Both credit rating agencies affirmed our credit ratings in March 2021.



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

(\* ) Liquidity position including cash and undrawn facilities – Q1 2021 is pro-forma following April Class A funding transactions

# 2. BUSINESS DEVELOPMENTS

## WIN THE RECOVERY

- Restarting international travel safely** - After many months of strict travel restrictions, the UK government implemented a traffic light system on 17 May 2021 allowing international travel to resume partially. The traffic light system classifies countries into three different lists, green, amber and red depending on their vaccination rate, infection rate and emergence of variants of concern. Different health screening requirements then apply to passengers travelling to and from each of these categories.

As vaccination rates increase and infection rates lower, the Government should grant ‘green’ status to more low-risk countries, such as the US. Delaying a meaningful restart of international aviation will not only puts pressure on UK aviation and tourism sectors but the wider UK economy, an international society and the government’s global Britain again. We also call for a change to the testing requirements so that testing becomes more affordable, for instance removing VAT and integrating the use of cheaper and quicker lateral flow tests. Finally, the bottlenecks we have experienced at the border must be addressed urgently. We continue to work with Government to create automated and simplified border checks and to ensure that all desks are resourced at peak times.

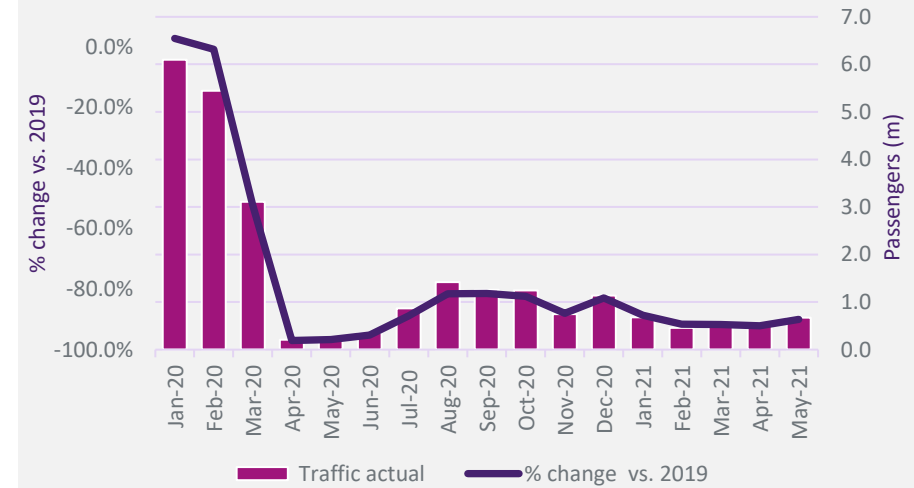
Traffic light system	Pre-departure test	Post-arrival PCR Test	Self isolate	Hotel quarantine
Green list Low-risk countries	1 test	1 test	-	-
Amber list Moderate-risk countries	1 test	2 tests	10 days(*)	-
Red list High-risk countries	1 test	2 tests	-	10 days

- Red-list arrival facility** - Red list routes have become a key part of the UK Government’s initial country-based risk framework for international travel. As such, we have adapted Heathrow to these requirements by opening a dedicated arrivals facility for red list passengers arriving on direct flights initially in Terminal 3 from 1 June 2021. We will move this facility to Terminal 4 as soon as operationally possible. Opening this has been logistically very challenging, but we hope that it will enable Border Force to carry out its duties more efficiently as passenger volumes increase in line with the green list.
- Working to attract as much traffic as possible** – We have been working closely with airline partners to offer as many flights to as many destinations as possible within current government guidance, under three main strategies:
  - Incumbent airline build-back – supporting 80% of incumbent airlines flying, although on reduced schedules;
  - Airlines consolidation of London operations at Heathrow - mainly British Airways, Virgin Atlantic and many other airlines
  - New entrants – Fifteen airlines have now taken up the opportunity to fly from Heathrow including JetBlue, Smartwings and Arkia due to start in coming weeks.
- Supporting our cargo business** – Heathrow is the UK’s largest port by value for Non-EU markets, but 95% of cargo is carried in the hold of passenger planes. Unused slots have allowed more dedicated freighter operations and higher rates for cargo have allowed airlines to keep operating some routes with low passenger load factors. However, despite our collective efforts, cargo volumes were down 19% as at 31 May 2021 compared to the same period in 2019. This shows the importance of restarting long haul passenger travel to reinstate the UK’s supply chain and export routes.

(\*) Travellers can end self isolation on Day 5 through Test to Release system

Traffic light system source: <https://www.gov.uk/guidance/red-amber-and-green-list-rules-for-entering-england>

Monthly passenger traffic



	Jan – May 2020	Jan – May 2021	Versus 2020 (%)
Passengers (m)	15.1	2.9	(80.8)
Long-haul traffic decline %	(50.4)	(82.5)	N/A
Short-haul traffic decline %	(54.1)	(78.8)	N/A
Passengers ATM	104,322	32,318	(69.0)
Cargo ATM	6,029	15,637	159.4
Load factors (%)	66.3	39.2	(40.9)
Seats per ATM	218.0	228.5	4.8
Cargo tonnage ('000)	492	576	17.1

Note:  
Air Transport Movement ‘ATM’ – means a flight carried out for commercial purposes and includes scheduled flights operating according to a published timetable, charter flights, cargo flights but it does not include empty positioning flights, and private non-commercial flights



## 2. BUSINESS DEVELOPMENTS

### BUILD BACK BETTER

- **Heathrow 2.0** - Given the impact of COVID-19, we are revisiting our plan for sustainable growth to make sure it fits with the current needs of our colleagues and communities. Our Heathrow 2.0 plan sets out how we will improve life for our colleagues and local communities, contribute to a thriving economy, and help to tackle global challenges such as climate change. We remain committed and convinced that a successful Heathrow will continue to build a more sustainable future that reduces the negative impacts of our operation and enhances the positive ones. Therefore, while we are refreshing Heathrow 2.0 to be relevant and appropriate for the new environment, we continue to believe in the intents behind our pre-COVID-19 plan. We will provide an update on Heathrow 2.0 later in 2021.
- **Path to Net Zero** - Decarbonising the aviation sector remains a key priority of our sustainable growth plan. In 2020, we achieved a significant milestone with our airport operation becoming carbon neutral. We welcome the Government's sixth Carbon Budget which will add further impetus on aviation decarbonisation. In early June, Heathrow became the first UK major airport to successfully integrate Sustainable Aviation Fuels (SAF) into its operation, ahead of the G7 Summit. The supply, equivalent to fuel needed to power between 5-10 short haul flights, aims to serve as proof of concept to enable much greater use of SAF going forward. Sustainable Aviation Fuels are key to taking the carbon out of flying – but the Government must act now to introduce a mandate that requires a minimum of 10% SAF use by airlines by 2030, rising to at least 50% by 2050. Currently, 62% of Heathrow airlines have committed to 10% SAF by 2030, ahead of the Climate Change Committee target of 7.5%. Additionally, we are leading an 18 month ten-strong consortium, funded by the Innovate UK 'Future Flight' programme, researching the introduction of hydrogen and electric aircraft into the aviation system.
- **Heathrow Expansion** – We were pleased with the positive outcome from the judicial review proceedings last year, reinstating the Airports National Policy Statement (ANPS) as lawful policy. At the moment, our primary focus is on working to safely restart international travel and trade to help kickstart the UK's economic recovery after COVID-19. When demand returns to pre-COVID levels, meeting that demand at the UK's hub airport will be essential to a country that has global and levelling up ambitions. Following the Supreme Court's decision in December 2020 and after consulting with our airline community and the CAA, we decided to reopen our Interim Property Hardship Scheme in early May 2021. We will continue to consult with investors, Government, airline customers and regulators on our next steps.
- **Brexit** - Following the UK's departure from the EU on 1 January 2021, flights can continue without disruption between the UK and EU. From a border perspective, the UK's Border Operating Model (BOM) outlines a phased approach for cargo to limit immediate changes at the UK border. In March, the UK Government revised this timeline, with the majority of checks now being required from 1 January 2022, as opposed to 1 July 2021. EU citizens can continue to use electronic gates at immigration upon arrival into the UK. Heathrow has been working with the Government and industry to support an open and trading Global Britain post-Brexit. We are asking Government to ensure any issues at the border are minimised, managed and adequately resourced.



Sustainable Aviation Fuel



Zero emissions aircraft

# 3. REGULATORY DEVELOPMENTS

## COVID-19 RAB ADJUSTMENT

Our license can be reopened in exceptional circumstances. In 2020, we applied to the CAA for an appropriate amount of adjustment to reflect the unexpected losses from the impact of COVID. Specifically, we requested a £2.5bn (2018p) RAB adjustment in line with our latest expected revenues across 2020 and 2021. The mechanism we proposed to calculate this adjustment includes an 8% revenue deadband within which Heathrow bears 100% of the losses with 86% of the losses beyond this being recovered to account for our cost savings. In April 2021, the CAA confirmed that an interim £300m adjustment should be made to Heathrow's RAB immediately to allow for the investment required to maintain service quality and ensure that there is capacity to accommodate potential increases in passengers through 2021.

While it is positive that the CAA has accepted the need to act, the scale of adjustment proposed is highly disappointing. We continue to believe that our proposed adjustment is the right outcome for consumers in H7 and beyond. It would ensure lower airport charges for passengers and incentivise investment. The CAA's decision risks undermining confidence in the regulatory regime and generating worse outcomes for consumers going forward. We will continue to engage with the CAA on this matter as part of the H7 process.

## H7 – NEXT STEPS

In April 2021, the CAA published its 'Way Forward' document in response to our Revised Business Plan (RBP) submitted in December. This document sets out the CAA's initial assessment of our RBP and provides further thinking on key policy issues for the H7 period. It confirms that H7 will be a 5-year period, will be a RAB-based and single till model and will introduce a traffic risk-sharing mechanism. As set out in our RBP, we intend to provide the CAA with updated information on our RBP alongside our response to the Way Forward document in order to ensure the CAA has access to the most up to date information on which it can base its decisions.

Under its current timetable, the CAA is planning to publish its Initial Proposals for the H7 period in the second half of 2021 with its final decision in December. The H7 period is due to start in 2022.





# 4. HISTORICAL FINANCIAL PERFORMANCE

This section summarises the results for the Group for the three months to 31 March 2021. A full description of performance is provided in the results published on 29 April 2021, available at the Investor Centre on [heathrow.com](https://www.heathrow.com).

**TRAFFIC** - In the first three months of 2021, traffic declined by 88.5% to 1.7m passengers (2020: 14.6m) reflecting the severe impact of the COVID-19 pandemic.

**ADJUSTED EBITDA** - In the first three months of 2021, Adjusted EBITDA decreased 106.3% to a loss of £20m (2020: 315m).

**REVENUE** - In the first three months of 2021, revenue declined 72.2% to £165m (2020: £593m). This reflects a decrease of 77.2% in aeronautical income, a decrease of 80.1% in retail income and a decrease of 47.8% in other income. Aeronautical income fell predominantly due to reduced passenger numbers as a result of COVID-19 and a reduction in airport charges. Aeronautical income per passenger increased to £46.42 (2020: £23.35) however this is largely distorted by the reduced traffic number and an increase in cargo movements which are charged on a per movement basis. Retail income declined due to lower passenger numbers and the mix of retail service available due to governmental restrictions on non-essential shops. Retail revenue per passenger increased to £16.07 (2020: £9.28) however this is largely distorted due to the reduced passenger numbers. The decrease in other income was due to a reduction in Other Regulated Charges, which declined 50.9% mainly because of fewer passengers and aircraft movements. There was also a 95.0% decrease in Heathrow Express revenue due to fewer passengers. Finally, we saw a relative resilience in the property and other revenue category which decreased by 18.4% due to targeted rental alleviation from consolidated operations being spread forward over the residual life of the contracts.

## ADJUSTED OPERATING COSTS (EXCLUDING DEPRECIATION, AMORTISATION AND EXCEPTIONAL ITEMS)

In the first three months of 2021, adjusted operating costs declined by 33.5% to £185m (2020: £278m). The decline in operating costs was driven by lower employment costs following our organisational restructure and the Government's furlough scheme. The decline in operational, maintenance, utilities and other costs results from the consolidation of operations into two terminals and one runway, renegotiating our suppliers' contracts and stopping all non-essential costs. Operating costs on a per passenger basis increased by 480% from £18.98 to £110.11. This is largely distorted by the reduced traffic number compared to same period last year and the fixed nature of our cost base in the medium term.

## REGULATORY ASSET BASE (RAB) AND FINANCIAL RATIOS

At 31 March 2021, the RAB was £16,396m (31 December 2020: £16,492m). At 31 March 2021, the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 66.2% for senior debt and 79.7% for junior debt (31 December 2020: 68.4% and 79.6% respectively) compared with respective trigger event levels of 72.5% and 85.0%.

## INTEREST PAYABLE AND PAID

In the first three months of 2021, net finance costs before certain re-measurements were £124m (2020: £167m). Net external interest received was £3m (2020: £148m paid).

## NET DEBT (EXCLUDING DEBENTURE BETWEEN HEATHROW (SP) LIMITED AND HEATHROW FINANCE PLC)

At 31 March 2021, Heathrow SP's nominal net debt was £13,064m (31 December 2020: £13,131m), comprising £13,859m in bond issues, £1,604m in other term debt, £117m in index-linked derivative accretion, £1,150m in revolving credit and working capital facilities and £3m of additional lease liabilities. This was offset by cash, cash equivalents and term deposits of £3,669m. Nominal net debt consisted of £10,862m in senior net debt and £2,202m in junior debt.

## LEASE LIABILITIES

We applied IFRS 16 on 1 January 2019. The capitalised value of existing operating leases pre-dating the transition to IFRS 16 is excluded from our net debt covenant calculations. Additional lease liabilities are however taken into account when calculating net nominal debt and amounted to £3m as at 31 March 2021. The aggregate lease liability of all leases classified as Existing Operating Leases as at 31 March 2021 was £380m.

# 5. FORECAST FINANCIAL PERFORMANCE

## TRAFFIC

In 2021, traffic is forecast to decrease 2.7% to 21.5m passengers (2020: 22.1m) reflecting the continued impact of COVID-19 and the expected gradual expansion of the UK Government's 'green list'.

## ADJUSTED EBITDA

Adjusted EBITDA in 2021 is forecast to increase 23% to £332m (2020: £270m). This is driven by the annualised benefits of cost savings initiatives implemented throughout 2020 as well as revenue protection initiatives.

## REVENUE

Revenue in 2021 is forecast to increase 3% to £1,210m. Aeronautical income is forecast to decrease 5.4% to £612m (2020: £647m), reflecting the impact of months of travel restriction and a gradual traffic recovery in the second half of the year. Aeronautical income per passenger is forecast to be £28.47 under our base case scenario (2020: £29.26). Retail income is expected to decrease 19.2% to £189m (2020: £234m). Retail revenue per passenger is forecast to be £8.79 under our base case scenario (2020: £10.58). Therefore, total aeronautical and retail income per passenger is forecast to be £37.26 under our base case scenario (2020: £39.84). Other income is expected to increase by 39.1% to £409m (2020: £294m).

## ADJUSTED OPERATING COSTS (EXCLUDING DEPRECIATION, AMORTISATION AND EXCEPTIONAL ITEMS)

Adjusted operating costs in 2021 are forecast to reduce 3% to £878m (2020: £905m) despite a challenging environment. This is mainly due to the impact of annualised cost efficiencies from 2020. Operating costs on a per passenger basis are expected to decrease to £40.84 compared to £40.93 in 2020.

## REGULATORY ASSET BASE

At the end of 2021, the RAB is forecast to be £16,791m (2020: £16,492m). The increase in RAB is driven by the £300m (2018p) immediate interim RAB adjustment confirmed by the CAA in April 2021.

## NET DEBT AND FINANCIAL RATIOS

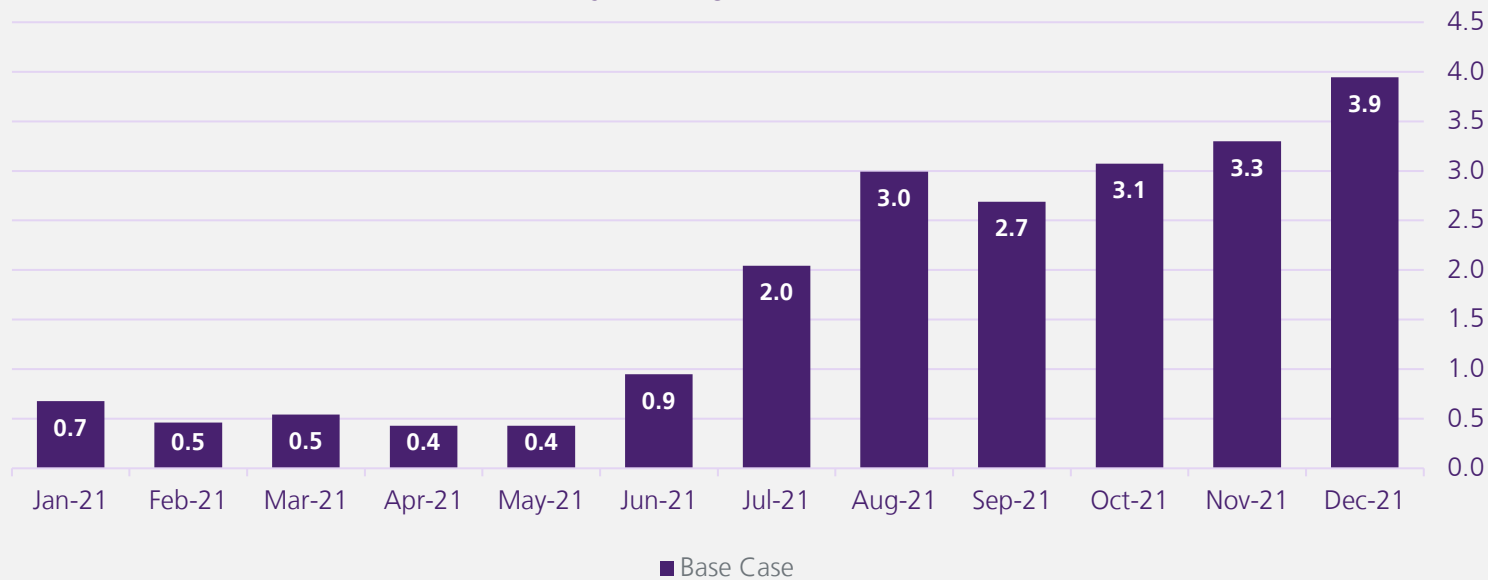
At 31 December 2021, nominal net debt is forecast to be £13,247m (2020: £13,131m). Net external interest paid is forecast to be £71m in 2021 (2020: £539m), as a result of the steps taken in 2020 to reprofile some of our swap portfolio to secure interest savings and create more headroom to our covenants while traffic recovers. The forecast net external interest paid is lower than initially anticipated in our December 2020 guidance as we extended our swap reprofiling programme in early 2021 and expect to generate an additional £50m of interest savings in 2021 and 2022.

At 31 December 2021, the Regulatory Asset Ratio (RAR) is forecast to be 66.9% for senior debt and 78.9% for junior debt (31 December 2020: 68.4% and 79.6%) driven primarily by the RAB adjustment. For the year ending 31 December 2021, the Interest Cover Ratio (ICR) is forecast to be 22.79x for senior debt and 3.54x for junior debt (2020: -0.50x and -0.43x).

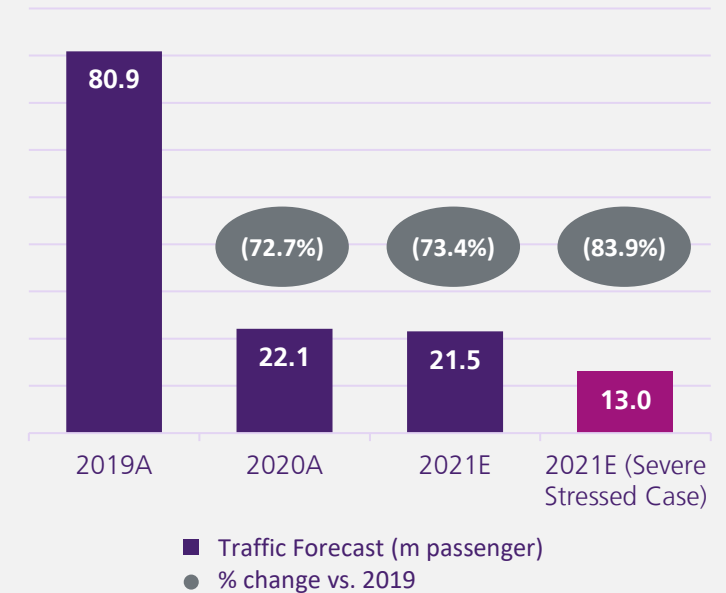
All current and forecast ratios are calculated based on applicable Generally Accepted Accounting Principles. As at the date of this Investor Report, a Forecasting Event and Trigger Event have occurred in relation to the historic ICR for senior and junior debt for the year ending 31 December 2020. As a result, a distribution lock-up is in place within Heathrow SP and will have no adverse effect on Heathrow SP's creditors.

# 5. FORECAST FINANCIAL PERFORMANCE - TRAFFIC

Monthly passenger traffic forecast (m)



Annual traffic forecast (m) vs. 2019 levels



## APPROACH

Heathrow has developed a bottom-up forecast to reflect a staged recovery in passengers over the remainder of the year. Our modelling is based on stages of recovery, with differing testing and quarantine restrictions in each stage. It takes into account infection and vaccination rates. This is akin to the UK Government’s traffic light system, but also considers restrictions at the other end of the route. We forecast the level of demand at each stage of recovery using data on actual passenger numbers to date, this is done at a granular level, splitting into geographical markets and purpose of travel. The approach reflects the potential impact of additions to the green, amber and red lists, as well as gradual roll-out of vaccines across all markets. This is all calibrated against information from airlines on planned schedules.

## ASSUMPTIONS - BASE CASE

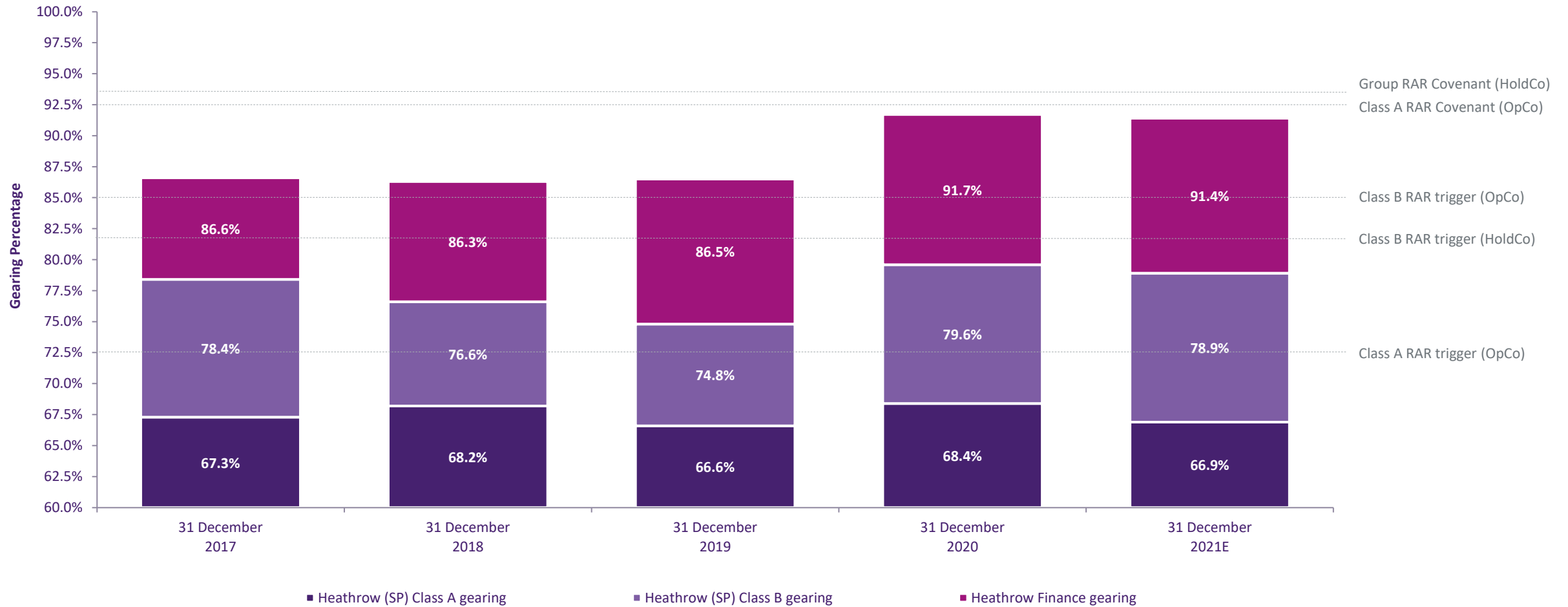
Our base case assumptions are derived from the current Government roadmap on reopening. Political caution makes for a slower relaxation of border control and we assume a gradual addition of countries to the UK Government’s ‘green list’ over the course of this year. We assume Portugal reopens in June; other key tourist destinations such as Spain, Greece and Italy are open from the start of July, with the rest of Europe to follow from the beginning of August. We expect Europe will make up around 50% of total traffic over the June to September period with the balance evenly split across North America and Rest of the World. Some gradual opening of the US from July, but with quarantine requirements staying in place until October when quarantine requirements are lifted but some testing requirements may still be in place. Even those parts of Asia with COVID-19 under control remain heavily restricted until later this year, with the rest of the world largely essential travel only. By Q4, we expect traffic to be broadly evenly split across Europe, North America and the Rest of the World. Some bounce of pent-up consumer demand in ‘Visiting Friends & Relatives’ and leisure but this is somewhat dampened because of an ongoing sense of caution and uncertainty on government border rules.

## ASSUMPTIONS - SEVERE STRESSED CASE

The Severe Stressed Case assumes a slower vaccine rollout, cautious response from governments around the world, with key markets like the US remaining closed to non-essential travel until late this year. Quarantine restrictions apply to travel to EU and US throughout rest of this year, only lifting at the very end of the year. Dampened consumer reaction compared to last summer, given frequent change in restrictions and resulting low confidence in travel. No significant unlocking in other markets until at least Q4.

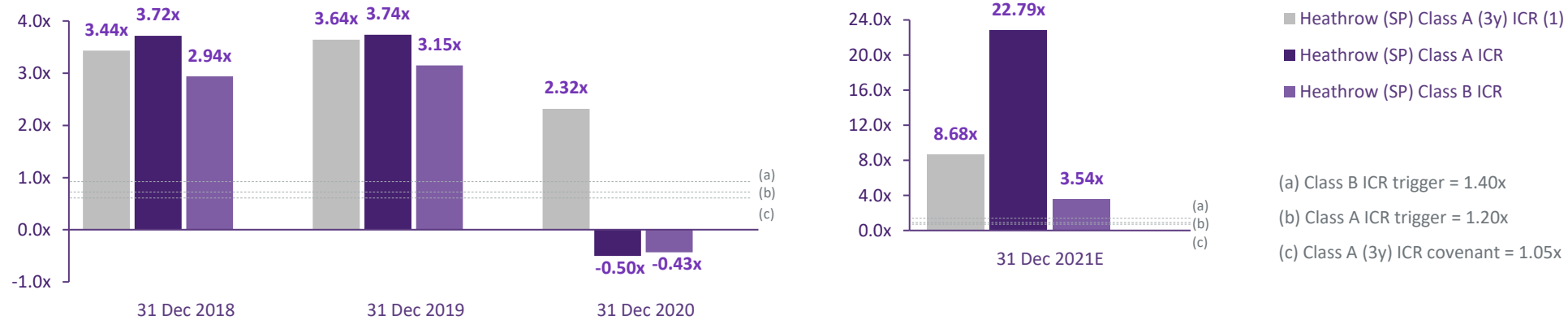
# 5. FORECAST FINANCIAL PERFORMANCE

£600M CAPITAL INJECTION SECURED IN 2020 AND INTERIM £300M RAB ADJUSTMENT PROTECT GEARING COVENANT IN 2021

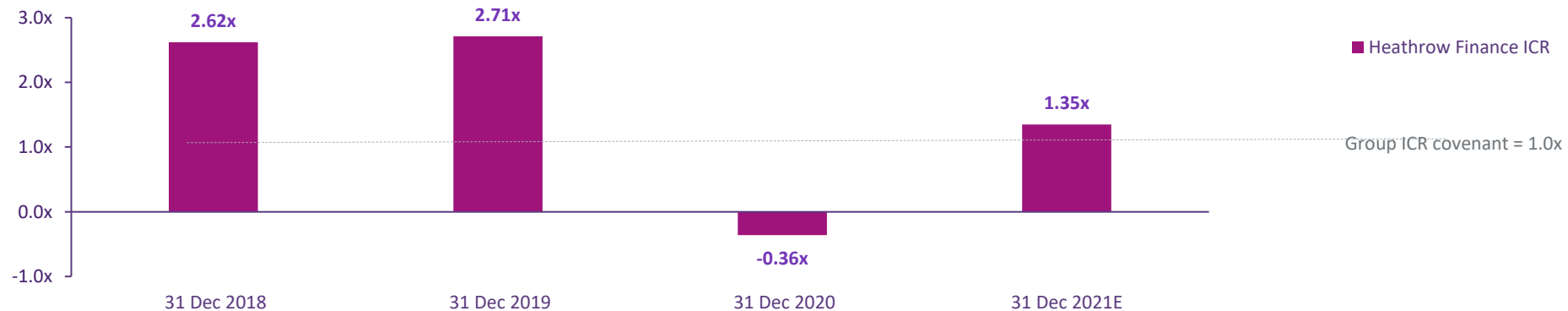


# 5. FORECAST FINANCIAL PERFORMANCE

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



NO COVENANT BREACH FORECAST AT HEATHROW FINANCE BUT A REDUCTION OF ONLY £66M IN CASHFLOW/EBITDA IS LIKELY TO LEAD TO A BREACH OF THE HEATHROW FINANCE ICR COVENANT UNDER THE BASE CASE SCENARIO



(1) 3-year average as calculated for the Average Senior ICR covenant test in June of the following year

# 6. FINANCING MATTERS

## NEW FINANCING AND CHANGES TO FACILITIES

Since the previous Investor Report was distributed on 18 December 2020, we have raised just over £1.3bn in new debt financing.

We accessed the Euro and Canadian bond markets in April, raising £975m equivalent via two transactions. First, a Class A Euro bond, maturing 2030 followed by dual-tranche Class A Canadian Bonds with maturities in 2027 and 2033. Also, in March, we raised £350m class B bond maturing in 2028.

## DEBT MATURITIES AND REPAYMENTS

Since the previous Investor Report was distributed on 18 December 2020, we made scheduled EIB loan repayments of £2m in February and in March, we repaid £250m Class A bond.

## HEDGING

Between the publication of the previous Investor Report on 18 December 2020 and the date of publication of this report, there has been a series of new derivative transactions. Cross-currency swaps were put in place to convert the proceeds of the EUR and CAD Class A bond transactions to GBP. In addition, we completed a series of new interest rate swap transactions which will reduce the interest payments. We expect to complete, over the course of 2021, transactions which will generate an additional £50m of savings for both 2021 and 2022. This is further to the c.£308m and c.£207m of savings for 2021 and 2022 respectively which was completed in 2020, creating more headroom to our ICR covenant levels as traffic recovers over time. The cost of these transactions is spread over the next two regulatory periods, aside from £100m which was prepaid in 2020. The portfolio of derivatives has no breaks.

At 10 June 2021, the total notional value of cross-currency swaps was £6,497m, the total notional value of index-linked swaps was £5,962m and the total notional value of interest rate swaps was £7,594m.

At 10 June 2021, 78% and 70.6% of interest rate risk exposure on the Obligor's and Heathrow Funding's existing debt is hedged for the regulatory periods ending on 31 December 2021 and 31 December 2026 respectively. This is consistent with the requirement to hedge at least 75% and 50% of interest rate risk exposure over those periods.

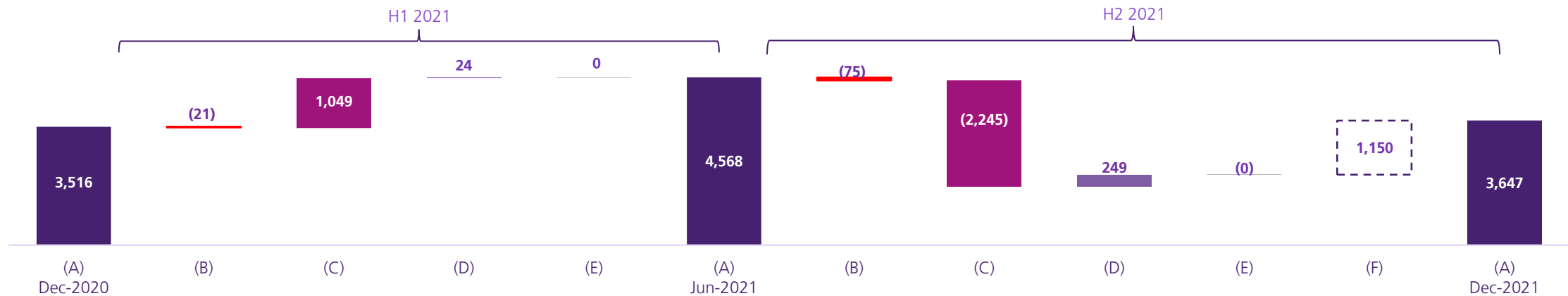
# 6. FINANCING MATTERS

## LIQUIDITY

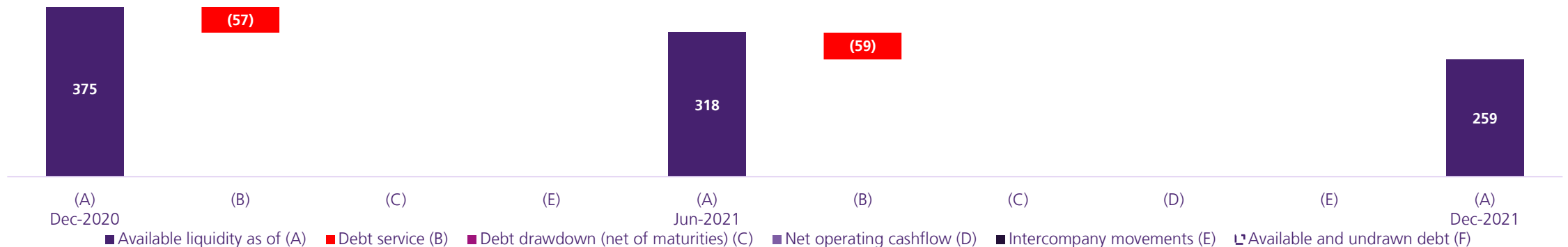
The Security Group expects to have sufficient liquidity to meet all its obligations in full into 2025 under our current traffic forecast or at least until October 2022 in the extreme no revenue scenario. The obligations include forecast operational costs and capital investment, debt service costs, debt maturities and repayments. The liquidity forecast takes into account c.£5bn in committed and term debt as well as cash resources held at the Security Group and Heathrow Finance at 31 May 2021 and the expected operating cash flow over the period.

As at 31 May 2021, Heathrow Finance had liquidity of £318m, which can cover debt service until 2024 when the next debt maturity occurs. We also expect to maintain £200m minimum liquidity at Heathrow Finance throughout the waiver period.

AVAILABLE LIQUIDITY AT HEATHROW (SP) IS FORECAST TO BE £4.6 BILLION AT THE END OF JUNE 2021



AVAILABLE LIQUIDITY AT HEATHROW FINANCE IS FORECAST TO BE £318 MILLION AT THE END OF JUNE 2021



■ Available liquidity as of (A) ■ Debt service (B) ■ Debt drawdown (net of maturities) (C) ■ Net operating cashflow (D) ■ Intercompany movements (E) ▭ Available and undrawn debt (F)

# 6. FINANCING MATTERS

## HISTORICAL AND FUTURE RESTRICTED PAYMENTS

The financing arrangements of the Security Group restrict certain payments unless specified conditions are satisfied. These restricted payments include, among other things, payments of dividends, distributions and other returns on share capital; any redemptions or repurchase of share capital; and payments of fees, interest or principal on any intercompany loans.

Since the previous Investor Report was distributed on 18 December 2020, there have been no restricted payments made as a result of the Trigger Event in relation to the historic ICR for the year ending 31 December 2020.

In the 90 days following the publication of this Investor Report, we are not expecting any restricted payments to be made out of the Heathrow Finance Group. This will be the case until the Trigger Event is remedied. We do not expect any restricted payments out of the Group during the 2021 financial year as a result of the Trigger Event that occurred in relation to the historic ICR for the year ending 31 December 2020. Furthermore, there will be no dividend payment to ultimate shareholders until the Group RAR falls below 87.5% pursuant to the conditions agreed in the waiver secured last year. We expect the Trigger Event to be remedied by mid 2022 under our base case scenario.

In the meantime, Heathrow Finance benefits from a strong liquidity position and is not reliant on cash from Heathrow (SP) with £318 million of liquidity as at 31 May 2021, which can cover debt service until 2024 when the next debt maturity occurs. We also expect to maintain £200m minimum liquidity at Heathrow Finance throughout the waiver period.

The Group continues to operate a framework that aims to maintain a buffer between actual leverage levels and relevant leverage trigger and covenant levels. The amount of restricted payments is considered with reference to the framework and the Group's ability to continue to access stable financial markets to provide its ongoing funding needs.



# 7. CORPORATE MATTERS

## ACQUISITIONS, DISPOSALS AND JOINT VENTURES

There have been no material acquisitions, disposals and joint ventures entered into related to any Obligor since the previous Investor Report was distributed on 20 December 2020.

## OUTSOURCING

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 20 December 2020.

## BOARD AND MANAGEMENT CHANGES

Jorge Gil resigned as a Non-Executive Shareholder Director for Heathrow Airport Holdings Limited, FGP Topco Limited, ADI Finance 1 and ADI Finance 2 Limited with effect from 23 June 2021. He was replaced by Luke Bugeja as a Non-Executive Shareholder Director for Heathrow Airport Holdings Limited, FGP Topco Limited, ADI Finance 1 and ADI Finance 2 Limited on the same date.

Mr Bugeja has over 30-years' experience in the aviation industry. He previously held senior positions at Changi Airports International in Singapore, as well as Board positions at London City, Brussels, Copenhagen and Bristol airports. He also spent 16 years working in the airline business at Qantas and Virgin Blue in Australia. His breadth of experience across the entire aviation value chain – including operations, commercial and financial and investment – will be a welcome addition to the Heathrow Board and help the airport navigate the current COVID-19 crisis while remaining focused on providing excellent service and value for money to passengers.

Joan MacNaughton will be appointed to the Board as an independent Non-Executive Director with effect from 14 June. Ms MacNaughton will bring a wealth of board experience in industry, government, academia and the third sector to the leadership team of Heathrow and at a critical time in its history. As Heathrow prepares to repair the damage done to its business during the COVID crisis, it will anchor a strong focus on the Government's 'Build Back Better' and sustainable recovery and growth agenda. Ms MacNaughton's experience in global climate change and advocacy will ensure the Board has relevant insight and advice on decarbonising the sector in line with wider 2050 Net Zero targets, ensuring the UK can create a truly global leadership position in the green revolution. Ms MacNaughton currently chairs the Board of the Climate Group; is a Non-Executive Director of En+Group IPJSC, where she chairs the Health, Safety and Environment Committee; and is a member of the Strategic Advisory Board of Engie UK plc. She sits on several academic advisory boards at energy and climate institutes and publishes and lectures on energy and climate issues.



# 8. CONFIRMATION

11 June 2021

*To the Borrower Security Trustee, the Issuer, the Bond Trustee, each Rating Agency, and the Paying Agents*

We confirm that each of the Ratios set out on page 4 has been calculated in respect of the Relevant Period or as at the Relevant Date for which it is required to be calculated under the Common Terms Agreement.

We confirm that the historical ratios have been calculated using, and are consistent with and have been updated by reference to, the most recently available financial information required to be provided by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement.

We confirm that all forward-looking financial ratio calculations and projections:

- have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
- are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement; and
- are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).

We also confirm that:

- the key historic financial ratios for 2020 comply with Default ratios. As at the date of this Investor Report, a Forecasting Event and a Trigger Event have occurred and are continuing in relation to the historic ICR for senior and junior debt for the year ended 31 December 2020. We are considering our options and evaluating potential solutions to remedy the Trigger Event;
- the Group is in compliance with the Hedging Policy; and
- this Investor Report is accurate in all material respects.

Javier Echave



Chief Financial Officer

For and on behalf of LHR Airports Limited as Security Group Agent

# APPENDIX 1 - QUARTERLY PASSENGER TRAFFIC (2008 TO 2021)

## Heathrow passenger traffic and air transport movement evolution

Change versus previous year (totals and changes based on unrounded data)

Passengers (m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016	2018	2019	2020	2021
<b>Jan-Mar</b>	15.4	14.4	14.6	15.0	15.7	16.0	16.0	16.4	16.8	17.2	17.7	17.9	14.6	1.7
Change %	0.6	(6.4)	1.6	2.5	4.4	1.8	0.5	2.0	2.6	2.2	3.1	1.4	(18.3)	(88.5)
<b>Apr-Jun</b>	17.1	16.8	15.5	17.9	17.9	18.4	19.0	19.2	18.9	20.0	20.4	20.8	0.8	
Change %	(1.3)	(1.5)	(7.9)	15.3	0.4	2.9	3.2	0.7	(1.1)	5.4	2.1	2.1	(96.2)	
<b>Jul-Sep</b>	18.6	18.6	19.5	19.8	19.4	20.4	20.6	21.4	21.6	21.9	22.5	22.2	3.5	
Change %	(1.2)	0.3	4.4	1.5	(2.0)	5.5	0.7	3.9	0.9	1.7	2.4	(1.1)	(84.1)	
<b>Oct-Dec</b>	15.9	16.0	16.1	16.8	17.0	17.5	17.7	18.0	18.4	18.9	19.6	19.9	3.1	
Change %	(3.6)	1.1	0.7	3.8	1.6	2.7	1.3	1.9	1.8	3.0	3.4	1.8	(84.3)	
<b>Full year</b>	66.9	65.9	65.7	69.4	70.0	72.3	73.4	75.0	75.7	78.0	80.1	80.9	22.1	
Change %	(1.4)	(1.5)	(0.2)	5.5	0.9	3.4	1.4	2.2	1.0	3.1	1.4	1.0	(72.7)	
<b>ATM ('000)</b>	473	460	449	476	471	470	471	472	473	474	476	476	177	
Change %	(0.5)	(2.8)	(2.3)	6.0	(1.0)	(0.4)	0.2	0.3	0.2	0.2	0.3	0.0	(62.8)	

# APPENDIX 2 - COMPUTATION OF INTEREST COVER RATIOS<sup>(1)</sup> (‘ICR’)

<i>(See important notice on page 2 of this document)</i>	Trigger Level	Year to 31 December 2020 (£m)	Year to 31 December 2021 (£m)	Year to 31 December 2021 (£m) Severe Stressed Case <sup>(7)</sup>
Cashflow from Operations <sup>(2)</sup>		(95)	575	346
Add back: Cash payments in respect of prior year exceptional items		125	13	13
Adjusted Cashflow from Operations		30	588	359
Less: corporation tax relief / (paid)		67	-	-
Less: 2 per cent of Total RAB		(330)	(336)	(336)
<b>Cash Flow (A)</b>		<b>(233)</b>	<b>253</b>	<b>23</b>
Interest and equivalent recurring charges paid on Senior Debt <sup>(3)(4)</sup>				
Interest paid – existing Class A bonds and swaps		387	(26)	(26)
Interest paid – existing Class A EIB facilities		-	-	-
Interest paid and received – other Class A debt		35	15	15
Lease interest		16	16	16
Commitment fees on liquidity and revolving facilities		24	6	6
<b>Total interest on Senior Debt (B)</b>		<b>462</b>	<b>11</b>	<b>11</b>
Interest and equivalent recurring charges paid on Junior Debt <sup>(3)(4)</sup>				
Class B debt		78	60	60
<b>Total interest on Junior Debt (C)</b>		<b>78</b>	<b>60</b>	<b>60</b>
<b>Total interest (D=B+C)</b>		<b>540</b>	<b>71</b>	<b>71</b>
<b>Senior ICR (A/B)<sup>(5)(6)</sup></b>	<b>1.40x</b>	<b>-0.50x</b>	<b>22.79x</b>	<b>2.07x</b>
<b>Junior ICR (A/D)<sup>(5)(6)</sup></b>	<b>1.20x</b>	<b>-0.43x</b>	<b>3.54x</b>	<b>0.32x</b>

(1) 2021 figures are forecasts; values calculated on unrounded figures

(2) Reconciliation of cash flow from operations with Adjusted EBITDA is set out on page 21

(3) Reconciliation of interest paid with interest payable is set out on page 21 for 2021

(4) Excludes interest on debenture between Heathrow (SP) Limited and Heathrow Finance plc as this is not included in calculation of ratios under the Common Terms Agreement

(5) Interest Cover Ratio is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid

(6) Ratios calculated on unrounded figures

(7) 2021 Severe Stressed Case forecast illustrates ratios based on a severe stressed case of 13m pa

# APPENDIX 2 - COMPUTATION OF INTEREST COVER RATIOS<sup>(1)</sup> – RECONCILING INCOME STATEMENT TO CASH FLOW

(See important notice on page 2 of this document)

	Year to 31 December 2020 (£m)	Year to 31 December 2021 (£m)	Year to 31 December 2021 (£m) Severe Stressed Case <sup>(6)</sup>		
<b>Income</b>					
Aeronautical income	647	612	453		
Retail income	234	189	136		
Other income	294	409	364		
<b>Total income</b>	<b>1,175</b>	<b>1,210</b>	<b>953</b>		
<b>Operating costs<sup>(2)</sup></b>	<b>(905)</b>	<b>(878)</b>	<b>(845)</b>		
<b>Adjusted EBITDA</b>	<b>270</b>	<b>332</b>	<b>108</b>		
<b>Working capital and cash one-off non-recurring extraordinary or exceptional items</b>					
Cash payments in respect of prior year exceptional items	(125)	(13)	(13)		
Trade working capital	(189)	235	230		
Pension	(51)	21	21		
<b>Cashflow from operations</b>	<b>(95)</b>	<b>575</b>	<b>346</b>		
	<b>Year to 31 December 2021</b>				
	<b>Income statement incl. amortisation<sup>(3)(4)</sup></b>	<b>Less amortisation<sup>(3)</sup></b>	<b>Less variation in accruals<sup>(3)</sup></b>	<b>Cash flow</b>	<b>Year to 31 December 2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Interest paid – existing Class A bonds and swaps	76	(45)	(57)	(26)	387
Interest paid – Class A EIB facilities	-	-	-	-	-
Interest paid and received – other Class A debt	18	-	(3)	15	35
Lease interest	16	-	-	16	16
Commitment fees on liquidity & RCFs <sup>(5)</sup>	6	-	-	6	24
Interest paid – Class B debt	73	(2)	(11)	60	78
<b>Total interest<sup>(1)</sup></b>	<b>189</b>	<b>(47)</b>	<b>(71)</b>	<b>71</b>	<b>540</b>

(1) 2021 figures are forecasts; values calculated on unrounded figures

(2) Adjusted operating costs: operating costs excluding depreciation, amortisation and exceptional items.

(3) Excludes capitalised interest; Excludes interest on debenture between Heathrow (SP) Limited and Heathrow Finance plc as this is not included in calculation of ratios under the Common Terms Agreement

(4) Includes amortisation of refinancing fees and excludes accretion on Index Linked Swaps and bonds

(5) RCFs: Revolving Credit Facilities

(6) 2021 Severe Stressed Case forecast illustrates ratios based on a severe stressed case of 13m passengers

# APPENDIX 3 - COMPUTATION OF REGULATORY ASSET RATIOS<sup>(1)</sup> ('RAR')

<i>(See important notice on page 2 of this document)</i>	Trigger Level	Year to 31 December 2020 (£m)	Year to 31 December 2021 (£m)	Year to 31 December 2021 (£m) Severe Stressed Case <sup>(5)</sup>
<b>Closing Heathrow RAB (A)</b>		16,492	16,791	16,791
<b>Senior Debt</b>				
Class A existing bonds		12,229	11,732	11,732
Class A EIB facilities		8	4	4
Non - Existing Operating Lease debt		3	30	30
Other Class A debt		2,423	1,719	1,719
RPI swap accretion		133	239	239
<b>Total Senior Debt (B)</b>		<b>14,796</b>	<b>13,724</b>	<b>13,724</b>
<b>Junior Debt</b>				
Class B existing debt		1,851	2,020	2,020
Other Class B debt		-	-	-
<b>Total Junior Debt (C)</b>		<b>1,851</b>	<b>2,020</b>	<b>2,020</b>
Cash and cash equivalents (D)		(3,516)	(2,497)	(2,268)
<b>Senior net debt (E=B+D)</b>		<b>11,280</b>	<b>11,227</b>	<b>11,456</b>
<b>Senior and junior net debt (F=B+C+D)</b>		<b>13,131</b>	<b>13,247</b>	<b>13,476</b>
<b>Senior RAR (E/A)<sup>(2)(3)(4)</sup></b>	<b>72.5%</b>	<b>68.4%</b>	<b>66.9%</b>	<b>68.2%</b>
<b>Junior RAR (F/A)<sup>(2)(4)</sup></b>	<b>85.0%</b>	<b>79.6%</b>	<b>78.9%</b>	<b>80.3%</b>

(1) 2021 figures are forecasts; values calculated on unrounded figures

(2) Regulatory Asset Ratio is the ratio of nominal net debt (including index-linked accretion) to RAB (Regulatory Asset Base)

(3) Senior RAR does not take into account ability to reduce senior debt using undrawn junior debt under revolving credit facilities

(4) Ratios calculated on unrounded figures

(5) 2021 Severe Stressed Case forecast illustrates ratios based on a severe stressed case of 13m passengers

# APPENDIX 4 – NOMINAL CONSOLIDATED NET DEBT OF OBLIGORS, HEATHROW FUNDING LIMITED AND HEATHROW FINANCE PLC AS AT 31 MAY 2021

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
<b>Senior debt</b>			
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	223	223	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
€350m 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%	88	88	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%	59	59	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	636	636	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	116	116	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	89	89	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	169	169	2058
<b>Total senior bonds</b>	<b>12,965</b>	<b>12,965</b>	

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
<b>Senior debt</b>			
Term debt	1,529	1,529	Various
Index-linked derivative accretion	140	140	Various
Revolving/working capital facilities	900	900	2021
Operating lease liability	3	3	2021
<b>Total other senior debt</b>	<b>2,572</b>	<b>2,572</b>	
<b>Total senior debt</b>	<b>15,537</b>	<b>15,537</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(4,646)</b>		
<b>Senior net debt</b>	<b>10,891</b>		

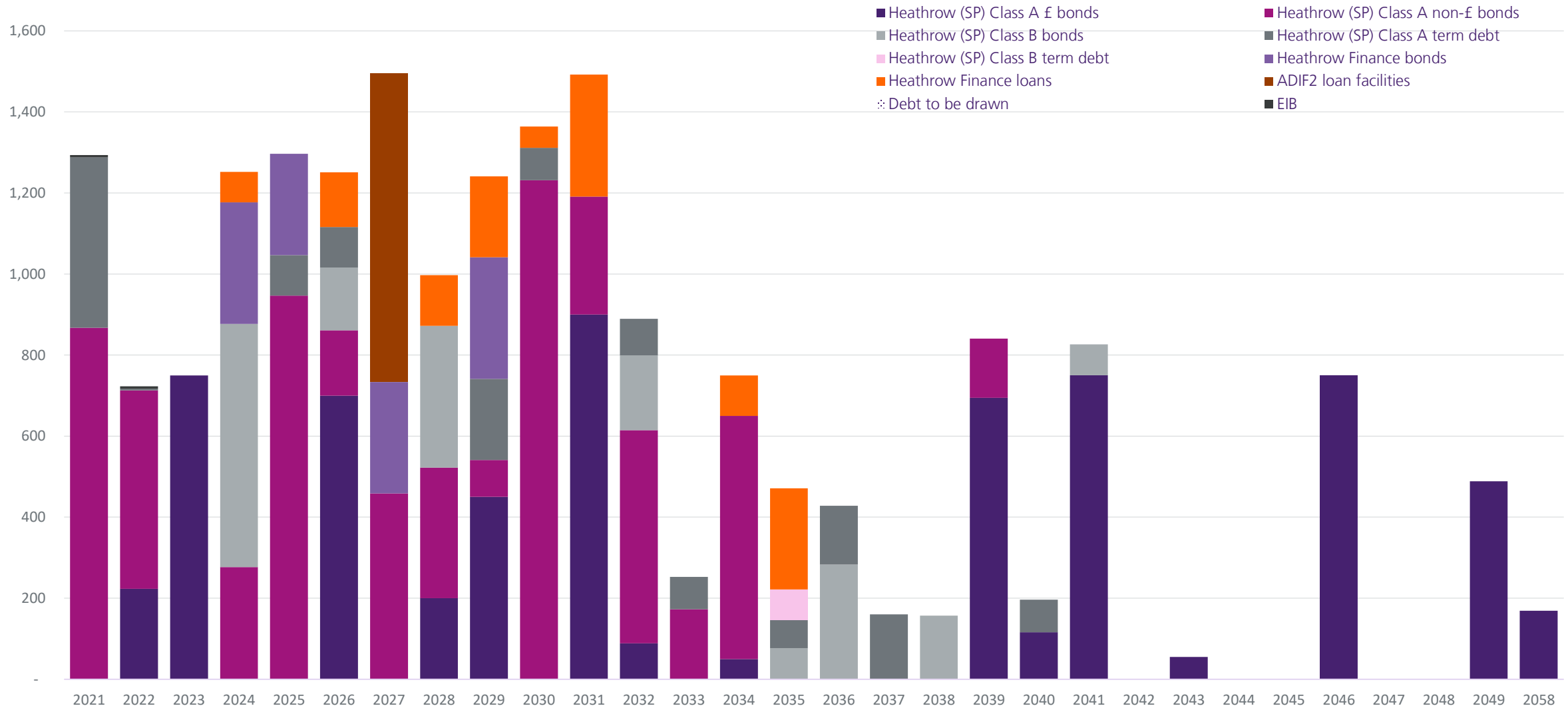
Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
<b>Junior debt</b>			
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£350 2.625%	350	350	2028
£182m RPI + 0.101%	185	185	2032
£75m RPI + 0.347%	76	76	2035
£75m RPI + 0.337%	76	76	2036
£180m RPI +1.061%	208	207	2036
£51m RPI + 0.419%	52	52	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	76	76	2041
<b>Total junior bonds</b>	<b>1,883</b>	<b>1,883</b>	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2021
<b>Total junior debt</b>	<b>2,208</b>	<b>2,208</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>13,099</b>		

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

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
<b>Total bonds</b>	<b>1,125</b>	<b>1,125</b>	
£75m	75	75	2024
£135m	135	135	2026
£125m	125	125	2028
£150m	200	200	2029
£52m	53	53	2030
£302m	301	301	2031
£52m	100	100	2034
£300m	250	250	2035
<b>Total loans</b>	<b>1,239</b>	<b>1,239</b>	
<b>Total Heathrow Finance plc debt</b>	<b>2,364</b>	<b>2,364</b>	
<b>Heathrow Finance plc cash</b>	<b>(318)</b>		
<b>Heathrow Finance plc net debt</b>	<b>2,046</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
<b>Heathrow (SP) Limited senior debt</b>	<b>15,537</b>	<b>15,537</b>
<b>Heathrow (SP) Limited junior debt</b>	<b>2,208</b>	<b>2,208</b>
<b>Heathrow Finance plc debt</b>	<b>2,364</b>	<b>2,364</b>
<b>Heathrow Finance plc group debt</b>	<b>20,109</b>	<b>20,109</b>
<b>Heathrow Finance plc group cash</b>	<b>(4,964)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>15,145</b>	

# APPENDIX 5 – DEBT MATURITY PROFILE AS AT 31 MAY 2021





# APPENDIX 6 – ADDITIONAL INFORMATION FOR HEATHROW FINANCE PLC CREDITORS

- Given the dramatic impact of COVID-19 on the aviation industry since early 2020, Heathrow took the precautionary step to secure a waiver from Heathrow Finance’s creditors in July 2020 well ahead of a potential breach of its covenants. As a result, Heathrow Finance’s ICR covenant was waived for 2020. In addition, Heathrow Finance’s RAR covenant was revised from 92.5% to 95% in 2020 and 93.5% in 2021.
- Under our updated base case scenario which assumes 21.5m passengers travel through Heathrow in 2021, no covenant breach is forecast at Heathrow Finance. While the combination of the £600m capital injection arranged in 2020 and the immediate interim £300m RAB adjustment confirmed by the CAA in early 2021 protect our gearing covenant this year, Heathrow Finance’s ICR covenant remains under relative pressure.
- In light of our latest traffic prospects, a reduction of only £66m in cashflow/EBITDA is likely to lead to a breach of the Heathrow Finance ICR under the base case scenario.
- We also stress tested the financial covenants of the 13 million passenger scenario – the bottom end of the range disclosed in our Q1 results, severe but plausible – and demonstrate that even in this severe stressed case no covenant breach occurs with Heathrow Finance gearing ratios. However, in that case, a breach of Heathrow Finance’s ICR covenant would likely occur. Please refer to appendices 2, 3 and 6 for more details.

# APPENDIX 6 – ADDITIONAL INFORMATION FOR HEATHROW FINANCE PLC CREDITORS<sup>(1)</sup>

<i>(See important notice on page 2 of this document)</i>	Covenant/Trigger Level	As at or for year to 31 December 2020 (£m)	As at or for year to 31 December 2021 (£m)	Year to 31 December 2021 (£m) Severe Stressed Case <sup>(5)</sup>
<b>Calculation of Group ICR<sup>(2)</sup></b>				
Cash Flow (A)		(233)	253	23
Interest				
Paid on Senior Debt (B)		462	11	11
Paid on Junior Debt (C)		78	60	60
Paid on Borrowings (D)		98	116	116
<b>Group Interest Paid (E=B+C+D)</b>		<b>638</b>	<b>187</b>	<b>187</b>
<b>Group ICR (A/E)</b>	<b>1.00x</b>	<b>-0.36x</b>	<b>1.35x</b>	<b>0.12x</b>
<b>Calculation of Group RAR<sup>(3)</sup></b>				
Total RAB (F)		16,492	16,791	16,791
<b>Net debt</b>				
Senior Net Debt (G)		11,280	11,227	11,456
Junior Debt (H)		1,851	2,019	2,019
Borrower Net Debt (I)		1,989	2,106	2,106
<b>Group Net Debt (J=G+H+I)</b>		<b>15,120</b>	<b>15,353</b>	<b>15,581</b>
<b>Junior RAR ((G+H)/F)<sup>(4)</sup></b>	<b>82.0%</b>	<b>79.6%</b>	<b>78.9%</b>	<b>80.3%</b>
<b>Group RAR (J/F)<sup>(4)</sup></b>	<b>95%/93.5%</b>	<b>91.7%</b>	<b>91.4%</b>	<b>92.8%</b>

(1) 2021 figures are forecasts

(2) ICR or Interest Cover Ratio is defined on page 20

(3) RAR or Regulatory Asset Ratio is defined on page 21

(4) Ratios calculated on unrounded data

(5) 2021 Severe Stressed case forecast illustrates ratios based on a severe stressed case of 13m passengers



# Check-in information



A19-A31  
Premium check-in

! Public health notice



You must wear a face covering in the terminal



Wash your hands regularly



Keep a safe distance from others

Time	Destination	Terminal	Gate
10:15	Atlanta	DL311	D
10:30	Malta	KM101	B 820-822
11:25	Singapore	9Q317	A A28-A32
11:30	Istanbul	TK1980	A
11:45	Seattle	DL8316	D
11:50	Kyiv	PS118	B 817-818
11:55	Paris (CdG)	AF1581	D
12:10	Rome	AZ203	C
12:15	Islamabad	V5378	D D19-D26
12:15	Athens	A3601	B
13:05	Washington	UA919	D
13:15	Abu Dhabi	NZ628	D
14:05	Mumbai	AI655	D
14:05	Toronto	AM700	D
14:20	Dubai	EK002	A A19-A26
14:25	Geneva	LX355	B
14:50	Bucharest	M5778	D
15:00	Cairo	LH909	B
15:30	Frankfurt	AZ207	C Opens 13:55
16:55	Rome	RJ112	B 817-820
17:05	Amman	LH915	B
17:30	Frankfurt	BQ8281	D Opens 14:35
17:35	Paris (CdG)		

Time	Destination	Terminal	Gate
17:35	Osaka	EW940	B
17:40	Malta	TK1972	A
18:05	Istanbul	TK1980	A
18:10	Stockholm	SK528	C
18:10	Nairobi	AF1588	B 813-815
18:20	Dhaka		
18:50	London		
20:35	Vilnius	LT1027	B
21:10	Abu Dhabi	EK009	A A19-A26
21:30	Abu Dhabi	ET701	D
21:30	Tel Aviv	EV918	D Opens 17:40
22:05	Singapore	V5453	D D19-D28
22:10	Istanbul	TK1980	A A28-A32
22:30	Lagos	V5411	D D19-D28

# Heathrow

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Customs enquiries: Zone A