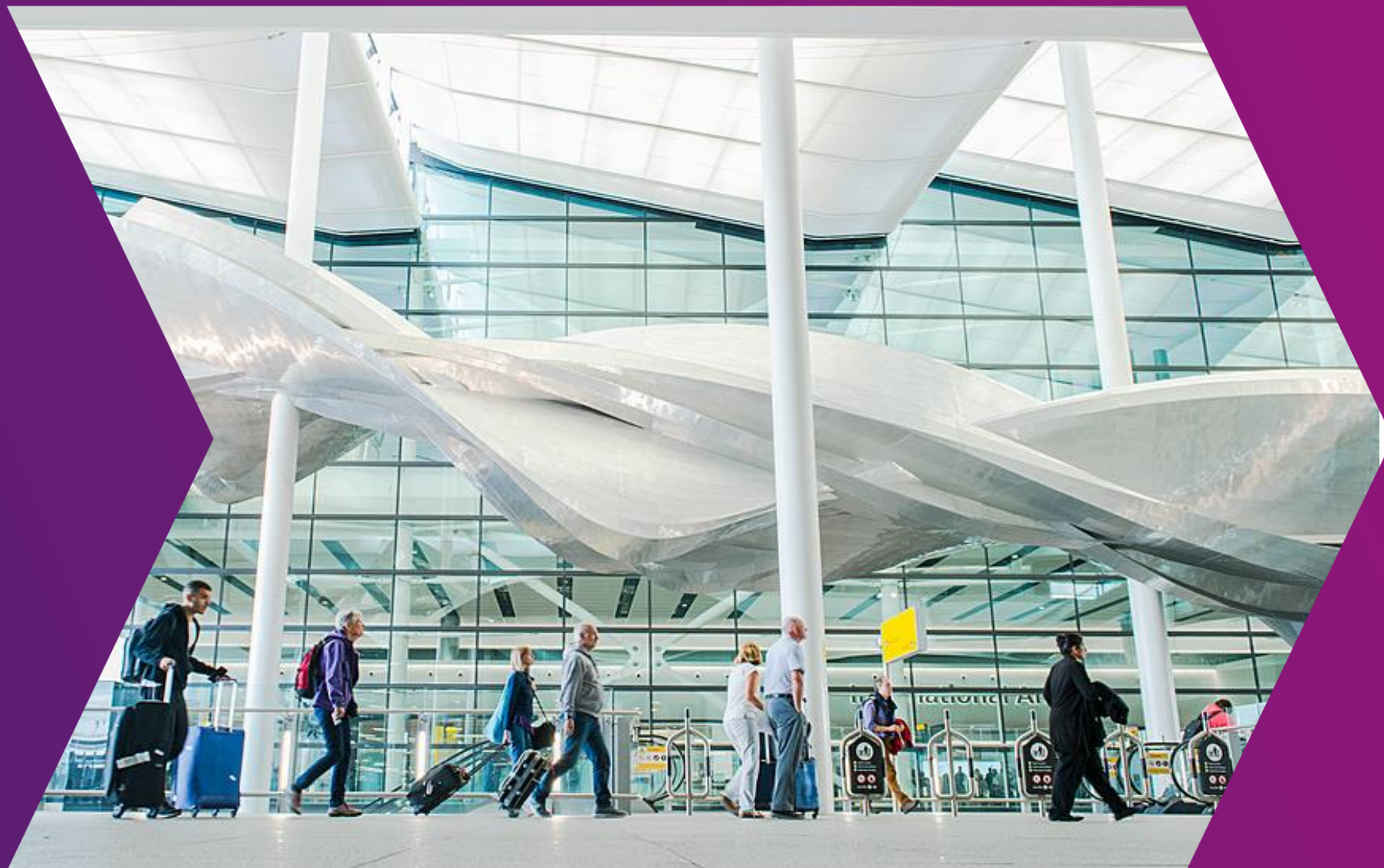


Heathrow

# HEATHROW (SP) LIMITED

INVESTOR UPDATE



FEBRUARY 2024

# DISCLAIMER

- These materials do not contain or constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for, securities (or an interest in any securities) to any person in any jurisdiction in which such offer or solicitation is unlawful prior to registration or qualification under the relevant securities laws of any such jurisdiction. Nothing in these materials shall be intended to provide the basis for any credit or other evaluation of any securities, and/or be construed as a recommendation or advice to invest in any securities.
- Neither these materials, nor any part or copy of it may be taken or transmitted into the United States or distributed, directly or indirectly, in the United States territory, as that term is defined in the U.S. Securities Act of 1933, as amended (the “Securities Act”). This presentation does not constitute an offer to sell securities, or a solicitation of an offer to buy securities in or into the United States. The securities described herein have not been registered and will not be registered in the United States under the Securities Act and may not be offered or sold in the United States, unless such securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. By reviewing these materials you are deemed to have represented and agreed that you and any persons you represent are non-U.S. persons purchasing securities in offshore transactions, as defined in and in compliance with Regulation S under the Securities Act.
- These materials are not being distributed to or directed at persons other than persons whose ordinary activities involve them in acquiring, holding, managing or disposing of securities (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of securities (as principal or agent) for the purposes of their businesses where the issue of securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by Heathrow. In addition, these materials are not an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of the securities other than in circumstances in which section 21(1) of FSMA does not apply to Heathrow.
- Please note that the manufacturer target market (MIFID II / UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No EEA or UK PRIIPs key information document (KID) has been prepared as the securities are not intended to be made available to retail investors in the EEA or the UK.
- The information presented herein is an advertisement and does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “Prospectus Regulation”). The Prospectus in respect of Heathrow’s multicurrency programme is available at <https://www.heathrow.com/company/investor-centre/offering-related-documents> and the Final Terms, when published, will be available on the website of the London Stock Exchange at [www.londonstockexchange.com/news](http://www.londonstockexchange.com/news).
- These materials have been prepared by Heathrow solely for information and reference purposes. The information and opinions contained herein are provided as at the date of these materials. Please note that these materials and any other information or opinions provided in connection with these materials have not been independently verified or reviewed, including by Heathrow’s auditors. Accordingly, these materials and any other information or opinions provided in connection with these materials may not contain all material information concerning Heathrow and no representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of these materials and any other information or the opinions provided in connection with these materials, and no person shall have any right of action (in negligence or otherwise) against Heathrow and/or its representatives (including employees, officers, contractors and professional advisers) in relation to the accuracy or completeness of any such information or in relation to any loss howsoever arising from any use of these materials or the information or opinions provided in connection with these materials or otherwise arising in connection with these materials. Heathrow expressly disclaims any obligation or undertaking to update any forward-looking statements, information or opinions contained in these materials or provided in connection with these materials, or to correct any inaccuracies in these materials which may become apparent.
- No representation, warranty or undertaking, expressed or implied, is or will be made by the Issuer or any investment bank involved with the offering or their respective affiliates, advisers or representatives (collectively, the “Joint Lead Managers”) or any other person as to, and no reliance should be placed on, the truth, fairness, accuracy, completeness or correctness of the information or the opinions contained herein (and whether any information has been omitted from the presentation). Each Joint Lead Manager and, to the extent permitted by law, the Issuer and each of their respective directors, officers, employees, affiliates, advisers and representatives disclaims all liability whatsoever (in negligence or otherwise) for any loss however arising, directly or indirectly, from any use of this presentation or its contents or otherwise arising in connection with this presentation.
- These materials contain certain tables and other statistical analyses (the “Statistical Information”) which have been prepared in reliance on publicly available information and may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Statistical Information. As such, no assurance can be given as to the Statistical Information’s accuracy, appropriateness or completeness in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Where publicly available information has been used or referred to in these materials, such information has been taken from sources which Heathrow believes to be reliable but there is no guarantee of the accuracy or completeness of such information.
- These materials may contain statements that are not purely historical in nature, but are “forward-looking statements” with respect to certain of Heathrow’s plans, beliefs and expectations relating to its future financial condition, performance, results, strategy and objectives. These include, among other things, projections, forecasts, estimates of income, yield and return, and future performance targets. These forward-looking statements are based upon certain assumptions, not all of which are stated here in. By their nature, all forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance; therefore undue reliance should not be placed on them. Future events are difficult to predict and maybe beyond Heathrow’s control. Actual future events may differ from those assumed, and a number of important factors could cause Heathrow’s actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Any forward-looking statements speak only as of the date on which they are made. Neither Heathrow nor its advisers assume any obligation to update any of the forward-looking statements contained in these materials or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to any applicable laws and regulations. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.
- These materials may have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from Heathrow.
- These materials are the property of Heathrow except where otherwise indicated and are subject to copyright with all rights reserved.
- Any reference to “Heathrow” means Heathrow Airport or Heathrow Airport Limited (a company registered in England and Wales, with company number 1991017) and will include any of its parent companies, subsidiaries and affiliates and their respective directors, representatives or employees and/or any persons connected with them from time to time, as the context requires.



# AGENDA

1.	Credit Fundamentals	4
2.	Strategic Developments	11
3.	Performance Update and Business Outlook	16
5.	Sustainability-Linked Bond Framework	21
5.	Appendices	28

# CREDIT FUNDAMENTALS



Heathrow

# 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'S STRENGTH AND RESILIENCE DRIVEN BY INDUSTRY POSITION AND TRAFFIC PROFILE

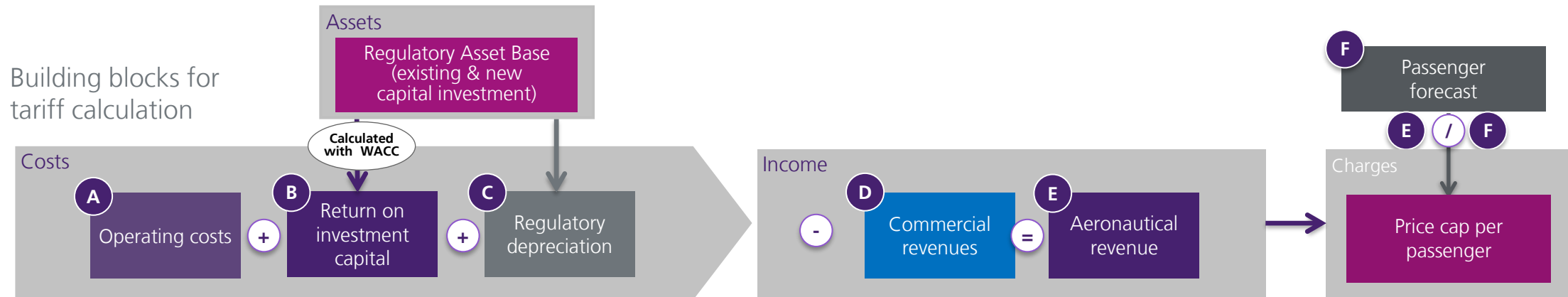
- Heathrow enjoys a strong industry position
  - The UK's only hub airport connecting the UK to the rest of the world
  - Busiest airport by passenger numbers in Europe and among the top 10 airports worldwide
  - Typically serve c.70% of UK long haul scheduled seats, which are highly profitable for airlines
  - 1 of only 3 airports globally with >75 long-haul routes
  - Largest port by value in the UK – strategically important for the UK economy
  - European market share has expanded by 1.5% from 2019
- Catchment area and hub characteristics provide demand resilience
  - Countercyclical transfer traffic; Airlines consolidation across 2020 and 2021
  - Heathrow was operating at close to permitted capacity for many years pre-pandemic
  - London's profile as a major global city

Top 10 busiest European airports  
12 months to 31 December 2023



# CASH FLOW PREDICTABILITY FROM A STABLE REGULATORY FRAMEWORK

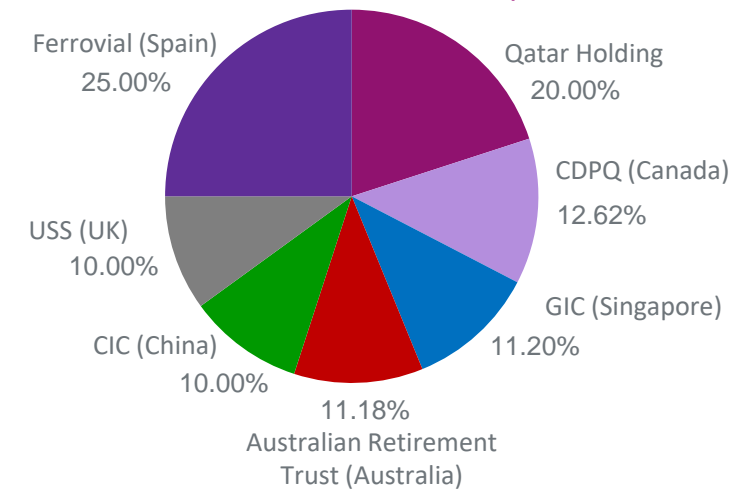
- Heathrow is regulated by the UK Civil Aviation Authority ('CAA'), with a role defined by English law
- Re-set of tariff every five to seven years provides strong visibility of cost recovery
  - tariff set in real terms using the 'building block' principle, allowing recovery of capital investment, operating costs and cost of capital
  - license includes the possibility to reopen settlement under exceptional circumstances
- The price-setting mechanism provides income predictability and cash flow visibility
- Managed inflation exposure, supporting growth in RAB and revenue whilst hedging downside risks
- £19.8 billion Regulatory Asset Base ('RAB') as at 31 December 2023 includes virtually all assets in the business
- 'RAB-based' price regulation similar to other UK-regulated utilities



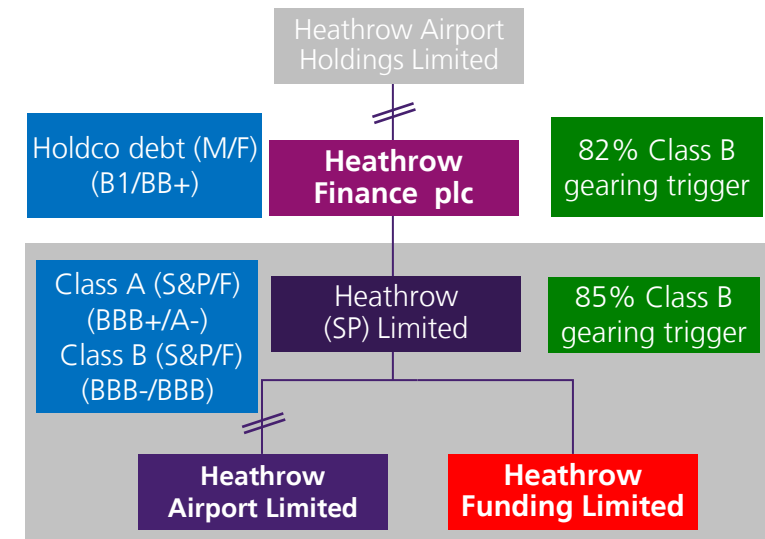
# OVERVIEW OF HEATHROW FINANCING

- Largest wholly-privately financed airport globally, owned by seven international investors
- Established debt financing platform 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 31 December 2023:
  - Class A: £12,607 million
  - Class B: £2,188 million
  - *Total Heathrow SP Group: £14,795 million*
  - RAB: £19,804 billion

Heathrow ownership



Summary Heathrow's financing structure





# HEATHROW PROVIDES A STRONG SUITE OF CREDITOR PROTECTIONS

- Class A creditors have first ranking security, Class B creditors have second ranking security
  - mortgage over Heathrow Airport freehold land, runways, terminals and other fixed assets
  - share pledge over Group companies and charge over receivables
- Bonds and loans rank pari-passu within each level of capital structure
- Operational and financial covenants and distribution lock-ups provide creditor protections
- Information covenants, including semi-annual investor report with financial forecasts most recently published 15 December 2023
- Substantial public disclosures in addition to documented information covenants
- Restrictions on business activities, acquisitions and disposals

## Summary operational/financial covenants and lock-ups across debt capital structure

### Regulatory Asset Ratio (Net Debt/RAB)

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

### Interest Cover Ratios (ICR)

Class A trigger	1.40x
<b>Class B trigger</b>	<b>1.20x</b>
Heathrow Finance covenant	1.00x

### Other protections at Heathrow (SP)

Minimum liquidity	>12 months
Minimum Class A credit rating	BBB+
Currency risk on non-£ debt	100% swap to £
Debt maturities:	
- in any two-year period	<30% RAB
- in any five-year period	<50% RAB
Minimum interest rate hedging:	
- current regulatory period	>75% debt
- next regulatory period	>50% debt
Maximum outstanding accretion on inflation-linked swaps	<8% senior net debt

# SUSTAINABLE GROWTH IS AT THE CENTRE OF OUR PLANS

## HEATHROW 2.0: SIGNIFICANT ADVANCE TOWARDS A SUSTAINABLE FUTURE IN GLOBAL AVIATION



### Net zero aviation

- First airport to achieve SBTi validation for its 2030 carbon reduction goals
- First sustainability-linked bond covering scope 1 to 3
- Transitioned an additional 1.5% of the airport's fuel to SAF, with plans for continued growth to 2.5% in 2024

### Great place to live and work

- Launch of the Giving Back Programme committed to benefiting a million local people by 2030
- Over 1,000 colleagues volunteered over 3,800 hours supporting community initiatives
- Successful Heathrow Business Summit connecting local SMEs with key suppliers
- Continued delivery of the Equality, Diversity, and Inclusion (ED&I) strategy with a 6% YoY increase in colleagues feeling Heathrow is inclusive

# STRATEGIC DEVELOPMENTS

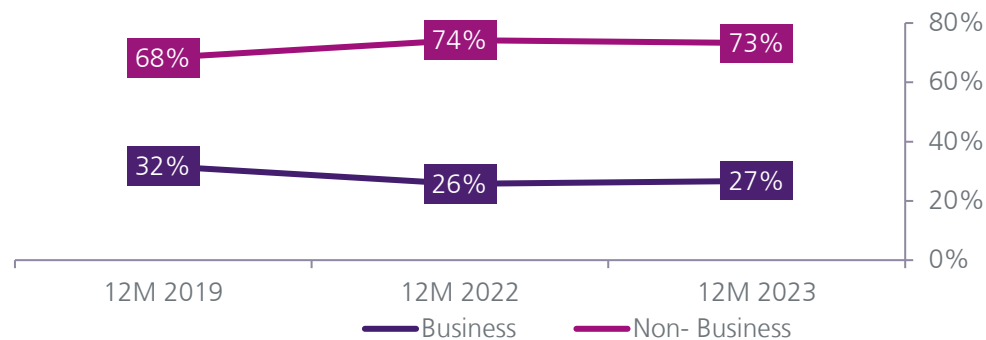


# STRONG PERFORMANCE SUPPORTING GROWTH IN PASSENGER NUMBERS

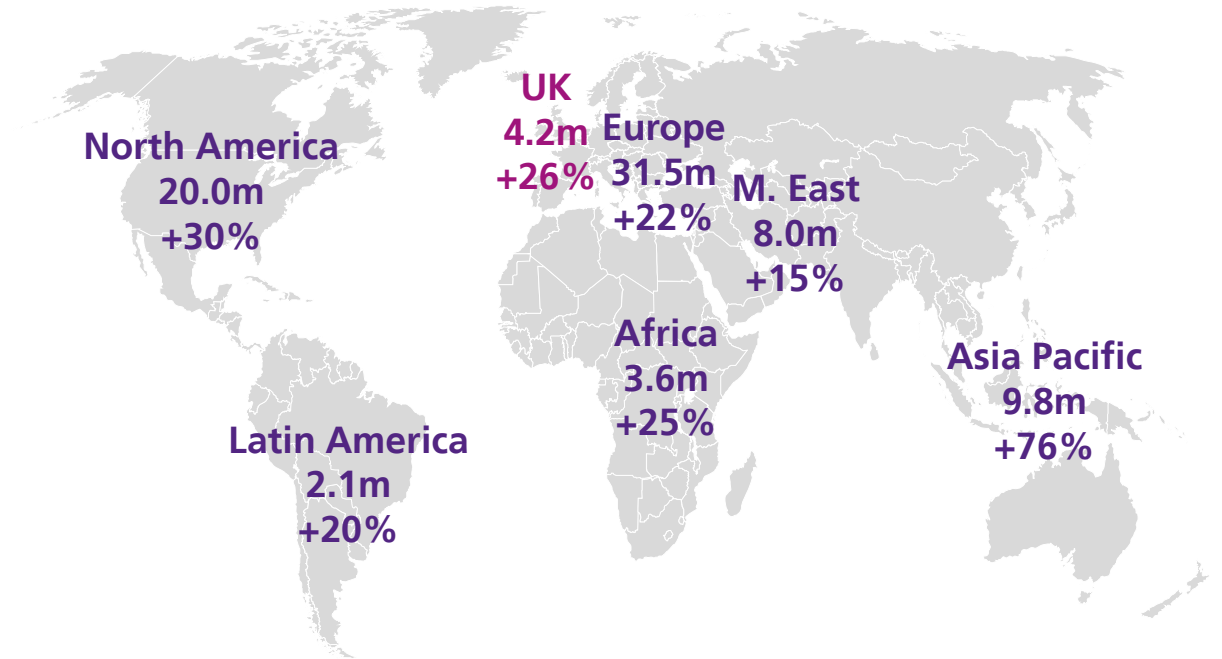
Heathrow	2022 FY	2023 FY	Vs. 2022 %
Passengers (m)	61.6	79.2	+29%
Passengers ATM	367,160	450,194	+23%
Cargo ATM	9,689	3,896	-60%
Load factors (%)	77.0	79.6	+3%
Seats per ATM	218.0	221.0	+1%
Cargo tonnage (*) ('000)	1,400	1,431	+2%

(\*) Includes mail

Passenger Profile by Segments



2023 passenger numbers by market  
(2023 vs. 2022)



Total of 79.2 million passengers  
(+29% vs. 2022)

# EUROPE'S BUSIEST AIRPORT AND MOST CONNECTED GLOBAL HUB

## Heathrow

79.2m passengers  
+17.6m vs. 2022 FY  
+28.6% vs.2022 FY

Cargo 1.4m tonnes  
+2.0% vs 2022 FY

## Charles de Gaulle

67.4m passengers  
+9.9m vs. 2022 FY  
+17.3% vs 2022 FY

## Schiphol

61.9m passengers  
+9.4m vs. 2022 FY  
+17.9% vs 2022 FY

Cargo 1.4m tonnes  
+4.4% vs 2022 FY

## Madrid

60.2m passengers  
+9.6m vs. 2022 FY  
+18.9% vs 2022 FY

Cargo 0.6m tonnes  
+13.6% vs 2022 FY

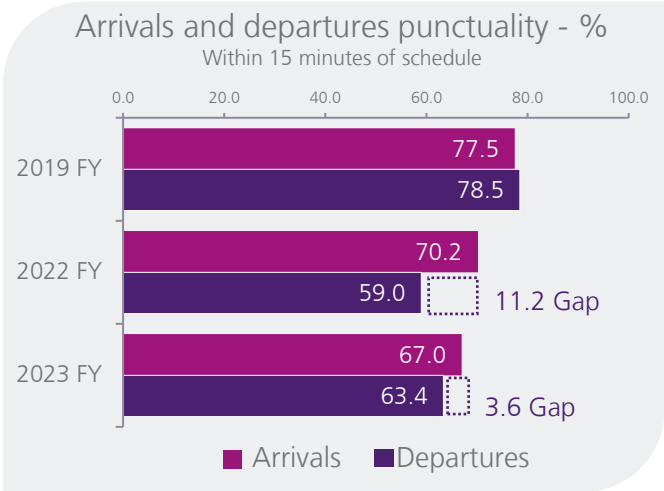
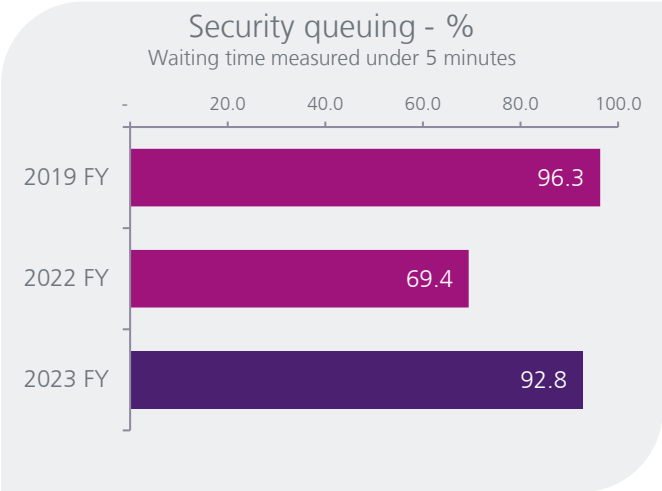
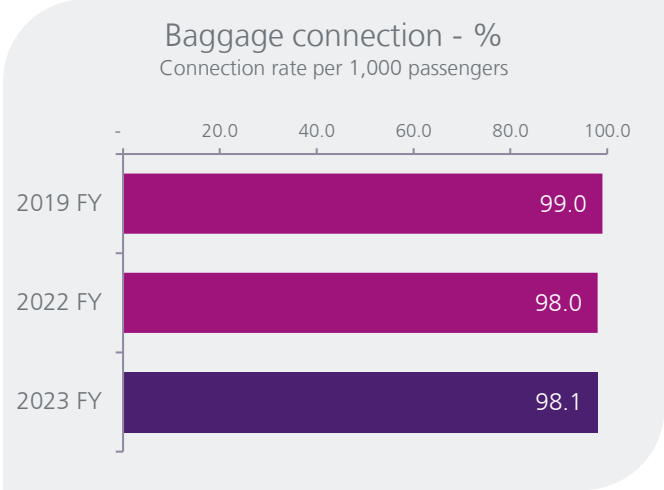
## Frankfurt

59.4m passengers  
+10.5m vs. 2022 FY  
+21.3% vs 2022 FY

Cargo 1.9m tonnes  
-3.9% vs 2022 FY



# DELIVERING EXCELLENT SERVICE IS OUR MAIN FOCUS



# GOOD PROGRESS WITH H7 CAPITAL PROGRAMMES



Asset Management

- 45 projects completed in 2023; 160 live projects and 90 new scopes
- Investment to increase by 25% in 2024



Next-Generation Security

- Terminal designs completed and first lanes delivered
- Continual delivery of new lanes in 2024



T2 Baggage

- Supplier delivery partner chosen
- Baggage asset and IT replacement commenced



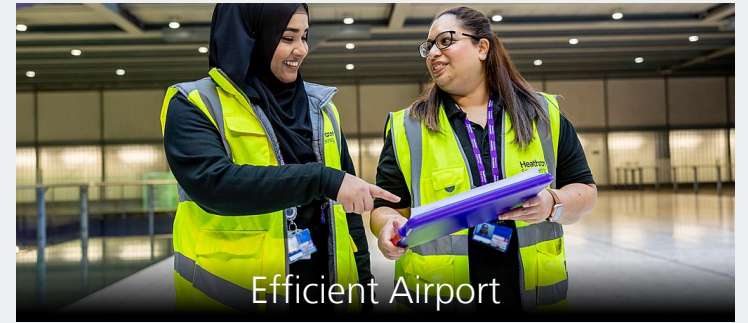
Carbon and Sustainability

- Continuous rollout of EV chargers
- Plans for aircraft stands to be served with new carbon efficient pre-conditioned air units underway



Commercial Revenues

- £92m invested in 2023 across commercial proposition in retail, digital and surface access
- Focus on technology, terminal and external developments and delivery in 2024



Efficient Airport

- Programme mobilisation commenced
- Multiple opportunities to improve passenger satisfaction and automation identified

# PERFORMANCE UPDATE AND BUSINESS OUTLOOK





# OPERATIONAL AND FINANCIAL PERFORMANCE

## PASSENGERS

79.2m

+29% vs. 2022 FY

## ADJUSTED OPERATING COSTS

£1,459m

+19% vs. 2022 FY

## GROUP LIQUIDITY

£3.8bn

-14% vs. 2022 FY

## REVENUE

£3,687m

+27% vs. 2022 FY

## ADJUSTED EBITDA

£2,228m

+32% vs. 2022 FY

## RAB

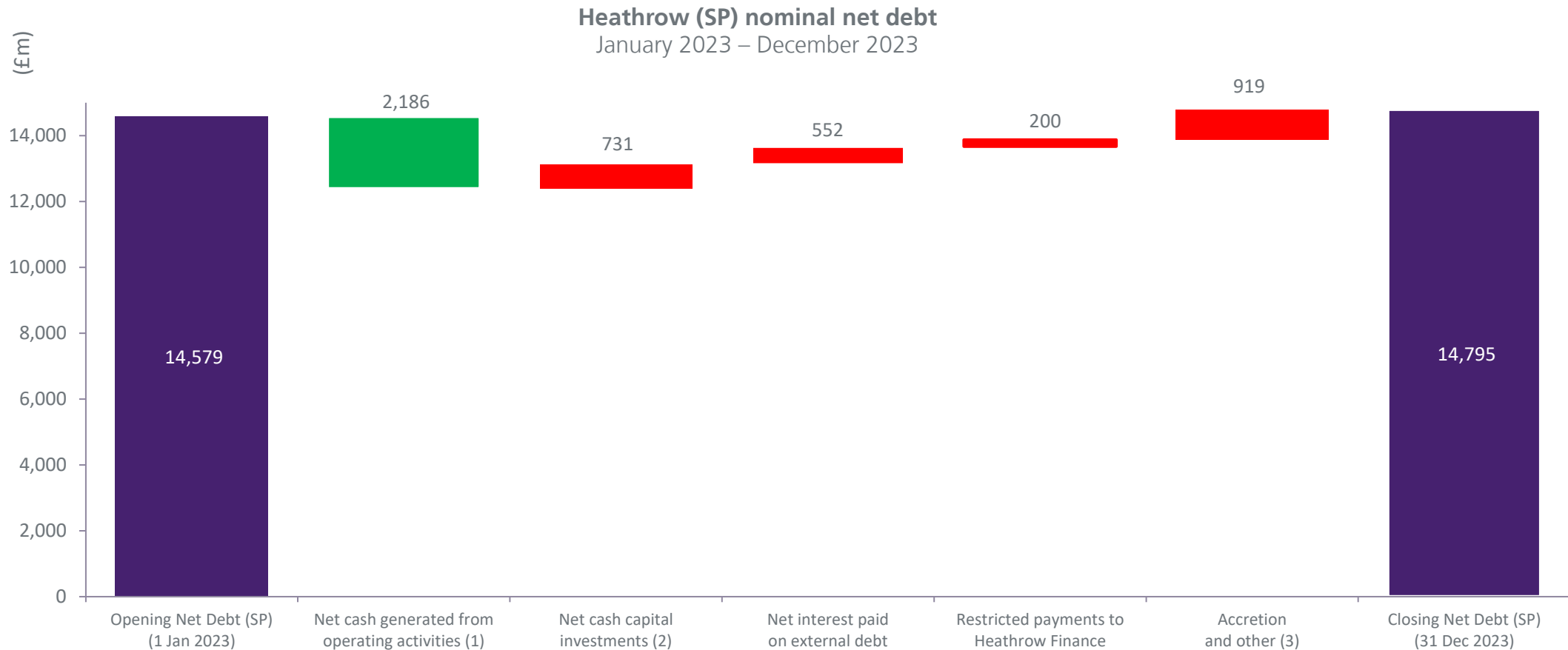
£19.8bn

+3% vs. Dec 2022

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

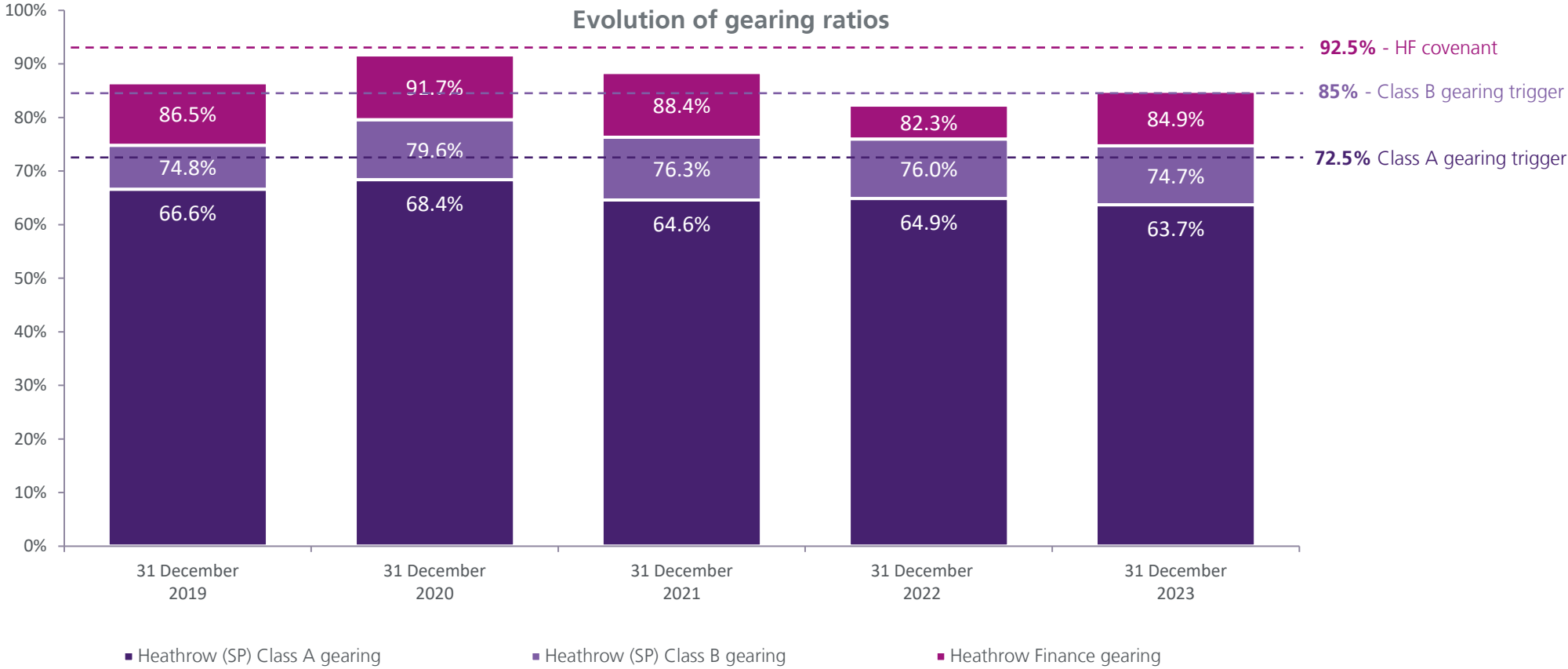
- Third-highest year of traffic in Heathrow's history
- Busiest December ever recorded
- Busiest airport in Europe and top five in the world
- Improved passenger service
- Strong EBITDA performance
- Back to profit after four years
- Very strong liquidity and balance sheet
- H7 investments on the way
- SAF incentives increased to 2.5% in 2024

# NET DEBT REMAINS STABLE



- (1) Adjusted for £95m restricted payment to Heathrow Finance (accounted for in working capital movements)
- (2) Includes £127m capital advance on purchase of building
- (3) Includes £858m accretion charge on index-linked bonds and swaps

# GROUP GEARING RATIOS ARE BELOW PRE-PANDEMIC LEVELS



# OUTLOOK

- Traffic outlook and EBITDA as per the December Investor Report
- No dividends currently forecast for 2024
- 2024 funding plan of c. £1 billion



# SUSTAINABILITY-LINKED BOND FRAMEWORK



# HEATHROW'S SUSTAINABILITY-LINKED BOND FRAMEWORK

## Rationale

- Heathrow proposes to **take a further step in its commitment to sustainability** by incorporating it in its funding strategy
- Selected KPIs are **relevant, core and material** to our business, and we have set ambitious Sustainability Performance Targets (“SPTs”) that support our overall strategy and will help us meet our sustainability objectives over the next years
- This Framework is allowing the issuance of **sustainability-linked financing note instruments**, which may include public bonds, private placements “PPs”, US private placements “USPPs” and any other sustainability-linked bond instruments.

## Alignment with the ICMA SLB Principles



- The Framework is aligned with the **five core components of the 2023 ICMA Sustainability-Linked Bond Principles** (“SLBPs”):










- Second Party Opinion provided by

## ICMA Climate Transition Finance Handbook

- Heathrow will follow, on a best effort basis, the disclosure guidelines found in the Climate Transition Finance Handbook, 2023 version, as published by ICMA
- As such, Heathrow will be transparent with regards to its climate transition strategy and governance, its business model environmental materiality, its climate transition strategy and targets to be ‘science-based’, and implementation transparency



# OVERVIEW OF THE KEY PERFORMANCE INDICATORS & THEIR SUSTAINABILITY PERFORMANCE TARGETS

	KPI 1	KPI 2
	Reduction of <b>'in the air'</b> carbon emissions	Reduction of <b>'on the ground'</b> carbon emissions*
Definition	Absolute 'in the air' carbon emissions (Scope 3) expressed in tCO2e	Absolute 'on the ground' carbon emissions (Scopes 1, 2 and 3) expressed in tCO2e
Sustainability Performance Targets	2026 SPT 1.1: A 10% cut in carbon emissions 'in the air' by 31/12/2026, compared to a 2019 baseline	SPT 2.1: A 26% cut in carbon emissions 'on the ground' by 31/12/2026, compared to a 2019 baseline
	2030 SPT 1.2: A 15% cut in carbon emissions 'in the air' by 31/12/2030, compared to a 2019 baseline	SPT 2.2: A 46.2% cut in carbon emissions 'on the ground' by 31/12/2030, compared to a 2019 baseline
Baseline	19,993,153 tCO2e in 2019	1,047,588 tCO2e in 2019
 SCIENCE BASED TARGETS	This commitment is supported by an <b>SBTi customer engagement target</b> for landing and take-off cycle emissions. This means we will work with our airline customers towards <b>67% of them having set science-based targets by 2027</b>	In March 2023, we secured <b>accreditation from the SBTi</b> that our 2030 carbon reduction targets are <b>in line with a 1.5-degree pathway</b> . We commit to reduce absolute scope 1, 2 and scope 3 GHG emissions from upstream transportation and distribution, waste generated in operations, business travel, employee commuting and downstream leased assets <b>by 46.2% by 2030</b> from a 2019 base year In addition, the KPI is supported by a <b>supplier engagement target</b> , whereby <b>67% of our suppliers by emissions will have science-based targets by 2027</b>
Supported SDGs	 	 
Methodology	<ul style="list-style-type: none"> <li>Our methodology for carbon reporting is informed by: <ul style="list-style-type: none"> <li><b>the Greenhouse Gas Protocol</b> (GHGP) and </li> <li><b>Airport Carbon Accreditation</b> (ACA) standards </li> </ul> </li> <li>Our carbon energy disclosure is in line with the reporting requirements of the <b>Streamlined Energy and Carbon Reporting (SECR)</b></li> </ul>	

(\* ) Even if optional for SBTi, the 2019 baseline and SPTs for KPI #2 include surface access for passengers confirming Heathrow's ambitiousness with targets above and beyond the SBTi guidelines.

# FOCUS ON KPI 1 & ASSOCIATED SPTs: REDUCTION OF 'IN THE AIR' CARBON EMISSIONS

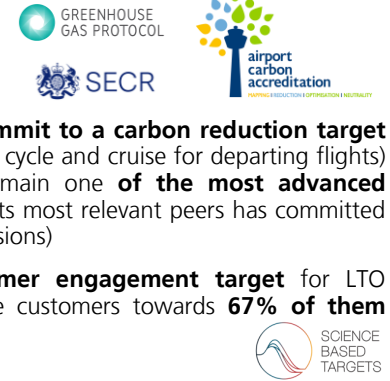
'In the air' emissions are entirely part of GHGP scope 3 emissions and **represent alone approximately 95% of Heathrow's total emissions**. Even though such emissions are not in our direct control, we are committed to being part of the solution and as such, the proposed KPI #1 and the reduction target fall in that scope

## Definition

- Absolute 'in the air' carbon emissions (Scope 3) expressed in **tonnes of CO2 equivalent**
- This indicator covers **absolute Scope 3 emissions coming from aircraft** (GHGP category 11 - use of sold products) and includes:
  - Landing & take-off (LTO) cycle (3,000ft)
  - Cruise (departing flights)

## Relevant methodology & benchmark reference

- Greenhouse Gas Protocol (GHGP)
- Airport Carbon Accreditation (ACA) standards
- Streamlined Energy and Carbon Reporting (SECR)
- Heathrow was the first airport among its peers to **commit to a carbon reduction target that includes aircraft emissions** (including both LTO cycle and cruise for departing flights) with an **intermediary milestone in 2030**. We remain one of the **most advanced airports in this field** (only one other airport among its most relevant peers has committed to a carbon reduction target that includes aircraft emissions)
- This commitment is supported by an **SBTi customer engagement target** for LTO emissions. This means we will work with our airline customers towards **67% of them having set science-based targets by 2027**



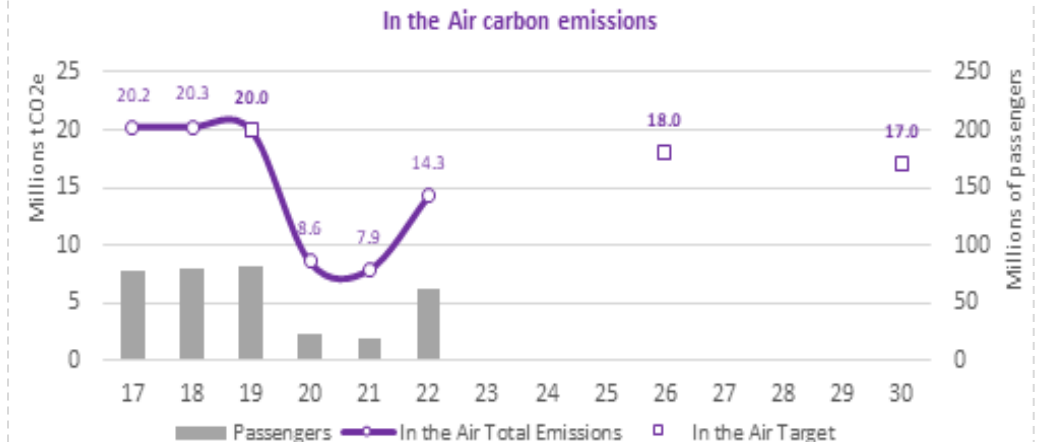
## SPTs

- Baseline** : 19,993,153 tCO2e in 2019
- SPT 1.1**: A 10% cut in carbon emissions 'in the air' by 31/12/2026, compared to a 2019 baseline
- SPT 1.2**: A 15% cut in carbon emissions 'in the air' by 31/12/2030, compared to a 2019 baseline

## Factors that support achieving the target

- At least **£200 million 'Carbon Programme'**
- Airspace modernisation and operational efficiency**: use less fossil fuel by operating more efficiently and by modernising airspace contributing up to 1% of the 2030 goal
- New conventional aircraft**: use less fuel by improving conventional aircraft and engines contributing up to 8% of the 2030 goal
- Change the fuel**: SAF used by today's planes contributing up to 7% of the 2030 goal. Promoting uptake of SAF by our airline customers through our SAF incentive scheme and calling on government to put policy in place to make SAF available and affordable in the UK
- Change the plane** to new zero emission planes, likely hydrogen-fuelled, which would contribute to cutting carbon from the 2030s

## Track record





# FOCUS ON KPI 2 & ASSOCIATED SPTs: REDUCTION OF 'ON THE GROUND' CARBON EMISSIONS

Emissions 'on the ground' account for approximately 5% of our total emissions and are part of GHGP scope 1, 2 and 3 emissions. Even though all emissions are not in our direct control, we are committed to being part of the solution and as such, the proposed KPI #2 and the reduction target fall in that scope.

## Definition

Absolute 'on the ground' carbon emissions (Scope 1, 2 and 3) expressed in tonnes of CO2 equivalent. This indicator covers absolute carbon emissions coming from:

- **Surface access** (passengers and colleagues): Scope 3 (GHGP categories 9 - Downstream transportation and distribution and 7 – employee commuting)
- **Supply chain:** Scope 3 (GHGP category 2 - capital goods)
- **Airport vehicles:** Scope 1 & 3 (GHGP category 4 – Upstream Transportation and Distribution)
- **Buildings & infrastructure:** Scope 1, 2 & 3 (GHGP category 13 - Downstream leased assets)

## SPTs

- **Baseline:** 1,047,588 tCO2e in 2019
- **SPT 2.1:** A 26% cut in carbon emissions 'on the ground' by 31/12/2026, compared to a 2019 baseline
- **SPT 2.2:** A 46.2% cut in carbon emissions 'on the ground' by 31/12/2030, compared to a 2019 baseline

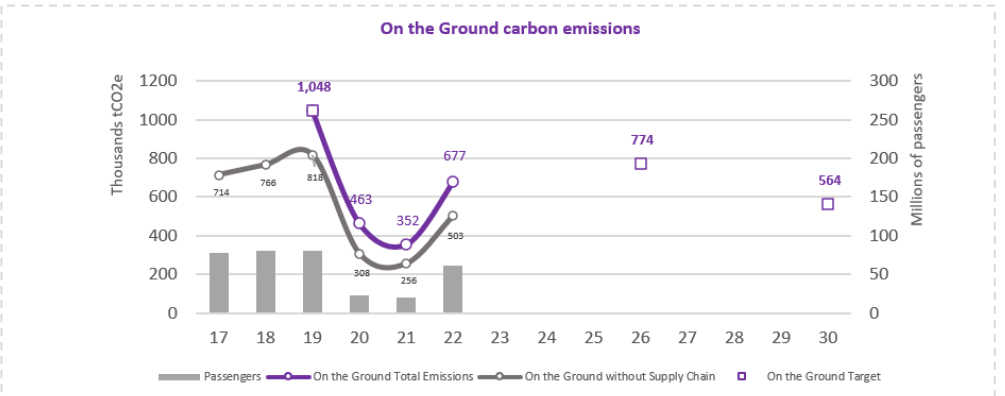
## Factors that support achieving the target

- **Net zero surface access:** enable net zero surface access for passengers and colleagues cutting carbon by 49% by 2030
- **Supply chain:** leverage our procurement role to deliver a net zero supply chain, cutting carbon by 35% by 2030
- **Airport vehicles:** shift airport vehicles to zero carbon cutting carbon by 87% by 2030
- **Building and infrastructure:** get our buildings and infrastructure to zero cutting carbon by 39% by 2030

## Relevant methodology & benchmark reference

- Greenhouse Gas Protocol (GHGP)
- Airport Carbon Accreditation (ACA) standards
- Streamlined Energy and Carbon Reporting (SECR)
- Heathrow's 'on the ground' target covers both **direct emissions** (scope 1 and 2) and **indirect emissions** (scope 3) such as surface access and supply chain. **This positions Heathrow among the most ambitious European airports committed to reducing all absolute 'on the ground' emissions.**
- In March 2023 we secured accreditation from the SBTi that our Heathrow 2.0 carbon reduction targets are in line with a 1.5-degree pathway. Heathrow commits to **reduce absolute scope 1, 2 and scope 3 GHG emissions** from upstream transportation and distribution, waste generated in operations, business travel, employee commuting, and downstream leased assets **by 46.2% by 2030 from a 2019 base year.** In addition, we commit to a **supplier engagement target**, whereby **67% of our suppliers by emissions will have science-based targets by 2027**

## Track record



# SECOND PARTY OPINION PROVIDED BY DNV



Heathrow has commissioned DNV to review and provide an eligibility assessment of the Framework, confirming **its alignment with the five core components of the ICMA Sustainability Linked Bond Principles ("SLBPs") 2023**, thereby providing *"an investment opportunity with transparent sustainability credentials"*

## 1. Selection of Key Performance Indicators (KPIs)

- DNV can confirm that KPI 1 and KPI 2 as outlined in the Framework are material to Heathrow's overarching business and sustainability strategy. **These KPIs address 100% of Heathrow's Scope 1, 2 and 3 carbon emissions**, and are considered **core and material** within the ICMA Illustrative KPIs Registry and Heathrow's own materiality assessment. DNV further notes that, at the time of writing, Heathrow is the
- only major hub airport in Europe having had its near-term 2030 goals validated by the Science Based Targets initiative (SBTi) in line with a 1.5 degree pathway. The rationale and process for the KPI selection, as well as its definition, measurability and verifiability, are also clearly defined and are deemed to be **robust, reliable**, and in accordance with the SLBPs.

## 2. Calibration of Sustainability Performance Targets (SPTs)

- DNV can confirm that the SPTs set for KPI 1 – Reduction of 'in the air' carbon emissions and KPI 2 – Reduction of 'on the ground' carbon emissions are:
- **Ambitious, realistic and meaningful** to Heathrow's business, and that they are consistent with the Company's overall sustainability strategy highlighted in Heathrow 2.0: Connecting People and Planet and Heathrow's Net Zero Plan; and
  - Represent a **material improvement of the respective absolute emissions trajectories** beyond the "Business as Usual" scenario, are considered leading compared to a peer group benchmark; and are referenced to science-based pathways as part of Heathrow's near-term absolute emission reduction commitments for KPI 2 and its customer engagement targets for KPI 1.

**DNV can confirm that the calibration of the SPTs are in line with the requirements of the SLBPs.**

## 3. Bond Characteristics

DNV can confirm that for any instrument issued under this Framework, Heathrow has committed to include a sustainability-linked mechanism by which the financial characteristics of the instrument may be impacted in case of the non-achievement of the predefined SPTs at the relevant target observation date. DNV can confirm that Heathrow's commitment to specifying the bond characteristics is **in line with the requirements of the SLBPs.**

## 4. Reporting

Heathrow has committed to reporting on the performance of the two KPIs annually in its Sustainability Report, and/or its Annual Report and Accounts and/or a standalone document. Such reporting will be available on Heathrow's corporate website and will be subject to external verification. **DNV can confirm Heathrow's commitment to reporting is in line with the requirements of the SLBPs**

## 5. Verification

DNV can confirm Heathrow's commitment to verification as outlined in the Framework, is **in line with the requirements of the SLBPs.** Heathrow has committed to reporting on the KPIs' performance against the SPTs and **engaging an external verifier to provide at least limited assurance** regarding the performance of the KPIs on an annual basis, and for the duration of the SPTs at least. Heathrow has also conducted a **pre-issuance external review** by way of this assessment with DNV



WHEN TRUST MATTERS



HEATHROW AIRPORT  
SUSTAINABILITY-LINKED BOND  
FRAMEWORK ASSESSMENT

**Heathrow**

Document title: Second Party Opinion on Heathrow Airport Sustainability-Linked Bond Framework

Prepared by: DNV Business Assurance Services UK Limited

Location: London, U.K.

Date: 29 June 2023

This assessment is valid as long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the Financing Framework being assessed.

\*DNV\* is a trading name of DNV Business Assurance Services UK Limited, a wholly owned subsidiary of DNV Business Assurance Group. Registered Office: 4th Floor, Vinea Building, 20 Spinkfield St, London EC2A 4PU. www.dnv.com

# INDICATIVE TRANSACTION TERMS

Summary of the Indicative Terms & Conditions	
Issuer	Heathrow Funding Limited
Obligors	Heathrow Airport Limited, Heathrow (AH) Limited, Heathrow (SP) Limited and Heathrow Express Operating Company Limited
Expected Issue Ratings	BBB- (S&P) / BBB (Fitch)
Format	RegS, Registered, Secured, Class B, Unwrapped, Sustainability-Linked Bonds
Currency & Size	GBP Benchmark
Tenor	8 Year
Coupon	Fixed rate, interest is payable annually in arrears
Step Up Event	SPT 1.2: A 15% cut in carbon emissions 'in the air' by 31/12/2030, compared to a 2019 baseline ("In the Air Carbon KPI Step Up Event") SPT 2.2: A 46.2% cut in carbon emissions 'on the ground' by 31/12/2030, compared to a 2019 baseline ("On the Ground Carbon KPI Step Up Event")
Premium Payment Amount	1% at redemption if the issuer fails to meet either SPT 1.2 or SPT 2.2
Premium Payment Date	[5] March 2032
Documentation	Under the Issuer's £50bn Multicurrency Programme dated 30 June 2023
Governing Law	English
Listing	Official List of the London Stock Exchange
Denominations	£100k + £1k
Use Of Proceeds	General Corporate Purposes
Optional Redemption	3m par call, MWC at G + [●]bps
Active Bookrunners	NatWest, Lloyds, SMBC, MUFG, Mizuho
ISIN	XS2777627907

# APPENDICES CONTENT



# HEATHROW EXPANSION

We remain committed to a long-term sustainable expansion

- Currently reviewing our plans for delivering expansion
- ANPS is in full effect post legal challenge
- Expanding capacity to meet growing demand
- Decarbonising aviation a central part of the Government's green growth agenda



# HEATHROW NOMINAL NET DEBT, 31 DECEMBER 2023

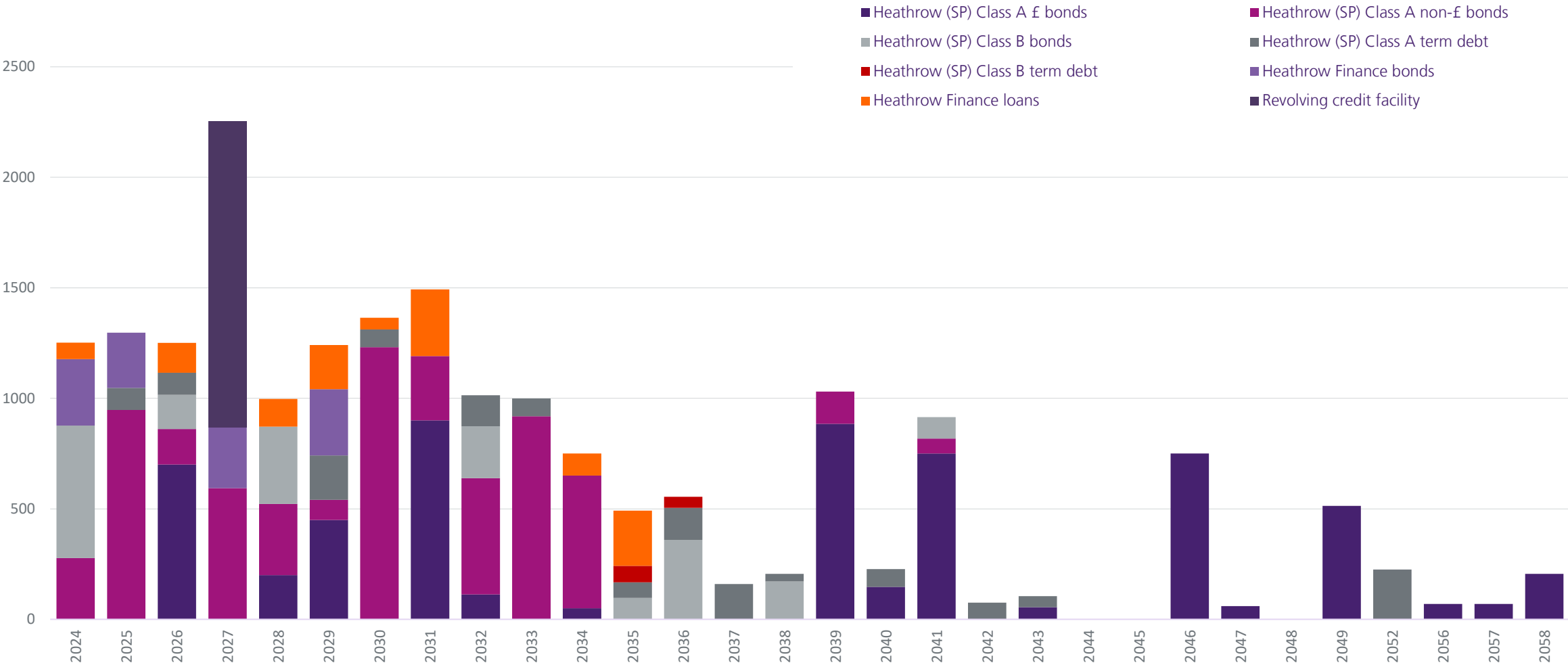
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$650m 2.7%	374	374	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
CHF165m 1.800%	136	136	2029
£450m 2.75%	450	450	2029
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
€500m 1.125%	427	427	2030
C\$500m 3.661%	291	291	2031
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	113	113	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
C\$300m 3.7%	363	363	2033
4.500% €650m SLB due 2033	557	557	2033
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	75	75	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	809	809	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	147	147	2040
£750m 5.875%	750	750	2041
A\$125m 3.500%	68	68	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£60m 4.702%	60	60	2047
£75m RPI +1.372%	113	113	2049
£400m 2.75%	400	400	2049
£70m 6.070%	70	70	2056
£70m 6.070%	70	70	2057
£160m RPI +0.147%	206	206	2058
<b>Total senior bonds</b>	<b>12,092</b>	<b>12,092</b>	
Term debt	1,540	1,540	Various
Index-linked derivative accretion	807	807	Various
Revolving / WC facilities	0	1019	2026
Operating lease liability	64	64	Various
<b>Total other senior debt</b>	<b>2,411</b>	<b>3,430</b>	
<b>Total senior debt</b>	<b>14,503</b>	<b>15,522</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(1,896)</b>		
<b>Senior net debt</b>	<b>12,607</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£350m 2.625%	350	350	2028
£182m 0.101%	235	235	2032
£75m RPI + 0.347%	97	97	2035
£75m RPI + 0.337%	97	97	2036
£180m RPI +1.061%	262	262	2036
£51m RPI + 0.419%	66	66	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	97	97	2041
<b>Total junior bonds</b>	<b>2,063</b>	<b>2,063</b>	
Term debt	125	125	Various
Junior revolving credit facilities	0	367	2026
<b>Total junior debt</b>	<b>2,188</b>	<b>2,555</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>14,795</b>		

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
£200m	200	200	2029
£53m	53	53	2030
£302m	302	302	2031
£100m	100	100	2034
£250m	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>(353)</b>		
<b>Heathrow Finance plc net debt</b>	<b>2,011</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
<b>Heathrow (SP) Limited senior debt</b>	<b>14,503</b>	<b>15,522</b>
<b>Heathrow (SP) Limited junior debt</b>	<b>2,188</b>	<b>2,555</b>
<b>Heathrow Finance plc debt</b>	<b>2,364</b>	<b>2,364</b>
<b>Heathrow Finance plc group debt</b>	<b>19,055</b>	<b>20,441</b>
<b>Heathrow Finance plc group cash</b>	<b>(2,249)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>16,806</b>	

# DEBT MATURITY PROFILE AT 31 DECEMBER 2023



# NOTES, SOURCES AND DEFINED TERMS

## Page 6

Source of airport rankings: ACI November 2023 Report.

## Page 8

Heathrow Airport Limited has a wholly-owned subsidiary, Heathrow Express Operating Company Limited that sits within the ring-fenced financing structure.

## Page 9

Regulatory asset ratio (RAR) is nominal net debt (including index-linked accretion) to RAB (regulatory asset base). Interest cover ratio (ICR) is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid.

RAR is trigger event at Class A and Class B and financial covenant at Heathrow Finance; Class A RAR trigger ratio is 72.5%; two Class B triggers apply: at Heathrow Finance it is 82.0% and Heathrow (SP) Limited it is 85.0%; Heathrow Finance RAR covenant is now 92.5 as the Heathrow Finance 2019 Notes have been repaid.

## Page 10

Equality, Diversity and Inclusion ('ED&I') metrics from our Inclusion and Wellbeing Survey.

## Page 12

Source: Heathrow traffic statistics. Cargo ATM(s) means an Air Traffic Movements the primary purpose of which is the carriage of goods including but not limited to freight, unaccompanied baggage and mail.

## Page 13

Passenger and cargo numbers as of 31 December 2023 sourced from companies' websites.

## Page 14

Airport Service Quality 'ASQ' – quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

Departure punctuality – percentage of flights departing within 15 minutes of schedule.

Baggage connection – numbers of bags connected per 1,000 passengers.

Security queuing - % of security waiting time measured under 5 minutes, based on 15-minute time period measured.

## Page 17

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

Busiest Airport: Source of airport rankings: ACI November 2023 Report.

## Page 18

Opening and closing nominal net debt includes index-linked accretion.

Cash capital expenditure for the period.

Other comprises index-linked accretion, external tax payments and fees paid in relation to financing transactions.

## Page 19

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

## Page 30-31

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing.

Maturity is defined as the Scheduled Redemption Date for Class A bonds.



# Heathrow

Visit us: [www.heathrow.com/company/investor-centre](http://www.heathrow.com/company/investor-centre)