HEATHROW (SP) LIMITED AND HEATHROW FINANCE PLC

Investor Report December 2020

18 December 2020

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This Investor Report (other than Appendix 6) is being distributed by LHR Airports Limited (as 'Security Group Agent') on behalf of Heathrow Airport Limited, Heathrow Express Operating Company Limited, Heathrow (AH) Limited and Heathrow (SP) Limited ('Heathrow SP'), (together the 'Obligors' or 'the Security Group'), pursuant to the Common Terms Agreement. Appendix 6 is being distributed by Heathrow Finance plc ('Heathrow Finance') pursuant to the terms of Heathrow Finance's facilities agreements and its bond terms and conditions relating to bond issuances maturing in 2024, 2025, 2027 and 2029. This Investor Report summarises the financial performance of Heathrow (SP) and its subsidiaries (the 'Group') for the period to 30 September 2020 and its passenger traffic for the period to 30 November 2020. It also contains forecast financial information derived from current management forecasts for Heathrow (SP) and its subsidiaries (the 'Group') for the whole of 2020 and 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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APPENDICES

1. OVERVIEW

This report sets out the 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.

COVID-19 continues to represent a seismic challenge for the aviation industry, including Heathrow. The pandemic has put air travel to a halt as governments around the world closed their borders and airlines dramatically cut capacity. Whilst we welcome the Government's progress in establishing an initial testing regime and in rolling out a first vaccine, the speed of recovery remains uncertain.

We anticipate traffic to be 22.3 million in 2020, which is 0.3 million down on our Q3 results announcement to reflect the impact of the November lockdown, or 6.9 million down compared to our June 2020 guidance. In 2021, we expect traffic volumes to reduce by 54% versus 2019 to 37.1 million. Our focus remains on protecting people's safety and the financial resilience of Heathrow, preserving our cash position and reducing costs.

In 2020, we forecast Adjusted EBITDA to decline 86.8% to £254 million compared to 2019. In 2021, Adjusted EBITDA is forecast to increase by 94.1% to £493 million, driven by the recovery in passenger traffic and additional cost reductions initiatives. Our liquidity position remains strong with £4.6 billion of cash and committed facilities available to the business as at 30 November 2020, sufficient to meet all obligations until 2023 under our traffic forecast.

Last October, we issued £750 million of new notes at ADI Finance 2 Limited to private international lenders. Net proceeds have been injected into the Heathrow Finance Group with £600 million pushed into the Heathrow SP Group. The capital injection contributes to our strong liquidity position and improves the headroom to our group covenant levels. Part of these proceeds has been used to optimise our working capital in the short-term. Our forecast includes the steps taken in that regard to reprofile swap payments and bring forward some operating expenses due in 2021 to reduce 2021 costs and therefore improve the headroom to ICR covenant levels. Despite our deteriorated traffic outlook, we do not forecast any covenant breach in 2021.

Our RAB is forecast to be £16.5 billion at the end of 2020 and £19.4 billion at the end of 2021, compared to £16.4 billion for both 2020 and 2021 as published in our June Investor Report. Our 2021 RAB forecast assumes the CAA proceeds with Heathrow's proposed RAB adjustment of £2.7 billion in 2018 prices. We recognise the engagement with the regulator on this matter is ongoing as well as the range of possible outcomes. Compliance with debt covenant is not dependent on adjustment, but urgent action remains critical to demonstrate the good functioning of our regulatory framework and assumptions, ensure an appropriate balance of risk and rewards for investors and to continue investing for the benefit of consumers.

We are submitting our Revised Business Plan (RBP) in parallel to this Investor Report, outlining how we plan to approach H7 given the uncertain traffic recovery path ahead. Further details are provided in the regulatory developments section of this report. The CAA will use the RBP to inform their proposals for setting the H7 price control. We expect the CAA to publish their initial proposals in summer 2021.

Since the suspension of the Airports National Policy Statement (ANPS) in early 2020, we progressed our appeal to the Supreme Court. We were successful when the Supreme Court passed a unanimous judgement on 16 December 2020 lifting the suspension of the ANPS and confirming that it is lawful Government policy. This is the right result for the country, which will allow Global Britain to become a reality. As passenger numbers recover, our immediate focus will be to continue to ensure their safety and to maintain our service levels while we consult with investors, government, airline customers and regulators on our next steps.

As at the date of this report, (a) a Forecasting Event has occurred; (b) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in June 2020; and (c) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in December 2020. This means a distribution lock-up will remain in place, preventing cash from leaving the Heathrow SP Group.

Heathrow secured a waiver from Heathrow Finance's creditors in July 2020. As a result, Heathrow Finance's ICR covenant is waived for 2020. In addition, Heathrow Finance's RAR covenant was revised from 92.5% to 95% in 2020 and 93.5% in 2021.

2020 and 2021 financial performance

(£m unless stated)	2020 (F)	2021 (F)	Trigger / Forecasting Event
Passengers (m)	22.3	37.1	
Summary financials			
Revenue	1,149	1,435	
Adjusted EBITDA[1]	254	493	
Cashflow from operations[2]	(2)	717	
Regulatory Asset Base (RAB)	16,522	19,406	
Nominal net debt			
Senior net debt	11,323	11,165	
Junior net debt	1,847	2,013	
Consolidated net debt	**13,170**	**13,178**	
Interest paid			
Senior interest paid	500	68	
Junior interest paid	82	62	
Total interest paid	**582**	**130**	
Ratios[3]			
Senior(Class A) RAR	68.5%	57.5%	72.5% / 70.0%
Junior (Class B) RAR	79.7%	67.9%	85.0% / 85.0%
Senior(Class A) ICR	-0.53x	4.86x	1.40x / 1.60x
Junior (Class B) ICR	-0.46x	2.54x	1.20x / 1.40x

(£m unless stated)	2020 (F)	2021 (F)	Covenant 2020 / 2021
Heathrow Finance			
Borrower net debt	1,980	2,088	
Group net debt	**15,150**	**15,266**	
Borrower interest paid	102	108	
Group interest paid	**684**	**238**	
Group RAR[3][4]	91.7%	78.7%	95.0% / 93.5%
Group ICR[3][5]	-0.39x	1.38x	N/A

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, 3 and 6
4) Heathrow Finance's RAR covenant increased from 92.5% to 95.0% for the testing date occurring on 31 December 2020, and 93.5% for the testing date occurring on 31 December 2021.
5) Heathrow Finance's ICR covenant is waived for the financial year ended 31 December 2020

Heathrow

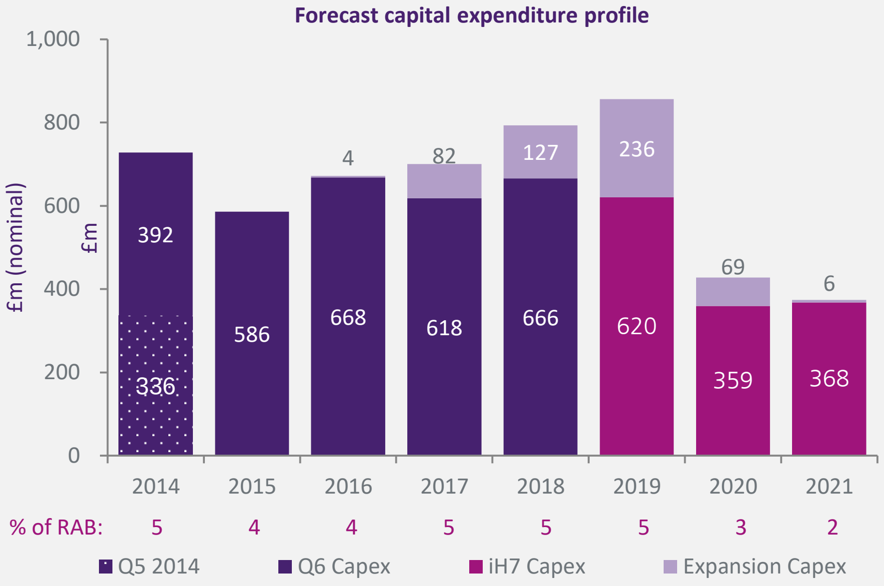
2. BUSINESS DEVELOPMENTS

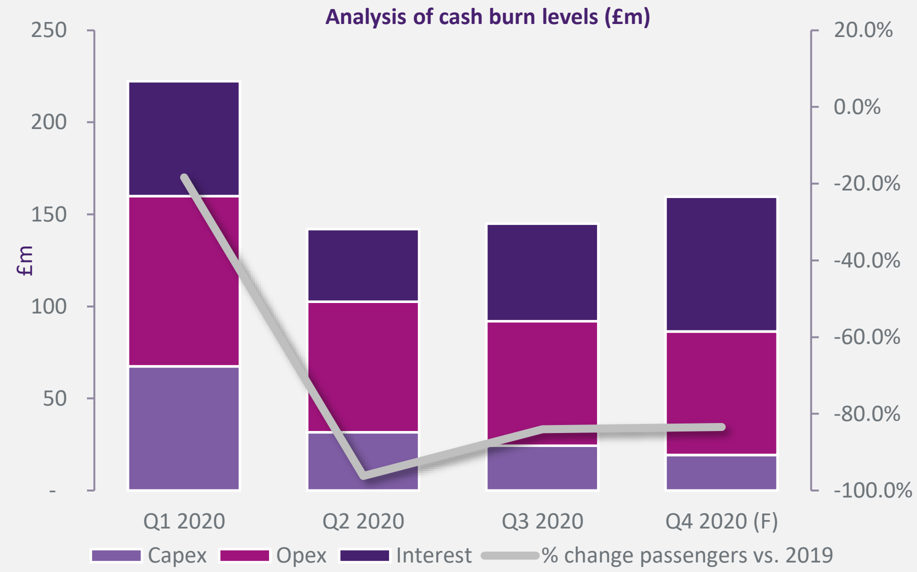
PROTECTING OUR BUSINESS

Safety and security remain our first and non-negotiable priority. We have reviewed the entire Heathrow airport experience to ensure that our passengers and colleagues are kept safe. We have added safety measures across the airport following close collaboration with Public Health England and best practice.

COVID-19 continues to have a significant impact on our financial performance. Management took rapid actions to protect the financial resilience of the business enabling a reduction in our average monthly cash burn levels from an expected £240 million to around £150 million observed over the last two quarters. However, with a recovery now expected to be much more gradual than previously expected, we must go further and ensure that the business is able to continue successfully navigating the turbulent years ahead. We have therefore implemented further steps to reduce costs, preserve liquidity and protect our financial covenants:

- **Enhancing liquidity** – We took the proactive step to access the Euro, Sterling and Canadian dollar bond markets in early October raising £1.4 billion Sterling equivalent via three transactions. This was a prudent step to refinance upcoming maturities in 2021 and effectively means we have completed the funding plan that we disclosed in our previous Investor Report.
- **Securing a capital injection to improve our headroom to covenant level** – We restored the ADI Finance 2 Limited level of our capital structure with a £750 million facility signed with private international lenders. The net proceeds received in December have been injected into the Heathrow Finance Group, of which £600 million was pushed into the Heathrow SP Group. The capital injection contributes toward the 3.3% headroom to Heathrow Finance RAR covenant level.
- **Optimising working capital** – Using the proceeds of the capital injection from ADI Finance 2 Limited, we have selectively brought forward to 2020 the payment of circa £250 million worth of expenses due in 2021. These prepayments will be made to a combination of governmental bodies and targeted suppliers. Where appropriate, an escrow account may be used to effectively remove any counterparty risk until services are completed. We have also reprofiled a proportion of existing interest rate and inflation swaps and completed a series of new interest rate swap transactions which will help to reduce interest payments over the next few years. These mitigations will result in favorable working capital movements in 2021 as well as reducing 2021 costs and creating more headroom to ICR covenant levels in the short run as traffic recovers.
- **Extending our cost reduction programme** – By the end of 2020, we expect to reduce our operating costs by over £300 million compared to our December 2019 Investor Report forecast. To deliver this ambitious target, Heathrow's management implemented a comprehensive business protection plan. The plan included a company-wide organisational redesign, temporary pay cuts, bonus cancellations, recruitment freeze, use of the government furlough scheme, consolidation of operations into 2 terminals and 1 runway and renegotiations of suppliers' contracts. Many of these initiatives will continue to be monetised in 2021 either as permanent or volume driven reductions. To support our ongoing cost reduction efforts into 2021 and given our traffic outlook, we decided that Terminal 4 until the end of 2021. Work also continues to ensure all salaries are aligned to market rates. Our focus has been to protect jobs during this crisis and to offer every frontline colleague a job at a market rate salary above the London Living Wage. We are disappointed that Unite has decided to take strike action during the worst crisis to hit the aviation sector, and have activated extensive contingency plans which will keep the airport open and operating safely throughout this period.
- **Capital investment** – We significantly reduced our capital expenditure to preserve cash with investment focused on the safety and resilience of the airport. Regulatory intervention to adjust the RAB will be critical in defining our capacity to resume investing in H7.





2. BUSINESS DEVELOPMENTS

WINNING THE RECOVERY

Further progress needed in testing regimes and vaccine development

Creating an environment where passengers feel safe and confident to fly is fundamental to winning the recovery. We welcome the establishment of the Government's Global Travel Taskforce and its implementation of an initial testing regime. From 15 December, passengers arriving in the UK from a country that is not on the travel corridor list have the option to pay for a private test after five days of quarantine. If passengers test negative, they will be released from quarantine. While we also welcome the progress made on vaccine development, we recognise a large scale roll out will take time. Renewed focus on a testing regime remains fundamental to unlock passenger demand in the short term as a consequence. We continue to encourage the introduction of a Common International Standard for pre-departure testing which will allow international travel and trade to get back to normal as soon as possible.

We are playing our part in developing solutions

We have recently announced the launch of pre-departure testing trials with four of our transatlantic carriers – American Airlines, British Airways, United Airlines and Virgin Atlantic. The number and scale of the carriers involved makes this the largest pre-departures study in the UK. The study aims to demonstrate pre-departure testing is a safe and effective alternative to quarantine and travel restrictions using real-world data on some of the UK's most popular routes for travel and trade. Each trial is unique to each airline, but the variations will provide richer and more diverse data that will strengthen the study's conclusions. The cumulative results of the various tests will help the industry and governments to evaluate which pre-departure testing approach is practical and safe enough to replace quarantine and other travel restrictions.

We continue to work hard to attract as much traffic as we can

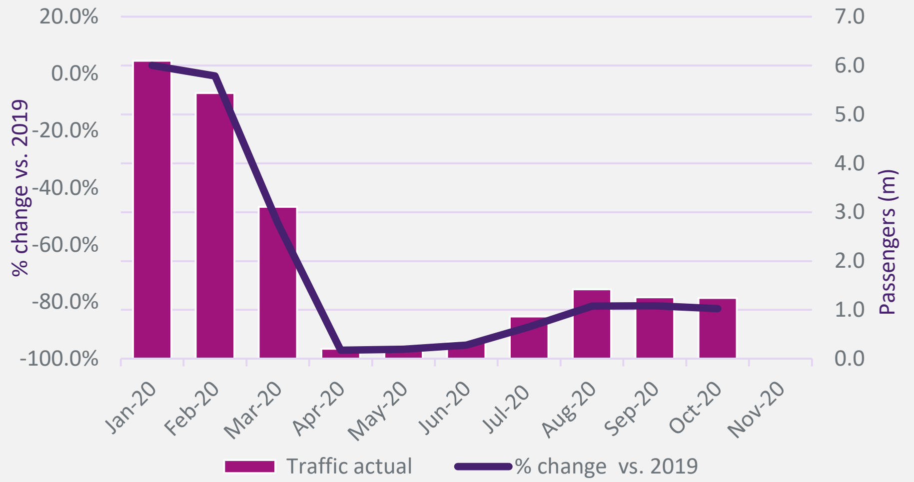
Our work includes:

- **Incumbent airline build-back** – We have over 80% of incumbent airlines now flying again, although on reduced schedules.
- **Consolidation of London operations –** In addition to British Airways and Virgin Atlantic consolidating their operations into Heathrow, we have seen numerous airlines choosing to fly from Heathrow and not from other London airports where they usually operate. Whilst it doesn't mean it is permanent, it will certainly support a faster recovery at Heathrow and increase our London market share.
- **Targeting new entrants -** We have been working closely with our airline partners to encourage hand backs of unused slots as a result of the suspension of the slot usage rule. That has allowed us to bring in new entrants, with 8 currently flying, and 1 more due to start later this winter season.

SERVICE STANDARDS

In the 12 months to 30 November 2020, no rebates were paid by Heathrow under the SQR scheme.

Monthly passenger traffic



	Jan - Nov 2019	Jan - Nov 2020	Versus 2019 (%)
Passengers (m)	74.2	21.0	(71.7)
Long-haul traffic growth/(decline) %	2.2	(74.5)	N/A
Short-haul traffic growth/(decline) %	(0.6)	(69.7)	N/A
Passengers ATM	435,090	167,841	(61.4)
Cargo ATM	2,773	20,690	657.0
Load factors (%)	79.9	58.0	(27.4)
Seats per ATM	213.4	215.3	0.9
Cargo tonnage ('000)	1,464	1,034	(29.4)

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

BUILDING BACK BETTER

BREXIT

The BREXIT transition period is due to end on the 31 December 2020, at which point the UK would enact a new Trade Agreement with the EU or engage on WTO terms from 1 January 2021. As it stands, talks on a Future Trade Deal are ongoing, with both sides seeking to find a way forward and agree a Deal by the 31 December deadline.

Transport and aviation in a good place

- Air Service Agreements are already renegotiated with key markets that were previously covered by the EU umbrella agreement (e.g. the USA and Brazil), with all other international markets having separate ASAs or rolling-over existing agreements from 1 January 2021. This means there will be no change to connectivity to international destinations.
- UK & EU Comprehensive Air Transport Agreement (“CATA”) remains under negotiation as part of the wider Future Trade Deal & both parties are committed to ensuring future connectivity .
- If the UK were to leave the EU without a deal, then contingency measures would be in place to maintain air connectivity and safety to ensure planes will continue to fly from 1 January 2021. The EU has already published its aviation contingency measures to keep planes flying, with the UK Government due to publish its reciprocal measures soon.
- The UK Government has said it will implement a ‘phased implementation approach’ to cargo changes at the UK border, with the aim of limiting the impacts of new checks of goods at the border. The initial border changes will be made from 1st January 2021, to the full suite of changes from 1st July 2021.

Contingency plans in place

- As it stands, airlines retain greater network flexibility to manage residual risks due to COVID-19 and the subsequent alleviation of the slot usage rule.
- The UK Government has acknowledged that whatever the scenario, there will be disruption at the UK’s borders and particularly at seaports. As a business, we have implemented a complete contingency plan for Brexit including a cargo truck ‘queuing’ plan, working with Government, Local Authorities and Resilience Forums on operational planning and security, sharing information and updates with business groups, developing communications and FAQs for internal and external stakeholders and passengers, and having regular meetings with UK Border Force to discuss changes and ensure they have the right level of resource to manage disruption.
- Heathrow COO appointed to Department for International Trade’s Transport Trade Advisory Group for transport post-BREXIT, underlining our role in as the UK’s hub and largest port by value.

2. BUSINESS DEVELOPMENTS

BUILDING BACK BETTER

HEATHROW EXPANSION

In October, we progressed our appeal to the Supreme Court in relation to the High Court's suspension of the Airports National Policy Statement (ANPS). In December, the Supreme Court unanimously ruled the ANPS as lawful and legal Government policy. Their verdict confirmed the Government had taken into account the Paris Climate Change Agreement as part of the policy, and that this would be considered as part of the robust planning processes in the UK. Heathrow has already committed to net zero and this ruling recognises the robust planning process that will require us to prove expansion is compliant with the UK's climate change obligations, including the Paris Climate Agreement, before construction can begin. The Government has made decarbonising aviation a central part of its green growth agenda, through wider use of Sustainable Aviation Fuel as well as new technology. This is the right result for the country, which will allow Global Britain to become a reality. As passenger numbers recover, our immediate focus will be to continue to ensure their safety and to maintain our service levels while we consult with investors, government, airline customers and regulators on our next steps.

SUSTAINABLE GROWTH

In July Heathrow joined the Jet Zero Council, a government and industry partnership bringing together leaders from aviation and environmental groups and charged with making new zero carbon emissions possible for future flights. We were encouraged to see the Jet Zero agenda featured in the Government's Ten Point Plan for a Green Industrial Revolution which was announced in November, with a pledge to support difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships.

In November Heathrow and Lord David Blunkett published the 'Heathrow Local Recovery Plan', in partnership with key local stakeholders. The plan sets out a clear agenda for the recovery of Heathrow's local economies after research by Oxford Economics warned COVID-19 could result in 16,000 fewer jobs around the airport by 2021. The plan makes two policy asks of the UK Government – to temporarily introduce flexibility into how the Apprenticeship Levy can be used, and to provide support through reskilling and retraining opportunities to help people to stay in or find new employment. The plan will be implemented and monitored by the newly created Heathrow Local Recovery Forum, chaired by Lord Blunkett.

3. REGULATORY DEVELOPMENTS

BUILDING BACK BETTER

RAB ADJUSTMENT

COVID-19 has highlighted the level of demand risk to which Heathrow is exposed in contrast to regulated entities in other sectors. In recognition of the extreme nature of the impact from COVID-19, Heathrow has requested that the CAA makes a policy decision now regarding the closing value of Heathrow's Regulatory Asset Base ('RAB') for iH7. Heathrow has proposed a simple mechanism built on extensive regulatory precedent under which the CAA would adjust the Regulatory Asset Base ('RAB') to allow Heathrow to recover excess losses incurred during 2020-2021 over an extended period of time. Heathrow's proposed mechanism requests that the RAB be adjusted using the following process:

- a depreciation holiday for 2020 and 2021,
- an adjustment to the closing RAB value for iH7 price control period – with no depreciation applied to the adjusted element within H7, but a return on the adjustment would be allowable, and
- a final adjustment to the RAB at the end of 2022 reflecting the actual losses incurred.

This mechanism would ensure Heathrow could continue to operate in the interests of consumers while smoothing the impact on passenger charges over future years whilst the industry recovers. Failure to make the adjustment will have real impacts on our ability to maintain and improve service to passengers over 2021 and the upcoming H7 price control and will mean that prices will go up to reflect future higher cost of capital as a result of a material uplift in risk. While this scenario would be detrimental to consumers interests, we do not expect it to impact our ability to comply with our covenant levels in 2021.

In response to our request, the CAA is running a consultation and has requested further evidence to support our submission. We have responded robustly to the CAA with the required evidence and await a response which we expect early in 2021.

3. REGULATORY DEVELOPMENTS

BUILDING BACK BETTER

REVISED BUSINESS PLAN (RBP)

Today we are submitting our Revised Business Plan to the CAA, setting our proposed approach to the next price control period (H7) due to start in 2022. Our plan outlines our base case passenger traffic forecast together with the resulting strategic operational and investment choices and our approach to financeability principles, in particular in relation to addressing the imbalances between risk and reward currently embedded in our Q6 settlement and in defining the WACC applying to H7.

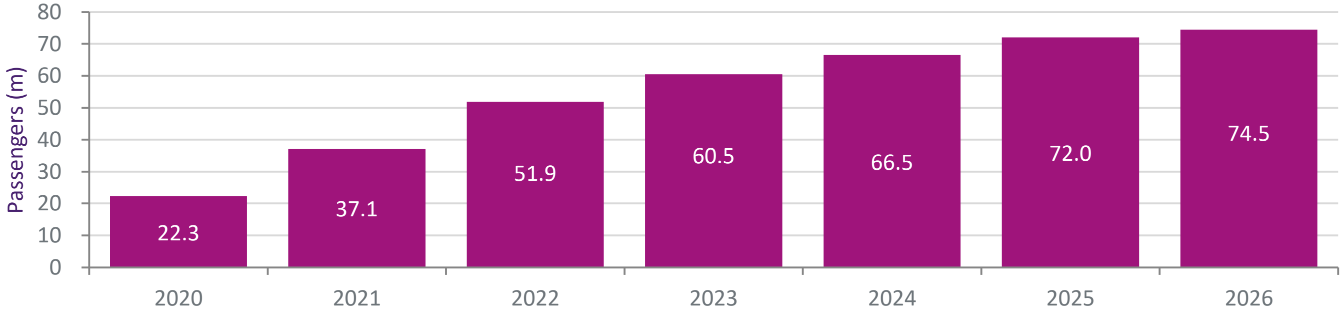
We recognise the uncertainties ahead and the fact that our plan will be affected by factors largely outside of our control including the recovery of passenger demand, the implementation of our proposed RAB adjustment and the length of the regulatory period. COVID-19 has changed the world significantly, and as a result we have adapted our business plan to account for fewer passengers and lower retail revenue than we had anticipated. We have done everything we can to keep the passenger charge as low as possible while remaining financeable – including deferring £3bn of investment recovery. Our RBP considers various sensitivities to deal with these variables and will be further calibrated during 2021.

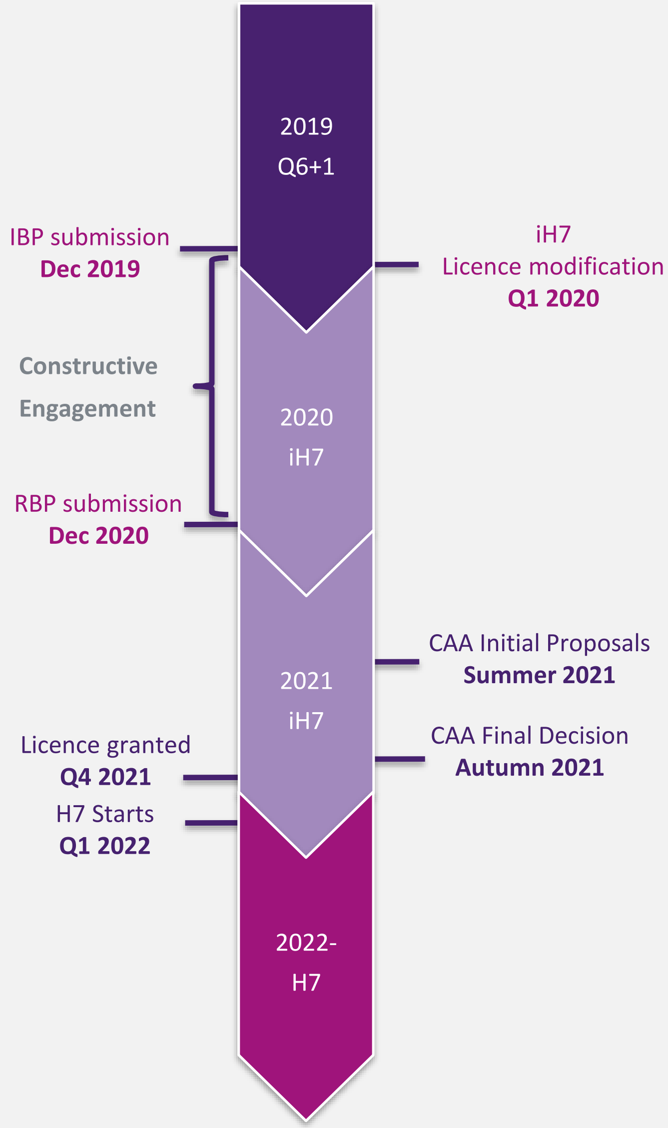
The CAA will use this document in forming its proposals for setting the H7 price control. We expect the CAA to publish initial proposals in Summer 2021.

NUMBERS IN 2018 PRICES…

62m passengers per annum avg.	Shocked Net Non Aero Revenue	£3.5bn CAPEX Plan	Avg. £18.6bn RAB

PASSENGER FORECAST





Heathrow

4. HISTORICAL FINANCIAL PERFORMANCE

This section summarises the results for the Group for the nine months to 30 September 2020. A full description of performance is provided in the results published on 28 October 2020, available at the Investor Centre on heathrow.com.

TRAFFIC

In the first nine months of 2020, traffic declined by 68.9% to 19.0 million passengers (2019: 61.0 million) reflecting the impact of COVID-19.

ADJUSTED EBITDA

In the first nine months of 2020, Adjusted EBITDA decreased 82.2% to £259 million (2019: £1,459 million).

REVENUE

In the first nine months of 2020, revenue declined 58.7% to £951 million (2019: £2,302 million). This reflects a decrease of 61.6% in aeronautical income, a decrease of 63.2% in retail income and a decrease of 42.1% in other income. Aeronautical income fell predominantly due to reduced passenger numbers as a result of COVID-19. Fewer aircraft movements also drove revenue down following the European Commission's temporary suspension of the slot usage rule. Retail income declined as a result of reduced passenger numbers. Other revenue decreased by 42.1% demonstrating relative resilience in ORCs collections and property and other.

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

In the first nine months of 2020, adjusted operating costs fell by 17.9% to £692 million (2019: £843 million). The reduction in operating costs reflects the rapid actions taken by Management to protect the financial resilience of the business and preserve liquidity. These initiatives were largely implemented across April and May, with £200 million of savings realised by the end of September.

REGULATORY ASSET BASE (RAB) AND FINANCIAL RATIOS

At 30 September 2020, the RAB was £16,472 million (31 December 2019: £16,598 million). At 30 September 2020, the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 69.3% for senior debt and 79.4% for junior debt (31 December 2019: 66.6% and 74.8% respectively) compared with respective trigger levels of 72.5% and 85.0%.

INTEREST PAYABLE AND PAID

In the first nine months of 2020, net finance costs before certain re-measurements were £506 million (2019: £577 million). Net external interest paid was £368 million (2019: £358 million).

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

At 30 September 2020, nominal net debt was £13,082 million (31 December 2019: £12,412 million), comprising £12,148 million in bond issues, £1,606 million in other term debt, £201 million in index-linked derivative accretion, £1,150 million in revolving credit and working capital facilities and £5 million of additional lease liabilities post transition to IFRS 16. This was offset by cash, cash equivalents and term deposits of £2,028 million. Nominal net debt consisted of £11,415 million in senior net debt and £1,667 million 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 £5 million as at 30 September 2020. The aggregate lease liability of all leases classified as Existing Operating Leases as at 30 September 2020 was £362 million.

5. FORECAST FINANCIAL PERFORMANCE

TRAFFIC

In 2020, traffic is expected to decrease 72.4% to 22.3 million passengers vs. 2019. This is a reduction from the guidance published in June 2020 due to the unprecedented and prolonged impact of COVID-19. In 2021, traffic is forecast to increase 66.2% to 37.1 million passengers. We expect the implementation of a testing regime and a large-scale vaccine roll out during 2021 to drive the traffic increase compared to 2020. Further detail on traffic guidance can be found on page 12.

ADJUSTED EBITDA

Adjusted EBITDA in 2020 is forecast to decrease 86.8% to £254 million (2019: £1,921 million). This is largely driven by the significant impact of COVID-19 on passenger numbers, reducing revenue by 62.6% while costs are reducing slower given our largely fixed cost base. In 2021 we forecast Adjusted EBITDA to increase by 94.1% to £493 million.

REVENUE

Revenue in 2020 is forecast to decrease 62.6% to £1,149 million. Aeronautical income is forecast to decrease 65.4% to £633 million (2019: £722 million), mainly driven by the significant reduction in passenger numbers. Retail income is expected to decrease 68.0% to £231 million (2019: £722 million). Retail revenue per passenger is expected to increase to £10.38 (2019: £8.93) which is largely distorted due to the reduced passenger numbers. Other revenue is expected to show relative resilience and decrease by 45.1% to £285 million. In 2021 revenue is due to increase to £1,435 million as traffic starts recovering.

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

Adjusted operating costs in 2020 are forecast to decrease 22.1% to £895 million (2019: £1,149 million) primarily driven by over £300 million of costs saving initiatives delivered by management to protect the financial resilience of the business. Operating costs on a per passenger basis are expected to increase to £40.14 compared to £14.21 in 2019 reflecting the largely fixed nature of our cost base. In 2021, operating costs are forecast to rise 5.3% to £942 million due to higher passenger numbers, however, this is still 18.0% OR £207 million below 2019 levels.

REGULATORY ASSET BASE

At the end of 2020 and 2021, the RAB is forecast to be £16,522 million and £19,406 (2019: £16,598 million). The decline in RAB in 2020 is driven by the deferral of capital expenditure to prioritise liquidity. This assumes capital expenditure of £428 million and £374 million and average RPI of 1.4% and 1.8% respectively. In 2021, we assume our proposed £2.7 billion RAB adjustment is implemented. Without this adjustment, our RAB would be £16,449 million, assuming capital expenditure and average RPI are unchanged.

NET DEBT AND FINANCIAL RATIOS

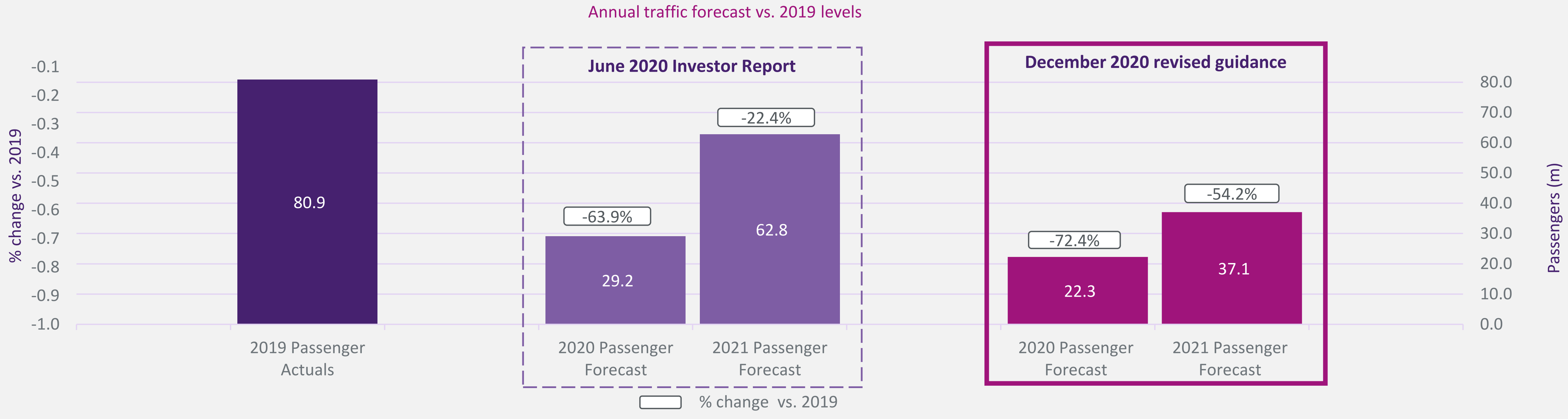
At 31 December 2020, nominal net debt is forecast to be £13,170 million (2019: £12,412 million), net external interest paid is forecast to be £582 million in 2020 (2019: £479 million), an increase of £116m compared to last June's guidance resulting from the steps taken to optimise our working capital using the £600 million proceeds from new capital injected in the Heathrow SP Group. The Regulatory Asset Ratio (RAR) is forecast to be 68.5% for senior debt and 79.7% for junior debt (31 December 2019: 66.6% and 74.8%) driven by the expected reduced growth in the RAB and reduced cash balances. For the year ending 31 December 2020, the Interest Cover Ratio (ICR) is forecast to be -0.53x for senior debt and -0.46x for junior debt (2019: 3.74x and 3.15x).

At 31 December 2021, nominal net debt is forecast to be £13,178 million, net external interest paid is forecast to be £130 million and the RAR is forecast to be 57.5% for senior debt and 67.9% for junior debt. Without a RAB adjustment, our 2021 RAR would be 67.9% for senior debt and 80.1% for junior debt. For the year ending 31 December 2021, the ICR is forecast to be 4.86x for senior debt and 2.54x for junior debt.

All current and forecast ratios are calculated based on applicable generally accepted accounting principles. As at the date of this Investor Report, (a) a Forecasting Event has occurred; (b) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in June 2020; and (c) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in December 2020. This means a cash trap will continue to remain in place, preventing cash from leaving the Heathrow SP ring-fenced group and will have no adverse effect on Heathrow SP's creditors.

5. FORECAST FINANCIAL PERFORMANCE

HEATHROW RECOGNISES CURRENT VOLATILE MARKET AND HAS REVISED TRAFFIC GUIDANCE DOWNWARD



ASSUMPTIONS

- Outlook for the remainder of the winter sees no further recovery;
- Assume testing starts to have a significant impact on stimulating demand from the end of Q1 2021;
- Assumption on vaccines aligned with statements made by the World Health Organisation: vaccine roll-out allows herd immunity to be reached in key markets from the end of 2021.

APPROACH

- Define the stages of recovery, with key drivers being COVID-19 control, implementation of testing and then roll-out of a vaccine;
- Define 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;
- Define a timeline for moving between stages using latest information on testing and vaccine roll out, adjusting this for each of the geographical regions;
- This is all calibrated against information from airlines on planned schedules.

6. FINANCING MATTERS

NEW FINANCING AND CHANGES TO FACILITIES

Since the previous Investor Report was distributed on 16 June 2020, we have raised £2.3 billion in new debt financing.

In October we accessed the Euro, Sterling and Canadian bond markets raising £1.4 billion Sterling equivalent at Class A level via three transactions, with maturities in 2025, 2029 and 2031 respectively. Also, in October we restored the fourth layer of our capital structure and issued £750 million of new notes at ADI Finance 2 Limited. The proceeds were received in December with net proceeds injected into the Heathrow Finance Group, of which £600 million was pushed into the Heathrow SP Group to provide further headroom to our Group gearing covenant level. Finally, in December we raised £182 million of index-linked Class B funding, maturing in 2032.

In July we received the proceeds of the £80 million Class A debt which was arranged in March 2020. There is also an adjustment of £5 million for new operating leases executed from 1 January 2019.

Lastly, in November Moody's downgraded Heathrow Finance's debt rating to B1 from Ba3 with the outlook remaining as negative. This rating action triggered a 0.25% coupon step-up for Heathrow Finance noteholders as part of the conditions of the waiver secured earlier this year. The first day of the interest period from which the revised rates shall accrue is 1 September 2020. This will be in addition to the waiver period coupon step-up of 0.25% which came into effect on 8 July 2020.

DEBT MATURITIES AND REPAYMENTS

Since the previous Investor Report was distributed on 16 June 2020, in August we made scheduled EIB loan repayments of £2 million and in December we repaid £150 million of Heathrow Finance loans at par.

HEDGING

Between the publication of the previous Investor Report on 16 June 2020 and the date of publication of this report, there has been a series of new derivative transactions. Two 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 have also reprofiled a proportion of existing interest rate and inflation swaps and completed a series of new interest rate swap transactions which will help to reduce interest payments over the next few years and create more headroom to our ICR covenant levels.

At 17 December 2020, the total notional value of cross-currency swaps was £5,523m, the total notional value of index-linked swaps was £6,082m and the total notional value of interest rate swaps was £6,256m.

At 17 December 2020, 80.1% and 67.2% of interest rate risk exposure on the Obligors' 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 for at least 12 months under the extreme stress-test scenario of no revenue, or into 2023 under our traffic forecast. The obligations include forecast operational costs and capital investment, debt service costs, debt maturities and repayments. The liquidity forecast takes into account £4.6 billion in committed but undrawn loan facilities and term debt as well as cash resources held at the Security Group and Heathrow Finance at 30 November 2020 and the expected operating cash flow over the period.

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 16 June 2020, there have been no restricted payments made as a result of the Forecasting Event and Trigger Event in relation to the forecast 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 Group. This will be the case until the Trigger Events are remedied. This would leave total expected net restricted payments out of the Group in 2020 at £27 million. Heathrow Finance benefits from a strong liquidity position and is not reliant on cash from Heathrow (SP) to service its debt.

In 2021 we expect no net restricted payments as a result of the Trigger Events occurring in relation to the forecast 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% as part of conditions agreed in the waiver secured earlier this year.

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 16 June 2020.

OUTSOURCING

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 16 June 2020.

BOARD AND MANAGEMENT CHANGES

Leslie Freer resigned as a director for the HEX board on 1 September 2020 and was replaced by Sophie Chapman. Beejadhursingh Surnam resigned as a director from the Heathrow Funding Limited board on 5 June 2020 and was replaced by Lisa Aune.

Other than that outlined above, there have not been any other board or relevant management changes related to the obligors or Heathrow Airport Holdings Limited since the previous Investor Report was distributed on 16 June 2020.

8. CONFIRMATION

18 December 2020

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 2019 comply with Default and Trigger Event ratios. As at the date of this Investor Report, a) a Forecasting Event has occurred; (b) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in June 2020; and (c) a Trigger Event has occurred in relation to the forecast ICR for senior and junior debt for the year ending 31 December 2020, tested in December 2020;
- 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 2020)

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
Jan-Mar	**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**
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)
Apr-Jun	**17.1**	**16.8**	**15.5**	**17.9**	**17.9**	**18.4**	**19.0**	**19.2**	**18.9**	**20.0**	**20.4**	**20.8**	**0.7**
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)
Jul-Sep	**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)
Oct-Dec	**15.9**	**16.0**	**16.1**	**16.8**	**17.0**	**17.5**	**17.7**	**18.0**	**18.4**	**18.9**	**19.6**	**19.9**	
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	
Full year	**66.9**	**65.9**	**65.7**	**69.4**	**70.0**	**72.3**	**73.4**	**75.0**	**75.7**	**78.0**	**80.1**	**80.9**	
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	
ATM ('000)	**473**	**460**	**449**	**476**	**471**	**470**	**471**	**472**	**473**	**474**	**476**	**476**	
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	

APPENDIX 2 - COMPUTATION OF INTEREST COVER RATIOS[1] ('ICR')

(See important notice on page 2 of this document)	**Trigger Level**	**Year to 31 December 2020 (£m)**	**Year to 31 December 2021 (£m)**	**PROFORMA Year to 31 December 2021 (£m)** [7]
Cashflow from Operations[2]		(132)	713	713
Add back: Cash one-off, non-recurring extraordinary or exceptional items		130	4	4
Adjusted Cashflow from Operations		(2)	717	717
Less: corporation tax relief / (paid)		67	-	-
Less: 2 per cent of Total RAB		(330)	(388)	(329)
Cash Flow (A)		**(265)**	**329**	**388**
Interest and equivalent recurring charges paid on Senior Debt[3][4]				
Interest paid – existing Class A bonds and swaps		467	28	28
Interest paid – existing Class A EIB facilities		-	-	-
Interest paid and received – other Class A debt		8	15	15
Lease interest		16	17	17
Commitment fees on liquidity and revolving facilities		9	8	8
Total interest on Senior Debt (B)		**500**	**68**	**68**
Interest and equivalent recurring charges paid on Junior Debt[3][4]				
Class B debt		82	62	62
Total interest on Junior Debt (C)		**82**	**62**	**62**
Total interest (D=B+C)		**582**	**130**	**130**
Senior ICR (A/B)[5][6]	**1.40x**	**-0.53x**	**4.86x**	**5.73x**
Junior ICR (A/D)[5][6]	**1.20x**	**-0.46x**	**2.54x**	**3.00x**

(1) 2020 and 2021 figures are forecasts; values calculated on unrounded figures

(2) Reconciliation of cash flow from operations with Adjusted EBITDA is set out on page 20

(3) Reconciliation of interest paid with interest payable is set out on page 20 for 2020

(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) Without an adjustment to the RAB

APPENDIX 2 - COMPUTATION OF INTEREST COVER RATIOS[1] – 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)
Income		
Aeronautical income	633	756
Non-aeronautical income - retail	231	217
Non-aeronautical income – non-retail	285	462
Total income	**1,149**	**1,435**
Operating costs[2]	(895)	(942)
Adjusted EBITDA	**254**	**493**
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Trade working capital	(236)	249
Pension	(20)	(25)
Adjusted cashflow from operations	**(2)**	**717**

	Year to 31 December 2021	Year to 31 December 2020			
	Cash flow	Income statement incl. amortisation[3][4]	Less amortisation[3]	Less variation in accruals[3]	Cash flow
	£m	£m	£m	£m	£m
Interest paid – existing Class A bonds and swaps	28	379	(33)	121	467
Interest paid – Class A EIB facilities	-	-	-	-	-
Interest paid and received – other Class A debt	15	118	-	(110)	8
Lease interest	17	16	-	-	16
Commitment fees on liquidity & RCFs[5]	8	27	(1)	(17)	9
Interest paid – Class B debt	**62**	67	(2)	17	82
Total interest[1]	**130**	**607**	(36)	11	**582**

(1) 2020 and 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

APPENDIX 3 - COMPUTATION OF REGULATORY ASSET RATIOS(1) ('RAR')

(See important notice on page 2 of this document)	Trigger Level	Year to 31 December 2020 (£m)	Year to 31 December 2021 (£m)	PROFORMA Year to 31 December 2021 (£m) (5)
Closing Heathrow RAB (A)		**16,522**	**19,406**	**16,449**
Senior Debt				
Class A existing bonds		11,944	10,857	10,857
Class A EIB facilities		8	4	4
Non - Existing Operating Lease debt		5	30	30
Other Class A debt		2,704	2,586	2,586
RPI swap accretion		120	211	211
Total Senior Debt (B)		**14,781**	**13,688**	**13,688**
Junior Debt				
Class B existing debt		1,847	1,665	1,426
Other Class B debt		-	182	587
Total Junior Debt (C)		**1,847**	**2,013**	**2,013**
Cash and cash equivalents (D)		(3,458)	(2,523)	(2,523)
Senior net debt (E=B+D)		**11,323**	**11,165**	**11,165**
Senior and junior net debt (F=B+C+D)		**13,170**	**13,178**	**13,178**
Senior RAR (E/A)(2)(3)(4)	**72.5%**	**68.5%**	**57.5%**	**67.9%**
Junior RAR (F/A)(2)(4)	**85.0%**	**79.7%**	**67.9%**	**80.1%**

(1) 2020 and 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) Without an adjustment to the RAB

Heathrow

APPENDIX 4 – NOMINAL CONSOLIDATED NET DEBT OF OBLIGORS, HEATHROW FUNDING LIMITED AND HEATHROW FINANCE PLC AS AT 30 SEPTEMBER 2020

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	**(£m)**	**(£m)**	
£250m 9.2%	250	250	2021
C$450m 3%	246	246	2021
US$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	221	221	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
CHF210 0.46%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A$175m 4.150%	96	96	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C$400m 3.872%	238	238	2030
£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
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	58	58	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	629	629	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	115	115	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	88	88	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	168	166	2058
Total senior bonds	**10,806**	**10,806**	

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	**(£m)**	**(£m)**	
Term debt	1,531	1,531	Various
Index-linked derivative accretion	201	201	Various
Revolving/working capital facilities	900	900	2023
Lease liability	5	5	
Total other senior debt	**2,637**	**2,637**	
Total senior debt	**13,443**	**13,443**	
Heathrow (SP) Limited cash	**(2,028)**		
Senior net debt	**11,415**		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	**(£m)**	**(£m)**	
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	75	75	2035
£75m RPI + 0.337%	75	75	2036
£180m RPI +1.061%	204	204	2036
£51m RPI + 0.419%	52	52	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	76	76	2041
Total junior bonds	**1,342**	**1,342**	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2023
Total junior debt	**1,667**	**1,667**	
Heathrow (SP) Limited group net debt	**13,082**		

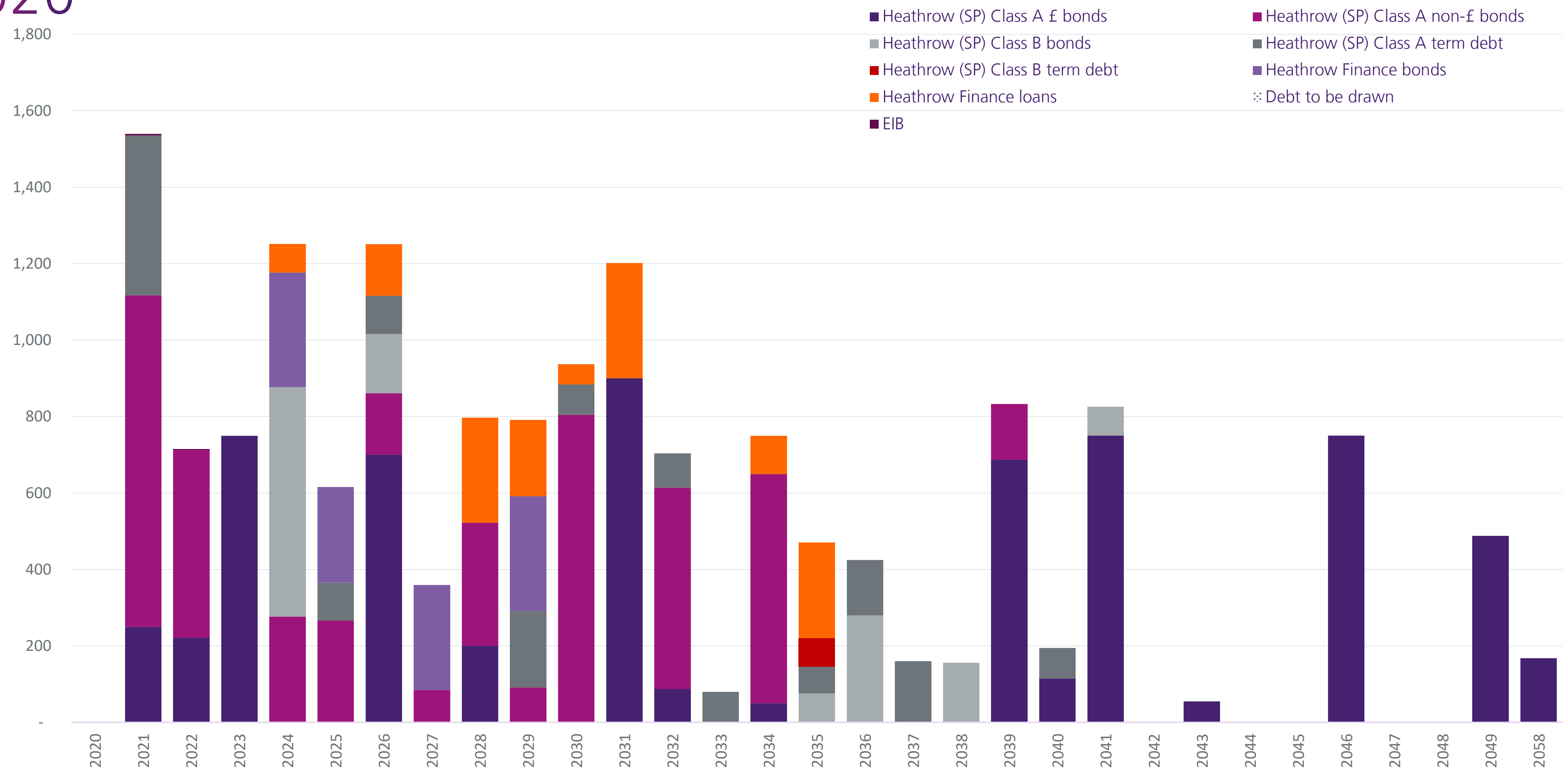
Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-Sterling debt at exchange rate of hedges entered into at inception of relevant financing

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
Total bonds	**1,125**	**1,125**	
£75m	75	75	2024
£135m	135	135	2026
£275m	275	275	2028
£200m	200	200	2029
£75m	53	53	2030
£302m	302	302	2031
£100m	100	100	2034
£300m	250	250	2035
Total loans	**1,389**	**1,389**	
Total Heathrow Finance plc debt	**2,514**	**2,514**	
Heathrow Finance plc cash	**(397)**		
Heathrow Finance plc net debt	**2,117**		

Heathrow Finance plc group	Amount	Available
	(£m)	**(£m)**
Heathrow (SP) Limited senior debt	**13,443**	**13,443**
Heathrow (SP) Limited junior debt	**1,667**	**1,667**
Heathrow Finance plc debt	**2,514**	**2,514**
Heathrow Finance plc group debt	**17,624**	**17,624**
Heathrow Finance plc group cash	**(2,425)**	
Heathrow Finance plc group net debt	**15,199**	

Heathrow

APPENDIX 5 – DEBT MATURITY PROFILE AS AT 30 SEPTEMBER 2020



APPENDIX 6 – ADDITIONAL INFORMATION FOR HEATHROW FINANCE PLC CREDITORS[1]

(See important notice on page 2 of this document)	Covenant / Trigger Level	As at or for year to 31 December 2020 (£m)	As at or for year to 31 December 2021 (£m)	PROFORMA As at or for year to 31 December 2021 (£m) [5]
Calculation of Group ICR[2]				
Cash Flow (A)		**(265)**	**329**	**388**
Interest				
Paid on Senior Debt (B)		500	68	68
Paid on Junior Debt (C)		82	62	62
Paid on Borrowings (D)		102	108	108
Group Interest Paid (E=B+C+D)		**684**	**238**	**238**
Group ICR (A/E) [6]	**1.00x**	**-0.39x**	**1.38x**	**1.63x**
Calculation of Group RAR[3]				
Total RAB (F)		16,522	19,406	16,449
Net debt				
Senior Net Debt (G)		11,323	11,165	11,165
Junior Debt (H)		1,847	2,013	2,013
Borrower Net Debt (I)		1,980	2,088	2,088
Group Net Debt (J=G+H+I)		**15,150**	**15,266**	**15,266**
Junior RAR ((G+H)/F)[4]	**82.0%**	**79.7%**	**67.9%**	**80.1%**
Group RAR (J/F)[4] [7]	**95.0% / 93.5%**	**91.7%**	**78.7%**	**92.8%**

(1) 2020 and 2021 figures are forecasts

(2) ICR or Interest Cover Ratio is defined on page 19

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

(4) Ratios calculated on unrounded data

(5) Without an adjustment to the RAB

(6) Heathrow Finance's ICR covenant is waived for the financial year ended 31 December 2020

(7) Heathrow Finance's RAR covenant increased from 92.5% to 95.0% for the testing date occurring on 31 December 2020, and 93.5% for the testing date occurring on 31 December 2021.

Heathrow