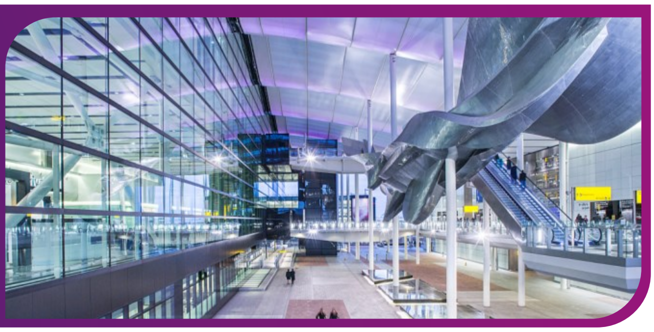
HEATHROW (SP) LIMITED

RESULTS FOR THE 6 MONTHS ENDED 30th JUNE 2024



Need to back UK aviation to ensure global competitiveness – While Heathrow continues to attract new routes and record passenger numbers, competitive drags hang over the airport with bureaucratic tax and border policies pushing passengers to rival European hubs. We encourage the new Government to back aviation by taking a coordinated approach to policy making that supports the sector's long-term competitiveness. Making Heathrow the European hub airport of choice to travel, shop and transfer through is vital to deliver growth for the whole of the UK economy.

Record-breaking number of passengers choosing Heathrow – We have welcomed 39.8 million passengers in an exceptional start to the year. June 30th was our busiest day ever, with over 268,000 passengers travelling on over 1,300 flights. High load factors and larger aircraft are driving growth, with key destinations in Asia and the Middle East experiencing more than doubled demand in recent years.

Heathrow is prepared for a super summer getaway – The bumper summer is being supported by a record number of 90,000 Team Heathrow colleagues. This is driving strong operational performance, with departures punctuality improving year on year to 72.8% in the first 6 months of 2024 and over 95% passengers passing through security in less than 5 minutes.

Continued robust financial performance – Despite record passenger numbers, aeronautical revenue is down by almost 8% as a result of the CAA's tight H7 settlement. We continue to make progress on closing a £400 million shortfall from the settlement, and initiatives aimed at streamlining operations and driving efficiencies without impacting passenger experience or safety have enabled us to turn a £178 million adjusted profit before tax in H1.

Heathrow's 6 strategy beacons will enable us to become an extraordinary airport, fit for the future – The refreshed business strategy is backed by 6 beacons ranging from our shorter-term goals of creating a 'winning team' and being 'fast and focused' to our aims of a 'digital future' and 'creating capacity' and ultimately bringing the most 'value for customers.' The beacons provide a roadmap to achieving our extraordinary vision. Continued progress has been recorded for our 'people and planet' beacon with the first of multiple ultra rapid EV charging hubs rolled out airside, capable of charging operational vehicles for multiple days use in under 30 minutes.

At or for six months ended 30 June	2024	2023	Change (%)
(£m unless otherwise stated)			
Revenue	1,692	1,742	(2.9)
Adjusted EBITDA[(2) (4)]	951	1,070	(11.1)
Cash generated from operations	922	887	3.9
Profit before tax	323	279	15.8
Adjusted profit/(loss) before tax[(1) (4)]	178	(139)	228.1
Heathrow (SP) Limited consolidated nominal net debt[(3) (4)]	14,713	14,795	(0.6)
Heathrow Finance plc consolidated nominal net debt[(3) (4)]	16,666	16,806	(0.8)
Regulatory Asset Base[(5)]	20,233	19,804	2.2
Passengers (million)[(6)]	39.8	37.1	7.3

"Serving record-breaking passenger numbers while continuing to deliver excellent customer service is no easy feat and is testament to the dedication of my hardworking colleagues. In addition to the nearly 40 million passengers that flew through Heathrow during the first 6 months so did 765 tonnes of cargo, supporting world leading British industries to access global export markets. We are working hard to deliver economic benefits for all of the UK, but this needs to be supported by joined up policy making that prioritises global competitiveness and sustainable growth. We are encouraged by the new Government's recognition of Heathrow's role in powering growth across the country and look forward to working with Ministers to ensure we are firing on all cylinders and retain our global standing."

Thomas Woldbye | Heathrow CEO

NOTES

(1) Adjusted profit/(loss) before tax excludes non-cash fair value gains and losses on investment properties and financial instruments.
(2) EBITDA for the six months ending 30 June 2024: £985 million (30 June 2023: £1,210 million) is profit before interest, taxation, depreciation and amortisation. Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties.
(3) Consolidated nominal net debt is short and long-term debt less cash and cash equivalents and term deposits, it includes index-linked swap accretion and the hedging impact of cross-currency interest rate swaps. It excludes pre-existing lease liabilities recognised upon transition to IFRS 16, accrued interest, bond issue costs and intra-group loans. 2023 figures are as at 31 December 2023.
(4) A reconciliation of our Alternative Performance Measures ('APMs') can be found in note 14.
(5) The Regulatory Asset Base ('RAB') is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital uplifted by inflation on which we are authorised to earn a cash return. 2023 figures are as at 31 December 2023.
(6) Changes in passengers are calculated using unrounded passenger numbers.

Heathrow (SP) Limited is the holding company of a group of companies that fully own Heathrow Airport and together with its subsidiaries is referred to as the Group. Heathrow Finance plc, also referred to as Heathrow Finance, is the parent company of Heathrow (SP) Limited.

Creditors and credit analysts conference call hosted by
Thomas Woldbye, CEO and Sally Ding, Acting CFO.

Wednesday July 24th, 2024

3.00pm (UK time), 4.00pm (Central European Time), 10.00am (Eastern Standard Time)

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Webcast Audience URL:

https://onlinexperiences.com/Launch/QReg/ShowUUID=ACD02168-D94B-48B2-B6BC-EE91CCF55E21

This link gives participants access to the live event.

Audio Conference Call Access:

https://emportal.ink/3uIQtFV

This link allows participants to register to obtain their personal audio conference call details.

STRATEGIC UPDATE

Heathrow New Strategy

Early this year, we launched a new strategy to align our efforts and ensure collective progress towards a common objective: "To be an extraordinary airport, fit for the future". To translate this vision into reality, we have identified six Beacons. These Beacons, listed below, have been selected to address the most pressing needs in the short to medium term, providing a clear roadmap for achieving our objectives. In future publications, we will report progress against our six Beacons.

Winning Team: Be a great place to work by providing an engaging colleague offering and culture that attracts and retains diverse talent. Create an inclusive performance culture with clear accountabilities and a continuous improvement mindset. Ensure our workforce delivers the capabilities required in the future.

Fast and Focused: Embed a culture of simplicity and efficiency to improve the overall effectiveness of the organisation, ensuring that everything we invest delivers value, as quickly as possible.

Value for Customers: Drive targeted improvements in experience, across all our customers, including passengers, airlines, retailers, and tenants. This will attract customers to Heathrow, delivering value not just to Heathrow but to all customers.

Digital Future: Use data and digital to make quicker and better-informed decisions across the business. Automating processes and exploiting technology to be more efficient which will improve performance and deliver better outcomes for customers and stakeholders.

People and Planet: Ensure continued licence to operate by delivering on our commitments. Work towards our carbon targets with the ultimate aim of reaching net zero, making Heathrow a great place to live and having a positive impact on local communities and the planet.

Creating Capacity: Unlock capacity in the short, medium and long-term, to enable us to meet growing passenger demand.

At the heart of our strategy lie our Foundations, the core principles that are indispensable to our business. These foundational elements serve as the base upon which our entire plan is built, underscoring their non-negotiable importance in every aspect of our business.

1. Safety, Security and Compliance
2. Service and Operation
3. Governance and Financial Resilience

BUSINESS UPDATE

In assessing our performance for the six months ending 30 June 2024, we have outlined key performance metrics that illustrate our progress. The glossary section of this report provides detailed definitions for each indicator.

Passenger Traffic

(Millions) (1)	2024	2023	Var % (2)
UK	2.3	2.1	9.5
Europe	15.9	14.7	8.2
North America	9.7	9.3	4.3
Asia Pacific	5.2	4.5	15.6
Middle East	4.0	3.7	8.1
Africa	1.6	1.8	(11.1)
Latin America	1.1	1.0	10.0
Total passengers	**39.8**	**37.1**	**7.3**

(1) For the six months ended 30 June
(2) Calculated using unrounded passenger figures

Other traffic performance indicators (1)	2024	2023	Var % (2)
Passenger ATM	231,447	217,135	6.6
Load factors (%)	78.0	77.3	0.9
Seats per ATM	220.5	220.8	(0.1)
Cargo tonnage ('000) (3)	765	663	15.4

(1) For the six months ended 30 June
(2) Calculated using unrounded passenger figures
(3) Cargo tonnage includes mail volumes

Our summer season kicked off and in June, we experienced record passenger numbers. The increase in passenger traffic is driven by a significant increase in passenger ATMs compared to last year and some small load factor increases. Almost all markets exceed 2023's numbers, with double-digit growth for Asia Pacific, mainly driven by China and Japan. Africa saw fewer passengers, largely due to a smaller number of movements. The normalisation of belly hold capacity has led to increased cargo tonnage.

Service and Operational performance

Service standard performance indicators (1)	2024	2023
ASQ	4.02	3.99
Arrival punctuality %	69.8	68.6
Departure punctuality %	72.8	63.5
Security performance %	95.4	88.6
Baggage connection %	98.4	98.2

(1) For the six months ended 30 June
(2) 2023 comparative restated to be comparable H1 number

In the first six months of 2024, we achieved an overall ASQ rating of 4.02 out of 5.00, representing a strong improvement versus the same period last year. Overall, 76% of passengers surveyed rated their Overall Satisfaction with Heathrow as either 'Excellent' or 'Very good' driven by Check-in aspects, with the proportion of 'Poor' ratings remaining low at just 1%.

Operational resilience started strong in 2024. Security performance has been very good, with the vast majority of direct passengers passing through security within 5 minutes. Improved operational performance across the airfield has increased the number of turnarounds completed in scheduled time, resulting in departure punctuality outperforming arrivals and being nearly 10% higher compared to 2023. Currently, our main operational challenges are adverse weather conditions and airspace congestion in Europe. Baggage performance has seen an improvement from last year.

Capital expenditure

During the first six months of 2024, £552 million (2023: £296 million) of capital expenditure was incurred. This included £127 million for the acquisition of a building, as well as £32 million in capital creditors movements (2023: £17 million).

We continue delivering our H7 Capital Plan, comprising over 450 projects across six programmes. Our next-generation Security Programme is progressing well: terminal designs have been completed, and new lanes are now operational in all terminals as we move towards completing 146 lanes. Training for 4,000 Security and Engineering colleagues in the new equipment and processes is underway. In the T2 Baggage Programme, the new system design has begun with an alliance of five multidisciplinary partners. The Commercial Revenue Programme has seen an investment of £30 million across commercial propositions in retail, digital and surface access with 52 active projects and 7 delivered. In the Carbon and Sustainability Programme, the rollout of electric vehicle (EV) chargers continues, with airside charging hubs now live in Terminal 2 and Terminal 3. Plans continue for new carbon-efficient pre-conditioned air units for aircraft stands, and the first pilots for heat de-carbonisation are now in early design. In the Asset Management and Compliance Programme, we are making good progress on the current portfolio of 160 live projects. Thirteen additional projects were completed in H1, and the resurfacing of the southern runway has now commenced. Finally, the mobilisation of the Efficient Airport Programme has begun with 20 active projects focusing on optimisation and efficiency. These projects aim to improve passenger satisfaction while driving efficiencies across the airport's operations.

Key regulatory developments

Heathrow has recently responded to two key Civil Aviation Authority (CAA) consultations. Firstly, the consultation on 'H7 Final Issues', which deals with both the matters that were remitted to the CAA by the CMA through its October 2023 Final Determination of the appeals of the H7 Final Decision on price control (FD), as well as the matters the CAA was not able to resolve prior to making the March 2023 FD. These included elements of the AK factor, Shock Factor, Pension Deficit Repair Costs, index-linked premiums on cost of debt, the treatment of business rates and pod parking revenues. The CAA issued their decision in July, which maintained the proposals set out in March 2024. In CAA's view, the positions brought forward by Heathrow and the airlines did not offer new evidence for them to move from their original proposals. Considering the AK factor, Heathrow's net benefit for 2025 and 2026 is expected to be circa £140 million, which is better than that of FD. The CAA also decided to leave some issues (such as premiums on index-linked debt and business rates) open for later review, and they will have to be revisited during the next price control process (H8).

Secondly, the consultation on 'Setting future price controls – review of approach', followed by the DfT independent review of the CAA published in 2023, where there was a recommendation that the regulator should review the process, governance and 'mechanics' for conducting economic regulation. Heathrow is committed to being a constructive and engaging partner to the CAA looking towards H8 and, therefore, is playing an active role in this process. Heathrow's response has outlined where improvements in approach, guidance and decision-making are needed, and it expects this can help inform improvements to the next price control (H8) and future cycles. The CAA has not confirmed a publication date, but Heathrow expects the CAA to issue their responses to this consultation during the Summer.

Alongside the above, Heathrow is also engaged in the Outcome Based Regulation (OBR) mid-term review process. The OBR framework was introduced in H7 to replace the previous service quality rebate and bonus framework for airport service quality. The new framework includes a "continuous improvement" approach that would allow it to be updated during the H7 period through a mid-term review – which would look to understand how the new OBR framework is bedding in and whether there are any specific issues arising from the application of new measures and targets. The CAA started the mid-term review in Q2 2024, which is expected to finish in Q3-Q4 this year. The review will help inform the approach to H8, but this does not affect Heathrow's ability and airlines to seek a modification of Heathrow's licence with immediate effect if there is an agreement to do so.

Long-term growth and Capacity developments

We are conducting an internal review of the work we have carried out previously and the different circumstances in which we find the aviation industry. This will enable us to progress with appropriate recommendations to create capacity at Heathrow Airport. The Government's Airports National Policy Statement (ANPS) continues to provide policy support for our plans for a third runway and the related infrastructure required to support an expanded airport.

Connecting People and Planet

Connecting People and Planet is our sustainability strategy in which we focus on the environmental, social and governance ('ESG') issues where the airport needs to make the biggest difference by 2030. During the first six months of the year, Heathrow maintained momentum across carbon and sustainability. As an inaugural adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), we will be better positioned to transparently measure and improve our impact on nature. Our World of Work programme, which includes the STEM Generation activity and Essential Skills Masterclasses, has been instrumental in benefiting local students and colleges. Heathrow colleague volunteering has been central to the success of this programme. Additionally, we successfully launched the first Lift-off event of 2024, an additional way to attract and work with SMEs, with a strong focus on two areas at this time: Zero Waste and Construction & Energy, both aligned with our sustainability strategy. Progress against local air quality and emissions targets has been driven by notable improvement in public transport connectivity and usage, including further integration of the Elizabeth Line and the expansion of the Flightline bus network.

In April, the UK Government published its Sustainable Aviation Fuel - SAF mandate, starting at 2% in 2025 and rising to 10% by 2030, and launched a consultation on a revenue certainty mechanism to support a local SAF industry. This is welcome progress, and we continue to advocate for SAF, via the RISE campaign, as a new government steps into office. The development of hydrogen-fuelled flights continues, and earlier this year, we joined a major hydrogen technology hub led by Cranfield University, which will contribute to our preparation for a hydrogen-powered future. Following this, in April, we announced the appointment of the world's first Professor of Airport Decarbonisation. This new position within the Centre for Air Transport Management at Cranfield University is co-funded by Heathrow and signifies an important collaboration between us and academia.

As the airport on the ground makes the shift towards electric, in June we opened an ultra-rapid charging hub for operational vehicles. It is the first of eight hubs planned with an 80% charge achievable in under 30 minutes, allowing for less vehicle downtime. The release of the 2023 Sustainable Travel Zone (STZ) Annual Report highlights Heathrow's initiatives to promote sustainable travel among passengers and colleagues, emphasising their positive impacts. Finally, following the launch of our new Quieter Neighbourhood Support scheme in February, we have seen encouraging take-up in the initial pilot zone.

Key Management Changes

Paula Stannett, our Chief People Officer since 2013, will leave Heathrow at the end of August. A process to appoint a new Chief People Officer has commenced. Stuart Baldwin resigned as a Non-Executive Director for Heathrow Airport Holdings Limited, FGP Topco Limited, ADI Finance 1 Limited and ADI Finance 2 Limited with effect from 29 May 2024. He was replaced by Andrew Dench as a Non-Executive Director for Heathrow Airport Holdings Limited, FGP Topco Limited, ADI Finance 1 Limited and ADI Finance 2 Limited on the same date.

Ultimate Shareholder Update

On 28 November 2023, Ferrovial announced that an agreement had been reached for the sale of its entire stake (c.25%) in FGP Topco Limited, the parent company of Heathrow Airport Holdings Limited, for £2,368 million. The agreement had been reached with two different buyers, Ardian and The Public Investment Fund (PIF), who would acquire Ferrovial's shareholding in c.15% and c.10% stakes, respectively, through separate vehicles. On 16 January 2024, Ferrovial announced that, pursuant to the FGP Topco Shareholders Agreement, certain other FGP Topco shareholders had exercised their tag-along rights, which resulted in 60% of the total issued share capital of FGP Topco being available for sale.

On 14 June 2024, Ferrovial announced that Ardian and PIF had made a revised offer to acquire shares representing 37.62% of the share capital of FGP Topco for £3,259 million. The offer has been accepted by Ferrovial and certain Tagging Shareholders, and, as a result, an agreement has been entered into pursuant to which Ferrovial and certain Tagging Shareholders will sell a pro rata portion of their shares in FGP Topco such that Ferrovial will remain as a shareholder with shares representing 5.25% of the issued share capital of FGP Topco. Following the sale, Ferrovial and the Tagging Shareholders selling at the same time as Ferrovial will, together, hold shares representing 10% of the issued share capital of FGP Topco. Ardian and PIF will hold shares representing c.22.6% and c.15.0%, respectively, through separate vehicles.

While we acknowledge the existence of a change of control clause in the bonds issued by Heathrow Finance plc. and the continuing nature of the negotiations, we are not at this time privy to any information that would lead us to believe that the change of control clause would be triggered.

FINANCIAL REVIEW

Basis of presentation of financial results

Heathrow (SP) Limited ('Heathrow SP') is the holding company of a group of companies (the 'Group'), which includes Heathrow Airport Limited ('HAL'), which owns and operates Heathrow Airport, and Heathrow Express Operating Company Limited ('Hex Opco') which operates the Heathrow Express rail service. Heathrow SP's consolidated financial statements are prepared in accordance with UK adopted international accounting standards. The financial information presented within these financial statements has been prepared on a going concern basis. More detail can be found in the going concern statement on page 15.

Alternative performance measures

Management uses Alternative Performance Measures ('APMs') to monitor performance of the segments as it believes this more appropriately reflects the underlying financial performance of the Group's operations. These remain consistent with those included and defined in the Annual Report and Financial Statements for the year ended 31 December 2023.

Summary performance

Six months ended 30 June	2024 £m	2023 £m
Revenue	1,692	1,742
Adjusted operating costs[1]	(741)	(672)
Adjusted EBITDA[2]	**951**	**1,070**
Depreciation and amortisation	(331)	(367)
Adjusted operating profit[3]	**620**	**703**
Net finance costs before certain re-measurements	(442)	(842)
Adjusted profit/(loss) before tax[4]	**178**	**(139)**
Tax (charge)/credit on profit/(loss) before certain re-measurements	(59)	7
Adjusted profit/(loss) after tax[4]	**119**	**(132)**
Including certain re-measurements[5]:		
Fair value gain on investment properties	34	140
Fair value gain on financial instruments	111	278
Tax charge on certain re-measurements	(36)	(105)
Profit after tax	**228**	**181**

(1) Adjusted operating costs exclude depreciation, amortisation and fair value gains and losses on investment properties.
(2) Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties.
(3) Adjusted operating profit excludes fair value gains and losses on investment properties.
(4) Adjusted profit/(loss) before and after tax excludes fair value gains and losses on investment properties and financial instruments and the associated tax impact of these.

(5) Certain re-measurements consist of non-cash fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.

Revenue

Six months ended 30 June	2024 £m	2023 £m	Var. %
Aeronautical	1,068	1,160	(7.9)
Retail	360	322	11.8
Other	264	260	1.5
Total revenue	**1,692**	**1,742**	**(2.9)**

The decrease in aeronautical revenue is driven by lower H7 charges set by the CAA, partially offset by higher passenger numbers. Retail income, which includes retail concessions, car parking, and other surface access, has increased, driven by the higher number of departing passengers and resilient Car parking performance. Other revenue has increased due to higher Other regulated charges (ORCs) from higher passenger numbers offset by the maturity of Elizabeth Line impacting Heathrow Express revenues. More details can be found on page 18.

Adjusted operating costs

Six months ended 30 June	2024 £m	2023 £m	Var. %
Employment	236	192	22.9
Operational	213	196	8.7
Maintenance	114	103	10.7
Rates	58	58	0.0
Utilities and Other	120	123	(2.4)
Adjusted operating costs	**741**	**672**	**10.3**

Employment costs, which include overtime, recruitment and training, have increased due to inflation and additional colleagues being needed to accommodate the higher demand, which is in line with our forecast. The rise in operational is mainly due to inflation and higher demand and Passenger-Requiring Support (PRS) resourcing, offset by lower Measures, Targets, and Incentives (MTIs) rebates. The increase in maintenance costs is largely attributed to inflation and terminal cleaning and maintenance efforts across terminal, airside, and baggage areas to ensure a safe and well-maintained environment for passengers and colleagues. Finally, tight cost controls and stable energy prices have resulted in stable Utilities and Other costs. More details can be found on page 19.

Net Finance Costs

In the six months ended 30 June 2024, net finance costs before certain re-measurements decreased to £442 million (six months ended 30 June 2023: £842 million). The RPI annual growth rate has decreased year on year from 11.3% to 3.0%, resulting in a lower inflation accretion expense.

Fair value gain on financial instruments

A non-cash fair value gain on financial instruments of £111 million (2023: £278 million) follows a small reduction in index-linked swap liabilities compared to the prior year because of early accretion payments during the period. The liability is measured with reference to market expectations of inflation and interest rates, and inflation forward curve increased by an average of 21bps, offset by interest rate forward curve increased by an average of 55bps, resulting in a fair value gain.

Taxation

The total tax charge for the six-month period ended 30 June 2024 was £95 million (six months ended 30 June 2023: £98 million) on a profit before tax of £323 million (six months ended 30 June 2023: £279 million).

The tax charge before certain re-measurements was £59 million (six months ended 30 June 2023: £7 million tax credit). Based on a profit before tax and certain re-measurements of £178 million (six months ended 30 June 2023: £139 million loss), this results in an effective tax rate of 33.1% (six months ended 30 June 2023: 5.04%). This represents the best estimate of the annual effective tax rate expected for the full year, applied to the pre-tax profit before certain re-measurements for the six-month period. The tax charge is significantly higher than the statutory rate of 25% (six months ended 30 June 2023: lower than the statutory rate of 23.5%) primarily due to the non-deductible depreciation compared to the relatively low profits forecast, increasing the tax charge for the year (six months ended 30 June 2023: non-deductible expenses reducing the tax credit for the year offset by the deferred tax movements at the 25% tax rate).

In addition, for the six months ended 30 June 2024, a deferred tax charge of £36 million (six months ended 30 June 2023: £105 million) was recognised on certain re-measurements arising from fair value movements on financial instruments and investment properties of £145 million (six months ended 30 June 2023: £418 million). In the period, the Group paid £25 million of Corporation tax (six months ended 30 June 2023: £1 million).

Cash position

At 30 June 2024, the Group had £1,437 million (31 December 2023: £1,941 million) of cash and cash equivalents and term deposits, of which cash and cash equivalents were £173 million (31 December 2023: £191 million). In the six months ended 30 June 2024, there was a decrease of £18 million in cash and cash equivalents (six months ended 30 June 2023: a decrease of £57 million). In addition, in the six months ended 30 June 2024, there was a decrease of £486 million in term deposits (six months ended 30 June 2023: a decrease of £613 million), mainly due to the repayment of a Class B bond of £600 million in February.

Cash generated from operations

In the six months ended 30 June 2024, cash generated from operations increased 3.9% to £922 million (six months ended 30 June 2023: £887 million). See note 14, page 33, for details on the reconciliation of Adjusted EBITDA to cash generated from operations.

Restricted payments

In the six months ended 30 June 2024, total restricted payments (gross and net) made by Heathrow SP amounted to £66 million (six months ended 30 June 2023: £95 million). This funded scheduled interest payments on debt at Heathrow Finance. No payments to ultimate shareholders were made during the period.

Recent Financing Activity

In the first six months of 2024, we successfully issued a £350 million, 8-year, Class B sustainability-linked bond (SLB). It was our debut GBP SLB and the first SLB in the Sterling market to include all scopes of emissions. We also issued a £400 million, 7-year Holdco bond at Heathrow Finance, the largest transaction that Heathrow Finance has ever completed. We have also priced £100 million in new Class A debt and £100 million in new Class B through the private placement market, which includes our first use of proceeds green issuance, with maturities in 2039 and 2054 and proceeds to be received in August. These transactions complement our robust liquidity position and add additional diversification.

Redemptions in the first six months of 2024 comprised the repayment of a Class B bond of £600 million in February, a Heathrow Finance bond of £300 million in March and a Class A bond of CHF400 million in May.

During the year, we made early paydowns of accretion on our inflation swaps totalling £206 million.

Debt and Liquidity at Heathrow (SP) Limited

As at 30 June	2024 £m	2023 (1) £m
Consolidated nominal gross debt	**16,150**	**16,691**
Bond issuances	13,666	14,155
Other term debt	1,665	1,665
Index-linked derivative accretion	714	807
Lease liabilities(2)	105	64
Qualifying cash and cash equivalents and term deposits	(1,437)	(1,896)
Consolidated nominal net debt	**14,713**	**14,795**
Senior net debt	12,760	12,607
Junior net debt	1,953	2,188

(1) 2023 figures are as at 31 December 2023.
(2) Lease liabilities relating to leases that existed at the point of transition to IFRS 16 (1 January 2019) are excluded from Consolidated nominal net debt. All new leases entered into post-transition are included.

The average cost of Heathrow SP's nominal gross debt at 30 June 2024 was 3.40% (31 December 2023: 3.68%). This includes interest rate, cross-currency and index-linked hedge costs and excludes index-linked accretion. Including index-linked accretion, Heathrow SP's average cost of debt at 30 June 2024 was 6.53% (31 December 2023: 9.11%). The average life of Heathrow SP's gross debt as at 30 June 2024 was 10.3 years (31 December 2023: 10.2 years).

The Group has sufficient liquidity to meet its forecast needs for the next 18 months. In making this assessment, the Directors have considered both the Heathrow SP Group of companies, as well as the wider Heathrow Finance plc group of companies (the "Heathrow Finance Group"). This includes operating cashflows under the base case business plan and capital investment, debt service costs, debt maturities and repayments. This liquidity position takes into account £1,949 million in cash resources across the Heathrow Finance Group, as well as undrawn revolving credit facilities of £1,386 million.

Debt at Heathrow Finance plc

As at 30 June	2024 £m	2023 (1) £m
Heathrow SP's nominal net debt	14,713	14,795
Heathrow Finance's nominal gross debt	2,465	2,364
Heathrow Finance's qualifying cash and cash equivalents and term deposits	(512)	(353)
Consolidated nominal net debt	**16,666**	**16,806**

(1) 2023 figures are as at 31 December 2023.

Financial ratios

At 30 June 2024, Heathrow SP and Heathrow Finance continue to operate within required financial ratios. Gearing ratios and interest coverage ratios are defined within the Glossary.

As at 30 June	2024 £m	2023 (1) £m
Heathrow's RAB	**20,233**	**19,804**
Regulatory asset ratio 'RAR'		
Heathrow SP's senior (Class A)	63.1%	63.7%
Heathrow SP's (Class B)	72.7%	74.7%
Heathrow Finance's gearing ratio	82.4%	84.9%

(1) 2023 figures are as at 31 December 2023.

Pension scheme

We operate a defined benefit pension scheme (the 'BAA Pension Scheme'), which closed to new members in June 2008. At 30 June 2024, the defined benefit pension scheme, as measured under IAS 19, was funded at 98.9% (31 December 2023: 95.6%). This translated into a deficit of £30 million (31 December 2023: £128 million). The £98 million reduction in the deficit in the six months is largely due to actuarial gains of £99 million attributable to a loss on assets offset by a decrease in liabilities due to a 0.60% increase in the discount rate and experience losses reflecting actual inflation in 2024; service costs of £5 million; a finance charge of £3 million; and, contributions paid in the year. In the six months ended 30 June 2024, we contributed £7 million (30 June 2023: £7 million) into the defined benefit pension scheme. No deficit repair contributions have been paid in the six months (30 June 2023: nil). The Directors believe that the scheme has no significant plan-specific or concentration risks.

Outlook

The outlook for our adjusted EBITDA performance in 2024 remains consistent with the guidance published in our June Investor Report on 28 June 2024.

Starting in 2025, our financial results will be published semi-annually. A new Trading Statement will replace the Q1 and Q3 financial results.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting' and Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, and that the interim management report includes a fair review of the information required by DTR 4.2.7, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

This report was approved and authorised by the Board and was issued on behalf of the Board on 23 July 2024.

Sally Ding
Acting CFO

Martin Bailey
Director

SUMMARY OF ADDITIONAL DISCLOSURES

Publication of Supplement to Base Prospectus - The following supplement dated 26 February 2024 (the "Supplemental Prospectus") to the "Heathrow Funding Limited: Multicurrency programme for the issuance of bonds" base prospectus dated 30 June 2023 (the "Base Prospectus") as supplemented by the supplemental prospectus dated 27 October 2023 (the "October Supplement") (the Base Prospectus, the October Supplement and the Supplemental Prospectus together, the "Prospectus") has been approved by the Financial Conduct Authority and is available for viewing:
Full RNS available here: Supplemental Prospectus - 15:13:38 26 Feb 2024 - News article | London Stock Exchange

Publication of Documents Incorporated by Reference - The following document, which is incorporated by reference in a supplement (the "Supplemental Prospectus") to the "Heathrow Funding Limited: Multicurrency programme for the issuance of bonds" base prospectus dated 30 June 2023 (the "Base Prospectus") as supplemented by the supplemental prospectus dated 27 October 2023 (the "October Supplement") (the Base Prospectus, the October Supplement and the Supplemental Prospectus together, the "Prospectus") which has been approved by the Financial Conduct Authority on 26 February 2024 and published by Heathrow Funding Limited (the Issuer), is available for viewing.
Full RNS available here: Documents Incorporated by Reference - 15:18:48 26 Feb 2024 - News article | London Stock Exchange

Publication of Final Terms - The final terms ("Final Terms") for the issue of Class B-13 £350,000,000 6.000 per cent. Fixed Rate Sustainability-Linked Bonds due 2032 (the "B-13 Bonds") issued by Heathrow Funding Limited (the "Issuer") under the Issuer's multicurrency programme for the issuance of bonds (the "Programme") are available for viewing.
Full RNS available here: Final Terms - 13:35:53 05 Mar 2024 - News article | London Stock Exchange

Publication of Prospectus - The following prospectus (the "Prospectus") has been approved by the Financial Conduct Authority and is available for viewing.
Full RNS available here: Publication of a Prospectus - 13:47:29 15 Mar 2024 - News article | London Stock Exchange

Heathrow announces changes to Executive team - This morning, we are announcing several changes to Heathrow's Executive team as we move forward with the next chapter of our strategy to be an extraordinary airport, fit for the future.
Full RNS available here: Heathrow Executive Team Changes - 10:40:52 02 Apr 2024 - News article | London Stock Exchange

Heathrow
Making every journey better

Condensed consolidated income statement for the six months ended 30 June 2024

		Unaudited Six months ended 30 June 2024			Unaudited Six months ended 30 June 2023		
		Before certain re-measurements[1]	**Certain re-measurements[2]**	**Total**	Before certain re-measurements[1]	Certain re-measurements[2]	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	*1*	**1,692**	**-**	**1,692**	1,742	-	1,742
Operating costs[3]	*2*	**(1,072)**	**34**	**(1,038)**	(1,039)	140	(899)
Operating profit		**620**	**34**	**654**	703	140	843
Financing							
Finance income		**54**	**-**	**54**	27	-	27
Finance costs		**(496)**	**111**	**(385)**	(869)	278	(591)
Net finance costs	*3*	**(442)**	**111**	**(331)**	(842)	278	(564)
Profit/(loss) before tax		**178**	**145**	**323**	(139)	418	279
Taxation (charge)/credit	*4*	**(59)**	**(36)**	**(95)**	7	(105)	(98)
Profit/(loss) for the period[4]		**119**	**109**	**228**	(132)	313	181

(1) Amounts stated before certain re-measurements are non-GAAP measures.
(2) Certain re-measurements consist of: fair value gains and losses on investment property revaluations, gains and losses arising on the re-measurement of financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a cash flow, fair value and economic hedging relationship and the associated tax impact on these.
(3) Included within operating costs is a £3 million release (six months ended 30 June 2023: £3 million release) of impairment of trade receivables.
(4) Attributable to owners of the parent.

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2024

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit for the period	**228**	181
Items that will not be subsequently reclassified to the consolidated income statement		
Actuarial (loss)/gain on pensions:		
Loss on plan assets(1)	**(66)**	(111)
Decrease in scheme liabilities(1)	**140**	84
Items that may be subsequently reclassified to the consolidated income statement		
Cash flow hedges:		
Gain taken to equity(1)	**35**	71
Transfer to finance costs(1)	**(9)**	9
Impact of cost of hedging		
Gain taken to equity(1)	**1**	-
Other comprehensive income for the period	**101**	53
Total comprehensive income for the period(2)	**329**	234

(1) Items in the statement above are disclosed net of tax.
(2) Attributable to owners of the parent.

Condensed consolidated statement of financial position as at 30 June 2024

	Note	Unaudited 30 June 2024 £m	Audited[1] 31 December 2023 £m
Assets			
Non-current assets			
Property, plant and equipment	5	**10,684**	10,385
Right of use assets		**351**	304
Investment properties	6	**2,483**	2,449
Intangible assets		**211**	223
Derivative financial instruments	8	**1,000**	952
Trade and other receivables		**53**	180
		14,782	14,493
Current assets			
Inventories		**16**	17
Trade and other receivables		**373**	379
Derivative financial instruments	8	**17**	92
Term deposits		**1,264**	1,750
Cash and cash equivalents		**173**	191
		1,843	2,429
Total assets		**16,625**	16,922
Liabilities			
Non-current liabilities			
Borrowings	7	**(17,444)**	(17,512)
Derivative financial instruments	8	**(2,056)**	(2,010)
Lease liabilities		**(412)**	(371)
Deferred income tax liabilities		**(922)**	(818)
Retirement benefit obligations	9	**(52)**	(151)
Provisions		**(1)**	(1)
Trade and other payables		**(1)**	(1)
		(20,888)	(20,864)
Current liabilities			
Borrowings	7	**(521)**	(1,210)
Derivative financial instruments	8	**(39)**	(27)
Lease liabilities		**(39)**	(32)
Provisions		**(2)**	(2)
Current income tax liabilities		**(20)**	(20)
Trade and other payables		**(486)**	(466)
		(1,107)	(1,757)
Total liabilities		**(21,995)**	(22,621)
Net liabilities		**(5,370)**	(5,699)
Capital and reserves			
Share capital		**11**	11
Share premium		**499**	499
Merger reserve		**(3,758)**	(3,758)
Hedging reserve		**(10)**	(37)
Accumulated losses		**(2,112)**	(2,414)
Total shareholders' funds		**(5,370)**	(5,699)

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2024

	Attributable to owners of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Accumulated losses £m	Total equity £m
Balance as at 1 January 2023	11	499	(3,758)	(35)	(2,917)	(6,200)
Comprehensive income:						
Profit for the period	-	-	-	-	181	181
Other comprehensive income/(expense):						
Fair value gains net of tax on:						
Cash flow hedges	-	-	-	80	-	80
Actuarial (loss)/gain on pension net of tax:						
Loss on plan assets	-	-	-	-	(111)	(111)
Decrease in scheme liabilities	-	-	-	-	84	84
Total comprehensive income	-	-	-	80	154	234
Balance as at 30 June 2023 (unaudited)	11	499	(3,758)	45	(2,763)	(5,966)
Balance as at 31 December 2023 (audited)(1)	**11**	**499**	**(3,758)**	**(37)**	**(2,414)**	**(5,699)**
Comprehensive income:						
Profit for the period	**-**	**-**	**-**	**-**	**228**	**228**
Other comprehensive income/(expense):						
Fair value gains net of tax on:						
Cash flow hedges	**-**	**-**	**-**	**26**	**-**	**26**
Impact of cost of hedging	**-**	**-**	**-**	**1**	**-**	**1**
Actuarial (loss)/gain on pension net of tax:						
Loss on plan assets	**-**	**-**	**-**	**-**	**(66)**	**(66)**
Decrease in scheme liabilities	**-**	**-**	**-**	**-**	**140**	**140**
Total comprehensive income	**-**	**-**	**-**	**27**	**302**	**329**
Balance as at 30 June 2024 (unaudited)	**11**	**499**	**(3,758)**	**(10)**	**(2,112)**	**(5,370)**

(1) This row is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

Condensed consolidated statement of cash flows for the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Cash flows from operating activities			
Cash generated from operations	*10*	**922**	887
Taxation:			
Corporation tax paid		**(25)**	(1)
Net cash generated from operating activities		**897**	886
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment		**(393)**	(278)
Investment properties		**-**	(1)
Proceeds on disposal of:			
Investment properties		**1**	-
Decrease in term deposits[1]		**486**	613
Interest received		**72**	31
Net cash generated from investing activities		**166**	365
Cash flows from financing activities			
Proceeds from issuance of bonds		**349**	-
Repayment of bonds		**(877)**	(750)
Fees and other financing items		**(3)**	-
Interest paid to Heathrow Finance plc		**(66)**	-
External interest paid[2]		**(274)**	(293)
Settlement of accretion on index-linked swaps		**-**	(84)
Early settlement of accretion on index-linked swaps[3]		**(206)**	(159)
Inflation swap restructuring[4]		**14**	-
Payment of lease liabilities		**(18)**	(22)
Net cash used in financing activities		**(1,081)**	(1,308)
Net decrease in cash and cash equivalents		**(18)**	(57)
Cash and cash equivalents at beginning of period		**191**	285
Cash and cash equivalents at end of period		**173**	228

(1) Term deposits with an original maturity of over three months are invested by Heathrow Airport Limited and Heathrow Finance plc.

(2) Includes £9 million of lease interest paid (six months ended 30 June 2023: £8 million). By class, includes £58 million (six months ended 30 June 2023: £59 million) of interest paid on junior (Class B) debt.

(3) In the six months ended 30 June 2024 the Group elected to early pay £206 million (six months ended 30 June 2023: £159 million) of accrued accretion paydowns, which were due to be settled within the next 2 years in line with the liquidity profile assessment of the Group.

(4) The Group restructured two inflation-linked swaps by shortening the maturities from 2035. This resulted in a cash inflow to the Group of £14 million made up of £68 million net future interest and £54 million future accretion.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

General information

The Company is the holding company of a group of companies that owns Heathrow Airport ('Heathrow') and operates Heathrow Express ('HEX'), the express rail service between Heathrow and central London. Heathrow (SP) Limited is a limited liability company, limited by shares, incorporated in the UK and registered in England and Wales, and domiciled in the UK. The Company is a private limited company and its registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

Primary financial statements format

A columnar approach has been adopted in the income statement and the impact of separately disclosed items is shown in separate columns. These columns include 'certain re-measurements' which management separates from the underlying operations of the Group. By isolating certain re-measurements, management believes the underlying results provides the reader with a more meaningful understanding of the performance of the Group, by concentrating on the matters over which it exerts influence, whilst recognising that information on these additional items is available within the financial statements, should the reader wish to refer to them.

The column 'certain re-measurements' in the consolidated income statement contains the following: i. fair value gains and losses on investment property revaluations and disposals; ii. derivative financial instruments and the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship; iii. the associated tax impacts of the items in (i) and (ii).

Accounting policies

Basis of preparation

The condensed consolidated interim financial statements cover the six-month period ended 30 June 2024 and has been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting'. This condensed set of financial statements comprises the unaudited financial information for the six months ended 30 June 2024 and its comparatives, together with the unaudited consolidated statement of financial position as at 30 June 2024 and the audited consolidated statement of financial position as at 31 December 2023.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, the financial information should be read in conjunction with the statutory financial statements for the year ended 31 December 2023, which were prepared in accordance with UK adopted international accounting standards and the requirements of Companies Act 2006. The auditors' report on these statutory financial statements was unqualified, did not contain an emphasis of matter and did not contain a statement under section 498 of the Companies Act 2006.

Where financial information in the notes to the condensed interim financial statements, relating to year ended 31 December 2023, is labelled audited, the amounts have been extracted from the Group's audited financial statements for the year ended 31 December 2023.

The Group has applied the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The condensed interim financial statements for the six-month period ended 30 June 2024 have been prepared on a basis consistent with that applied in the preparation of the consolidated financial statements for the year ended 31 December 2023, except for the following amendments which apply for the first time in 2024. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments haven't had any effect on the measurement and disclosures of any items included in the condensed interim financial statements of the Group.

Going concern

The Directors have prepared the financial information presented within these interim consolidated financial statements on a going concern basis as they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Background

Heathrow is economically regulated by the CAA which controls Heathrow's maximum airport charges. We are currently operating under the H7 price control period, which runs between 1 January 2022 and 31 December 2026. During 2023, the CAA published their Final Decision on H7 tariffs, which was subsequently appealed to and ruled on by the Competition and Markets Authority ("CMA"). In March 2024, the CAA consulted on the final issues from the Final Decision, covering both the matters that were remitted back to CAA by the CMA and matters that the CAA were not able to resolve prior to making the Final Decision. The CAA issued their decision in July 2024, which maintained the proposals set out in March 2024.

Passenger forecasts are fundamental to the going concern analysis, and the Directors have considered trends in future expected passenger numbers. Through 2024, there has been strong passenger demand for travel which gives confidence in our future expected passenger numbers, nevertheless this is against a backdrop of high interest rates and recent high inflation.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

While Heathrow SP operates as an independent securitised group, the Directors have considered the wider Heathrow Group given the corporate structure, which involves cash generation across the Group and within the main operating company, Heathrow Airport Limited.

The wider Heathrow Group is bound by two types of debt covenant, tested on 31 December each year: the Regulatory Asset Ratio ("RAR"), a measure of the ratio of consolidated nominal net debt to the Regulatory Asset Base ("RAB"); and Interest Cover Ratio ("ICR"), a measure of operating cashflows to debt interest charge. These covenants exist at different levels within the Group's Class A and Class B debt. The Directors have assessed going concern for the period of 12 months from the date of signing of these interim consolidated financial statements (the 'Assessment Period'), with additional consideration given to the period up to the next debt covenant testing date on 31 December 2025.

Base case

In determining an appropriate base case, the Directors have considered the following:

- Forecast revenue and operating cash flows from the underlying operations, based on a 2024 traffic forecast of 82.8 million.
- Forecast level of capital expenditure based on Heathrow's latest business plan.
- The overall Group liquidity position, including cash resources and committed facilities available to it, and its scheduled debt maturities and financing cash flows.

Base case passenger forecast

There is inherent subjectivity in modelling future passenger numbers, nevertheless, passenger numbers have been strong in 2024 with total passengers to 30 June 2024 being 39.8 million (7% increase from 2023). Despite a high-inflationary economic environment impacting the cost-of-living of passengers, demand has remained strong which signals that passengers are prioritising travel spend.

Base case tariffs

The base case uses tariffs as set out in the CAA's Final Decision. The Directors have concluded that the impact of the CAA's final issues decision published in July 2024 is immaterial to the going concern assessment.

Base case cash flow and liquidity

The wider Heathrow Group can raise finance at both Heathrow SP Limited ("Heathrow SP") and Heathrow Finance plc ("Heathrow Finance"). Continued support for the Group's credit enabled Heathrow to successfully raise £750 million of debt in H1 2024: a Class B GBP sustainability-linked bond of £350 million and £400 million of Heathrow Finance public debt. As at 30 June 2024, the wider group has total liquidity available of £3.4 billion, comprising of £2.0 billion of cash held at FGP Topco group and a £1.4 billion undrawn revolving credit facility. Total debt maturity for the period to December 2025 is £1.1 billion at Heathrow SP and £0.3 billion at Heathrow Finance.

While deemed unlikely, the Directors have also assumed that the Group would be unable to access debt markets for any new funding. Taking this into account, the Group has sufficient liquidity to meet its base case cash flow needs for the going concern period. This includes forecast operational costs, capital investment, debt service costs, and scheduled debt repayments.

Severe but plausible downside case

The Directors are required to consider severe but plausible downside scenarios as part of the going concern assessment. In considering a severe but plausible downside, the Directors have considered the inherent judgement in forecasting future passenger numbers – particularly in a highly inflationary economic environment impacting the disposable income of passengers – on cash flow generation, liquidity, and debt covenant compliance.

Under the Group's downside scenario, the Directors have considered passenger numbers at the low end of Heathrow's 2024 and 2025 passenger forecast to be a severe but plausible outcome. This considers the Group's views of plausible impacts caused by reduced passenger confidence and other economic factors. The low range of passengers represents a 2.6% reduction against the base case for 2024 and 4.5% for 2025. The tariff assumptions remain the same as in the base case. Under the severe but plausible scenario, the Group has sufficient liquidity to meet all forecast cash flow needs until at least December 2025, with no breach of its covenants in the same period.

Reverse stress test

In forming their assessment, the Directors deemed it best practice to perform a reverse stress test. This involved modelling the breakeven level of passengers which would result in a covenant breach as at 31 December 2024. The model is based on a reduction in passenger numbers with no impact on costs. The Heathrow Finance plc ICR covenant is the most restrictive to operating performance, and for there to be a breach at this level, forecast passenger numbers would need to decrease by over 24.9 million (30%) versus the base case. An even greater passenger number decrease would be required for the Group to breach its RAR covenants. These passenger levels are below the low end of the Group's passenger forecast and are not considered plausible by the Directors. Should circumstances arise that require Management to take corrective action, many of the previously utilised tactical actions could be available, including cost reduction, deferral of investment or temporary reprofiling of interest payments.

Conclusion

Having had regard to both liquidity and debt covenants and considering a severe but plausible downside and reverse stress testing, the Directors have concluded that there is sufficient liquidity available to meet the Group and Company's funding requirements for at least 12 months from the date of these interim consolidated financial statements and that it is accordingly appropriate to adopt a going concern basis for their preparation.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

These interim consolidated financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Significant accounting judgements and changes in estimates

In applying the Group's accounting policies, Directors have made judgements and estimates in a number of key areas. Actual results may, however, differ from estimates calculated and the Directors believe that the following areas present the greatest level of uncertainty.

Critical judgements in applying the Group's accounting policies

In preparing the six-month condensed interim financial information, the areas where judgement has been exercised by Directors in applying the Group's accounting policies remain consistent with those applied to the Annual Report and Financial Statements for the year ended 31 December 2023.

Key sources of estimation uncertainty

In preparing the six-month condensed interim financial information, the key sources of estimation uncertainty remain consistent with those applied to the Annual Report and Financial Statements for the year ended 31 December 2023.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

1. SEGMENT INFORMATION

The Group is organised into business units according to the nature of the services provided. Most revenue is derived from the activities carried out within the Airport. The exception to this is Heathrow Express, which is a separately identifiable operating segment under IFRS 8, with separately identifiable assets and liabilities, and hence management aggregates these units into two operating segments, as follows:

- Heathrow Airport (Aeronautical and commercial operations within the Airport and its boundaries).
- Heathrow Express (Rail income from the Heathrow Express rail service between Heathrow and London).

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis. The reportable segments derive their revenues from a number of sources, including aeronautical, retail, other regulated charges and other products and services (including rail income), and this information is also provided to the Board on a monthly basis.

Table (a)	**Unaudited Six months ended 30 June 2024 £m**	Unaudited Six months ended 30 June 2023 £m
Segment revenue		
Aeronautical		
Movement charges	**425**	454
Parking charges	**38**	44
Passenger charges	**605**	662
Total aeronautical revenue	**1,068**	1,160
Retail		
Retail concessions	**129**	117
Catering	**38**	37
Other retail	**33**	31
Car parking	**90**	82
Other services	**70**	55
Total retail revenue	**360**	322
Other		
Other regulated charges	**137**	112
Property revenue	**11**	16
Property (lease related income)	**61**	58
Other rail income	**11**	25
Heathrow Express	**44**	49
Total other revenue	**264**	260
Total revenue	**1,692**	1,742
Heathrow Airport	***1,648***	*1,693*
Heathrow Express	***44***	*49*
Adjusted EBITDA	**951**	1,070
Heathrow Airport	***942***	*1,055*
Heathrow Express	***9***	*15*
Reconciliation to statutory information:		
Depreciation and amortisation	**(331)**	(367)
Operating profit (before certain re-measurements)	**620**	703
Fair value gain on investment properties (certain re-measurements)	**34**	140
Operating profit	**654**	843
Finance income	**54**	27
Finance costs	**(385)**	(591)
Profit before tax	**323**	279

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

1. SEGMENT INFORMATION *CONTINUED*

Table (b)	Unaudited Six months ended 30 June 2024		Unaudited Six months ended 30 June 2023	
	Depreciation & amortisation[1] £m	Fair value gain[2] £m	Depreciation & amortisation[1] £m	Fair value gain[2] £m
Heathrow Airport	**(321)**	**34**	(354)	140
Heathrow Express	**(10)**	**-**	(13)	-
Total	**(331)**	**34**	(367)	140

(1) Includes intangible asset amortisation charges of £20 million (six months ended 30 June 2023: £20 million).
(2) Reflects fair value gain or loss on investment properties only.

Table (c)	Unaudited 30 June 2024		Audited 31 December 2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Heathrow Airport	**13,292**	**(483)**	13,095	(464)
Heathrow Express	**528**	**(7)**	538	(6)
Total operations	**13,820**	**(490)**	13,633	(470)
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	**1,437**	**(15,310)**	1,941	(16,079)
Retirement benefit assets/(obligations)	**-**	**(52)**	-	(151)
Derivative financial instruments	**1,017**	**(2,095)**	1,044	(2,037)
Deferred and current tax assets/(liabilities)	**-**	**(942)**	-	(838)
Amounts owed to group undertakings	**-**	**(2,655)**	-	(2,643)
Right of use asset and lease liabilities	**351**	**(451)**	304	(403)
Total	**16,625**	**(21,995)**	16,922	(22,621)

2. OPERATING COSTS

	Note	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Employment		**236**	192
Operational[1]		**213**	196
Maintenance		**114**	103
Business rates		**58**	58
Utilities		**64**	71
Other[2]		**56**	52
Operating costs before depreciation, amortisation and certain re-measurements		**741**	672
Depreciation and amortisation:			
Property, plant and equipment		**291**	325
Intangible assets		**20**	20
Right of use assets		**20**	22
		331	367
Operating costs before certain re-measurements		**1,072**	1,039
Fair value gain on investment properties (certain re-measurements)	*6*	**(34)**	(140)
Total operating costs		**1,038**	899

(1) Operational costs consist of expenditure in relation to the standard operations of the airport.
(2) Other operating costs consist of primarily marketing costs and other general expenditure.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

3. FINANCING

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Finance income		
Interest on deposits	**52**	26
Interest receivable from group undertakings	**2**	1
Total finance income	**54**	27
Finance costs		
Interest on borrowings:		
Bonds and related hedging instruments[1]	**(339)**	(384)
Bank loans, overdrafts and unwind of hedging reserves	**(46)**	(41)
Net interest expense on external derivatives not in hedge relationship[2]	**(67)**	(398)
Facility fees and other charges	**-**	(5)
Net pension finance costs	**(3)**	(3)
Interest on debenture payable to Heathrow Finance plc	**(78)**	(78)
Unwinding of discount on provisions	**-**	(2)
Finance costs on lease liabilities	**(10)**	(9)
Total borrowing costs	**(543)**	(920)
Less: capitalised borrowing costs[3]	**47**	51
Total finance costs	**(496)**	(869)
Net finance costs before certain re-measurements	**(442)**	(842)
Certain re-measurements		
Fair value gain/(loss) on financial instruments		
Interest rate swaps: not in hedge relationship	**147**	120
Index-linked swaps: not in hedge relationship	**(31)**	163
Cross-currency swaps: not in hedge relationship[4, 5]	**(2)**	6
Ineffective portion of cash flow hedges[5]	**(1)**	(8)
Ineffective portion of fair value hedges[5]	**-**	(4)
Foreign exchange contracts	**(2)**	1
	111	278
Net finance costs	**(331)**	(564)

(1) Includes accretion of £39 million for six months ended 30 June 2024 (six months ended 30 June 2023: £107 million) on index-linked bonds.
(2) Includes accretion of £121 million for six months ended 30 June 2024 (six months ended 30 June 2023: £431 million) on index-linked swaps.
(3) Capitalised interest included in the cost of qualifying assets arose on the general borrowing pool and is calculated by applying an average capitalisation rate of 7.85% (six months ended 30 June 2023: 11.17%) to expenditure incurred on such assets.
(4) Includes foreign exchange retranslation gain on the currency bonds of £5 million (six months ended 30 June 2023: £4 million) which has moved systematically in the opposite direction to that of the cross-currency swaps which economically hedge the related currency bonds.
(5) The value of all currency bonds changes systematically in the opposite direction to that of the related cross-currency swaps, in response to movements in underlying exchange rates with a net nil impact in fair value for foreign exchange movement.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

4. TAXATION (CHARGE)/CREDIT

	Unaudited Six months ended 30 June 2024			Unaudited Six months ended 30 June 2023		
	Before certain re-measurements £m	**Certain re-measurements £m**	**Total £m**	Before certain re-measurements £m	Certain re-measurements £m	Total £m
UK corporation tax						
Current tax charge at 25% (2023: 23.5%)	**(24)**	**-**	**(24)**	-	-	-
Deferred tax:						
Current year (charge)/credit	**(35)**	**(36)**	**(71)**	7	(105)	(98)
Taxation (charge)/credit	**(59)**	**(36)**	**(95)**	7	(105)	(98)

The total tax charge for the six-month period ended 30 June 2024 was £95 million (six months ended 30 June 2023: £98 million) on a profit before tax of £323 million (six months ended 30 June 2023: £279 million).

The tax charge before certain re-measurements was £59 million (six months ended 30 June 2023: £7 million tax credit). Based on a profit before tax and certain re-measurements of £178 million (six months ended 30 June 2023: £139 million loss), this results in an effective tax rate of 33.1% (six months ended 30 June 2023: 5.0%). This represents the best estimate of the annual effective tax rate expected for the full year, applied to the pre-tax profit before certain re-measurements for the six-month period. The tax charge is significantly higher than the statutory rate of 25% (six months ended 30 June 2023: lower than the statutory rate of 23.5%) primarily due to the non-deductible depreciation compared to the relatively low profits forecast, increasing the tax charge for the year (six months ended 30 June 2023: non-deductible expenses reducing the tax credit for the year offset by the deferred tax movements at the 25% tax rate).

In addition, for the six months ended 30 June 2024, a tax charge of £36 million (six months ended 30 June 2023: £105 million) was recognised on certain re-measurements arising from fair value movements on financial instruments and investment properties of £145 million (six months ended 30 June 2023: £418 million).

Based on the fair value gains which have arisen on financial instruments and investment properties and the improved trading performance in the six months to June 2024, Management has concluded that the deferred tax assets as at 30 June 2024 may be recovered against the unwind of existing deferred tax liabilities and future forecast taxable profits.

The group has applied the exemption under IAS 12 'income taxes' amendment for recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

There are no items which would materially affect the future tax charge.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

5. PROPERTY, PLANT AND EQUIPMENT

	Terminal complexes £m	Airfields £m	Plant and equipment £m	Other land and buildings £m	Rail £m	Assets in the course of construction £m	Total £m
Cost							
1 January 2024	**12,005**	**2,197**	**1,085**	**378**	**1,216**	**1,677**	**18,558**
Additions	**-**	**-**	**-**	**-**	**-**	**552**	**552**
Borrowing costs capitalised	**-**	**-**	**-**	**-**	**-**	**47**	**47**
Disposals	**(26)**	**(3)**	**(11)**	**(1)**	**-**	**-**	**(41)**
Transfer to investment properties	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Transfer to intangible assets	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**
Transfers to completed assets	**30**	**1**	**21**	**135**	**2**	**(189)**	**-**
30 June 2024 (Unaudited)	**12,009**	**2,195**	**1,095**	**512**	**1,218**	**2,078**	**19,107**
Accumulated depreciation							
1 January 2024	**(6,052)**	**(670)**	**(734)**	**(149)**	**(568)**	**-**	**(8,173)**
Charge for the period	**(210)**	**(28)**	**(33)**	**(7)**	**(13)**	**-**	**(291)**
Disposals	**26**	**3**	**11**	**1**	**-**	**-**	**41**
30 June 2024 (Unaudited)	**(6,236)**	**(695)**	**(756)**	**(155)**	**(581)**	**-**	**(8,423)**
Net book value							
30 June 2024 (Unaudited)	**5,773**	**1,500**	**339**	**357**	**637**	**2,078**	**10,684**

The Regulatory Asset Base (RAB), the regulated mechanism made up of existing and new capital investment by which the group makes a cash return, was £20,233 million at 30 June 2024 (31 December 2023: £19,804 million).

	Terminal complexes £m	Airfields £m	Plant and equipment £m	Other land and buildings £m	Rail £m	Assets in the course of construction £m	Total £m
Cost							
1 January 2023	12,192	2,085	1,112	370	1,241	1,450	18,450
Additions	-	-	-	-	-	633	633
Capital write-offs	-	-	-	-	-	(7)	(7)
Borrowing costs capitalised	-	-	-	-	-	102	102
Disposals	(402)	(27)	(73)	(3)	(35)	-	(540)
Transfer to investment properties	-	-	-	-	-	(7)	(7)
Transfer to intangible assets	-	-	-	-	-	(73)	(73)
Transfer to completed assets	215	139	46	11	10	(421)	-
31 December 2023 (Audited)	12,005	2,197	1,085	378	1,216	1,677	18,558
Accumulated depreciation							
1 January 2023	(5,989)	(641)	(728)	(138)	(574)	-	(8,070)
Charge for the period	(465)	(56)	(79)	(14)	(29)	-	(643)
Disposals	402	27	73	3	35	-	540
31 December 2023 (Audited)	(6,052)	(670)	(734)	(149)	(568)	-	(8,173)
Net book value							
31 December 2023 (Audited)	5,953	1,527	351	229	648	1,677	10,385

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

6. INVESTMENT PROPERTIES

	£m
Valuation	
1 January 2023	2,230
Additions	3
Transfer from property, plant and equipment	7
Investment property fair value movements[1]	209
31 December 2023 (Audited)	**2,449**
Disposals	**(1)**
Transfer from property, plant and equipment	**1**
Investment property fair value movements[1]	**34**
30 June 2024 (Unaudited)	**2,483**

(1) Fair value gains in 2024 are primarily due to the impact of continued improved trading performance across the portfolio. Fair value gains in 2023 are primarily due to the impact of improved trading performance across the portfolio, offset by the impact of higher discount rates.

Investment properties valuations are prepared in accordance with the valuation manual issued by the Royal Institution of Chartered Surveyors and appraised by our property management company CBRE Limited, who are independent and have appropriate recognised qualifications and experience in the categories and location of our investment properties being valued.

Management conducts a detailed review of each property to ensure the correct assumptions and inputs have been used. Meetings with the valuers are held on a periodic basis to review and challenge the assumptions used in the valuation techniques, where they are classified into 3 categories as follows:

Level 1 inputs are quoted prices from active markets at the measurement date using relevant information generated by market transactions involving identical or comparable (similar) assets.

Level 2 inputs are other quoted market prices directly or indirectly observable and involve a combination of inputs. The car parks, sites and non-operational land valuations, and residential properties were generated by a market approach involving similar observable transactions along with land value reversion whilst the other assets were valued using the capitalised income approach incorporating net initial and equivalent yield. Some of the valuation incorporated rent free and void periods where relevant in order to determine the most reasonable valuation.

Level 3 inputs are based on unobservable inputs which relate to discounted cash flow technique using an appropriate asset discount rate including growth rates for the relevant revenues and costs. Most of this classification is made up of car parks which accounts for 89% (2023: 89%) of the valuation. In the case of non-operational hotels' land, the discounted cash flow methodology has incorporated exit yields, occupancy and ancillary revenues too.

There were no transfers between the fair value classifications for investment properties during the year.

By their nature, investment property valuations incorporate long-term passenger trends that incorporate market assumptions on climate change.

The investment property portfolio includes car parks (for passengers and employees) and maintenance hangars, which together account for 69% (31 December 2023: 69%) of the fair value of the investment property portfolio at 30 June 2024. The valuation of maintenance hangers is largely based on long term contractual terms and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

The investment property asset class balance consists of 52% (31 December 2023: 52%) car parks, 21% (31 December 2023: 21%) airport operations and 27% (31 December 2023: 27%) land and others. Level 2 to 3 is split according to the following percentiles respectively: 55% (31 December 2023: 55%) and 45% (31 December 2023: 45%).

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

7. BORROWINGS

	Unaudited 30 June 2024 £m	Audited[1] 31 December 2023 £m
Current		
Secured		
Heathrow Funding Limited bonds:		
7.125% £600 million due 2024	**-**	600
0.500% CHF400 million due 2024	**-**	370
3.250% C$500 million due 2025	**283**	-
Total current (excluding interest payable)	**283**	970
Interest payable – external	**189**	182
Interest payable – owed to group undertakings	**49**	58
Total current	**521**	1,210
Non-current		
Secured		
Heathrow Funding Limited bonds:		
3.250% C$500 million due 2025	**-**	287
1.500% €750 million due 2025	**634**	648
4.221% £155 million due 2026	**155**	155
0.450% CHF210 million due 2026	**181**	189
6.750% £700 million due 2026	**697**	697
1.800% CHF165 million due 2027	**145**	153
2.650% NOK1,000 million due 2027	**68**	73
2.694% C$650 million due 2027	**375**	385
3.400% C$400 million due 2028	**231**	236
2.625% £350 million due 2028	**348**	347
7.075% £200 million due 2028	**199**	199
4.150% A$175 million due 2028	**87**	90
2.750% £450 million due 2029	**446**	446
2.500% NOK1,000 million due 2029	**61**	66
1.500% €750 million due 2030	**570**	594
3.782% C$400 million due 2030	**227**	233
1.125% €500 million due 2030	**419**	429
3.661% C$500 million due 2031	**288**	295
6.450% £900 million due 2031	**868**	866
Zero-coupon €50 million due January 2032	**71**	71
6.000% £350 million sustainability-linked bond due 2032[2]	**346**	-
1.366%+RPI £75 million due 2032	**114**	113
Zero-coupon €50 million due April 2032	**69**	69
1.875% €500 million due 2032	**422**	432
0.101%+RPI £182 million due 2032	**238**	234
3.726% C$625 million due 2033	**366**	375
4.500% €650 million sustainability-linked bond due 2033[2]	**555**	590
1.875% €650 million due 2034	**449**	471
4.171% £50 million due 2034	**49**	50
Zero-coupon €50 million due 2034	**57**	57
0.347%+RPI £75 million due 2035	**99**	96
0.337%+RPI £75 million due 2036	**98**	97
1.061%+RPI £180 million due 2036	**267**	262

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

7. BORROWINGS *CONTINUED*

	Unaudited 30 June 2024 £m	Audited [1] 31 December 2023 £m
3.460% £105 million due 2038	**105**	105
0.419%+RPI £51 million due 2038	**67**	66
1.382%+RPI £50 million due 2039	**76**	75
Zero-coupon €86 million due 2039	**83**	84
3.334%+RPI £460 million due 2039	**834**	822
0.800% JPY1,000 million due 2039	**42**	49
1.238%+RPI £100 million due 2040	**150**	147
0.362%+RPI £75 million due 2041	**99**	97
5.875% £750 million due 2041	**740**	740
3.500% A$125 million due 2041	**66**	67
2.926% £55 million due 2043	**54**	54
4.625% £750 million due 2046	**743**	742
4.702% £60 million due 2047	**60**	60
1.372%+RPI £75 million due 2049	**114**	113
2.750% £400 million due 2049	**393**	393
6.070% £70 million due 2056	**70**	70
6.070% £70 million due 2057	**70**	70
0.147%+RPI £160 million due 2058	**210**	206
Total bonds	**13,175**	13,265
Heathrow Airport Limited debt:		
Class A2 term loan due 2025	**100**	100
Class A3 term loan due 2029	**200**	200
Term notes due 2026-2052	**1,363**	1,362
Unsecured		
Debenture payable to Heathrow Finance plc due 2030	**2,606**	2,585
Total non-current	**17,444**	17,512
Total borrowings (excluding interest payable)	**17,727**	18,482

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.
(2) Further details on the Sustainability Performance Targets can be found in our Sustainability-Linked Bond Framework at the Heathrow Investor Centre website.

At 30 June 2024, SP Group consolidated nominal net debt was £14,713 million (31 December 2023: £14,795 million). It comprised £13,666 million (31 December 2023: £14,155 million) in bond issues, £1,665 million (31 December 2023: £1,665 million) in other term debt, £714 million (31 December 2023: £807 million) in index-linked derivative accretion and £105 million (31 December 2023: £64 million) of additional lease liabilities post transition to IFRS 16. This was offset by £1,437 million (31 December 2023: £1,896 million) in qualifying cash and term deposits under the financing documentation. Nominal net debt comprised £12,760 million (31 December 2023: £12,607 million) in senior net debt and £1,953 million (31 December 2023: £2,188 million) in junior debt.

At 30 June 2024, the carrying value of non-current borrowings due after more than 5 years was £11,518 million (31 December 2023: £11,268 million), comprising £10,056 million (31 December 2023: £9,806 million) of bonds and £1,462 million (31 December 2023: £1,462 million) in bank facilities, excludes lease liabilities.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

7. BORROWINGS *CONTINUED*

Impact of fair value hedge adjustments

The nominal value of debt designated in fair value hedge relationship was €2,050 million, C$620 million, CHF210 million, A$175 million, JPY10,000 million and NOK2,000 million. Where debt qualifies for fair value hedge accounting, hedged item adjustments have been applied as follows:

	Unaudited 30 June 2024		Audited 31 December 2023	
	Nominal[1] £m	**Fair value adjustment[2] £m**	Nominal[1] £m	Fair value adjustment[2] £m
Euro denominated debt	**1,682**	**147**	1,682	106
CAD denominated debt	**337**	**10**	337	11
Other currencies debt	**502**	**37**	779	37
Designated in fair value hedge	**2,521**	**194**	2,798	154

(1) Nominal values are based on initial FX rates at time of hedge designation.
(2) Fair value adjustment is comprised of fair value gain of £198 million (31 December 2023: £159 million) on continuing hedges and £4 million loss (31 December 2023: £5 million) on discontinued hedges.

8. DERIVATIVE FINANCIAL INSTRUMENTS

Unaudited 30 June 2024	**Notional £m**	**Assets £m**	**Liabilities £m**	**Total £m**
Current				
Foreign exchange contracts	48	-	(1)	(1)
Cross-currency swaps	266	17	-	17
Index-linked swaps	370	-	(38)	(38)
	684	**17**	**(39)**	**(22)**
Non-current				
Foreign exchange contracts	76	-	(1)	(1)
Interest rate swaps	7,378	643	(763)	(120)
Cross-currency swaps	5,547	145	(276)	(131)
Index-linked swaps	5,177	212	(1,016)	(804)
	18,178	**1,000**	**(2,056)**	**(1,056)**
Total	**18,862**	**1,017**	**(2,095)**	**(1,078)**

Audited [1] 31 December 2023	Notional £m	Assets £m	Liabilities £m	Total £m
Current				
Foreign exchange contracts	15	-	(1)	(1)
Cross-currency swaps	277	92	-	92
Index-linked swaps	100	-	(26)	(26)
	392	92	(27)	65
Non-current				
Interest rate swaps	7,378	555	(811)	(256)
Cross-currency swaps	5,813	245	(200)	45
Index-linked swaps	5,447	152	(999)	(847)
	18,638	952	(2,010)	(1,058)
Total	19,030	1,044	(2,037)	(993)

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

At 30 June 2024, total non-current notional value of derivative financial instruments due in greater than 5 years was £12,043 million (31 December 2023: £12,243 million), comprising £4,169 million (31 December 2023: £4,369 million) of Index-linked swaps, £3,789 million (31 December 2023: £3,789 million) of cross-currency swaps, and £4,085 million (31 December 2023: £4,085 million) of Interest rate swaps.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

8. DERIVATIVE FINANCIAL INSTRUMENTS *CONTINUED*

Interest rate swaps

Interest rate swaps are maintained by the Group and designated as hedges, where they qualify against variability in interest cash flows on current and future floating or fixed rate borrowings. The gains and losses deferred in equity on the cash flow hedges will be continuously released to the income statement over the period of the hedged risk. The fair value gains and losses deferred in equity relating to the discontinued cash flow hedge relationships will be continuously released to the income statement over the period of the hedged risk.

Of the total amount deferred in other comprehensive income gross of tax was £130 million (30 June 2023: £151 million; 31 December 2023: £140 million) related to discontinued cash flow hedges. During the year, £10 million recycled from the frozen hedging reserve to the income statement in the period.

Of the losses deferred, £21 million (30 June 2023: £21 million; 31 December 2023: £21 million) expected to be released in less than one year, £20 million (30 June 2023: £21 million; 31 December 2023: £21 million) between one and two years, £44 million (30 June 2023: £51 million; 31 December 2023: £47 million) between two and five years and £45 million (30 June 2023: £58 million; 31 December 2023: £51 million) over five years.

Cross-currency swaps

Cross-currency swaps have been entered into by the Group to hedge currency risk on interest and principal payments on its foreign currency-denominated bond issues. The gains and losses deferred in equity on certain swaps in cash flow hedge relationships will be continuously released to the income statement over the period to maturity of the hedged bonds.

The gains deferred of £120 million (30 June 2023: £212 million; 31 December 2023: £95 million), of which of £26 million (30 June 2023: £38 million; 31 December 2023: £19 million) are expected to be released in less than one year, gains of £22 million (30 June 2023: £38 million; 31 December 2023: £18 million) between one and two years, £43 million (30 June 2023: £79 million; 31 December 2023: £33 million) between two and five years and gains of £29 million (30 June 2023: £57 million; 31 December 2023: £25 million) over five years.

Index-linked swaps

Index-linked swaps have been entered into in order to economically hedge RPI linked revenue and the Regulatory Asset Base ('RAB') but are not designated in a hedge relationship.

Foreign exchange contracts

Foreign exchange contracts are used to manage exposures relating to future capital expenditure. Hedge accounting is not sought for these derivatives.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are classified by the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 30 June 2024 and 31 December 2023, all fair value estimates on derivative financial instruments are included in level 2.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (such as derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Applicable market-quoted swap yield curves adjusted for relevant basis and credit default spreads.
- The recovery rate and associated reduction in credit risk of super senior ranking derivatives (interest rate and index-linked swaps).
- The fair value of derivatives and certain financial instruments are calculated as the present value of the estimated future cash flows based on observable market inputs such as RPI and CDS curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

At the restructuring date or initial date of recognition of index-linked swaps, the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring or at initial recognition, could not be supported by observable inputs alone. These fair values are supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. Therefore, such movement was deferred on the balance sheet in compliance with IFRS.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

8. DERIVATIVE FINANCIAL INSTRUMENTS *CONTINUED*

As at 30 June 2024, £166 million (30 June 2023: £195 million; 31 December 2023: £182 million) remained capitalised and £16 million (30 June 2023: £13 million; 31 December 2023: £26 million) had been recognised in the income statement for the period.

On a semi-annual basis, the Group reviews any material changes to the valuation techniques and market data inputs used. The potential impact to the fair value hierarchy is assessed if it is deemed a transfer. Significant transfers between levels are considered effective at the end of the reporting period. During the period there were no transfers between the levels in the fair value hierarchy.

The tables below present the Group's assets (other than investment properties) and liabilities that are measured at fair value:

	30 June 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Assets				
Assets at fair value through income statement	**-**	**871**	**-**	**871**
Derivatives qualifying for hedge accounting	**-**	**146**	**-**	**146**
Total assets	**-**	**1,017**	**-**	**1,017**
Liabilities				
Liabilities at fair value through income statement	**-**	**(1,837)**	**-**	**(1,837)**
Derivatives qualifying for hedge accounting	**-**	**(258)**	**-**	**(258)**
Total liabilities	**-**	**(2,095)**	**-**	**(2,095)**

	31 December 2023			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Assets				
Assets at fair value through income statement	-	723	-	723
Derivatives qualifying for hedge accounting	-	321	-	321
Total assets	-	1,044	-	1,044
Liabilities				
Liabilities at fair value through income statement	-	(1,850)	-	(1,850)
Derivatives qualifying for hedge accounting	-	(187)	-	(187)
Total liabilities	-	(2,037)	-	(2,037)

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

9. RETIREMENT BENEFIT OBLIGATIONS

Amounts arising from pensions related liabilities in the Group's financial statements

The following tables identify the amounts in the Group's financial statements arising from its pension related liabilities. Further details of each scheme (except defined contribution schemes) are disclosed below.

Income statement - pension and other pension related liabilities costs

	Unaudited Six months ended 30 June 2024 £m	**Unaudited Six months ended 30 June 2023 £m**
Employment costs:		
Defined contribution schemes	**14**	9
BAA Pension Scheme	**5**	5
	19	14
Finance charge - BAA Pension Scheme	**3**	2
Finance charge - Other pension and post-retirement liabilities	**1**	1
Total pension charge	**23**	17

Other comprehensive income – gain/(loss) on pension and other pension related liabilities

	Unaudited Six months ended 30 June 2024 £m	**Unaudited Six months ended 30 June 2023 £m**
BAA Pension Scheme gain/(loss)	**99**	(36)
Actuarial gain/(loss) recognised before tax	**99**	(36)
Tax (charge)/credit on actuarial loss	**(25)**	9
Actuarial gain/(loss) recognised after tax	**74**	(27)

Statement of financial position – net defined benefit pension deficit and other pension related liabilities

	Unaudited 30 June 2024 £m	Audited[1] 31 December 2023 £m
Fair value of plan assets	**2,695**	2,782
Benefit obligation	**(2,725)**	(2,910)
Deficit in BAA Pension Scheme	**(30)**	(128)
Unfunded pension obligations	**(21)**	(22)
Post-retirement medical benefits	**(1)**	(1)
Deficit in other pension related liabilities	**(22)**	(23)
Net deficit in pension schemes	**(52)**	(151)
Group share of net deficit in pension schemes	**(52)**	(151)

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.

The Company has the ability to recognise any surplus in the BAA Pension Scheme in full, because the Company has an unconditional right to a refund of surplus upon gradual settlement of liabilities.

There are no reimbursement rights included within scheme assets which require separate disclosure.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

9. RETIREMENT BENEFIT OBLIGATIONS *CONTINUED*

(a) BAA Pension Scheme

The BAA Pension Scheme is a funded defined benefit scheme with both open and closed sections. The Scheme closed to employees joining the Group after 15 June 2008. The Scheme's assets are held separately from the assets of the HAHL Group and are administered by the trustee.

The value placed on the Scheme's obligations as at 30 June 2024 is based on the full actuarial valuation carried out at 30 September 2021. This has been updated at 30 June 2024 by ISIO Group Limited to take account of changes in economic and demographic assumptions, in accordance with IAS 19R. The Scheme assets are stated at their bid value at 30 June 2024 as required by IAS 19R, the Group recognises re-measurements as they occur in the statement of comprehensive income.

Analysis of fair value of plan assets	**Unaudited 30 June 2024 £m**			Audited[(1)] 31 December 2023 £m		
Fair value of plan assets	**Quoted[(2)]**	**Unquoted**	**Total**	Quoted[(2)]	Unquoted	Total
Equity	**79**	**457**	**536**	68	423	491
Bonds	**245**	**177**	**422**	224	183	407
Cash	**-**	**76**	**76**	-	33	33
LDI	**-**	**969**	**969**	-	1,104	1,104
Buy in	**-**	**381**	**381**	-	410	410
Other[(3)]	**-**	**311**	**311**	-	337	337
Total fair value of plan assets	**324**	**2,371**	**2,695**	292	2,490	2,782

(1) This column is labelled audited as the amounts have been extracted from the company's audited financial statements for the year ended 31 December 2023.
(2) Quoted assets have prices in active markets in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
(3) Other assets include multi-strategy funds which include diverse holdings in a number of small markets.

At 30 June 2024, the largest single category of investment was a liability driven instrument ('LDI') mandate, with a value of £969 million (36% of the asset holding at 30 June 2024). The purpose of the Scheme entering into this mandate is to reduce asset/liability mismatch risk. At 31 December 2023, the largest single category of investment was a LDI mandate, with a value of £1,104 million (40% of the asset holding at 31 December 2023).

LDI holdings are portfolios of bonds, repurchase agreements, interest rate and inflation derivatives which are intended to protect the Scheme from movements in interest rates and inflation, so that the fair value of this element of the portfolio moves in the same way as the fair value of Scheme's obligations.

Analysis of financial assumptions
The financial assumptions used to calculate Scheme assets and liabilities under IAS 19R were:

	Unaudited 30 June 2024 %	Audited 31 December 2023 %
Rate of increase in pensionable salaries	**1.90**	1.90
Increase to deferred benefits during deferment	**3.45**	3.30
Increase to pensions in payment:		
Open section	**3.15**	3.05
Closed section	**3.45**	3.30
Discount rate	**5.10**	4.50
Inflation assumption	**3.45**	3.30

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

10. CASH GENERATED FROM OPERATIONS

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit before tax	**323**	279
Adjustments for:		
Net finance costs	**331**	564
Depreciation	**291**	325
Amortisation on intangibles	**20**	20
Amortisation on right of use assets	**20**	22
Fair value gain on investment properties	**(34)**	(140)
Working capital changes[1]*:*		
Increase in inventories and trade and other receivables	**(15)**	(99)
Decrease in trade and other payables	**(11)**	(82)
Difference between pension charge and cash contributions	**(3)**	(2)
Cash generated from operations	**922**	887

(1) For the six months ended 30 June 2023, changes in working capital include intercompany payments of £95 million made by Heathrow Airport Limited to fund scheduled interest payments on external debt held at Heathrow Finance plc and ADI Finance 2 Limited.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Group commitments for property, plant and equipment

	Unaudited 30 June 2024 £m	Audited 31 December 2023 £m
Contracted for, but not accrued:		
Asset management and compliance	**267**	226
Carbon and sustainability	**12**	7
Commercial proposition	**15**	10
Improve efficiency and service	**7**	2
Terminal 2 baggage system	**184**	23
Next generation security	**146**	112
	631	380

The figures in the above table are contractual commitments to purchase goods and services at the reporting date.

Contingent liabilities

As at 30 June 2024 the Group had no material external contingent liabilities (31 December 2023: none).

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

12. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

Purchase of goods and services	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Ferrovial Construction	33	23
Heathrow Enterprises Limited	1	1
LHR Airports Limited	12	9
Heathrow Finance plc[1]	78	78
	124	111

(1) Interest on the debenture payable to Heathrow Finance plc (note 3).

Sales to related parties	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Harrods International Limited	4	4
LHR Airports Limited	1	1
Qatar Airways	31	31
	36	36

Balances outstanding with related parties were as follows:	Unaudited 30 June 2024		Audited 31 December 2023	
	Amounts owed by related parties £m	Amounts owed to related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Heathrow Finance plc	-	2,655	-	2,643
LHR Airports Limited	43	-	41	-
Ferrovial Construction	-	5	-	6
Qatar Airways	3	-	6	-
	46	2,660	47	2,649

The related parties outlined above are related through ownership by the same parties. The transactions relate primarily to construction projects, loans and interest payable, and are conducted on an arm's length basis.

13. SUBSEQUENT EVENTS

There are no subsequent events to disclose.

14. RECONCILIATION OF OUR ALTERNATIVE PERFORMANCE MEASURES (APMs)

Alternative Performance Measures

The Group presents its results in accordance with International Financial Reporting Standards (IFRS). Management also produces APMs (Alternative Performance Measures) which are other financial measures not defined by IFRS. Management relies on these APMs for decision-making and for evaluating the Group's performance. Below we provide an explanation of each APM.

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

14. RECONCILIATION OF OUR ALTERNATIVE PERFORMANCE MEASURES (APMs) *CONTINUED*

EBITDA

EBITDA is profit or loss before interest, taxation, depreciation and amortisation. EBITDA is a useful indicator as it is widely used by investors, analysts and rating agencies to assess operating performance.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit for the period	**228**	181
Adjusted for:		
Tax charge	**95**	98
Net finance costs	**331**	564
Operating profit	**654**	843
Adjusted for:		
Depreciation and amortisation	**331**	367
EBITDA	**985**	1,210

Adjusted EBITDA

Adjusted EBITDA is profit or loss before interest, taxation, depreciation, amortisation and fair value gains and losses on investment properties. Fair value gains and losses on investment properties are excluded as they can vary significantly from one year to the next due to market perceptions of the value of the property and the accounting method used to calculate the fair value. Adjusted EBITDA is an approximation of pre-tax operating cash flow and reflects cash generation before changes in working capital and investment. The APM assists investors to value the business (valuation using multiples) and rating agencies and creditors to gauge levels of leverage by comparing Adjusted EBITDA with net debt.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit for the period	**228**	181
Adjusted for:		
Tax charge	**95**	98
Net finance costs	**331**	564
Operating profit	**654**	843
Adjusted for:		
Depreciation and amortisation	**331**	367
Fair value gain on investment properties	**(34)**	(140)
Adjusted EBITDA	**951**	1,070

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Cash generated from operations	**922**	887
Adjusted for:		
Increase trade and other receivables	**14**	98
Increase in inventories	**1**	1
Decrease in trade other payables	**11**	82
Difference between pension charge and cash contributions	**3**	2
Adjusted EBITDA	**951**	1,070

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

14. RECONCILIATION OF OUR ALTERNATIVE PERFORMANCE MEASURES (APMs) *CONTINUED*

Adjusted operating profit or loss

Adjusted operating profit or loss shows operating results excluding fair value gains and losses on investment properties. These are excluded as they can vary significantly from one year to the next due to market perceptions of the value of the property and the accounting method used to calculate the fair value. The adjusted measure is used to assess the underlying performance of the trading business.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Operating profit[1]	**654**	843
Adjusted for:		
Fair value gain on investment properties	**(34)**	(140)
Adjusted operating profit	**620**	703

(1) Operating profit is presented on the Group income statement, it is not defined per IFRS, however it is a generally accepted profit measure.

Net finance costs before certain re-measurements

Net finance costs before certain re-measurements exclude fair value gains and losses on financial instruments. Excluding fair value gains and losses can be useful to investors and financial analysts when assessing the Group's underlying profitability, as measured by Adjusted EBITDA, because they can vary significantly from one year to the next. A significant portion of the fair value gains and losses on financial instruments occur due to the business entering into arrangements to hedge against future inflation. As these contracts do not meet hedge criteria under IFRS 9, fair value gains and losses create significant volatility in our IFRS income statement.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Finance income	**54**	27
Finance costs	**(385)**	(591)
Net finance costs after certain re-measurements	**(331)**	(564)
Adjusted for:		
Fair value gain arising on re-measurement of financial instruments	**(111)**	(278)
Net finance costs before certain re-measurements	**(442)**	(842)

Adjusted profit or loss before tax

Adjusted profit or loss before tax excludes fair value gains and losses on investment properties and financial instruments. Excluding these can be useful to investors and financial analysts when assessing the Group's underlying profitability, because they can vary significantly from one year to the next.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit before tax	**323**	279
Adjusted for:		
Fair value gain on investment properties	**(34)**	(140)
Fair value gain arising on re-measurement of financial instruments	**(111)**	(278)
Adjusted profit/(loss) before tax	**178**	(139)

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

14. RECONCILIATION OF OUR ALTERNATIVE PERFORMANCE MEASURES (APMs) *CONTINUED*

Adjusted profit or loss after tax

Adjusted profit or loss after tax excludes fair value gains and losses on investment properties, financial instruments and the associated tax. Excluding these can be useful to investors and financial analysts when assessing the Group's underlying profitability, because they can vary significantly from one year to the next.

	Unaudited Six months ended 30 June 2024 £m	Unaudited Six months ended 30 June 2023 £m
Profit for the period	**228**	181
Adjusted for:		
Fair value gain on investment properties	**(34)**	(140)
Fair value gain arising on re-measurement of financial instruments	**(111)**	(278)
Tax charge on fair value gain on investment properties and re-measurement of financial instruments	**36**	105
Adjusted profit/(loss) after tax	**119**	(132)

Heathrow (SP) Limited consolidated nominal net debt

Consolidated nominal net debt is a measure of financial position used by our creditors when assessing covenant compliance.

Nominal net debt is short and long term debt less qualifying cash and cash equivalents and term deposits. It is an important measure as it is used as a metric in assessing covenant compliance for the group. It includes index linked swap accretion and the hedging impact of cross currency interest rate swaps. It excludes pre-existing lease liabilities recognised upon transition to IFRS 16, accrued interest, capitalised borrowing costs and intra-group loans.

	Unaudited Six months ended 30 June 2024 £m	Audited Year ended 31 December 2023 £m
Net debt	**(16,741)**	(16,944)
Adjusted for:		
Available but non-qualifying cash(1)	**-**	(45)
Index-linked swap accretion(2)	**(714)**	(807)
Impact of cross-currency interest rate swaps(3)	**(202)**	91
Bond issuance costs(4)	**(8)**	(14)
IFRS 16 lease liability at 31 December relating to pre-existing leases(5)	**346**	339
Intercompany	**2,606**	2,585
Consolidated nominal net debt	**(14,713)**	(14,795)

(1) Available but non-qualifying cash relates to cash held by the Group that is available but does not qualify as cash for covenant purposes under our financing agreements.
(2) Index-linked swap accretion is included in nominal net debt, amounts are reported within derivative financial instruments on the Group's statement of financial position.
(3) Where bonds are issued in currencies other than GBP, the Group has entered into foreign currency swaps to fix the GBP cash outflows on redemption. The impact of these swaps is reflected in nominal net debt.
(4) Capitalised bond issue costs are excluded from nominal net debt.
(5) The lease liability relating to leases that existed at the point of transition to IFRS 16 (1 January 2019) is excluded from nominal net debt. All new leases entered into post transition are included.

Regulatory Asset Base ('RAB')

The regulated asset base is a regulatory construct, based on predetermined principles not based on IFRS. By investing efficiently in the Airport, we add to the RAB over time. The RAB is an important measure as it represents the invested capital on which Heathrow are authorised to earn a cash return and is used in the financial ratios used to assess covenant compliance as detailed in the financial review. It is used in key financial ratios and in our regulatory financial statements.

	Unaudited 30 June 2024 £m	Audited 31 December 2023 £m
Regulatory Asset Base ('RAB')	**20,233**	19,804

Notes to the condensed consolidated financial statements for the six months ended 30 June 2024

14. RECONCILIATION OF OUR ALTERNATIVE PERFORMANCE MEASURES (APMs) *CONTINUED*

Regulatory gearing ratio

The regulatory gearing ratio is consolidated nominal net debt to the RAB. It is a financial indicator used by investors, financial analysts, rating agencies, creditors and other parties to ascertain a company's debt position in regulated industries.

	Unaudited 30 June 2024	Audited 31 December 2023
Total net debt to RAB	**0.727**	0.747
Senior net debt to RAB	**0.631**	0.637

Independent review report to Heathrow (SP) Limited

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the Directors of Heathrow (SP) Limited's condensed consolidated interim financial statements (the "interim financial statements") in the Results of Heathrow (SP) Limited for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated statement of financial position of Heathrow (SP) Limited as at 30 June 2024;
- the Condensed consolidated income statement and the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results of Heathrow (SP) Limited have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
23 July 2024

GLOSSARY

ADIF 2 - ADI Finance 2 Limited

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.

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

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

Category B Costs – Capital expenditure related to the consent process for Expansion.

Connections satisfaction – Measures how satisfied passengers are with their connections journey via our in-house satisfaction tracker – QSM Connections. Throughout the year there are 14,000 face-to-face interviews across all terminals where transfer passengers rate their satisfaction with their Connections experience on a scale of one to five, where one is 'extremely poor' and five is 'excellent'.

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

Early Category C Costs – Capital expenditure related to the early design and construction costs for Expansion**.**

Gearing ratios – under the Group's financing agreements are calculated by dividing consolidated nominal net debt by Heathrow' Regulatory Asset Base ('RAB') value.

Interest Cover Ratio 'ICR ' – is trigger event and covenant at Class A, trigger event at Class B and financial covenant at Heathrow Finance; Class A ICR trigger ratio is 1.40x; Class A ICR covenant is 1.05x and is calculated as a 3-year trailing average, Class B ICR trigger ratio is 1.20x, Heathrow Finance ICR covenant is 1.00x.

Lost Time Injury - Lost time injuries are injuries sustained by colleagues whilst conducting work related duties, resulting in absence from work for at least a day. The measure is calculated as a moving annual frequency rate of the number of incidents in the last 12 months per 100,000 working hours.

NERL – National Air Traffic Services is split into two main service provision companies, one if which is NATS En-Route PLC (NERL). NERL is the sole provider of civilian en-route air traffic control over the UK.

Net-zero carbon – Residual carbon emissions are offset by an equal volume of carbon removals.

Regulatory asset ratio 'RAR' – is trigger event and covenant event at Class A, trigger event at Class B and financial covenant at Heathrow Finance; Class A RAR trigger ratio is 72.5% and covenant level is 92.5%; two Class B triggers apply: at Heathrow Finance it is 82.0% and at Heathrow (SP) Limited it is 85.0%; Heathrow Finance RAR covenant is 92.5%.

Restricted payments – The financing arrangements of the Group and Heathrow Finance plc ("Heathrow Finance") 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 repurchases of share capital, and payments of fees, interest or principal on any intercompany loans.

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