

Heathrow

HEATHROW (SP) LIMITED & HEATHROW FINANCE PLC

INVESTOR REPORT JUNE 2024

28 June 2024

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

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“It has been a record breaking start to the year, serving more passengers than ever before and we are gearing up for our busiest summer to date. Thanks to all our dedicated colleagues striving for excellence, our operational performance is continually improving.

Meanwhile, our new strategy provides the business with direction, with the vision to become an extraordinary airport, fit for the future. The strategy focuses on delivering value for our customers, creating new capacity, digitisation as well as people and the planet.

The investments and service improvements planned for the next couple of years, like transforming security and upgrading the T2 baggage system, will ensure we reach this goal by delivering excellent service and infrastructure.

From a 15% cut in carbon by 2030 to unlocking additional capacity, exciting challenges and opportunities lie ahead. I am confident Heathrow’s winning team will tackle these head on to build a better, stronger Heathrow.”

Thomas Woldbye | Heathrow CEO

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1. OVERVIEW

This report sets out the actual financial performance and ratios for Heathrow (SP) in 2023 and forecast figures for 2024, together with key business updates. Additional information specific to Heathrow Finance is set out in Appendix 6.

Over the first five months of the year, we have seen a strong demand in traffic at Heathrow, with 32.4 million passengers travelling through the airport. For 2024, we are forecasting passenger traffic of 82.8 million (+4.5% vs FY23) – above the guidance included in our Q1 results and 1.4 million higher than our December Investor Report forecast. This updated traffic forecast reflects the improved economic outlook and a strong passenger demand. Operationally, we have performed well, delivering great service and successfully getting passengers on their way, particularly over the busy half terms, Easter and May public holidays. In the first five months, security performance has been very strong, with over 94% of passengers now waiting less than 5 minutes and departure and arrival punctuality higher than in 2023.

Given the higher traffic outlook, Adjusted EBITDA is forecast to be £1,942 million (-12.8% vs FY23), an increase of £57 million versus the December Investor Report. Revenue is expected to increase £67 million versus the December Investor Report to £3,517 million (-4.6% vs FY23), with £2,232 million (-9.7% vs FY23) of aeronautical revenue and £1,285 million (+5.9% vs FY23) of non-aeronautical revenue. The significant decrease in aeronautical revenue versus 2023 is mainly due to a 20% reduction in the regulatory charges from 1 Jan 2024. Operating costs are forecasted to rise to £1,575 million (+7.9% vs FY23), an increase of £9 million versus the December Investor Report, to accommodate the increased demand. The estimated RAB at the end of 2024 is £20,222 million. At Heathrow (SP) and Heathrow Finance, we have sufficient headroom for our financial covenants in 2024. No dividends are currently forecast for 2024, although it is plausible subject to financial performance. We will continue to review optionality throughout the year.

During the first five months of the year, Heathrow maintained momentum across carbon and sustainability. We became an inaugural adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), allowing us to transparently measure and improve our impact on nature. We successfully issued a £350 million 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 have also priced a new Class A and Class B debt through the private placement market, which includes our first use of proceeds green issuance. These transactions reinforce our commitment to a sustainable financing platform. We also issued a £400 million, 7-year Holdco bond at Heathrow Finance.

We have recently responded to two key CAA consultations. First, the consultation on ‘Setting future price controls – review of approach’, which followed on from the DfT independent review of the CAA published in 2023, that recommended the regulator should review the process, governance and ‘mechanics’ for conducting economic regulation. Heathrow has outlined where improvements in approach, guidance, and decision-making are needed and expects this consultation to inform an enhanced price review for the next regulatory period (H8). Second, the “H7 Final Issues” consultation addresses matters remitted to the CAA by the CMA related to price control and unresolved issues from the Final Decision. Finalising this is important for providing certainty to stakeholders as we progress in delivering our plans. A decision is needed before Heathrow’s 2025 charges consultation.

Investments are underway under our £4.3 billion H7 investment programme, and 2024 capital expenditure remains unchanged at £936 million, 50% higher than in 2023. Good progress has been made in upgrading 146 security lanes as part of our investment in next-generation security equipment, and we have appointed a lead contractor to replace the T2 baggage system.

Finally, we have recently launched our new strategy after almost a decade. This new strategy provides a clear direction for us to align our efforts and ensure collective progress toward our common objective - to be an extraordinary airport fit for the future while renewing our commitment to making every journey better and provide value for all our customers.

(£m unless stated)	2023 (A)	2024 (F)	Trigger / Forecasting Event
Passengers (m)	79.2	82.8	
Summary financials			
Revenue	3,687	3,517	
Adjusted EBITDA⁽¹⁾	2,228	1,942	
Cashflow from operations ⁽²⁾	2,092	1,979	
Regulatory Asset Base (RAB)	19,804	20,222	
Nominal net debt			
Senior net debt	12,607	12,514	
Junior net debt	2,188	2,065	
Consolidated net debt	14,795	14,579	
Interest paid			
Senior interest paid	481	414	
Junior interest paid	71	74	
Total interest paid	552	488	
Ratios⁽³⁾			
Senior(Class A) RAR	63.7%	61.9%	72.5% / 72.5%
Junior (Class B) RAR	74.7%	72.1%	85.0% / 85.0%
Senior(Class A) ICR	3.72x	3.69x	1.40x / 1.60x
Junior (Class B) ICR	3.24x	3.13x	1.20x / 1.40x
(£m unless stated)	2023 (A)	2024 (F)	Covenant
Heathrow Finance			
Borrower net debt	2,011	1,937	
Group net debt	16,806	16,516	
Borrower interest paid	73	113	
Group interest paid	625	602	
Group RAR ⁽³⁾	84.9%	81.7%	92.5%
Group ICR ⁽³⁾	2.86x	2.54x	1.00x

- 1) Pre-exceptional earnings before interest, tax, depreciation and amortisation
- 2) Adds back cash one-off items, non-recurring extraordinary items & exceptional items
- 3) Ratios calculated using unrounded data. Ratio definitions and calculations in Appendices 2, 3 and 6

2. BUSINESS DEVELOPMENTS

SERVICE STANDARDS

During the first quarter of 2024, we achieved an overall ASQ rating of 4.02 out of 5.00 (Q1 2023: 4.01), while welcoming 11% more departing passengers this year compared to last year. Many attributes demonstrated an improvement compared to Q1 2023, including 'Wi-Fi Service Quality', 'Availability of Water Filling Stations', 'Ease of Making Connections with other Flights', 'Waiting Time at 'Security' and 'Check-in'. In contrast, attributes including 'Restaurant/Bars/Cafes', 'Shops', and 'Signage to Access to the Terminal' saw a decrease.

Operational resilience remained strong in the first five months of 2024. Over the period, 94.3% of passengers were through security within 5 minutes (2023: 86.8%). In the same period, 74.7% (2023: 64.6%) of flights departed within 15 minutes of their schedule, outperforming arrivals, which was 70.4% (2023: 69.7%). Baggage connection performance remained high at 98.5% (2023: 98.4%).

In the 12 months to 30 April 2024, rebates of £2,962,484 were paid by Heathrow under the "Measures, Targets, Incentives" scheme (previously known as Service Quality Rebates). However, in relation to the same period, a £4,748,741 bonus is also expected for exceeding performance targets. The positive difference between the rebate paid and the bonus received serves as proof of the enhancements we have made to our passenger services.

TRAFFIC

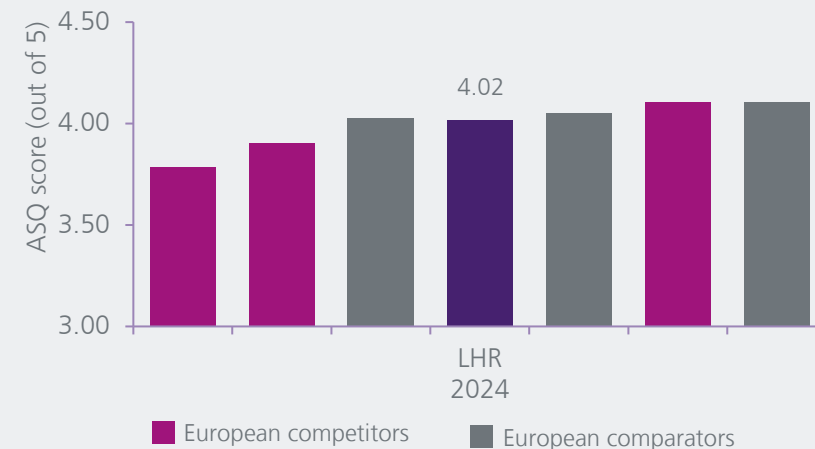
The first five months saw continued passenger growth, and a total of 32.4 million passengers travelled through the airport (2023: 30.0 million). The increase in passenger traffic is driven by an increase in passenger ATMs compared to last year and some small load factor increases.

Passenger growth has been observed across all regions, with notable contributions from North America, EU, and Latin America, resulting in an increase in passenger numbers compared to 2023. The Asia Pacific region has experienced rebound compared to last year.

The number of passenger air traffic movements (PATMs) increased by 6.9% which is in line with the overall increase in demand. Additionally, load factors increased to 76.8% for the first five months, although this is below the full-year level for 2019 and provides further growth opportunities. The average number of seats per passenger aircraft was slightly lower than last year at 220.5 (2023: 220.7).

Our cargo tonnage decreased by 16.4% compared to the first five months of 2023. Even with belly hold capacity back to normal on many routes, tonnage remains down as the global air cargo industry is suffering the effects of various macroeconomic factors resulting in weak demand.

Q1 2024 Passenger satisfaction European ranking



Traffic and operating statistics

	Jan - May 2023	Jan - May 2024	2024 vs. 2023 (%)
Passengers (m)	30.0	32.4	8.0
Long-haul traffic growth % (YoY)	60.1	8.4	N/A
Short-haul traffic growth % (YoY)	38.6	7.4	N/A
Passengers ATM	183,052	195,715	6.9
Cargo ATM	1,563	1,320	(15.5)
Load factors (%)	76.0	76.8	1.1
Seats per ATM	220.7	220.5	(0.1)
Cargo tonnage ('000)	548	638	16.4

Note:

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

Heathrow

2. BUSINESS DEVELOPMENTS

HEATHROW'S NEW STRATEGY

After nearly a decade, our new strategy aligns our efforts and ensures collective progress towards a common objective. Starting with our purpose, which continues to be Making Every Journey Better, it now means something to everyone, whatever their role in our business. Central to our renewed focus is our new vision: "To be an extraordinary airport, fit for the future". By 'extraordinary', we mean remarkable, memorable, attractive, something you cannot experience anywhere else. This aspirational goal sets the stage for where we envision Heathrow in the future.

To translate this vision into reality, we have identified six Beacons - Winning Team, Fast and Focused, Value for Customers, Digital Future, People and Planet, and Creating Capacity - which serve as the driving forces behind our vision. These Beacons have been carefully selected to address the most pressing needs in the short to medium term, providing a clear roadmap for achieving our objectives. At the heart of our strategy lie our Foundations (1. Safety, Security and Compliance; 2. Services and Operations; 3. Governance and Financial Resilience), 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.

Finally, our six Values remain unchanged. Heathrow values were developed by our colleagues, for our colleagues, as a common set of qualities describing the culture we want to experience at Heathrow. Through these values, we will strive for excellence, champion and respect the diversity and talent of our people, care for one another and deliver our vision. In the coming months, we will share more details about our Beacons and Foundations.

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 quarter 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 program, which includes the STEM Generation activity and Essential Skills Masterclasses, has been instrumental in benefiting local students and colleges.

Additionally, we successfully launched the first Lift-off event of 2024, with a strong focus on Zero Waste and Construction & Energy. We gained further understanding of Sustainable Aviation Fuel (SAF) uplifted in 2023, supporting us to track annual progress in this critical area. Last year, we extended the deadline of our SAF incentive to the end of September 2024 due to a delay in global supply. In a strategic move, we joined a major hydrogen technology hub led by Cranfield University, which will contribute to our preparation for a hydrogen-powered future. 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.

LONG TERM GROWTH AND CAPACITY DEVELOPMENTS

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



2. BUSINESS DEVELOPMENTS

CAPITAL INVESTMENT

We have six strategic programmes in our H7 capital plan, forecasting to spend £4.3 billion in H7. Our plan balances investment to ensure we are delivering benefits across the business, including improvements in service and our carbon footprint, reductions of costs, and revenue growth. Our 2024 capex forecast remains unchanged at £936m; this spending level is 50% higher than in 2023.



3. REGULATORY DEVELOPMENTS

Heathrow has recently responded to two key CAA consultations:

First, 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. Finalisation of these issues is important to provide certainty to all stakeholders, as Heathrow continues to make positive progress on delivering against plans for its customers, under the H7 settlement. It is also particularly important that a decision takes place ahead of Heathrow's 2025 charges consultation.

Second, the consultation on 'Setting future price controls – review of approach', which followed on from the DfT independent review of the CAA published in 2023, recommended the regulator should review the process, governance and 'mechanics' for conducting economic regulation. Heathrow has outlined where improvements in approach, guidance and decision making are needed, and expects this consultation can inform an enhanced price review for the next regulatory period (H8).

Heathrow is committed to being a constructive and engaging partner to the CAA as we look towards the next price control review. We expect the CAA to issue their responses to these consultations during the Summer.



Heathrow

4. HISTORICAL FINANCIAL PERFORMANCE

This section summarises the results for the Group for the three months to 31 March 2024. A full description of the performance is provided in the results published on 24 April 2024, available at the Investor Centre on [heathrow.com](https://www.heathrow.com).

TRAFFIC

In the first three months of 2024, traffic increased by 9.5% to 18.5 million passengers (2023: 16.9 million). The increase in passenger traffic is driven by a significant increase in passenger ATMs compared to last year, and some small load factors have increased. Almost all markets exceed 2023's numbers, with double-digit growth for the UK, Asia Pacific and Latin America

ADJUSTED EBITDA

In the first three months of 2024, Adjusted EBITDA decreased 8.8% to £443 million (2023: £486 million).

REVENUE

In the first three months of 2024, total revenue decreased 0.7% to £808 million (2023: £814 million). This was driven by a decrease of 5.5% in aeronautical income, an increase of 12.8% in retail income and an increase of 4.2% in other income. Aeronautical income decreased predominantly due to lower H7 charges set by the CAA, partially offset by higher passenger numbers. Retail income increased due to higher departing passengers and stronger car parking performance. Other revenue increased due to higher Other regulated charges (ORCs) ORC, offset by lower surface access revenue.

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

In the first three months of 2024, adjusted operating costs increased by 11.3% to £365 million (2023: £328 million). The increase in operating costs reflects additional colleagues being needed to accommodate the higher demand. The rise in operational and maintenance is mainly due to higher levels of Passengers Requiring Support (PRS) resourcing, cleaning and maintenance and service quality rebates paid. Utilities and other costs have remained stable as a result of tight cost controls and stable energy prices.

REGULATORY ASSET BASE (RAB) AND FINANCIAL RATIOS

At 31 March 2024, the RAB was £20,058 million (31 December 2023: £19,804 million). At 31 March 2024, the Regulatory Asset Ratios, measuring nominal net debt to RAB, were 63.3% for senior debt and 73.0% for junior debt (31 December 2023: 63.7% and 74.7% respectively) compared with respective trigger levels of 72.5% and 85.0%.

INTEREST PAYABLE AND PAID

In the first three months of 2024, net finance costs before certain re-measurements were £197 million (2023: £442 million, as the RPI annual growth rate has decreased year on year from 13.5% to 4.5%). Net interest paid (excluding restricted payments) was £46 million (2023: £91 million).

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

At 31 March 2024, nominal net debt was £14,646 million (31 December 2023: £14,795 million), comprising £13,918 million in bond issues, £1,665 million in other term debt, £846 million in index-linked derivative accretion and £63 million of additional lease liabilities. This was offset by cash, cash equivalents and term deposits of £1,846 million. Nominal net debt consisted of £12,703 million in senior net debt and £1,943 million in junior debt.

LEASE LIABILITIES

We applied IFRS 16 on 1 January 2019. The capitalised value of existing operating leases pre-dating the transition to IFRS 16 is excluded from our net debt covenant calculations. Additional lease liabilities are however taken into account when calculating net nominal debt and amounted to £63 million as at 31 March 2024. The aggregate liability of all leases as at 31 March 2024 was £398 million, of which £335 million were entered into before 1 January 2019 and £63 million after 1 January 2019.

5. FORECAST FINANCIAL PERFORMANCE

TRAFFIC

In 2024, traffic is expected to increase by 4.5% to 82.8 million passengers versus last year (2023: 79.2m). This is above the guidance released with our Q1 results and is an increase from the forecast published in December 2023 (81.4m), reflecting a strong passenger demand. Further details on our traffic forecasts can be found on the next page.

ADJUSTED EBITDA

Adjusted EBITDA in 2024 is forecasted to decrease 12.8% to £1,942 million (2023: £2,228 million). This is driven by lower H7 charges set by the CAA, with total revenue decreasing by 4.6% to £3,517 million. Operating costs have increased by 7.9% to £1,575 million, reflecting the investments in recruitment and operations costs to accommodate the higher demand.

REVENUE

Revenue in 2024 is forecasted to decrease by 4.6% to £3,517 million. Aeronautical income is forecast to decrease 9.7% to £2,232 million (2023: £2,473 million), mainly driven by lower charges set by the CAA. Retail income is expected to increase 5.0% to £733 million (2023: £698 million). Other revenue is expected to increase by 7.0% to £552 million (2023: £516 million).

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

Adjusted operating costs in 2024 are forecast to increase to £1,575 million (2023: £1,459 million) to accommodate for the increased demand. We are also forecasting an increase in Passengers Requiring Support (PRS) resourcing costs, cleaning and maintenance costs.

REGULATORY ASSET BASE

At the end of 2024, the RAB is forecasted to be £20,222 million (2023: £19,804 million). The increase in RAB over the year is primarily driven by the forecasted inflation and an increase in capital investment, with an average RPI assumption of 3.5% and year end assumption of 3.3%. The forecast for 2024 assumes capital expenditure of £936 million and regulatory depreciation in line with the CAA's final decision.

NET DEBT AND FINANCIAL RATIOS

At 31 December 2024, nominal net debt for Heathrow SP is forecasted to be £14,579 million (2023: £14,795 million). Net external interest paid is forecasted to be £488 million in 2024 (2023: £552 million), a decrease of £36 million compared to the December guidance. The Regulatory Asset Ratio (RAR) is forecast to be 61.9% for senior debt and 72.1% for junior debt (31 December 2023: 63.7% and 74.7%) driven by the expected increased growth in the RAB. For the year ending 31 December 2024, the Interest Cover Ratio (ICR) is forecast to be 3.69x for senior debt and 3.13x for junior debt (2023: 3.72x and 3.24x).

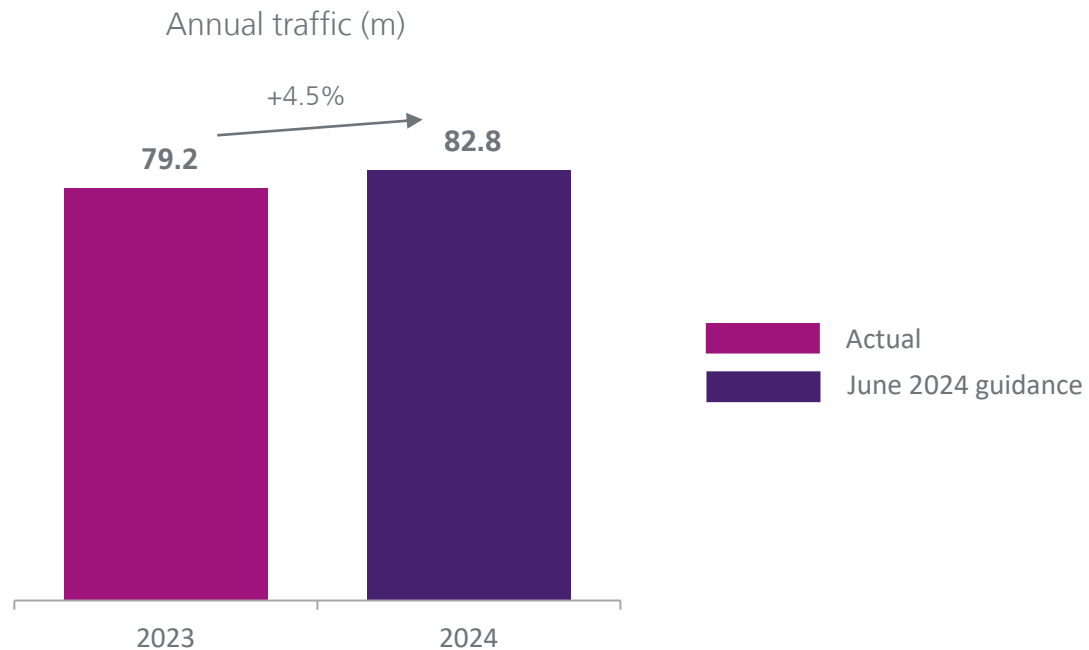
All current and forecast ratios are calculated based on applicable generally accepted accounting principles.

5. FORECAST FINANCIAL PERFORMANCE

APPROACH

Traffic in 2024 is forecast to increase by 4.5% to 82.8 million passengers (2023: 79.2 million). The increased forecast reflects the strong passenger demand seen year to date, along with the expectation that consumers continue to prioritise travel despite higher living costs. In addition to strong passenger demand, we are back to operating close to ATM (Air Traffic Movement) capacity cap.

During Q1 2024, load factors were at record levels, even with an increase in capacity and are expected to hold close to 2023 levels for the rest of the year. The combination of newer planes with more seats, aircraft being upgraded and a slight shift to more wide body aircraft has resulted in seats per movement consistently exceeding 2019 levels since summer 2022. The increased seats per movement and higher levels of flying is expected to continue driving more capacity and the opportunity for further passenger growth.



6. FINANCING MATTERS

NEW FINANCING AND CHANGES TO FACILITIES

Since the previous Investor Report was distributed on 15 December 2023, 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. Up until the date of this report, we have also made early paydowns of accretion on our inflation swaps totalling £206 million.

DEBT MATURITIES AND REPAYMENTS

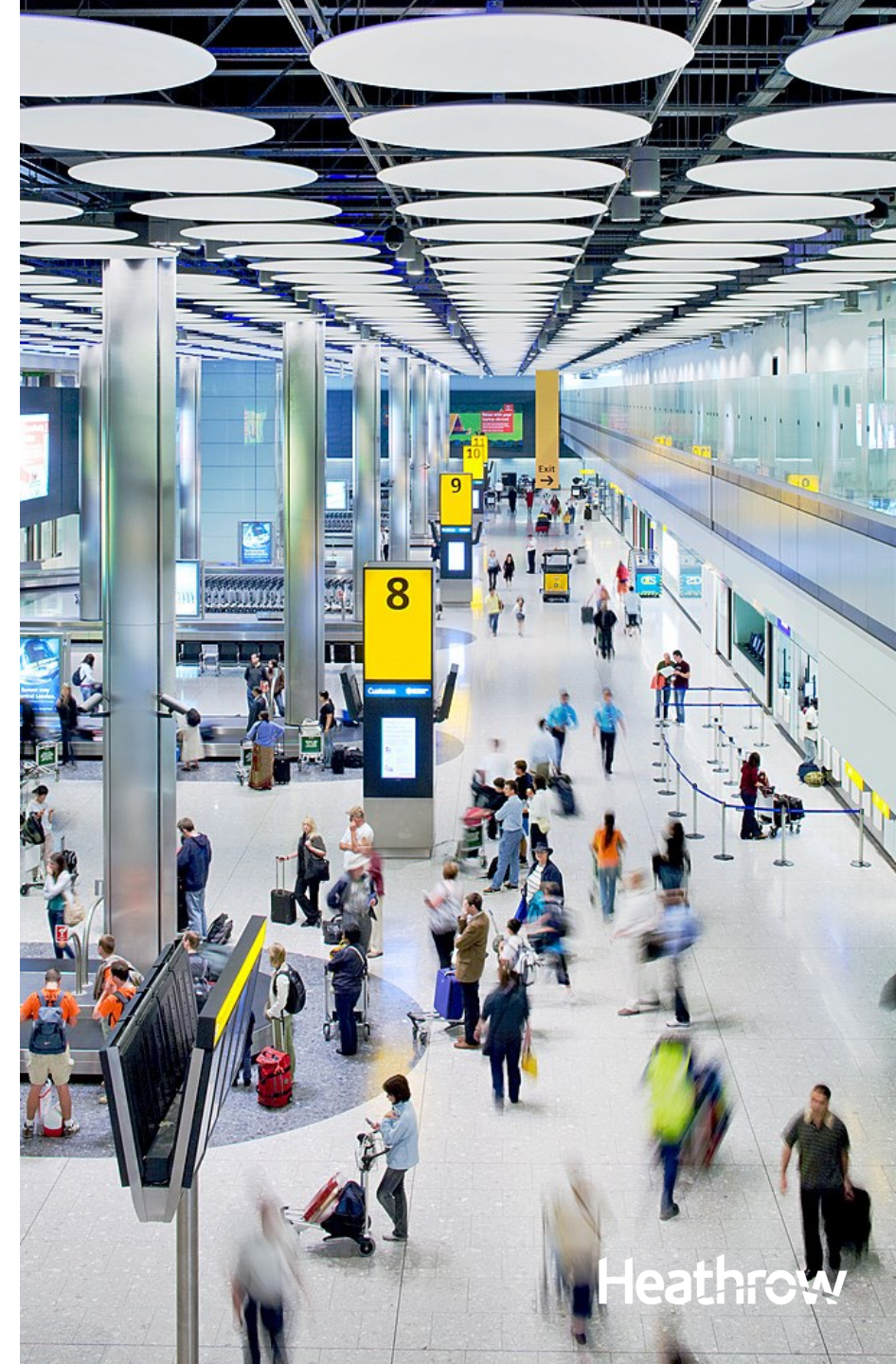
Since the previous Investor Report was distributed on 15 December 2023 there was a scheduled repayment of a Class B bond of £600 million in February and a Heathrow Finance bond of £300 million in March.

HEDGING

No derivatives have been executed since the publication of the previous Investor Report on 15 December 2023. The portfolio of derivatives has no breaks.

At 31 May 2024, the total notional value of cross-currency swaps was £5,813 million, the total notional value of index-linked swaps was £5,547 million, and the total notional value of interest rate swaps was £7,378 million.

At 31 May 2024, the interest rate risk exposure on the Obligor's and Heathrow Funding's existing debt is hedged with 98.0% bearing either a fixed rate of interest or inflation-linked rate of interest. The hedging position remains at least 75% until 31 December 2026 and at least 50% until 31 December 2031.



6. FINANCING MATTERS

LIQUIDITY

The Security Group expects to have sufficient liquidity to meet all our forecast needs for at least 18 months based on our traffic forecast. The obligations include forecast operational costs and capital investment, debt service costs, debt maturities and repayments. The liquidity forecast takes into account £3.8 billion at 31 May 2024, comprising cash resources held at the Security Group and Heathrow Finance as well as committed but undrawn revolving credit facilities and the expected operating cash flow over the period.

HISTORICAL RESTRICTED PAYMENTS

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

Since the previous Investor Report was distributed on 15 December 2023, Heathrow SP made a restricted payment of £66 million (2023: £95 million). This funded scheduled interest payments on debt at Heathrow Finance. No dividend payments to ultimate shareholders were made during the period.

CREDIT RATINGS

Since the previous Investor Report was distributed on 15 December 2023, Moody's and Fitch affirmed our stable outlook and there have been no changes to our underlying ratings.



7. CORPORATE MATTERS

ACQUISITIONS, DISPOSALS AND JOINT VENTURES

There have been no material acquisitions, disposals and joint ventures entered into related to any Obligor since the previous Investor Report was distributed on 15 December 2023.

OUTSOURCING

There have been no material outsourcing contracts entered into related to any Obligor since the previous Investor Report was distributed on 15 December 2023.

BOARD AND MANAGEMENT CHANGES

Emma Gilthorpe, our Chief Operating Officer (COO), decided to depart from Heathrow, and her last day was 26 April 2024. Javier Echave, took over the Chief Operating Officer role on the same day. Sally Ding, previously Director of Treasury & Corporate Finance, will be acting Chief Financial Officer whilst a process for a permanent solution is completed.

Chris Annetts, Chief Strategy Officer, left the company at the end of April. From 1 May 2024, Nigel Milton's and Ross Baker's job titles changed respectively to Chief Communications and Sustainability Officer and Chief Customer Officer, to better reflect their existing responsibilities.

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 of the 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.



8. CONFIRMATION

28 June 2024

To the Borrower Security Trustee, the Issuer, the Bond Trustee, each Rating Agency, and the Paying Agents on behalf of the Issuer, each Financial Guarantor and each other Issuer Secured Creditor.

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

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

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

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

We also confirm that:

- no Default or Trigger Event has occurred or is continuing;
- the Group is in compliance with the Hedging Policy; and
- this Investor Report is accurate in all material respects.

Sally Ding

A handwritten signature in black ink, appearing to be 'Sally Ding', written in a cursive style.

Acting Chief Financial Officer

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

APPENDICES



Heathrow

APPENDIX 1 - QUARTERLY PASSENGER TRAFFIC (2008 TO 2024)

Heathrow passenger traffic and air transport movement evolution

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

Passengers (m)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016	2018	2019	2020	2021	2022	2023	2024
Jan-Mar	15.4	14.4	14.6	15.0	15.7	16.0	16.0	16.4	16.8	17.2	17.7	17.9	14.6	1.7	9.7	16.9	18.5
Change %	0.6	(6.4)	1.6	2.5	4.4	1.8	0.5	2.0	2.6	2.2	3.1	1.4	(18.3)	(88.5)	474.9	75.0	9.5
Apr-Jun(1)	17.1	16.8	15.5	17.9	17.9	18.4	19.0	19.2	18.9	20.0	20.4	20.8	0.7	2.2	16.4	20.1	13.9
Change %	(1.3)	(1.5)	(7.9)	15.3	0.4	2.9	3.2	0.7	(1.1)	5.4	2.1	2.1	(96.2)	176.6	657.1	22.5	N/A
Jul-Sep	18.6	18.6	19.5	19.8	19.4	20.4	20.6	21.4	21.6	21.9	22.5	22.2	3.5	6.3	18.1	22.3	
Change %	(1.2)	0.3	4.4	1.5	(2.0)	5.5	0.7	3.9	0.9	1.7	2.4	(1.1)	(84.1)	78.3	187.2	23.2	
Oct-Dec	15.9	16.0	16.1	16.8	17.0	17.5	17.7	18.0	18.4	18.9	19.6	19.9	3.1	6.1	17.4	19.8	
Change %	(3.6)	1.1	0.7	3.8	1.6	2.7	1.3	1.9	1.8	3.0	3.4	1.8	(84.3)	194.3	88.4	23.2	
Full year	66.9	65.9	65.7	69.4	70.0	72.3	73.4	75.0	75.7	78.0	80.1	80.9	22.1	19.4	61.6	79.2	
Change %	(1.4)	(1.5)	(0.2)	5.5	0.9	3.4	1.4	2.2	1.0	3.1	1.4	1.0	(77.7)	(12.3)	217.6	28.6	
ATM ('000)	473	460	449	476	471	470	471	472	473	474	476	476	201	190	376	454	
Change %	(0.5)	(2.8)	(2.3)	6.0	(1.0)	(0.4)	0.2	0.3	0.2	0.2	0.3	0.0	(57.8)	(5.4)	98.3	20.7	

(1) Apr-Jun 2024 excludes June.

APPENDIX 2 - COMPUTATION OF INTEREST COVER RATIOS⁽¹⁾

<i>(See important notice on page 2 of this document)</i>	Year to 31 December 2023 (£m)	Year to 31 December 2024 (£m)
Income		
Aeronautical income	2,473	2,232
Non-aeronautical income - retail	698	733
Non-aeronautical income – non-retail	516	552
Total income	3,687	3,517
Operating costs⁽²⁾	(1,459)	(1,575)
Adjusted EBITDA	2,228	1,942
Working capital and cash one-off non-recurring extraordinary or exceptional items		
Cash payments in respect of prior year exceptional items	-	-
Trade working capital	(130)	40
Pension	(6)	(3)
Cashflow from operations	2,092	1,979

(1) 2024 figures are forecasts; values calculated on unrounded figures

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

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

<i>(See important notice on page 2 of this document)</i>	Trigger Level	Year to 31 December 2023 (£m)	Year to 31 December 2024 (£m)
Cashflow from Operations ⁽²⁾		2,092	1,979
Add back: Cash one-off, non-recurring extraordinary or exceptional items		95	-
Adjusted cashflow from operations		2,187	1,979
Less: corporation tax relief / (paid)		(1)	(47)
Less: 2 per cent of Total RAB		(396)	(404)
Cash Flow (A)		1,790	1,528
Interest and equivalent recurring charges paid on Senior Debt ⁽³⁾⁽⁴⁾			
External interest paid – Class A		515	503
Lease interest		18	21
Interest received		(52)	(109)
Total interest on Senior Debt (B)		481	414
Interest and equivalent recurring charges paid on Junior Debt ⁽³⁾⁽⁴⁾			
External interest paid - Class B		71	74
Total interest on Junior Debt (C)		71	74
Total interest (D=B+C)		552	488
Senior ICR (A/B)⁽⁵⁾	1.40x	3.72x	3.69x
Junior ICR (A/D)⁽⁵⁾	1.20x	3.24x	3.13x

(1) 2024 figures are forecasts; values calculated on unrounded figures

(2) Reconciliation of cash flow from operations with Adjusted EBITDA is set out on page 18

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

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

(5) Ratios calculated on unrounded figures

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

<i>(See important notice on page 2 of this document)</i>	Trigger Level	Year to 31 December 2023 (£m)	Year to 31 December 2024 (£m)
Closing Heathrow RAB (A)		19,804	20,222
Senior debt			
Class A bonds and other term debt		13,632	13,594
Index-linked derivative accretion		807	388
Additional lease liabilities post transition to IFRS 16		64	98
Total senior debt (B)		14,503	14,080
Junior debt			
Class B bonds and other term debt		2,188	2,065
Total junior debt (C)		2,188	2,065
Qualifying cash and term deposits		(1,896)	(1,566)
Senior net debt (E=B+D)		12,607	12,514
Senior and junior net debt (F=B+C+D)		14,795	14,579
Senior RAR (E/A)⁽²⁾⁽³⁾⁽⁴⁾	72.5%	63.7%	61.9%
Junior RAR (F/A)⁽²⁾⁽⁴⁾	85.0%	74.7%	72.1%

(1) 2024 figures are forecasts; values calculated on unrounded figures

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

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

(4) Ratios calculated on unrounded figures

APPENDIX 4 – NOMINAL CONSOLIDATED NET DEBT OF OBLIGORS, HEATHROW FUNDING LIMITED AND HEATHROW FINANCE PLC, 31 MARCH 2024

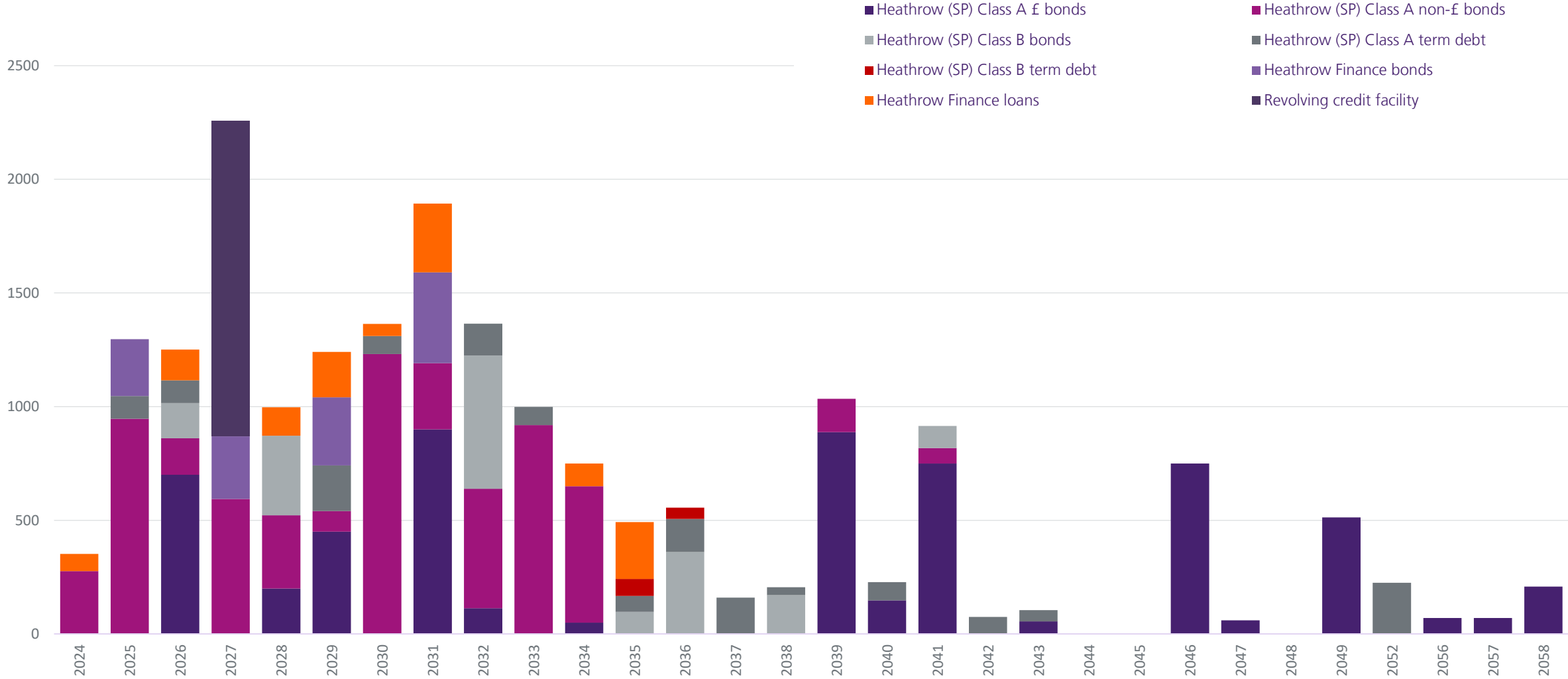
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$650m 2.7%	374	374	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
CHF165m 1.800%	136	136	2029
£450m 2.75%	450	450	2029
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
€500m 1.125%	427	427	2030
C\$500m 3.661%	291	291	2031
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	113	113	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
C\$300m 3.7%	363	363	2033
4.500% €650m SLB due 2033	557	557	2033
€650 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	76	76	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	813	813	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	148	148	2040
£750m 5.875%	750	750	2041
A\$125m 3.500%	68	68	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£60m 4.702%	60	60	2047
£75m RPI +1.372%	113	113	2049
£400m 2.75%	400	400	2049
£70m 6.070%	70	70	2056
£70m 6.070%	70	70	2057
£160m RPI +0.147%	208	208	2058
Total senior bonds	12,100	12,100	
Term debt	1,540	1,540	Various
Index-linked derivative accretion	846	846	Various
Revolving / WC facilities	0	1019	2026
Operating lease liability	63	63	Various
Total other senior debt	2,449	3,468	
Total senior debt	14,549	15,568	
Heathrow (SP) Limited cash	(1,846)		
Senior net debt	12,703		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£155m 4.221%	155	155	2026
£350m 2.625%	350	350	2028
£182m 0.101%	235	235	2032
6.000% £350 million SLB	350	350	2032
£75m RPI + 0.347%	97	97	2035
£75m RPI + 0.337%	97	97	2036
£180m RPI +1.061%	262	262	2036
£51m RPI + 0.419%	66	66	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	97	97	2041
Total junior bonds	1,818	1,818	
Term debt	125	125	Various
Junior revolving credit facilities	0	367	2026
Total junior debt	1,943	2,310	
Heathrow (SP) Limited group net debt	14,646		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
£300m 4.125%	300	300	2029
£400m 6.625%	400	400	2031
Total bonds	1,225	1,225	
£75m	75	75	2024
£135m	135	135	2026
£125m	125	125	2028
£200m	200	200	2029
£53m	53	53	2030
£302m	302	302	2031
£100m	100	100	2034
£250m	250	250	2035
Total loans	1,239	1,239	
Total Heathrow Finance plc debt	2,364	2,364	
Heathrow Finance plc cash	(505)		
Heathrow Finance plc net debt	1,959		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	14,549	15,568
Heathrow (SP) Limited junior debt	1,943	2,310
Heathrow Finance plc debt	2,464	2,464
Heathrow Finance plc group debt	18,956	20,342
Heathrow Finance plc group cash	(2,351)	
Heathrow Finance plc group net debt	16,605	

APPENDIX 5 – DEBT MATURITY PROFILE AS AT 31 MARCH 2024



APPENDIX 6 – ADDITIONAL INFORMATION FOR HEATHROW FINANCE PLC CREDITORS⁽¹⁾

<i>(See important notice on page 2 of this document)</i>	Covenant / Trigger Level	As at or for year to 31 December 2023 (£m)	As at or for year to 31 December 2024 (£m)
Calculation of Group ICR⁽²⁾			
Cash Flow (A)		1,790	1,528
Interest			
Paid on Senior Debt (B)		481	414
Paid on Junior Debt (C)		71	74
Paid on Borrowings (D)		73	113
Group Interest Paid (E=B+C+D)		625	601
Group ICR (A/E) ⁽²⁾⁽⁵⁾	1.00x	2.86x	2.54x
Calculation of Group RAR⁽³⁾			
Total RAB (F)		19,084	20,222
Net debt			
Senior Net Debt (G)		12,607	12,514
Junior Debt (H)		2,188	2,065
Borrower Net Debt (I)		2,011	1,937
Group Net Debt (J=G+H+I)		16,806	16,516
Junior RAR ((G+H)/F) ^{(3) (4)}	82.0%	74.7%	72.1%
Group RAR (J/F) ⁽⁴⁾⁽⁵⁾	92.5%	84.9%	81.7%

(1) 2024 figures are forecasts

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

(3) RAR or Regulatory Asset Ratio is defined on page 20

(4) Ratios calculated on unrounded data

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