Heathrow Finance plc
Roadshow Presentation

November 2019

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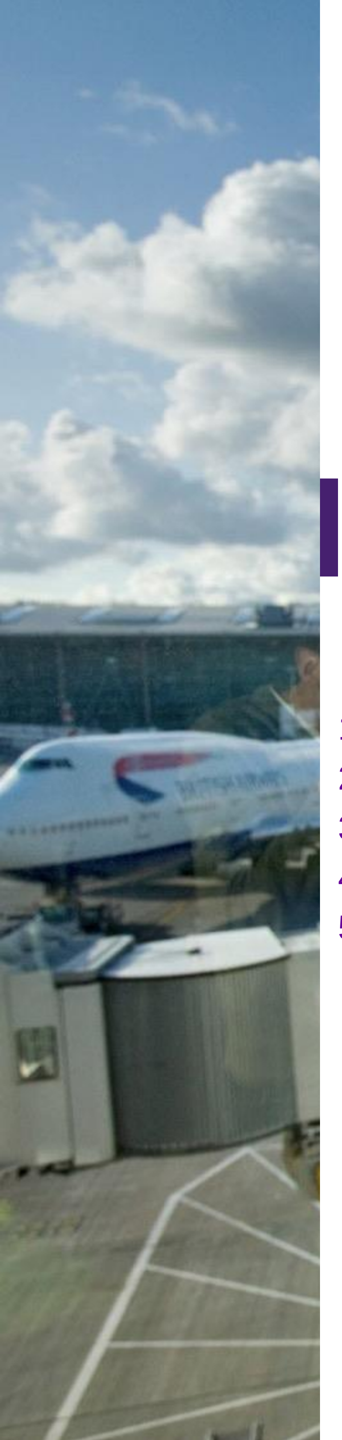


Contents

Key credit strengths

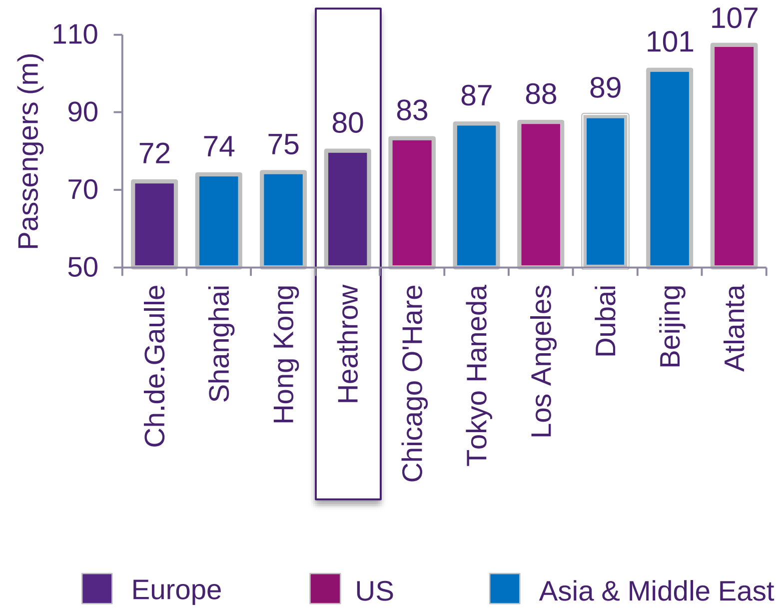
Foundations of Heathrow Credit

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 27% 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
  - >100 long haul routes, one 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

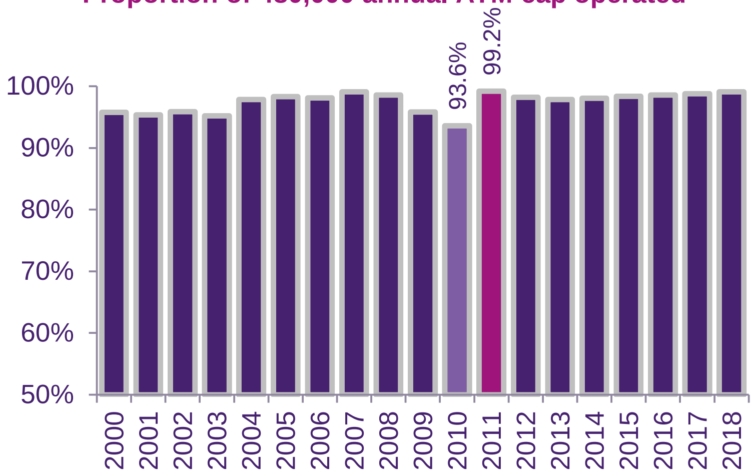


See page 31 for notes, sources and defined terms

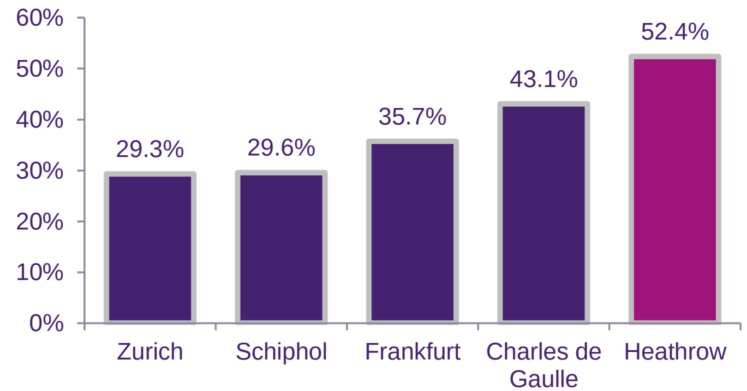
Heathrow’s strength and resilience driven by traffic profile

- 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

Proportion of 480,000 annual ATM cap operated



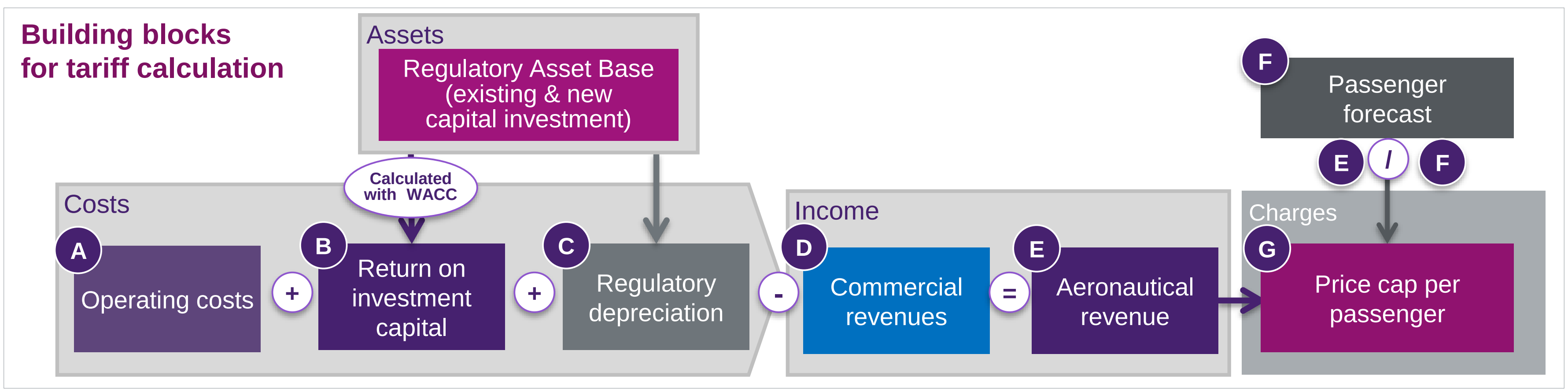
Proportion of long haul traffic (2018)



See page 31 for notes, sources and defined terms

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
- £16.4 billion Regulatory Asset Base ('RAB') as at 30 June 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



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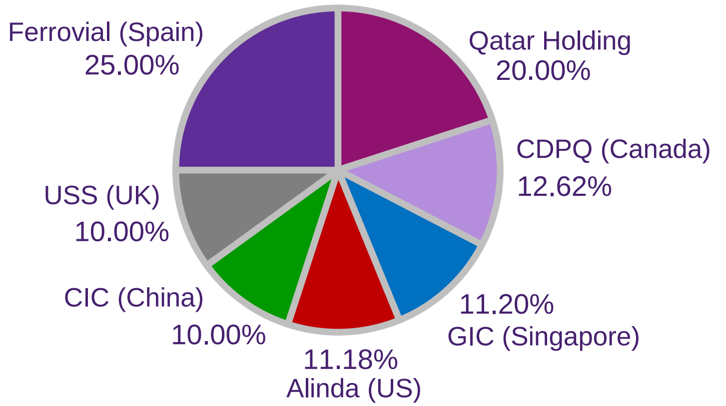
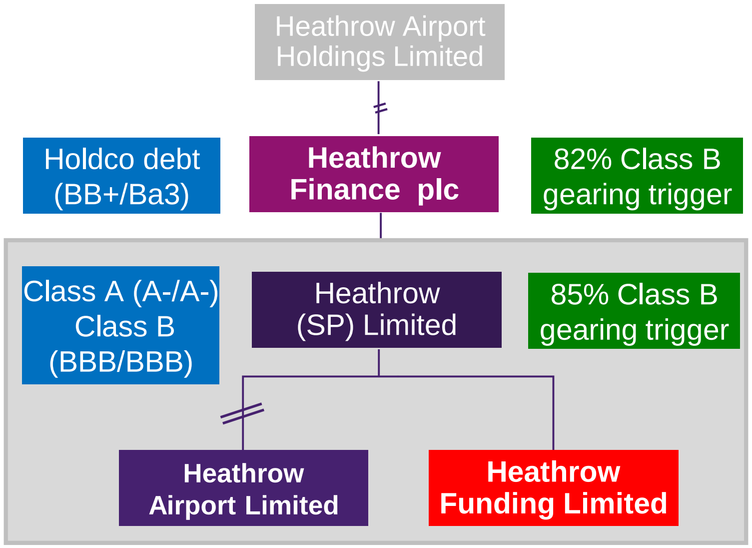
Overview of Heathrow financing

- Largest wholly-privately financed airport globally, owned by seven international investors
- Established debt financing platform – similar to major UK regulated utilities – with issuance in 7 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



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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%)
- 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

See page 31 for notes, sources and defined terms

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

Heathrow

Expansion – 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

Expansion - Tangible benefits 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

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

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Heathrow 2.0

The Sustainability Strategy Identifies Four Key Stakeholder Groups

Heathrow's Colleagues

A Great Place to Work

- **10,000 apprenticeships by 2030** to help people develop skilled and sustainable careers
- **Reflect local diversity at every level by 2025** so that we can become a truly great place to work whilst helping local people find careers that can fulfil their potential

Heathrow's Neighbors – Local Population

A Great Place to Live

- As part of our Quiet Night Charter, by 2022 **we will seek to at least halve the number of flights on non-disrupted days** that operate late after 1130pm
- **Airside ultra-low emissions zone by 2025** to improve quality of life through cleaner air
- **50% airport passenger journeys made by public transport by 2030**, supporting no more airport-related cars on the road, so local areas can thrive without increased congestion and **halve today's colleague car journeys**

UK Businesses including SMEs

A Thriving Sustainable Economy

- **Largest 100 towns and cities connected to Heathrow by 2033** to create opportunities all over the country and deliver a stronger UK
- All our **direct supply chain colleagues working at Heathrow will be transitioned to be paid the London Living Wage by the end of 2020** and we will encourage commercial partners and our supply chain to work towards the London Living Wage, while continuing to give affordable service to our customers

Future Generations & Environment

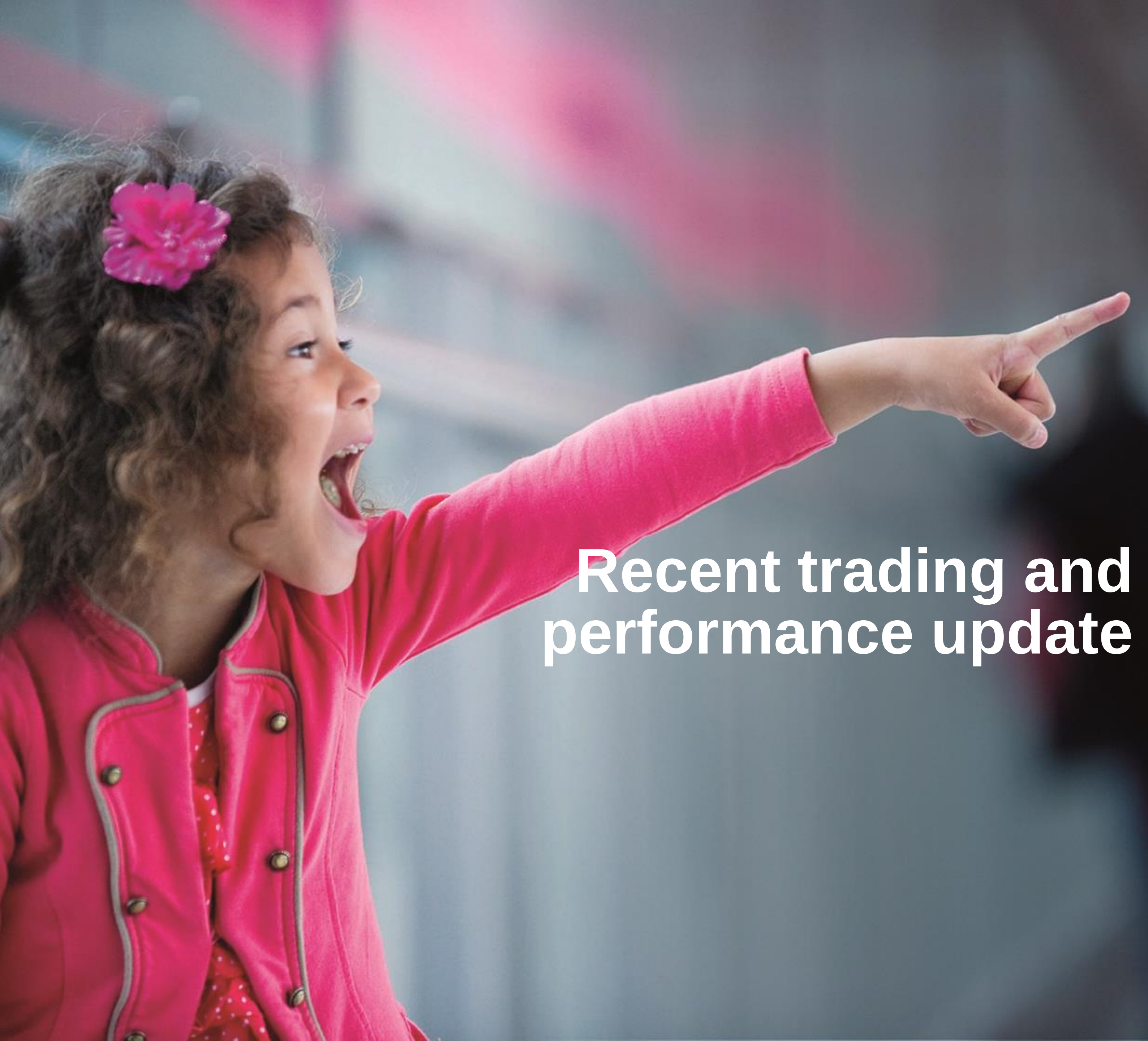
A World Worth Travelling

- **An aspiration to deliver growth with zero net carbon increase by 2050** so that we can protect the planet for future generations to discover and enjoy
- As well as **establishing the Heathrow Centre of Excellence**, we will trial 25 sustainable innovations by 2025
- We will be a **carbon neutral airport by 2020.** This will be measured by achieving level 3+ carbon neutrality within the Airports Carbon Accreditation Scheme - offsetting all residual scope 1 and 2 Heathrow carbon emissions

Centre of Excellence
HEATHROW SUSTAINABILITY

About the Centre of Excellence

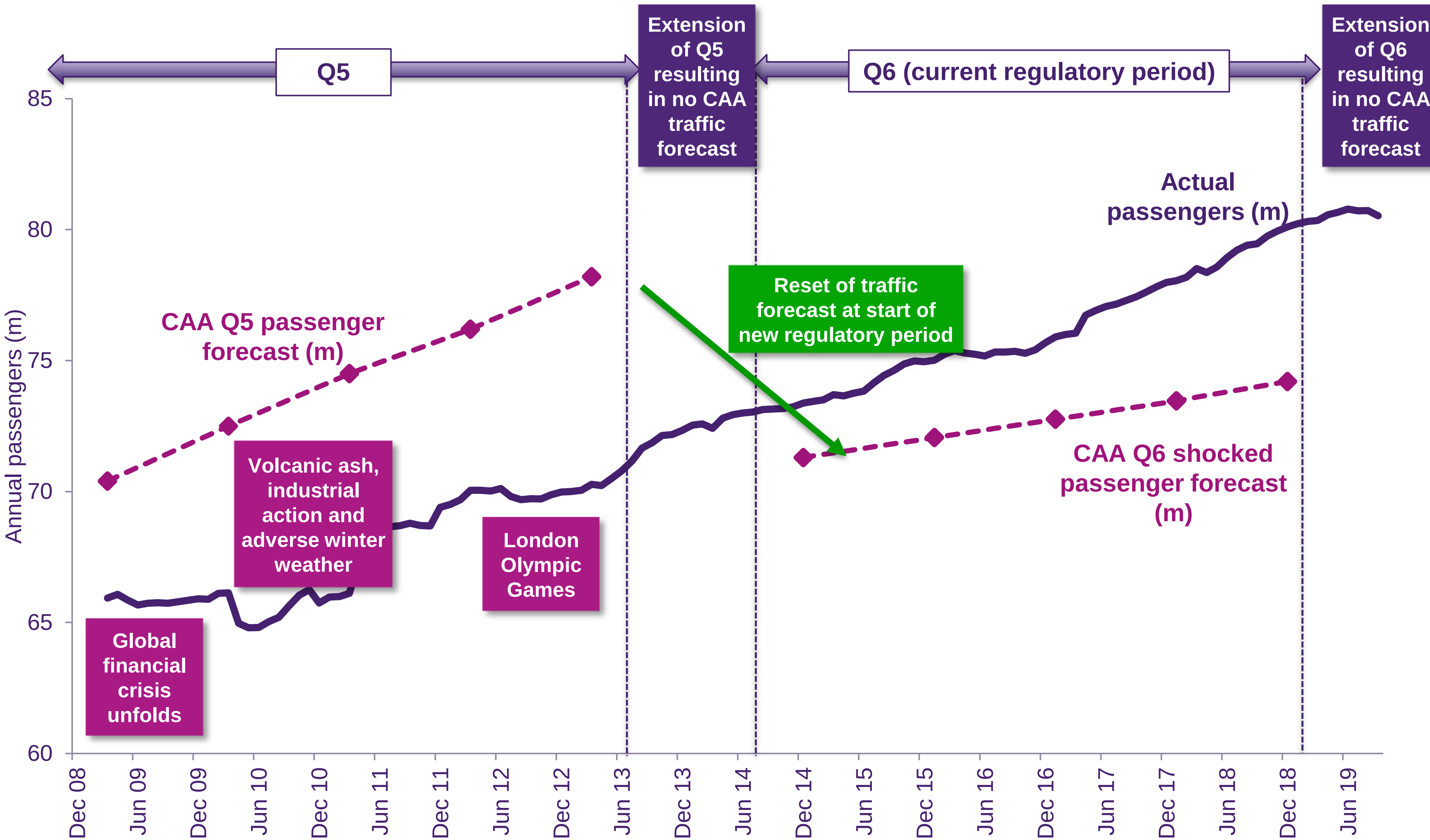
- Heathrow have set up a Centre of Excellence to seek radical new ideas and innovation in sustainability through applied research, demonstration projects and convening and incentivising the most innovative thinking
- In March 2019, Heathrow launched a £30,000 sustainability innovation prize aimed at finding ideas on how to reduce carbon impacts through Sustainable surface transport, Preparing for sustainable flights and Delivering negative emissions



Recent trading and performance update

Heathrow

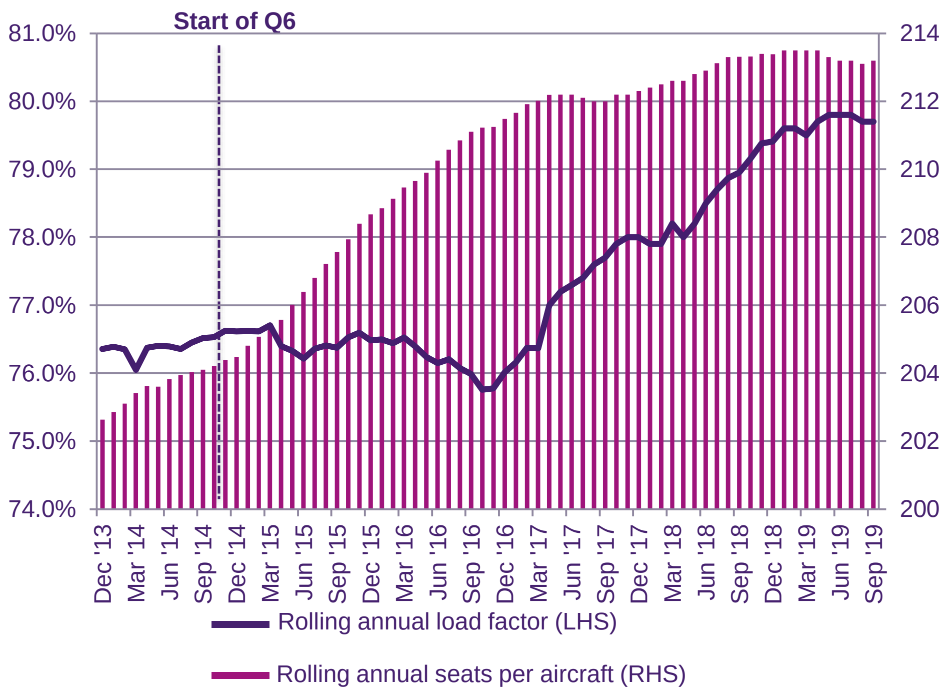
Traffic outperforming in current regulatory period



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 9M 2019 following a 0.7% uplift vs 2018
  - Higher load factors, new routes and more movements operated

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



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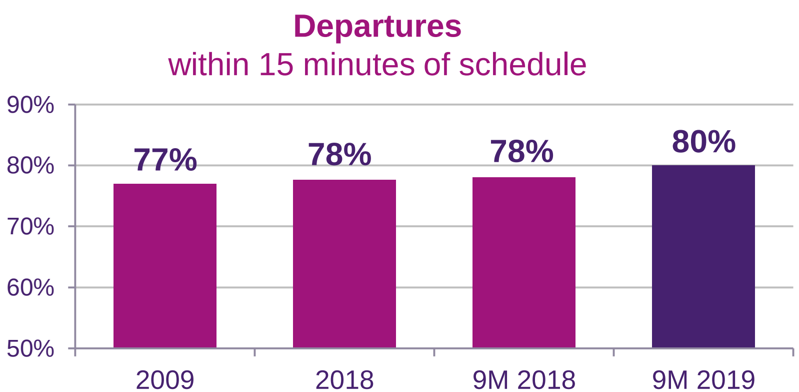
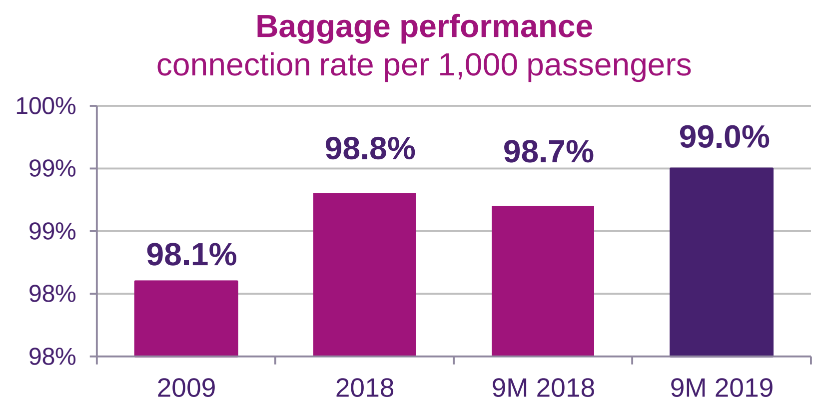
Record service standards complementing record traffic





See page 31 for notes, sources and defined terms

Strong performance in H1 2019

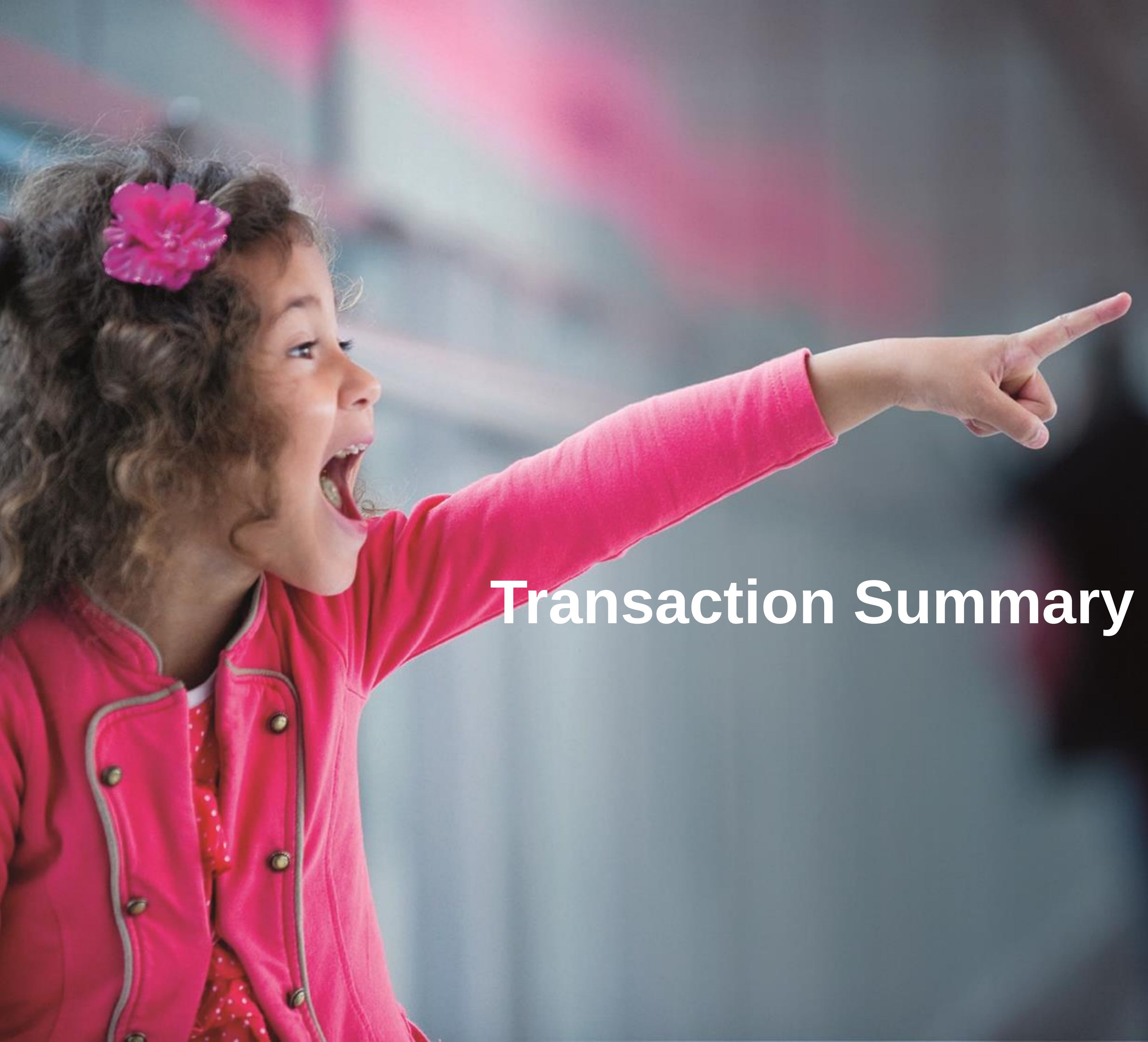
(£ million)	H1 2018	**H1 2019**	Versus H1 2018
Revenue	1,405	**1,461**	4.0%
Operating costs*	557	**554**	(0.5%)
Adjusted EBITDA*	848	**907**	7.0%
Capital expenditure	370	**412**	11.4%

	Dec 2018	**H1 2019**	Versus Dec 2018
Consolidated nominal net debt			
Heathrow (SP)	12,407	**12,520**	0.9
Heathrow Finance	13,980	**14,145**	1.2
RAB	16,200	**16,420**	1.4

- Strong service standards while handling record traffic
- Record traffic driven by higher load factors, larger aircraft and more flights
- Retail income per passenger up 1.5%
- Continued focus on efficiency of existing operations whilst investing in service, resilience and growth
- Liquidity horizon extended to May 2021

**Including the application of IFRS16 (£26million of operating costs reclassified to below EBITDA in 2019)*

See page 31 for notes, sources and defined terms



Transaction Summary

Summary of Terms and Conditions

Issuer	Heathrow Finance plc
Issue	Senior Secured Notes
Amount	250 million
Currency	GBP
Maturity	1 September 2029
Call Structure	NCL
Expected Issue Rating	Ba3 / BB+
Use of Proceeds	General Corporate Purposes
Covenants	Group net indebtedness / RAB ratio ("RAR"): <= 92.5%, at the relevant testing date and Group ICR => 1.0 in respect of any relevant testing period. The notes also contain other covenants, including limitation on financial indebtedness, amongst others
Ranking	The Notes will be general obligations of the Issuer and will be senior obligations of the Issuer, rank *pari passu* with the Issuer Facilities, the 2024 Notes, the 2025 Notes, the 2027 Notes and 2030 PP, and will be structurally subordinated to all existing and future indebtedness of the Senior Borrower Group.
Offering Type	RegS
Governing Law	English Law

See page 31 for notes, sources and defined terms

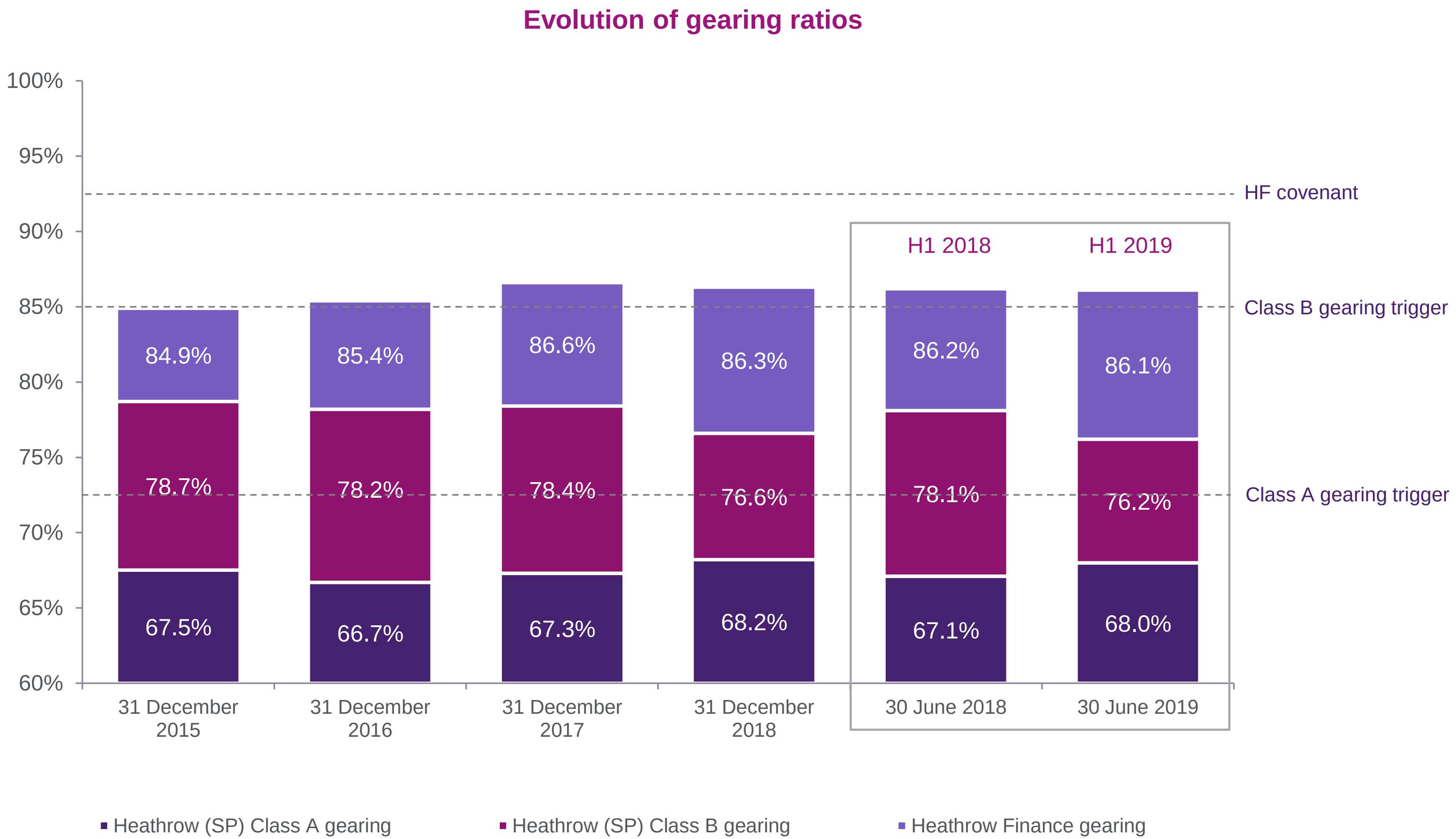
Sources and Uses and Pro Forma Capitalisation

Sources	£m
New Senior Secured Notes	250
Total Sources	**250**

Uses	£m
General Corporate Purposes	247
Transaction Fees	3
Total Uses	**250**

Pro Forma Capitalisation (£m) – Accounting Value	June 2019	Pro Forma June 2019
Current borrowings – Issuer	23	23
Current borrowings – Security Parent and subsidiaries	831	831
Total current borrowings	**854**	**854**
Non-current borrowings – Issuer		
Bonds	819	1,069
Loans	827	827
Total non-current borrowings – Issuer	**1,646**	**1,896**
Non-current borrowings – Security Parent and subsidiaries		
Bonds	12,145	12,145
Loans	695	695
Total non-current borrowings – Security Parent and subsidiaries	**12,840**	**12,840**
Total debt	**15,340**	**15,590**
Cash and cash equivalents	(853)	(1,100)
Total net debt	**14,487**	**14,490**

Substantial gearing headroom retained



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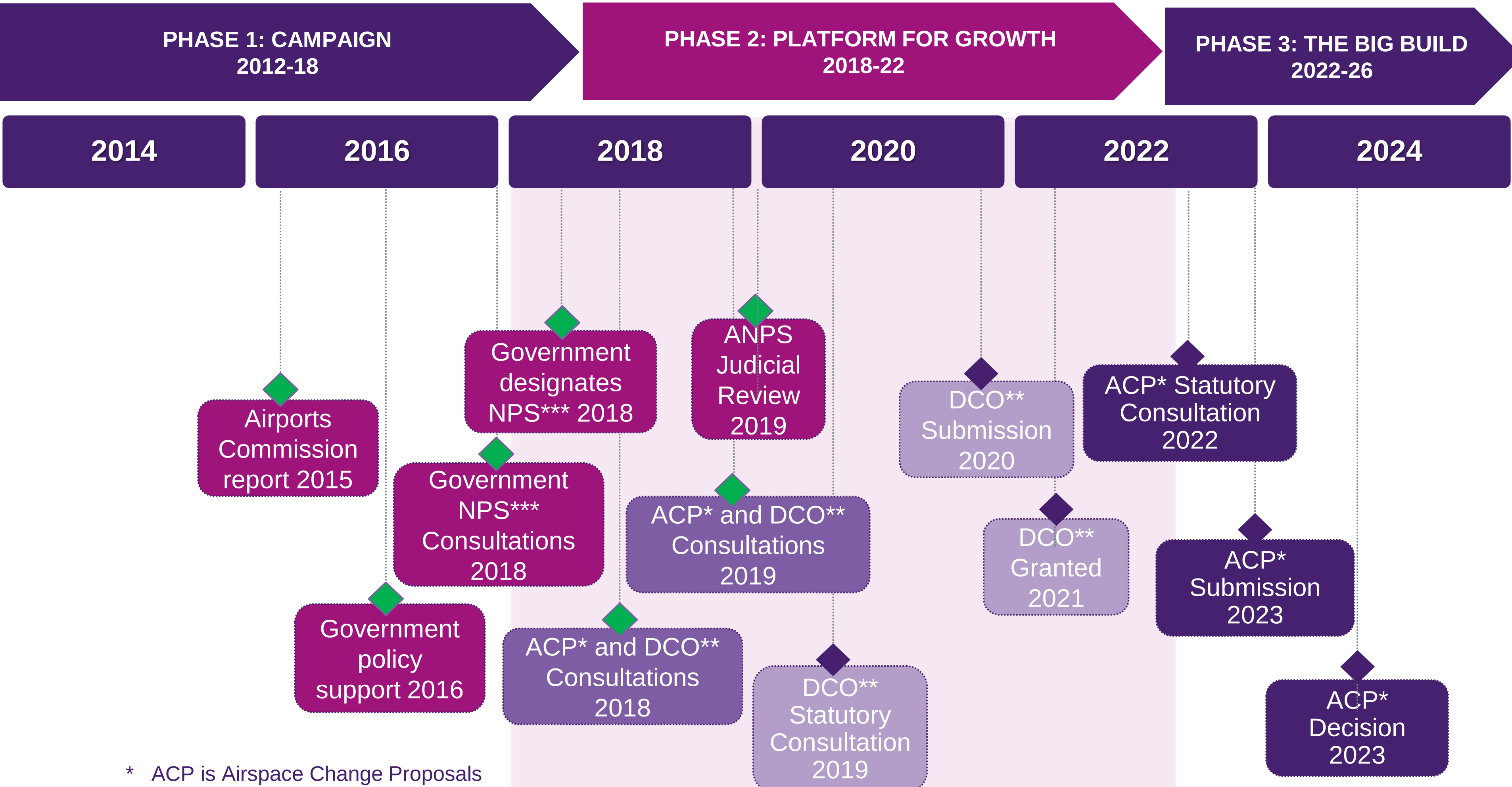
Appendix

Expansion – Policy and consenting process



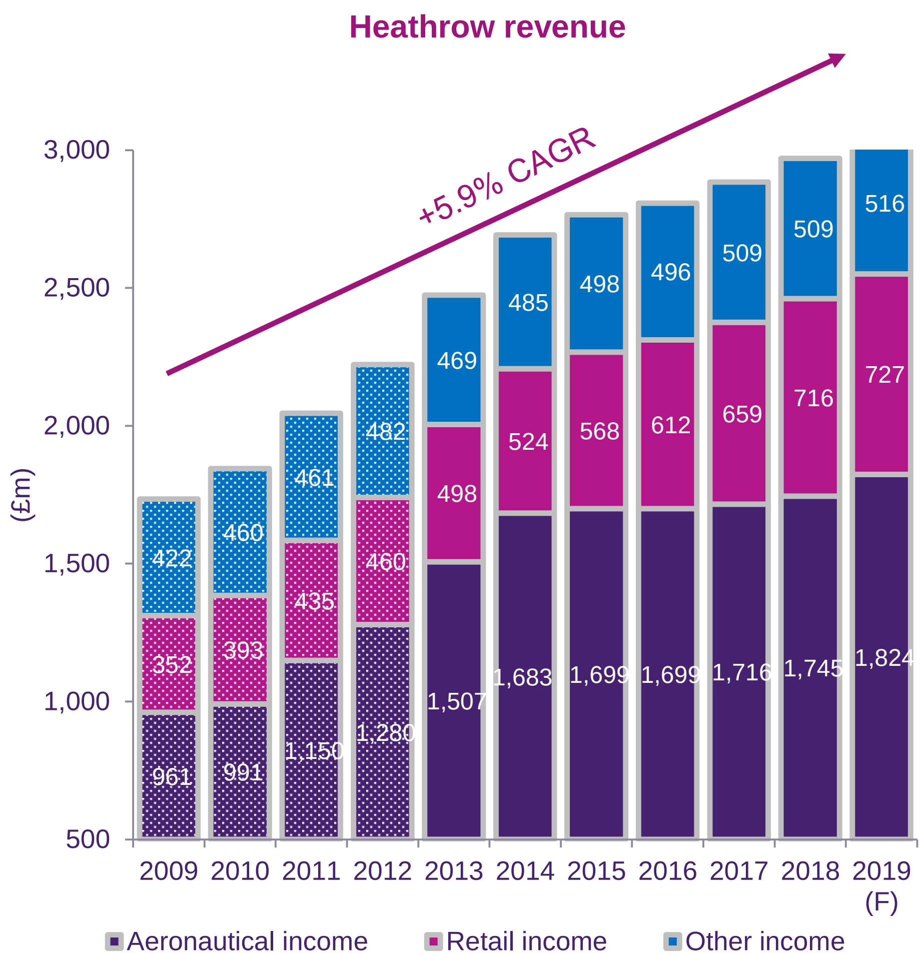
* ACP is Airspace Change Proposals
** DCO is Development Consent Order
*** NPS is National Policy Statement

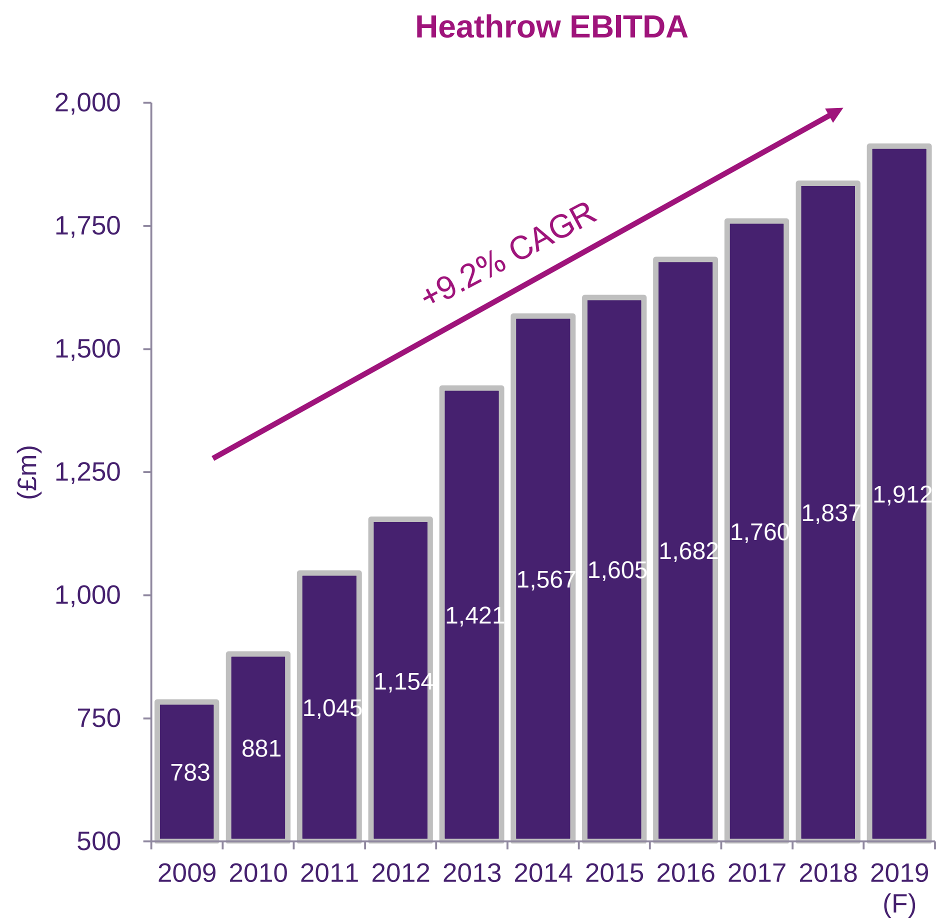
Robust stable financial ratios

As at or for year ended 31 December	Trigger / covenant	2012 (actual)	2013 (actual)	2014 (actual)	2015 (actual)	2016 (actual)	2017 (actual)	2018 (actual)	2019 (f'cast)
RAR: Regulatory Asset Ratio (Net debt/RAB)									
Heathrow (SP) Class A RAR	70%/72.5%	66.2%	67.6%	68.0%	67.5%	66.7%	67.3%	68.2%	65.8%
Heathrow (SP) Class B RAR	82.0%/85.0%	76.7%	77.2%	78.4%	78.7%	78.2%	78.4%	76.6%	73.9%
Heathrow Finance RAR	92.5%	81.6%	82.4%	84.5%	84.9%	85.4%	86.6%	86.3%	85.9%
Gearing ratios (Net debt/Adjusted EBITDA)									
Heathrow (SP) Class A gearing		7.8x	6.9x	6.4x	6.3x	6.0x	6.0x	6.0x	5.8x
Heathrow (SP) Class B gearing		9.0x	7.9x	7.4x	7.3x	7.1x	7.0x	6.8x	6.5x
Heathrow Finance gearing		9.6x	8.5x	8.0x	7.9x	7.7x	7.8x	7.6x	7.5x
ICR: Interest Cover Ratio									
Heathrow (SP) Class A ICR	1.40x	2.62x	3.08x	2.98x	2.90x	3.12x	3.47x	3.72x	3.58x
Heathrow (SP) Class B ICR	1.20x	2.30x	2.43x	2.43x	2.36x	2.50x	2.76x	2.94x	3.02x
Heathrow Finance ICR	1.00x	2.08x	2.22x	2.23x	2.12x	2.25x	2.48x	2.62x	2.60x

See page 31 for notes, sources and defined terms

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





*2019 forecast figures exclude the Brexit contingency of £35m

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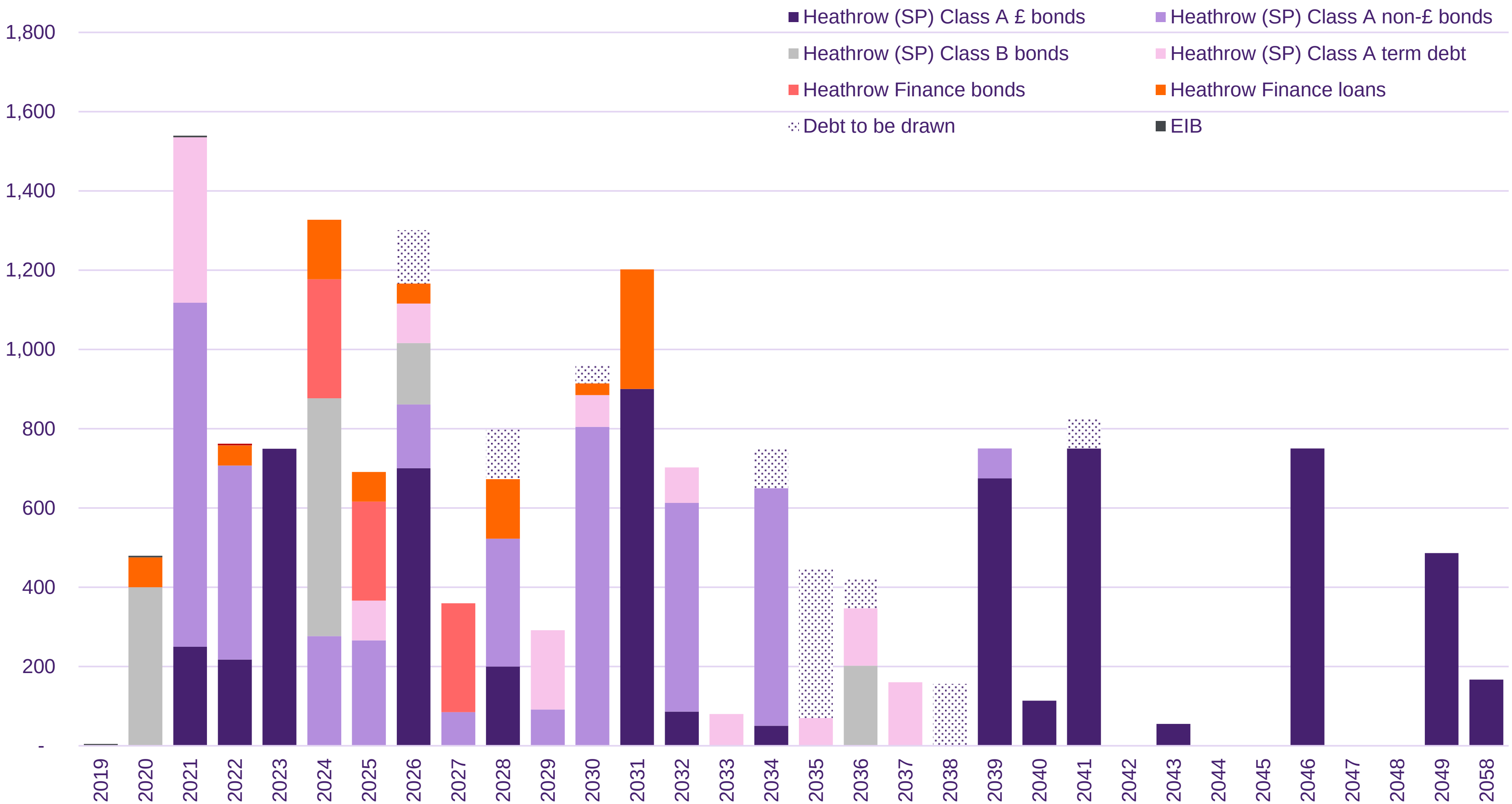
Debt maturity profile at 30 September 2019



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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 20
  - Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI); survey scores range from 1 up to 5
- Page 21
  - 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 23
  - Expected issue ratings of Ba3 by Moody's and BB+ by Fitch, in line with previous transactions
- Page 25
  - See notes to page 10 above regarding definitions and notes on RAR
- Page 28
  - 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 27 June 2019
- Page 29
  - 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 27 June 2019

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