Classification: Public

HEATHROW (SP) LIMITED

RESULTS FOR THE 9 MONTHS ENDED 30th SEPTEMBER 2022

We served 18 million passengers this summer, more than any other European hub, in spite of being hit harder than European rivals during lockdown

Vast majority of Heathrow passengers had good service this summer – This was achieved by everyone at the airport working together to serve passengers and has been helped by our joint efforts to keep capacity and demand in balance.

We are removing the cap from 30 October – We are working with airlines to agree a highly targeted mechanism that, if needed, would align supply and demand on a small number of peak days in the lead up to Christmas. This would encourage demand into less busy periods, protecting the heavier peaks, and avoiding flight cancellations due to resource pressures.

While demand is stronger, it is not fully recovered – We forecast that total passenger numbers for 2022 will reach between 60 – 62 million, approximately 25% fewer than 2019. Headwinds of a global economic crisis, war in Ukraine and the impact of COVID-19 mean we are unlikely to return to pre-pandemic demand for a number of years, except at peak times.

Our priority is to build back the airport eco-system to meet demand at peak times – To do so, businesses across the airport need to recruit and train up to 25,000 security cleared people – a huge logistical challenge. We are supporting, including establishing a recruitment taskforce to help fill vacancies, working closely with the Government on a review of airline ground handling and appointing a senior operational executive to invest in joint working.

Our balance sheet remains robust despite losses – Our underlying losses have increased to £0.4bn in the year to date as regulated income fails to cover costs, adding to the £4bn in the prior two years. We have acted responsibly in the face of an uncertain market to protect liquidity and cashflow and reduced gearing. We are not forecasting any dividends this year.

Regulatory focus on short term cost only benefits airlines, not consumers – The experience this summer has shown that airlines will charge what the market will bear, regardless of how low the level of airport fees are. That may be commercially rational, but what consumers tell us they value is a smooth and predictable journey through the airport. Our response to the CAA's Final Proposals on the H7 regulatory settlement has highlighted a number of errors which, if uncorrected, would result in insufficient investment in the service of current and future consumer needs.

The ICAO agreement on net zero international aviation by 2050 is a landmark in decarbonising a sector perceived as "hard to abate" – It brings the global industry in line with UK aviation, which committed to this in 2020. Sustainable aviation fuel (SAF) is the key technology to take fossil fuel carbon out of flying. This year we introduced an incentive for airlines to use SAF at Heathrow which was oversubscribed and we propose to increase it next year. We are encouraging the UK government to stimulate SAF production in the UK by introducing a SAF mandate and a price stability mechanism.

At or for 9 months ended 30 September	2021	2022	Change (%)
(£m unless otherwise stated)			
Revenue	695	2,106	203.0
Cash generated from operations	326	1,252	284.0
(Loss)/Profit before tax	(1,384)	643	--
Adjusted loss before tax[2]	(1,068)	(442)	58.6
Adjusted EBITDA[1]	117	1,252	970.1
Heathrow (SP) Limited consolidated nominal net debt[3]	13,332	14,514	8.9
Heathrow Finance plc consolidated net debt[3]	15,440	15,623	1.2
Regulatory Asset Base[4]	17,474	18,674	6.9
Passengers (million)[5]	10.2	44.2	335.0

"We can be proud that everyone at Heathrow pulled together to serve consumers this summer – ensuring 18 million people got away on their journeys, more than any other airport in Europe, with the vast majority experiencing good service. We have lifted the summer cap and are working with airlines and their ground handlers to get back to full capacity at peak times as soon as possible. As we look to the future, we encourage the CAA to think again at stimulating the long-term investment that will deliver the smooth and predictable journeys consumer value most, rather than focusing on short-term pricing which we have seen only benefits airline profits."
Heathrow CEO, John Holland-Kaye

NOTES

(1) EBITDA (2022: £1,398 million, 2021: £209 million) is profit before interest, taxation, depreciation, amortisation. Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value adjustments on investment properties
(2) Adjusted loss before tax excludes fair value adjustments on investment properties and financial instruments
(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. 2021 figures are as at 31 December 2021.
(4) The Regulatory Asset Base is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital on which we are authorised to earn a cash return. 2021 figures are as at 31 December 2021.
(5) 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 John Holland-Kaye, CEO and Javier Echave, CFO

Wednesday October 26th, 2022

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

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These materials must be read in conjunction with the Heathrow (SP) Limited Annual Report and Accounts for the year ended 31 December 2021.

STRATEGIC PRIORITIES

Our vision remains to give passengers the best airport service in the world and our plan is centred around four strategic priorities which are fundamental to us achieving our vision:

- **Mojo:** making Heathrow a great place to work;
- **Transforming customer service:** driving excellent service;
- **Beating the plan:** creating long-term sustainable value to all stakeholders and remaining highly competitive;
- **Sustainable growth:** pursuing our options to grow by building back better.

The following performance metrics provide a picture on each of the four priorities for the nine months ended 30 September 2022. All indicator definitions are available in the glossary section of this report.

MOJO

Mojo performance indicators (1)	2021	2022
Colleague promotions	160	**185**
Managerial training	206	**314**
Lost time injuries	0.27	**0.36**

(1) For the nine months ended 30 September

We want Heathrow to be a great place to work and continue to provide fantastic opportunities for our talented colleagues to develop their careers. We have continued building strong leadership capability and in the first nine months of the year 185 colleagues (2021: 160) were promoted and 314 colleagues (2021: 206) were assigned to training and development programmes. We also want to ensure everyone goes home safely every day and maintain our focus on the safety and wellbeing for our passengers and colleagues. In the first nine months of 2022, our lost time injuries metric was 0.36 (2021: 0.27). The increase was predominantly due to the substantial increase in passenger numbers and the ramp-up across our operations. We continue to work internally on our incident reduction plans.

TRANSFORM CUSTOMER SERVICE

Service standard performance indicators (1)	2021	2022
ASQ	4.22	**3.99**
Experience as "excellent" or "very good" %	82.8	**69.0**
Baggage connection %	99.0	**98.0**
Departure punctuality %	84.0	**61.3**
Security queuing %	98.1	**70.1**
Courtesy & Helpfulness of Airport Colleagues (QSM)	4.41 (2)	**4.39**

(1) For the nine months ended 30 September
(2) Courtesy & Helpfulness of Airport Staff replaced the Cleanliness KPI for 2022

In the first nine months of 2022, Heathrow welcomed 44.2 million passengers, an increase of 34 million compared to the first nine months of 2021. Over the quarter, the majority of passengers have had a good experience through the airport, reflecting our ramp-up plan and implementation of the capacity cap. The temporary capacity limit introduced in July improved passenger journeys, with fewer last-minute cancellations, better punctuality and shorter queue times.

We achieved an ASQ rating of 3.99 out of 5.00 (2021: 4.22), reflecting operational pressure. Our European competitor airports also recorded decreases in levels of passenger satisfaction. 69% of passengers surveyed rated their Heathrow experience 'Excellent' or 'Very good' (2021: 82.8%). The main reason for the decrease was that more passengers rated their Heathrow experience as 'Good' or 'Fair' compared to the 'Excellent' rating we were seeing in 2019. Satisfaction with the Courtesy and Helpfulness of Airport Colleagues also decreased at 4.39 (2021:4.41). Our European competitor airports also recorded decreases in levels of passenger satisfaction. Some challenges in our operational metrics, in particular on departure punctuality, still reflect delays at other airports and airspace congestion across Europe.

BEAT THE PLAN

Revenue over the first nine months of 2022 continued to show strong growth driven by aeronautical and retail revenue in line with passenger recovery and the increase in demand.

Passenger Traffic

(Millions) (1)	2021	2022	Var % (2)
UK	1.0	2.4	128.6
Europe	4.9	18.8	286.9
North America	1.5	11.1	658.9
Asia Pacific	1.0	3.7	277.7
Middle East	1.0	5.0	383.2
Africa	0.6	2.0	236.6
Latin America	0.2	1.2	553.3
Total passengers	**10.2**	**44.2**	**335.0**

(1) For the nine months ended 30 September
(2) Calculated using unrounded passenger figures

Other traffic performance indicators (1)	2021	2022	Var % (2)
Passenger ATM	93,606	265,458	183.6
Load factors (%)	50.1	76.6	53.1
Seats per ATM	210.1	217.3	3.4
Cargo tonnage ('000)	1,008	1,012	0.4

(1) For the nine months ended 30 September
(2) Calculated using unrounded passenger figures

Over the first nine months of the year, a total of 44.2 million passengers travelled through the airport (2021: 10.2 million). Passenger numbers in September were close to 5.8 million, which was 15% below 2019 levels, the highest since the start of the pandemic. We also recorded the busiest summer out of any European hub airport. Although demand continues to be driven by outbound leisure, inbound leisure and business travel are showing signs of recovery. During the third quarter, business travel reached 21.5% of overall traffic, compared to 28% in the same period pre-pandemic.

Air traffic movements ("ATMs") grew 183%, in line with the overall increase in demand as more markets are now open. In addition, we saw a 53% of increase in load factors, which still provides a significant growth opportunity. The average number of seats per passenger aircraft remained broadly in line with last year at 217.3 (2021: 210.1). Passenger growth was seen in all regions, with Europe, the Middle East, and North

America, in particular, driving the increase compared to 2021. Two airlines have launched flights from Heathrow since the start of the year - Bamboo Airways with a weekly service to Hanoi and WestJet with a service to Calgary four days a week.

Our cargo tonnage remains flat compared to the same period in 2021. This was due to an increase in flights offset by airlines shifting focus towards passenger flights, where cargo is carried in the belly hold of planes.

Build Back Capacity – Despite much forward planning and actions taken to prepare for the summer, in early July, we started to see periods when service dropped to a level that is not acceptable. Scaling up quickly is challenging, and the entire airport ecosystem was stretched which is why we introduced a departing passenger cap to keep supply and demand in balance.

The temporary capacity limit introduced in July successfully improved passenger journeys, with fewer last-minute cancellations, better punctuality, and shorter queue times. We are confident the cap can be removed without compromising service levels, and we are working in conjunction with our airline partners to develop a more targeted mechanism that protects existing airline schedules and will manage capacity during peak days around the winter holidays.

We plan to progressively increase capacity for Winter 2022 so that this does not significantly impact demand with a view to being back to full capacity by the end of 2023. To achieve this goal, we have established a 'Build Back Capacity' programme covering all aspects of the airport ecosystem. The programme aims to build back capacity, resilience and service levels and includes capacity and demand alignment to ensure the operation is not over-stretched during this critical period, a Recruitment Task Force to reduce Heathrow's vacancy gap at pace and airline ground handling medium-term resilience and efficiency enhancements.

SUSTAINABLE GROWTH

Heathrow 2.0 - Our refreshed sustainability strategy sets out the goals we will work towards this decade. It focuses on delivering outcomes that align with the most material environmental, community and colleague issues for the airport.

Heathrow's Sustainability Report for 2021 was published in August, providing a transparent update to stakeholders on progress made last year, work undertaken to relaunch Heathrow 2.0 earlier this year and data on key sustainability impacts aligned to the goals within Heathrow 2.0.

Heathrow's Surface Access Strategy was published in August. It sets out plans to increase passenger public transport mode share, reduce colleague single-occupancy-car mode share, reduce carbon emissions and improve air quality and increase public transport catchment, to support the delivery of the goals and targets set out in both key pillars of Heathrow 2.0.

Net zero aviation – Our net zero plan sets out how to get to net zero carbon emissions for our own operations and our contribution to decarbonising wider UK aviation. It includes stretching goals to cut carbon "in the air" by up to 15% and "on the ground" by at least 45% against 2019 levels by 2030. Its eight goals show where we will cut our emissions and how we plan to do that, including how we will work in partnership and influence others where we do not directly control emissions.

Investment is key to delivering our net zero plan. As part of our "H7" business plan, we put forward £207 million of capital expenditure in a carbon programme, covering everything from modernising airspace to electric vehicle charging. Our regulator, the CAA, backed notionally the full programme in its final proposals, although the overall plan is not financeable and our proposals risk being not deliverable.

A historic global aviation net zero deal was reached at the ICAO General Assembly on 7th October. This agreement on a net zero 2050 goal marks a pivotal moment in the sector. Committed advocacy work by our CEO and leadership team has played an important role, including our CEO's Chairship of the Sustainable Markets Initiative (SMI) Aviation Taskforce on behalf of HRH the King. Alongside WEF's Clean Skies for Tomorrow and other industry partners, SMI activity, such as engaging States at the Commonwealth Heads of Government Meeting in Kigali in June, helped to make it possible.

Following the publication of its Jet Zero Strategy in July, we continue to support the Government on its plans to introduce the mandates and consult on the price incentives needed to stimulate domestic investment in Sustainable Aviation Fuel (SAF). We look forward to the Jet Zero Strategy aim to have five new SAF facilities in development in the UK by 2025 and working with the government on SAF's wider commercialisation and scale-up, alongside investment in new technology, including zero-emission aircraft, delivery of critical airspace modernisation and supporting carbon removal technologies.

Heathrow continues to play its part in accelerating the use of SAF at the airport. Our SAF landing charges incentive – designed to deliver 0.5% SAF at Heathrow during 2022 – was over-subscribed – and we are consulting on incentives to more than double the SAF mix in 2023 and increase it steadily in the coming years, complementing the Government's new Jet Zero policy.

A great place to live and work - We are committed to Heathrow being a great place to live and work and taking action to deliver positive changes this decade.

We have continued to roll out the Sustainable Travel Zone, launched earlier this year. Highlights since June were the introduction of free travel between Hatton Cross and Heathrow terminals on the Piccadilly line and improved timetables on several bus and coach routes to the north, west and south of the airport.

In July, it was confirmed that Heathrow has successfully retained the Wildlife Trust's Biodiversity Benchmark Award for the 14th year running, recognising our continued commitment to biodiversity and nature and we also celebrated passing a milestone as 4,000 species have now been identified on Heathrow's biodiversity sites.

To date in 2022, the Heathrow Employment and Skills Academy has supported 409 candidates through job offers. In addition, 1,142 Security Officers have been directly recruited, supporting the target of 10,000 early career opportunities by 2030. 2,676 experiences of workdays have been delivered so far this year through the Virtual Work Experience programme, T-Level placements, and Essential Skills Masterclasses for young people with additional learning needs. This supports the target within Heathrow 2.0 of 15,000 by 2030.

The first Heathrow Business Summit since 2019 is scheduled for 15th November. In response to feedback from local SMEs, chambers and business organisations, extensive preparation is being done with tier 1 suppliers to maximise the opportunity of bringing potential suppliers and Team Heathrow companies together.

In September, we marked National Inclusion Week by hosting an event to bring together colleagues from across Heathrow to explore how we can work collectively to continue to make progress.

Key regulatory developments - The CAA published its Final Proposals for the next five-year regulatory period to start in 2022, known as H7, on 28th June 2022. This proposed an average charge of £24.14 (2020 CPI) across the H7 period. Our analysis shows that the CAA's proposals, as currently set out, are not deliverable or financeable due to errors in the CAA's forecasts of key regulatory building blocks. If these errors are not rectified, it will restrict investment in the UK's hub airport just when the country's economic recovery needs it most.

We responded to the CAA's Final Proposals on 9th August 2022, detailing why implementation of its Final Proposals for H7 would result in an airport that falls far short of what our passengers expect. We are aligned with the CAA on the key outcomes consumers expect in H7 – but in advance of its Final Decision, the CAA must now reconsider its forecast of the key building blocks to ensure the price control is a deliverable and investable proposition which can deliver on these outcomes.

Our response to the CAA included updated forecasts for H7 passenger traffic, as set out in our June 2022 investor report, and requested for the CAA to correct the basic errors across the building blocks of its Final Proposals. These include errors in its passenger traffic, commercial revenue and operating costs forecasts, which are undeliverable. We also included further evidence of the need for our £4.6 billion (2020 CPI) capital investment plan, which has been built based on extensive consumer insight to deliver for consumers in H7. Finally, we reiterated key points made in our previous submissions – in particular calling for the CAA to recognise: the inherent uncertainty currently faced by Heathrow when calibrating its price control; the need to set an appropriate Weighted Average Cost of Capital (WACC) for the period, which reflects the risk to which Heathrow is exposed; and the need for an appropriate Regulatory Asset Base (RAB) adjustment following the impact of COVID-19.

The CAA will continue its H7 process through 2022. Subject to changing CAA timelines, we currently expect it to publish its Final Decision on the H7 settlement in Q4 2022 before implementing the H7 licence towards the end of the year.

Expansion developments - While we have paused work to expand Heathrow during COVID-19, recovery from the pandemic has shown the pent-up demand from airlines to fly from Heathrow, as well as how critical Heathrow is for the UK's trade routes. We are currently conducting an internal review of the work that we have carried out and the different circumstances we find the aviation industry in, and this will enable us to progress with appropriate recommendations. 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.

Brexit - The UK exited the European Union on 1 January 2021. As part of the Withdrawal Agreement, flights can continue without disruption between the UK and EU. Aviation connectivity is seen as a priority for both parties and will continue to be so in the future.

From a border perspective, EU citizens can continue to use electronic gates at immigration upon arrival into the UK. Since 1 October 2021, unless they hold EU Settled Status, EU arrivals must now present their passport at the UK border as a valid ID. Heathrow has worked with Government and Border Force to manage changes to border and passenger processes and ensure minimal disruption. Longer-term, Heathrow is working with the Government to deliver on its objective of 'the world's most effective border' through the 2025 UK Border Strategy. As the UK's biggest port by value and only hub airport, Heathrow has an integral role to play in helping the Government make 'Global Britain' a reality.

From a passenger perspective, we continue to make the case to Government to expand the number of eligible cohorts using e-Gates – such as visa holders and those with Electronic Travel Authorisation (ETA) and e-visas – as well as ensure sufficient resourcing of Border Force.

From a freight perspective, we are pushing the Government to remove outdated 'Canalisation' regulations, thereby making the cargo processing time at Heathrow quicker – in some cases halving the time it takes to process goods at the airport. Additionally, the Government believes now is the right time to review and reset the UK's import controls. It will publish a new Target Operating Model (TOM) in the Autumn, which will set out a new regime of global border import controls which will apply equally to goods from the EU and goods from the Rest of the World and will target the end of 2023 as the revised delivery date.

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 accounts are prepared in accordance with UK adopted international accounting standards.

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.

Cash flow and liquidity

The wider Heathrow Group can raise finance at both Heathrow SP Limited ('Heathrow SP') and Heathrow Finance plc ('Heathrow Finance'). Whilst Heathrow SP operates as an independent securitised group, the Directors have considered the wider group when assessing going concern. In assessing the going concern position, the Directors have considered the uncertainty that regulation could provide as Heathrow enters the next regulatory period (H7), as well as the potential impact of any further COVID-19 impacts on cash flow and liquidity over the next 12 months. The Directors have also considered the period beyond 12 months to December 2023.

Despite a challenging market backdrop, given the long recovery from the COVID-19 pandemic, continued confidence and support for our credit enabled Heathrow to raise £0.4 billion of debt in the nine months to 30 September 2022 with new £200 million and CHF165 million Class A transactions being successfully executed. Consequently, Heathrow SP held cash of £1.7 billion as at 30 September 2022. Total debt maturity within Heathrow SP for the next 12 months from 30 September 2022 is £0.8 billion. The wider Heathrow Group (which includes Heathrow Finance and the cash held at Heathrow SP) has cash of £3.0 billion available. No debt matures outside of Heathrow SP for the next 12 months from 30 September 2022. Taking this into account, the Group has sufficient liquidity to meet all forecast cash flow needs well into 2025 under the current regulatory business plan cash flow forecast or until June 2023 even under the most extreme scenario of no revenue. This includes forecast operational costs, capital investment, debt service costs, scheduled debt maturities and repayments.

Heathrow's Base Case

The Directors have modelled future cash flows for the period beyond 12 months to December 2023 and have considered the following:

- Forecast revenue and operating cash flows from the underlying operations, based on a 2022 traffic forecast of 60-62 million passengers;
- forecast level of capital expenditure; and
- the overall Group liquidity position including cash resources, the remaining committed and uncommitted facilities available to it, its scheduled debt maturities, its forecast financial ratios, projected covenant requirements, and its ability to access the debt markets.

In modelling the recovery from COVID-19, there remains a significant degree of uncertainty given the wide range of potential traffic forecasts being formed by various stakeholders in the global aviation industry, including the CAA. Therefore, there is inherent subjectivity in our forecasting. Passenger traffic continued to increase through Q3, with 44.2 million having travelled through the airport in the 9 months to 30 September 2022. Demand continues to be driven by outbound leisure as passengers take advantage of the removal of restrictions and travel vouchers from cancelled trips over the past two years, with inbound demand weaker due to COVID-19 restrictions in other countries. However, the degree of uncertainty is still significant due to steep inflation and the resultant increase in cost of living particularly for voucher-led outbound leisure, coupled with uncertainty of future travel restrictions caused by potential new COVID-19 variants of concern.

In addition to the inherent passenger forecast uncertainties described above, we do not yet have certainty over passenger tariffs for the H7 regulatory period (the period from 1 January 2022 to 31 December 2026), which is set by the Civil Aviation Authority (the "CAA"). As described on page 5 of these interim consolidated financial statements, the CAA's Final Proposals provide an average H7 tariff of £24.14 in 2020 prices, with a final decision expected later in 2022. Until the H7 tariff is finalised, the CAA has put in place an interim tariff (the "interim tariff") from 1 January 2022.

The Group's base case is based on the CAA's interim tariff for the entirety of 2022, with a 2023 nominal tariff of £31.57 based on the methodology set out by the CAA in their Final Proposals. It is the Directors' view that its own RBP Update 3 is devoid of the errors made in the CAA's Final Proposals and is therefore a realistic tariff supported by a detailed assessment of each individual block which form part of the tariff calculation, nevertheless for prudency, the Directors have used the methodology set out by the CAA in their Final Proposals for the purposes of the base case. Under the base case, the Group will meet all covenants associated with its financial arrangements. The Directors have further considered a severe but plausible sensitivity scenario for financial reporting purposes, described below.

Stress testing

As explained above, even under the most extreme scenario of no revenue, the Group has sufficient liquidity to meet all forecast cash flow needs until at least June 2023.

The Directors have stress tested its base case, described above, with a number of downturn scenarios taking into account the CAA's H7 tariff from the Final Proposals and further decreases in passenger numbers and a resulting drop in EBITDA. In addition, the Directors have modelled out to December 2023 given the close proximity to the subsequent covenant testing period.

Under a severe but plausible downside scenario, the Directors have continued to model the interim tariff for 2022 and an overall H7 tariff in line with the CAA's Final Proposals (£24.14 in 2020 CPI prices). This scenario assumes no RAB adjustment above the £300m already granted. Given the continued uncertainty over potential future travel restrictions in the UK and those markets which Heathrow services caused by any new COVID-19 variants, and a resultant impact on consumer confidence, the Directors have modelled downside passenger forecasts in 2023. Whilst the Directors do not consider this scenario likely, a reduction in 2023 passenger numbers of over 12 million (19% reduction versus the base case) under the severe but plausible downside scenario is forecast to result in an ICR covenant breach at ADIF2 in December 2023, with a reduction in 2023 passenger numbers of over 14 million (22%

reduction versus the base case) forecast to result in an ICR covenant breach at Heathrow Finance in 2023.

Should there be a covenant breach, the Directors would need to undertake additional actions including identifying additional cashflow mitigations, such as reductions in costs and the re-profiling of working capital, as well as seeking a further covenant waiver or amendment from creditors. During 2021 some of these actions, including re-profiling of payments and working capital, were tested successfully; during Q3 2021, the Group also successfully agreed a further ICR covenant waiver at Heathrow Finance for the period ended 31 December 2021 which follows the agreement of a waiver for the ICR covenant and an amendment to the RAR covenant from Heathrow Finance creditors which resulted in no breach occurring in relation to the financial year ended 31 December 2020. Whilst the Directors are confident to be able to execute some mitigations already tested and receiving support from its creditors if required, there is no certainty a further covenant waiver would be agreed particularly since unfavourable passenger tariffs may impact access to liquidity due to weaker access to debt capital markets at affordable prices. These factors indicate the existence of a material uncertainty which could cast significant doubt upon the Group and the Company's ability to continue as a going concern.

Conclusion

Having had regard to both liquidity and debt covenants, and considering severe but plausible downsides, the Directors have concluded that there will be funds available to meet the Group and Company's funding requirements for at least 12 months from the date of this Q3 Press Release, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these results.

The Directors consider that the underlying credit quality of the business means that it can secure, if necessary and in the event of a severe but plausible downside, the timely support of its debtholders as it successfully secured in 2020 and 2021.

Nevertheless, the impact of COVID-19 continues to create considerable uncertainty with regard to forecast passenger numbers and the corresponding uncertainty in the final decision from the CAA on passenger pricing for the H7 regulatory period. Specifically, if passenger pricing was such that the Group were unable to secure minimum cashflow generation to protect an investment grade credit rating, access to liquidity at affordable prices beyond 2023 may be compromised. These uncertainties may result in the Group needing to take further action, including seeking future further covenant waivers or amendments from creditors. This indicates the existence of a material uncertainty which could cast significant doubt upon the Group and Company's ability to continue as a going concern.

This Q3 Press Release does not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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 Accounts for the year ended 31 December 2021.

Summary performance

In the nine months ended 30 September 2022, the Group's revenue increased by 203% to £2,106 million (2021: £695 million). Adjusted EBITDA increased to £1,252 million (2021: £117 million). The Group recorded a £463 million profit after tax (2021: £1,323 million loss).

Nine months ended 30 September	2021 £m	2022 £m
Revenue	695	2,106
Adjusted operating costs[1]	(578)	(854)
Adjusted EBITDA[2]	**117**	**1,252**
Depreciation and amortisation	(608)	(567)
Adjusted operating (loss)/profit[3]	**(491)**	**685**
Net finance costs before certain re-measurements	(577)	(1,127)
Adjusted loss before tax[4]	**(1,068)**	**(442)**
Tax credit on loss before certain re-measurements	194	91
Adjusted loss after tax[4]	**(874)**	**(351)**
Including certain re-measurements:		
Fair value gain on investment properties	92	146
Fair value (loss)/gain on financial instruments	(408)	939
Tax credit/(charge) on certain re-measurements	79	(271)
Change in tax rate	(212)	-
(Loss)/profit after tax	**(1,323)**	**463**

(1) Adjusted operating costs excludes depreciation amortisation and fair value adjustments on investment properties.
(2) Adjusted EBITDA is profit before interest, taxation, depreciation, amortisation and fair value adjustments on investment properties.
(3) Adjusted operating (loss)/profit excludes fair value adjustments on investment properties.
(4) Adjusted loss before and after tax excludes fair value adjustments on investment properties and financial instruments, and the associated tax impact of these including, in the prior year, the impact of the UK corporation tax change.

Revenue

In the nine months ended 30 September 2022, revenue increased 203% to £2,106 million (2021: £695 million).

Nine months ended 30 September	2021 £m	2022 £m	Var. %
Aeronautical	325	1,351	315.7
Retail	122	413	238.5
Other	248	342	37.9
Total revenue	**695**	**2,106**	**203.0**

Aeronautical revenue increased by 315.7%. This increase is predominantly due to higher passenger numbers and an increase in aero charges, set by the CAA's H7 interim tariff. This has been partially offset by an adverse mix of aircrafts and cargo volume. Aeronautical revenue per passenger decreased 4.4% to £30.56 (2021: £31.98).

Nine months ended 30 September	2021 £m	2022 £m	Var. %
Retail concessions	42	143	240.5
Catering	12	42	250.0
Other retail	24	40	66.7
Car parking	23	104	352.2
Other services	21	84	300.0
Total retail revenue	**122**	**413**	**238.5**

Retail revenue increased by 238.5%, driven by higher departing passengers, car parking revenue, premium services and the mix of retail services available in the nine months of 2022, compared to last year when the governmental restrictions on non-essential shops were in place in the first five months. Retail revenue per passenger increased 22.2% to £9.34 (2021: £12.00).

Nine months ended 30 September	2021 £m	2022 £m	Var. %
Other regulated charges ('ORCs')	147	178	21.1
Heathrow Express	10	64	540.0
Property and other	91	100	9.9
Total other revenue	**248**	**342**	**37.9**

Other revenue increased by 37.9%. Other regulated charges increased by 21.1% predominantly because of higher passenger numbers. The significant increase in Heathrow Express revenue is distorted by the lower level of services in 2021 due to the lockdown.

Adjusted operating costs

In the nine months ended 30 September 2022, adjusted operating costs increased 47.8% to £854 million (2021: £578 million). Adjusted operating costs per passenger decreased by 66% to £19.32 (2021: £56.88). The adjusted operating costs per passenger is largely distorted by the fixed nature of our cost base as passenger numbers recover.

Nine months ended 30 September	2021 £m	2022 £m	Var. %
Employment	183	**277**	51.4
Operational	136	**233**	71.3
Maintenance	94	**130**	38.3
Rates	90	**88**	(2.2)
Utilities and Other	75	**126**	68.0
Adjusted operating costs	**578**	**854**	**47.8**

Employment costs have increased by 51.4% due to the ramp-up of operations, mainly operations in Terminal 3 and Terminal 4. This includes costs associated with additional colleagues, overtime, recruitment and training. We are also spending more on employment costs following the end of the Government's furlough scheme. For the nine months ended 30 September 2021, Government grants of £21 million were received for reimbursement of employee costs relating to staff furloughed due to COVID-19. Following the end of the scheme in September 2021, no equivalent payments were received in the nine months ended 30 September 2022. The increase in operational and maintenance results from the reopening of operations and higher passengers compared to last year, when we were operating with only one runway and two terminals. Finally, utilities and other costs have been impacted by higher consumption and higher energy prices.

Operating (loss)/profit and Adjusted EBITDA

In the nine months ended 30 September 2022, the Group recorded an operating profit of £831 million (2021: operating loss of £399 million). The profit was driven mainly by higher revenue and an increase in fair value on investment properties.

Adjusted EBITDA was £1,252 million (2021: £117 million).

Nine months ended 30 September	2021 £m	2022 £m
Operating (loss)/profit	**(399)**	**831**
Depreciation and amortisation	608	567
EBITDA	**209**	**1,398**
Exclude:		
Fair value gain on investment properties	(92)	(146)
Adjusted EBITDA	**117**	**1,252**

(Loss)/profit after tax

In the nine months ended 30 September 2022, the Group recorded a profit before tax of £643 million (2021: £1,384 million loss) and a profit after tax of £463 million (2021: £1,323 million loss).

Nine months ended 30 September	2021 £m	2022 £m
Operating (loss)/profit	**(399)**	**831**
Net finance costs before certain remeasurements	(577)	(1,127)
Fair value (loss)/gain on financial instruments	(408)	939
(Loss)/profit before tax	**(1,384)**	**643**
Taxation credit/(charge)	61	(180)
(Loss)/profit after tax	**(1,323)**	**463**

Net finance costs before certain re-measurements increased to £1,127 million (2021: £577 million), driven by additional inflation accretion expense as RPI reached over 12.0% annualised growth for the period, up from 7.1% as at 31 December 2021.

There was a fair value gain on financial instruments of £939 million (2021: £408 million fair value loss), this results from increased volatility in financial markets, in particular at the end of the quarter following the UK Government's mini-budget announcement, and a sharp rise in interest rate expectations in the UK. With the SONIA curve increasing almost fourfold and being the underlying basis for discounting our swap portfolio, it has caused a substantial impact on the derivative valuations.

Taxation

The tax credit for the nine-month period ended 30 September 2022, before certain re-measurements, was £91 million (2021: £194 million tax credit), at an effective tax rate of 20.6% (2021: 18.2%). This rate represents the best estimate of the effective tax rate expected for the full year, applied to the pre-tax profit of the nine-month period, before certain re-measurements. The effective tax rate is higher (2021: lower) than the statutory rate of 19% (2021: 19%). This is because most of the current year tax movements relate to deferred tax which is measured at the 25% post-April 2023 statutory tax rate. This is partially offset by non-deductible expenses primarily related to non-qualifying depreciation.

The total tax charge for the nine-month period ended 30 September 2022, after certain re-measurements is £180 million (2021: £61 million tax credit), representing the sum of the tax credit on the loss before certain re-measurements of £91 million and the deferred tax charge of £271 million on certain re-measurements. In the period, the Group paid £1 million of Corporation Tax (2021: nil)

Cash position

In the nine months ended 30 September 2022, the Group had £1,683 million (31 December 2021: £2,626 million) of cash and cash equivalents and term deposits, of which cash and cash equivalents were £210 million (31 December 2021: £216 million). In the nine months ended 30 September 2022, there was a decrease of £6 million in cash and cash equivalents (2021: an increase of £1,202 million). In addition, in the nine months ended 30 September 2022, there was a decrease of £937 million in term deposits (2021: a decrease of £871 million). We continue to strengthen our cash management which includes enhanced monitoring across our commercial partners and further diversification of our bank counterparties with whom we have cash deposits.

Cash generated from operations

In the nine months ended 30 September 2022, cash generated from operations increased to £1,252 million (2021: generated £326 million). The following table reconciles Adjusted EBITDA to cash generated from operations.

Nine months ended 30 September	2021 £m	2022 £m
Cash generated from operations	**326**	**1,252**
Exclude:		
(Decrease)/increase in inventories and trade and other receivables	(265)	36
Decrease/(increase) in trade and other payables	63	(44)
Decrease in provisions	-	1
Difference between pension charge and cash contributions	(17)	5
Cash payments in respect of FY20 exceptional items	10	2
Adjusted EBITDA	**117**	**1,252**

In the nine months ended 30 September 2022, £2 million (2021: £10 million) of payments were made in respect of exceptional costs provided for in 2020 that related to the business transformation programme.

Capital expenditure

Total capital expenditure in the 9 months ended 30 September 2022 was £360 million (2021: £170 million) excluding capital creditors movements, which equates to capital additions or, £318 million (2021: £148 million) including capital creditors movements, which equates to purchases in the statement of cash flows. We have invested £275 million on various programmes to ensure the airport's safety and resilience.

Investment has focused on main tunnel works, design for cargo tunnel refurbishment to ensure fire safety standards are maintained, airport apron development (Kilo taxiway area), back-office systems upgrades and renewal of assets that have come to the end of their economic life.

We also invested £2 million in the period (2021: £5 million) on projects related to expansion. Expansion-related capital expenditure included Category B costs associated with the consent process and early Category C costs predominantly relating to early design costs. Since 2016, Heathrow has invested £383 million in Category B costs and £132 million in Category C costs, a total of £515 million (before capitalised interest and after £10 million of re-work impairment) is carried in our balance sheet as assets in the course of construction.

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. No payments to ultimate shareholders were made during the period.

In the first nine months ended 30 September 2022, total restricted payments (gross and net) made by Heathrow SP amounted to £1.1 billion (2021: nil). This comprised the payment of interest and principal on the debenture between Heathrow SP and Heathrow Finance. This rebalances liquidity across the Group, increasing the liquidity position at Heathrow Finance to £1.3 billion.

RECENT FINANCING ACTIVITY

In the first nine months of 2022, we raised £396 million of new debt. This funding complements our robust liquidity position and provides additional duration and diversification to our £16 billion debt portfolio. In March, we priced £200 million of new Class A debt in the private placement market across 20-year and 30-year tranches, which settled in June 2022. In May, we returned to the CHF market raising £136 million equivalent maturing in 2027. In June, we made an early payment of accretion on our inflation swaps totalling £250 million. In August, we priced £60 million of new Class A debt in the private placement market with a maturity of 2047. Finally, in September, we successfully concluded the refinancing of our Revolving Credit Facility at a size of £1.32 billion, up from £1.15 billion, providing additional protection to our liquidity position over the H7 period and showing continued appetite for Heathrow debt.

FINANCING POSITION

Debt and liquidity at Heathrow (SP) Limited

At 30 September 2022, Heathrow SP's consolidated nominal net debt was £14,514 million (31 December 2021: £13,332 million). It comprised £13,982 million in bonds, £1,430 million in other term debt, £751 million in index-linked derivative accretion, and £34 million of additional lease liabilities. This was offset by £1,683 million in cash and cash equivalents and term deposits. Nominal net debt comprised £12,406 million in senior net debt and £2,108 million in junior debt.

The average cost of Heathrow SP's nominal gross debt at 30 September 2022 was 1.83% (31 December 2021: 1.25%). 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 September 2022 was 8.46% (31 December 2021 3.64%). The increase in the average cost of debt since the end of 2021 is largely due to a recent increase in the inflation rate, which led to a higher accrual of accretion on our inflation linked debt and swap portfolio versus the comparable period, with a lesser impact coming from the roll off of low coupons from the Interest Rate Swaps re-profiling exercise. Excluding the impact of our swap portfolio reprofiling initiated in 2020, Heathrow SP's average cost of debt at 30 September 2022 was 2.76% excluding index-linked accretion and 9.39% including index-linked accretion.

The average life of Heathrow SP's gross debt as at 30 September 2022 was 10.4 years (31 December 2021: 10.5 years).

Nominal net debt excludes any restricted cash and the debenture between Heathrow SP and Heathrow Finance. It includes all the components used in calculating gearing ratios under Heathrow SP's financing agreements including index-linked accretion and additional lease liabilities entered since the transition to IFRS 16.

We have sufficient liquidity to meet all our forecast needs until June 2023 under the extreme stress-test scenario of no revenue, or into 2025 under all traffic scenarios considered. This includes forecast operational costs and capital investment, debt service costs, debt maturities and repayments. This liquidity position takes into account £2,938 million in cash resources as well as liquidity at Heathrow Finance plc as at 30 September 2022.

Debt at Heathrow Finance plc

The consolidated nominal net debt of Heathrow Finance amounted to £15,623 million (31 December 2021: £15,440 million). This comprised Heathrow SP's £14,514 million nominal net debt, Heathrow Finance's nominal gross debt of £2,364 million and cash and term deposits held at Heathrow Finance of £1,255 million.

Financial ratios

At 30 September 2022, Heathrow SP continues to operate within required financial ratios from the common terms agreement. Heathrow Finance's gearing ratio has now returned below pre-pandemic levels. Gearing ratios are calculated by dividing consolidated nominal net debt by Heathrow's RAB.

At 30 September 2022, Heathrow's RAB was £18,674 million (31 December 2021: £17,474 million). Heathrow SP's senior (Class A) and junior (Class B) gearing ratios were 66.4% and 77.7% respectively (31 December 2021: 64.6% and 76.3% respectively) with respective trigger levels of 72.5% and 85%. Heathrow Finance's gearing ratio was 83.7% (31 December 2021: 88.4%) with a covenant of 92.5%.

PENSION SCHEME

We operate a defined benefit pension scheme (the BAA Pension Scheme) which closed to new members in June 2008. At 30 September 2022, the defined benefit pension scheme, as measured under IAS 19, was funded at 111.4% (31 December 2021: 107.6%). This translated into a surplus of £306 million (31 December 2021: £343 million). The £37 million decrease in the surplus in the nine months is largely due to actuarial losses of £46 million, attributable to a loss on assets which outstripped actuarial gains on scheme liabilities resulting from a 3.15% increase in discount rate and a 0.25% increase in inflation assumptions and service costs of £20 million offset by finance income of £5 million. In the nine months ended 30 September 2022, we contributed £24 million (2021: nil) into the defined benefit pension scheme including £15 million (2021: nil) in deficit repair contributions.

KEY MANAGEMENT CHANGES

There have been no key management changes since the last results announcement on 26 July 2022.

OUTLOOK

Following a strong Summer, we are increasing our traffic outlook for 2022 to a range of 60 million to 62 million passengers. This range reflects the uncertainty of short-term demand due to the current economic climate impacting the cost of living, the potential for new variants of COVID-19 as we head into Winter and the ongoing impact of the war in Ukraine. Consequently, adjusted EBITDA for 2022 is expected to be circa £1.6 billion. We will provide an updated financial forecast for 2022 and 2023 in our next Investor Report, due to be published in December.

Publication of Supplement to Base Prospectus - The following supplement dated 26 July 2022 (the "July Supplemental Prospectus") to the "Heathrow Funding Limited: Multicurrency programme for the issuance of bonds" base prospectus dated 4 October 2021 (the "Base Prospectus") as supplemented by a supplemental prospectus dated 11 May 2022 (the "May Supplement") (the Base Prospectus, the May Supplement and the July Supplemental Prospectus together, the "Prospectus") has been approved by the Financial Conduct Authority and is available for viewing:

Full RNS available here: Publication of Suppl.Prospcts - 15:43:26 26 Jul 2022 - News article | London Stock Exchange

Publication of Documents Incorporated by Reference - The following document, which is incorporated by reference in a supplement (the "July Supplemental Prospectus") to the "Heathrow Funding Limited: Multicurrency programme for the issuance of bonds" base prospectus dated 4 October 2021 (the "Base Prospectus") as supplemented by a supplement dated 11 May 2022 (the "May Supplement") (the Base Prospectus, the May Supplement and the July Supplemental Prospectus together, the "Prospectus") which has been approved by the Financial Conduct Authority on 26 July 2022 and published by Heathrow Funding Limited (the Issuer), is available for viewing:

Full RNS available here: Documents incorporated by reference - 16:00:34 26 Jul 2022 - News article | London Stock Exchange

Publication of Final Terms - The final terms ("Final Terms") for the issue of A-56 £60,000,000 4.702 per cent. Fixed Rate Bonds due 2049 (the "A-56 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: Publication of Final Terms - 14:25:56 09 Aug 2022 - News article | London Stock Exchange

Heathrow to extend capacity limits through summer season - After consultation with airlines, capacity limits at Heathrow will be extended at the same level to 29 October to support more reliable and resilient passenger journeys. Since the cap was introduced, passenger journeys have improved with fewer last-minute cancellations, better punctuality and shorter wait times for bags. Airline and wider airport partners could see the cap lifted earlier if improved resource levels are evident and the airport continues to see sustained operational improvements

Full RNS available here: Capacity Cap Extension - 15:49:28 15 Aug 2022 - News article | London Stock Exchange

Announces interest rate step-up in respect of its Notes - 30 August 2022. Heathrow Finance plc (the Issuer) announces today to all noteholders of the outstanding notes listed in the table below (the "Notes") that an Interest Step-Up Termination Trigger Date has occurred on the Waiver Period End Date on 1 July 2022.

Full RNS available here: Interest Step-Up Termination Notice - 15:27:46 30 Aug 2022 - News article | London Stock Exchange

Condensed consolidated income statement for the nine months ended 30 September 2022

		Unaudited Nine months ended 30 September 2022			Unaudited Nine months ended 30 September 2021		
		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
Continuing operations							
Revenue	*1*	**2,106**	**-**	**2,106**	695	-	695
Operating costs [3]	*2*	**(1,421)**	**-**	**(1,421)**	(1,186)	-	(1,186)
Other operating items:							
Fair value gain on investment properties		**-**	**146**	**146**	-	92	92
Operating profit/(loss)		**685**	**146**	**831**	(491)	92	(399)
Financing							
Finance income		**19**	**-**	**19**	5	-	5
Finance costs		**(1,146)**	**939**	**(207)**	(582)	(408)	(990)
Net finance costs	*3*	**(1,127)**	**939**	**(188)**	(577)	(408)	(985)
(Loss)/profit before tax		**(442)**	**1,085**	**643**	(1,068)	(316)	(1,384)
Taxation credit/(charge)		**91**	**(271)**	**(180)**	194	79	273
Change in tax rate		**-**	**-**	**-**	-	(212)	(212)
Taxation credit/(charge)	*4*	**91**	**(271)**	**(180)**	194	(133)	61
(Loss)/profit for the period [4]		**(351)**	**814**	**463**	(874)	(449)	(1,323)

(1) Amounts stated before certain remeasurements 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 including, in the prior year, the impact of the UK corporation tax rate change.
(3) Included within Operating costs is a £4 million credit for the release of impairment of trade receivables (2021: £1 million debit).
(4) Attributable to owners of the parent.

Condensed consolidated statement of comprehensive income for the nine months ended 30 September 2022

	Unaudited Nine months ended 30 September 2022 £m	Unaudited Nine months ended 30 September 2021 £m
Profit/(loss) for the period	**463**	(1,323)
Items that will not be subsequently reclassified to the consolidated income statement:		
Actuarial (loss)/gain on pensions net of tax:		
Loss on plan assets	**(1,396)**	(20)
Decrease in scheme liabilities	**1,362**	193
Change in tax rate	**-**	(1)
Items that may be subsequently reclassified to the consolidated income statement:		
Cash flow hedges net of tax:		
Gains taken to equity	**129**	5
Transfer (from)/to finance costs	**(15)**	40
Change in tax rate	**-**	(13)
Change in tax rate on other opening balances	**-**	(4)
Other comprehensive income for the period net of tax	**80**	200
Total comprehensive income/(expense) for the period [1]	**543**	(1,123)

(1) Attributable to owners of the parent.

Condensed consolidated statement of financial position as at 30 September 2022

	Note	**Unaudited as at 30 September 2022 £m**	Audited [(1)] as at 31 December 2021 £m
Assets			
Non-current assets			
Property, plant and equipment		**10,482**	10,654
Right of use asset		**276**	270
Investment properties		**2,443**	2,297
Intangible assets		**180**	156
Retirement benefit surplus		**306**	343
Derivative financial instruments		**1,462**	421
Trade and other receivables		**25**	23
		15,174	14,164
Current assets			
Inventories		**14**	13
Trade and other receivables		**236**	201
Current income tax assets		**-**	3
Derivative financial instruments		**5**	25
Term deposits		**1,473**	2,410
Cash and cash equivalents		**210**	216
		1,938	2,868
Total assets		**17,112**	17,032
Liabilities			
Non-current liabilities			
Borrowings	*5*	**(17,215)**	(18,341)
Derivative financial instruments		**(2,499)**	(2,225)
Lease liabilities		**(338)**	(331)
Deferred income tax liabilities		**(910)**	(706)
Retirement benefit obligations		**(29)**	(30)
Provisions		**-**	(1)
Trade and other payables		**(4)**	(3)
		(20,995)	(21,637)
Current liabilities			
Borrowings	*5*	**(1,081)**	(1,008)
Derivative financial instruments		**(45)**	(19)
Lease liabilities		**(37)**	(40)
Provisions		**(2)**	(4)
Trade and other payables		**(450)**	(365)
		(1,615)	(1,436)
Total liabilities		**(22,610)**	(23,073)
Net liabilities		**(5,498)**	(6,041)
Equity			
Capital and reserves			
Share capital		**11**	11
Share premium		**499**	499
Merger reserve		**(3,758)**	(3,758)
Cash flow hedge reserve		**9**	(105)
Accumulated losses		**(2,259)**	(2,688)
Total shareholders' equity		**(5,498)**	(6,041)

(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 2021.

Condensed consolidated statement of changes in equity for the nine months ended 30 September 2022

	Attributable to owners of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Cash flow hedge reserve £m	Accumulated losses £m	Total equity £m
1 January 2021	11	499	(3,758)	(173)	(1,336)	(4,757)
Comprehensive income:						
Loss for the period	-	-	-	-	(1,613)	(1,613)
Other comprehensive income/(expense):						
Fair value gain on cash flow hedges net of tax	-	-	-	56	-	56
Change in tax rate	-	-	-	12	-	12
Actuarial gain/(loss) on pension net of tax:						
Gain on plan assets	-	-	-	-	141	141
Decrease in scheme liabilities	-	-	-	-	125	125
Change in tax rate	-	-	-	-	(1)	(1)
Change in tax rate on other opening balances	-	-	-	-	(4)	(4)
Total comprehensive income/(expense)	-	-	-	68	(1,352)	(1,284)
31 December 2021 (audited) [(1)]	11	499	(3,758)	(105)	(2,688)	(6,041)
Comprehensive income:						
Profit for the period	**-**	**-**	**-**	**-**	**463**	**463**
Other comprehensive income/(expense):						
Fair value gain on cash flow hedges net of tax	**-**	**-**	**-**	**114**	**-**	**114**
Actuarial (loss)/gain on pension net of tax:						
Loss on plan assets	**-**	**-**	**-**	**-**	**(1,396)**	**(1,396)**
Decrease in scheme liabilities	**-**	**-**	**-**	**-**	**1,362**	**1,362**
Total comprehensive income	**-**	**-**	**-**	**114**	**429**	**543**
30 September 2022 (unaudited)	**11**	**499**	**(3,758)**	**9**	**(2,259)**	**(5,498)**

(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 2021.

Condensed consolidated statement of cash flows for the nine months ended 30 September 2022

	Note	**Unaudited Nine months ended 30 September 2022 £m**	Unaudited Nine months ended 30 September 2021 £m
Cash flows from operating activities			
Cash generated from operations	6	**1,252**	326
Taxation:			
Corporation tax paid		**(1)**	-
Group relief received		**1**	-
Net cash generated from operating activities		**1,252**	326
Cash flows from investing activities			
Purchase of:			
Property, plant and equipment		**(318)**	(144)
Investment properties		**-**	(4)
Proceeds on disposals of:			
Property, plant and equipment		**-**	14
Decrease in term deposits (1)		**937**	871
Interest received		**11**	5
Net cash generated from investing activities		**630**	742
Cash flows from financing activities			
Proceeds from issuance of bonds		**196**	1,380
Repayment of bonds		**(732)**	(1,119)
Repayment of facilities and other financing items		**(1)**	(4)
Issuance of term note		**200**	-
(Decrease)/increase in amount owed to Heathrow Finance plc		**(1,000)**	165
Interest paid (2)		**(252)**	(233)
Settlement of accretion on index-linked swaps		**(17)**	(31)
Early settlement of accretion on index-linked swaps (3)		**(250)**	-
Payment of lease liabilities		**(32)**	(24)
Net cash (used in)/generated from financing activities		**(1,888)**	134
Net (decrease)/increase in cash and cash equivalents		**(6)**	1,202
Cash and cash equivalents at beginning of period		**216**	280
Cash and cash equivalents at end of period		**210**	1,482

(1) Term deposits with an original maturity of over three months are invested by Heathrow Airport Limited.
(2) Includes £13 million of lease interest paid (nine months ended 30 September 2021: £12 million) and £110 million of interest paid under the debenture payable to Heathrow Finance plc (nine months ended 30 September 2021: nil).
(3) The Group has elected to early pay £250 million of accrued accretion, which were due to be settled within the next 4 years in line with the liquidity profile assessment of the Group.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

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); and iv. the impact on deferred tax balances of known changes in tax rates where the deferred tax originally went through the income statement.

Accounting policies

Basis of preparation

The financial information covers the nine-month period ended 30 September 2022 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 nine months ended 30 September 2022 and its comparatives, together with the unaudited consolidated statement of financial position as at 30 September 2022 and the audited consolidated statement of financial position as at 31 December 2021.

The interim financial information does not include all the notes of the type normally included in the annual financial statements. The financial information for the nine-month period ended 30 September 2022 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. It should be read in conjunction with the statutory accounts for the year ended 31 December 2021, which were prepared in accordance with UK adopted international accounting standards and have been filed with the Registrar of Companies. The auditors' report on these statutory accounts 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 consolidated financial statements for year ended 31 December 2021 is labelled audited, the amounts have been extracted from the Group's audited financial statements for the year ended 31 December 2021.

The financial information for the nine-month period ended 30 September 2022 has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 December 2022. The financial statements for the nine-month period ended 30 September 2022 have been prepared on a basis consistent with that applied in the preparation of the financial statements for the year ended 31 December 2021 with the exception of the additional accounting policies and significant accounting judgements and estimates which have been detailed below.

Accounting policies in addition to those included in the consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2021

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2021, with the exception of the following:

Cost of hedging

The Group has applied IFRS 9 'Cost of Hedging' principles prospectively from 1 January 2022 for the fair value movement of all hedging instruments, whereby the movements will be recognised within the equity, to the extent that they relate to the hedged item.

New IFRS accounting standards and interpretations adopted in the period

There have been no new standards, interpretations and amendments, issued by the IASB or by the IFRS Interpretations Committee (IFRIC), that are applicable for the period commencing on 1 January 2022 that have had a material impact on the Group's results.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

Significant accounting judgements and changes in estimates

In applying the Groups 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 judgments in applying the Group's accounting policies

In preparing the nine-month condensed consolidated 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 2021.

Retirement benefit scheme surplus

At 30 September 2022, the BAA Pension Scheme is in a net surplus position of £306 million, comprised of scheme assets measured at fair value of £2,990 million and scheme liabilities of £2,684 million. The Directors have deemed it appropriate to recognise the surplus in full on the basis that there is an unconditional right to refund and therefore no requirement to restrict the surplus as measured under IAS 19.

Going concern

The impact of COVID-19 on going concern was considered in some detail. Further information can be found within the 'Financial Review' section.

Expansion assets

IAS 16 Property, Plant & Equipment requires it to be probable that future economic benefits associated with an item will flow to the entity for an item to be capitalised. The Directors have considered the impact of the delay to Expansion (following the Court of Appeal's ruling on the Airports National Policy Statement) and the potential impact of COVID-19 on long term passenger demand and the impact of climate change and have concluded that expansion remains probable.

The policy and regulatory frameworks required to expand Heathrow remain in place. In December 2020, the Supreme Court unanimously ruled that the policy framework governing Expansion – the Airports National Policy Statement ('ANPS') – is lawful UK Government policy. In addition, following third-party requests to review the ANPS, on 6 September 2021, the Secretary for State for Transport concluded that it was not appropriate to review at this time. On 26 May 2022, the Department of Transport published its paper 'Flightpath to the future: a strategic framework for the aviation sector', in which it reaffirmed that the Airports National Policy Statement continues to have full effect and that the UK Government remains supportive of airport expansion where it can be delivered within environmental obligations. Furthermore, the CAA continues to support Expansion on the basis that they believe it furthers the interests of consumers.

COVID-19 has created uncertainty of when passenger demand will recover to pre-pandemic levels, however Management's current long-term passenger modelling still supports the business case. Long-term passenger forecasts are continually reviewed by Management and the Board, which still support the fact that Expansion would be affordable and financeable. This explains why, following Board approval as well as consultation with our airline community and the CAA, we reopened our Interim Property Hardship Scheme in May 2021 and continue to engage with our local communities.

In order to obtain planning consent for the third runway, we will have to demonstrate that expanding Heathrow is compatible with the UK's climate change obligations, including the Paris Climate Agreement. The Government has made decarbonising aviation a central part of its green growth agenda, through wider use of Sustainable Aviation Fuel as well as new technology, and such widespread innovation is incorporated into our long-term forecasting.

The Directors have carefully considered the risks to Expansion, particularly future demand recovery following COVID-19 in addition to climate change risk on long-term passenger numbers, the legislative and regulatory environment, and any likely financeability risks. We still consider Expansion as a probable outcome. The Directors will continue to test this judgement as we formalise next steps with investors, Government, airline customers, local communities and regulators. These next steps include the continued validation of the underlying business case (traffic demand and pricing proposition); ensuring a fair and stable economic regulatory framework; the confirmation or a review of the ANPS by the Secretary of State for Transport; and continued assessment and demonstration that expansion is compatible with the UK's climate change obligations.

As at 30 September 2022, £515 million of Expansion-related assets in the course of construction are recognised on the balance sheet, consisting primarily of costs directly associated with, and incurred solely for the purpose of, seeking planning permission. The ability to recognise the majority of these assets is supported by the view that Expansion remains probable, and any future change to this critical judgement would result in an impairment of these assets. Management has also considered whether there is any obsolescence associated with the continued programme delay. Any obsolescence is likely isolated to potential areas of exploratory groundwork rework, as well as any rework caused by subsequent changes in planning laws or regulations. In 2020, £10 million of impairment was recognised associated with future rework, and the judgements and assumptions utilised in this assessment did not change in 2021 and have not changed in the current period, with no further impairment recognised.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

Key sources of estimation uncertainty

In preparing the nine-month condensed consolidated 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 2021 with the exception of the following update:

Loss given default and assumed recovery rates

Accounting standards require that the fair value of financial instruments reflect their credit quality, and also the assumed recovery rate which then implies a loss given default rate. The credit risk associated with the Group's derivatives is updated monthly based on current market data, and industry standard default rates. However certain derivatives are ranked higher in the waterfall priority payments schedule such as interest rate swaps and inflation-linked swaps and therefore apply a super senior recovery rate of 85% (31 December 2021: 87%).

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

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 Nine months ended 30 September 2022 £m**	Unaudited Nine months ended 30 September 2021 £m
Revenue reported under IFRS 15		
Aeronautical		
Movement charges	**494**	152
Parking charges	**65**	40
Passenger charges	**792**	133
Total aeronautical revenue	**1,351**	325
Other regulated charges	**178**	147
Retail services revenue	**413**	122
Property revenue	**21**	7
Rail Income		
Heathrow Express	**64**	10
Other	**2**	3
Total revenue reported under IFRS 15	**2,029**	614
Revenue reported under IFRS 16		
Property (lease-related income)	**77**	81
Total revenue	**2,106**	695
Heathrow Airport	***2,042***	*685*
Heathrow Express	***64***	*10*
Adjusted EBITDA	**1,252**	117
Heathrow Airport	***1,228***	*132*
Heathrow Express	***24***	*(15)*
Reconciliation to statutory information:		
Depreciation and amortisation	**(567)**	(608)
Operating profit/(loss) (before certain re-measurements)	**685**	(491)
Fair value gain on investment properties	**146**	92
Operating profit/(loss)	**831**	(399)
Finance income	**19**	5
Finance costs	**(207)**	(990)
Profit/(loss) before tax	**643**	(1,384)

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

1. SEGMENT INFORMATION *CONTINUED*

Table (b)	Unaudited Nine months ended 30 September 2022		Unaudited Nine months ended 30 September 2021	
	Depreciation & amortisation [(1)] £m	**Fair value gain [(2)] £m**	Depreciation & amortisation [(1)] £m	Fair value gain [(2)] £m
Heathrow Airport	**(543)**	**146**	(583)	92
Heathrow Express	**(24)**	**-**	(25)	-
Total	**(567)**	**146**	(608)	92

(1) Includes intangible amortisation charge of £26 million (nine months ended 30 September 2021: £29 million).
(2) Reflects fair value gain on investment properties only.

Table (c)	Unaudited 30 September 2022		Audited 31 December 2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Heathrow Airport	**12,810**	**(437)**	12,750	(346)
Heathrow Express	**570**	**(19)**	594	(27)
Total operations	**13,380**	**(456)**	13,344	(373)
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	**1,683**	**(15,752)**	2,626	(15,819)
Retirement benefit assets/(obligations)	**306**	**(29)**	343	(30)
Derivative financial instruments	**1,467**	**(2,544)**	446	(2,244)
Deferred and current tax assets/(liabilities)	**-**	**(910)**	3	(706)
Amounts owed to group undertakings	**-**	**(2,544)**	-	(3,530)
Right of use asset and lease liabilities	**276**	**(375)**	270	(371)
Total	**17,112**	**(22,610)**	17,032	(23,073)

2. OPERATING COSTS

	Unaudited Nine months ended 30 September 2022 £m	Unaudited Nine months ended 30 September 2021 £m
Employment [(1)]	**277**	183
Operational[(2)]	**233**	136
Maintenance	**130**	94
Rates	**88**	90
Utilities	**69**	40
Other	**57**	35
Total operating costs before depreciation and amortisation	**854**	578
Depreciation and amortisation:		
Property, plant and equipment	**510**	548
Intangible assets	**26**	29
Right of Use (RoU) assets	**31**	31
Total operating costs	**1,421**	1,186

(1) For the nine months ended 30 September 2021, Government grants of £21 million were received for reimbursement of employee costs relating to staff furloughed due to COVID-19 under the Coronavirus Job Retention Scheme. Following the end of the scheme in September 2021, no equivalent payments were received in the nine months ended 30 September 2022.
(2) For the nine months ended 30 September 2022, £4 million was received through the Airport and Airline Ground Operations Support Scheme (nine months ended 30 September 2021: £11 million) which has been credited against insurance costs within Operational costs. There are no unfulfilled conditions or contingencies attached to these grants.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

3. FINANCING

	Unaudited Nine months ended 30 September 2022 £m	Unaudited Nine months ended 30 September 2021 £m
Finance income		
Interest on deposits	**14**	5
Pension finance income	**5**	-
Total finance income	**19**	5
Finance costs		
Interest on borrowings:		
Bonds and related hedging instruments[1]	**(586)**	(444)
Bank loans and overdrafts and unwind of hedging reserves	**(41)**	(46)
Net interest expense on derivatives not in hedge relationship[2]	**(401)**	56
Facility fees and other charges	**(5)**	(7)
Interest on debenture payable to Heathrow Finance plc	**(125)**	(136)
Finance costs on lease liabilities	**(16)**	(12)
	(1,174)	(589)
Less: capitalised borrowing costs[3]	**28**	7
Total finance costs	**(1,146)**	(582)
Net finance costs before certain re-measurements	**(1,127)**	(577)
Certain re-measurements		
Fair value gain/(loss) on financial instruments		
Interest rate swaps: not in hedge relationship	**322**	(41)
Index-linked swaps: not in hedge relationship	**510**	(345)
Cross-currency swaps: not in hedge relationship[4]	**(33)**	(11)
Ineffective portion of cash flow hedges[5]	**93**	(3)
Ineffective portion of fair value hedges[5]	**41**	(8)
Foreign exchange contracts	**6**	-
	939	(408)
Net finance costs	**(188)**	(985)

(1) Includes accretion of £189 million for nine months ended 30 September 2022 (nine months ended 30 September 2021: £70 million) on index-linked bonds.
(2) Includes accretion of £658 million for nine months ended 30 September 2022 (nine months ended 30 September 2021: £185 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 5.10% (nine months ended 30 September 2021: 1.69%) to expenditure incurred on such assets. The increase in the average cost of debt since the end of 2021 is mainly due to an increase in inflation, partially offset by savings from interest rate swaps that were re-profiled in 2020.
(4) Includes loss on foreign exchange retranslation on the currency bonds of £5 million for the nine months ended 30 September 2022 (nine months ended 30 September 2021: £5 million gain) 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 movements.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

4. TAX CREDIT/(CHARGE)

	Unaudited Nine months ended 30 September 2022			Unaudited Nine months ended 30 September 2021		
	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 credit/(charge) at 19% (2021: 19%)	**-**	**-**	**-**	-	-	-
Deferred tax:						
Current year credit/(charge)	**91**	**(271)**	**(180)**	194	79	273
Change in tax rate	**-**	**-**	**-**	-	(212)	(212)
Taxation credit/(charge)	**91**	**(271)**	**(180)**	194	(133)	61

The total tax charge recognised for the nine months ended 30 September 2022 was £180 million (nine months ended 30 September 2021: £61 million credit), based on a profit before tax for the nine months ended 30 September 2022 of £643 million (nine months ended 30 September 2021: loss before tax £1,384 million).

The total tax credit before certain re-measurements for the nine months ended 30 September 2022 was £91 million (nine months ended 30 September 2021: £194 million). Based on a loss before tax and certain re-measurements of £442 million (nine months ended 30 September 2021: £1,068 million), this results in an effective tax rate of 20.6% (nine months ended 30 September 2021: 18.2%). The effective tax rate is higher (2021: lower) than the statutory rate of 19% (2021: 19%). This is because most of the current year tax movements relate to deferred tax which is measured at the 25% post April 2023 statutory tax rate. This is partially offset by non-deductible expenses primarily related to non-qualifying depreciation.

In addition, there was a £271 million tax charge (nine months ended 30 September 2021: £79 million tax credit) arising on fair value movements on investment property revaluations and financial instruments.

The increase in the statutory tax rate from 19% to 25% was enacted in Finance Act 2021 and the effects of the increase on the brought forward deferred tax balances were included in the results for the nine months to 30 September 2021, resulting in a tax charge of £212 million.

Based on the fair value gains which have arisen on financial instruments and the improved trading performance in the nine months to September 2022, Management has concluded that the deferred tax assets existing at 30 September 2022, may be recovered against the unwind of existing deferred tax liabilities and future forecast taxable profits.

Other than these changes, there are no items which would materially affect the future tax credit/charge.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect from 1 January 2024. The Group is reviewing these draft rules to understand any potential impacts.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

5. BORROWINGS

	Unaudited 30 September 2022 £m	Audited 31 December 2021 £m
Current		
Secured		
Heathrow Funding Limited bonds:		
1.650%+RPI £180 million due 2022	**-**	234
1.875% €600 million due 2022	**-**	507
5.225% £750 million due 2023	**743**	-
Total current (excluding interest payable)	**743**	741
Interest payable – external	**258**	203
Interest payable – owed to group undertakings	**80**	64
Total current	**1,081**	1,008
Non-current		
Secured		
Heathrow Funding Limited bonds		
5.225% £750 million due 2023	**-**	732
7.125% £600 million due 2024	**598**	597
0.500% CHF400 million due 2024	**354**	326
3.250% C$500 million due 2025	**294**	294
1.500 % €750 million due 2025	**654**	625
4.221% £155 million due 2026	**155**	155
0.450% CHF210 million due 2026	**177**	170
6.750% £700 million due 2026	**696**	695
1.80% CHF165 million due 2027	**149**	-
2.650% NOK1,000 million due 2027	**76**	84
2.694% C$650 million due 2027	**420**	379
3.400% C$400 million due 2028	**258**	233
7.075% £200 million due 2028	**199**	199
4.150% A$175 million due 2028	**92**	99
2.625% £350 million due 2028	**347**	346
2.500% NOK1,000 million due 2029	**68**	77
2.750 % £450 million due 2029	**445**	445
1.500% €750 million due 2030	**556**	656
3.782% C$400 million due 2030	**245**	235
1.125% €500 million due 2030	**434**	414
6.450% £900 million due 2031	**862**	860
3.661% C$500 million due 2031	**322**	291
Zero-coupon €50 million due January 2032	**68**	63
1.366%+RPI £75 million due 2032	**101**	92
Zero-coupon €50 million due April 2032	**67**	62
1.875% €500 million due 2032	**437**	418
0.101%+RPI £182 million due 2032	**210**	192
3.726% C$625 million due 2033	**410**	371
1.875% €650 million due 2034	**433**	555
4.171% £50 million due 2034	**50**	50
Zero-coupon €50 million due 2034	**56**	52
0.347%+RPI £75 million due 2035	**88**	80
0.337%+RPI £75 million due 2036	**88**	80
1.061%+RPI £180 million due 2036	**238**	216
0.419%+RPI £51 million due 2038	**59**	54

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

5. BORROWINGS *CONTINUED*

	Unaudited 30 September 2022 £m	Audited 31 December 2021 £m
3.460% £105 million due 2038	**105**	105
1.382%+RPI £50 million due 2039	**67**	61
Zero-coupon €86 million due 2039	**83**	78
3.334%+RPI £460 million due 2039	**740**	679
0.800% JPY10,000 million due 2039	**53**	64
1.238%+RPI £100 million due 2040	**133**	121
0.362%+RPI £75 million due 2041	**88**	80
3.500% A$125 million due 2041	**71**	67
5.875% £750 million due 2041	**739**	739
2.926% £55 million due 2043	**54**	54
4.625% £750 million due 2046	**742**	742
4.702% £60 million due 2047	**60**	-
1.372%+RPI £75 million due 2049	**101**	92
2.750% £400 million due 2049	**393**	393
0.147%+RPI £160 million due 2058	**189**	175
Total bonds	**13,324**	13,647
Heathrow Airport Limited debt:		
Class A2 term loan due 2024	**100**	100
Class A3 term loan due 2029	**200**	200
Term notes due 2026-2040	**1,127**	928
Total other debt	**1,427**	1,228
Unsecured		
Debenture payable to Heathrow Finance plc	**2,464**	3,466
Total non-current	**17,215**	18,341
Total borrowings (excluding interest payable)	**17,958**	19,082

At 30 September 2022, Heathrow SP's consolidated nominal net debt was £14,514 million (31 December 2021: £13,332 million). It comprised £13,982 million (31 December 2021: £14,327 million) in bonds, £1,430 million (31 December 2021: £1,230 million) in other term debt, £751 million (31 December 2021: £381 million) in index-linked derivative accretion and £34 million (31 December 2021: £20 million) of additional lease liabilities. This was offset by £1,683 million (31 December 2021: £2,626 million in cash and cash equivalents and term deposits. Nominal net debt comprised £12,406 million (31 December 2021: £11,294 million) in senior net debt and £2,108 million (31 December 2021: £2,038 million) in junior debt.

At 30 September 2022, total non-current external borrowings due after more than 5 years was £11,476 million (31 December 2021: £11,083 million), comprising £10,248 million of bonds (31 December 2021: £10,055 million) and £1,228 million (31 December 2021: £1,028 million) in bank facilities.

Impact of fair value hedge adjustments

The nominal value of debt designated in fair value hedge relationship was, EUR 1,400 million, C$ 620 million, CHF 610 million, A$ 175 million, JPY 10,000 million and NOK 2,000 million. Where debt qualifies for fair value hedge accounting, hedged item adjustments have been applied as follows:

	Unaudited 30 September 2022		Audited 31 December 2021	
	Nominal at hedge rate £m	Fair value adjustment [(1)] £m	Nominal at hedge rate £m	Fair value adjustment [(1)] £m
Euro denominated debt	**1,125**	**226**	1,615	(52)
CAD denominated debt	**337**	**41**	337	(5)
Other currencies debt	**780**	**63**	780	2
Designated in fair value hedge	**2,242**	**330**	2,732	(55)

(1) Fair value adjustment is comprised of fair value gain of £335 million (year ended 31 December 2021: £46 million loss) on continuing hedges and £5 million loss (year ended 31 December 2021: £9 million loss) on discontinued hedges.

Notes to the condensed consolidated financial statements for the nine months ended 30 September 2022

6. CASH GENERATED FROM OPERATIONS

	Unaudited Nine months ended 30 September 2022 £m	Unaudited Nine months ended 30 September 2021 £m
Profit/(loss) before tax	**643**	(1,384)
Adjustments for:		
Net finance cost	**188**	985
Depreciation	**510**	548
Amortisation on intangibles	**26**	29
Amortisation on right of use assets	**31**	31
Fair value gain on investment properties	**(146)**	(92)
Working capital changes:		
(Increase)/decrease in inventories and trade and other receivables	**(36)**	265
Increase/(decrease) in trade and other payables	**44**	(63)
Decrease in provisions	**(1)**	-
Difference between pension charge and cash contributions	**(5)**	17
Cash generated from operations before exceptional items	**1,254**	336
Cash payments in respect of prior year exceptional items	**(2)**	(10)
Cash generated from operations	**1,252**	326

GLOSSARY

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.