

**Heathrow Finance plc**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2021**

**Unaudited**

# Heathrow Finance plc

## Contents

<b>Basis of preparation</b>	1
<b>Special purpose consolidated financial statements</b>	
Consolidated income statement	2
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated cash flow statement	6
Notes to the consolidated financial information	7

## Heathrow Finance plc

### Basis of preparation

The unaudited Special purpose consolidated financial statements of Heathrow Finance plc (the 'Group'), comprising the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and Consolidated summary statement of cash flows have been prepared in order to comply with the requirements contained within the Heathrow Airport Holdings Limited group's (the 'HAH Group') various borrowing facilities' undertakings for half year reporting. They are considered to fairly present the financial condition and operations of the Group as at 30 June 2021 and for the six months then ended.

The financial information for the six-month period ended 30 June 2021 has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 December 2021. The financial statements for the six-month period ended 30 June 2021 have been prepared on a basis consistent with that applied in the preparation of the financial statements for the year ended 31 December 2020.

The financial information set out herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of directors on 24 February 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

On behalf of the Board



**Javier Echave**  
Director

23 July 2021

Company registration number: 06458635

**Heathrow Finance plc****Consolidated income statement** for the six months ended 30 June 2021

	<b>Unaudited Six months ended 30 June 2021 £m</b>	Unaudited Six months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
<b>Revenue</b>	<b>348</b>	712	1,175
Operating costs	<b>(792)</b>	(971)	(1,905)
Other operating items			
Fair value gain/(loss) on investment properties	<b>25</b>	(252)	(412)
<b>Operating loss</b>	<b>(419)</b>	(511)	(1,142)
<b>Financing</b>			
Finance income	<b>18</b>	20	40
Finance costs	<b>(426)</b>	(548)	(876)
<b>Net finance cost</b>	<b>(408)</b>	(528)	(836)
<b>Loss before tax</b>	<b>(827)</b>	(1,039)	(1,978)
Tax credit	<b>156</b>	171	331
Change in tax rate	<b>(215)</b>	(114)	(113)
Taxation (charge)/credit	<b>(59)</b>	57	218
<b>Loss for the period</b>	<b>(886)</b>	(982)	(1,760)

## Heathrow Finance plc

### Consolidated statement of comprehensive income for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
Loss for the period	(886)	(982)	(1,760)
<b>Other comprehensive income:</b>			
<b>Items that will not be subsequently reclassified to the consolidated income statement</b>			
Actuarial (loss)/gain on pensions net of tax:			
(Loss)/gain on plan assets <sup>1</sup>	(119)	296	390
Decrease/(increase) in scheme liabilities <sup>1</sup>	206	(376)	(492)
Change in tax rate	(1)	(1)	(1)
<b>Items that may be subsequently reclassified to the consolidated income statement</b>			
<b>Cash flow hedges:</b>			
Gain/(loss) taken to equity net of tax <sup>1</sup>	4	31	(43)
Transfer to finance costs <sup>1</sup>	21	(19)	53
Change in tax rate	(12)	4	4
Change in tax rate on other opening balances	(5)	-	(11)
Other comprehensive income/(loss) for the period net of tax	94	(65)	(90)
<b>Total comprehensive loss for the period<sup>2</sup></b>	<b>(792)</b>	<b>(1,047)</b>	<b>(1,850)</b>

<sup>1</sup> Items in the consolidated statement of comprehensive income above are disclosed net of tax.

<sup>2</sup> Attributable to equity holders of the parent.

## Heathrow Finance plc

## Consolidated statement of financial position as at 30 June 2021

	Unaudited 30 June 2021 £m	Audited 31 December 2020 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,998	11,300
Right of use asset	268	285
Investment properties	2,146	2,118
Intangible assets	179	182
Retirement benefit surplus	116	12
Derivative financial instruments	463	656
Trade and other receivables	595	593
	<b>14,765</b>	<b>15,146</b>
<b>Current assets</b>		
Inventories	14	14
Trade and other receivables	384	636
Derivative financial instruments	149	146
Term deposits	4,456	3,586
Cash and cash equivalents	303	305
	<b>5,306</b>	<b>4,687</b>
<b>Total assets</b>	<b>20,071</b>	<b>19,833</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(18,128)	(17,682)
Derivative financial instruments	(1,463)	(1,134)
Lease liabilities	(333)	(349)
Deferred income tax liabilities	(902)	(794)
Retirement benefit obligations	(30)	(31)
Provisions	(1)	(1)
Trade and other payables	(5)	(6)
	<b>(20,862)</b>	<b>(19,997)</b>
<b>Current liabilities</b>		
Borrowings	(2,131)	(1,918)
Derivative financial instruments	(25)	(21)
Lease liabilities	(40)	(43)
Provisions	(7)	(15)
Current income tax liabilities	(14)	(7)
Trade and other payables	(352)	(400)
	<b>(2,569)</b>	<b>(2,404)</b>
<b>Total liabilities</b>	<b>(23,431)</b>	<b>(22,401)</b>
<b>Net liabilities</b>	<b>(3,360)</b>	<b>(2,568)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,841	3,841
Merger reserve	(994)	(994)
Cash flow hedge reserve	(160)	(173)
Retained earnings	(6,047)	(5,242)
<b>Total equity</b>	<b>(3,360)</b>	<b>(2,568)</b>

The Special purpose consolidated financial statements of Heathrow Finance plc (Company registration number: 06458635) were approved by the Board of Directors and authorised for issue on 23 July 2021. They were signed on its behalf by:



**Javier Echave**  
Director



**Nick Golding**  
Director

## Heathrow Finance plc

### Consolidated statement of changes in equity for the six months ended 30 June 2021

	Share capital £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
1 January 2020	3,109	(994)	(187)	(3,271)	(1,343)
Comprehensive income:					
Loss for the year	-	-	-	(1,760)	(1,760)
Other comprehensive income/(expense):					
Fair value gain on cash flow hedges net of tax	-	-	10	-	10
Change in tax rate	-	-	4	-	4
Actuarial gain/(loss) on pensions net of tax:					
Gain on plan assets	-	-	-	390	390
Increase in scheme liabilities	-	-	-	(492)	(492)
Change in tax rate	-	-	-	(1)	(1)
Change in tax rate on other opening balances	-	-	-	(1)	(1)
<b>Total comprehensive income/(expense)</b>	-	-	14	(1,864)	(1,850)
Transaction with owners:					
Dividends paid to Heathrow (DSH) Limited	-	-	-	(107)	(107)
Shares issued	732	-	-	-	732
<b>Total transaction with owners</b>	732	-	-	(107)	625
31 December 2020	3,841	(994)	(173)	(5,242)	(2,568)
<b>1 January 2021</b>	<b>3,841</b>	<b>(994)</b>	<b>(173)</b>	<b>(5,242)</b>	<b>(2,568)</b>
<b>Comprehensive income:</b>					
Loss for the period	-	-	-	(886)	(886)
<b>Other comprehensive income:</b>					
Cash flow hedges net of tax	-	-	25	-	25
Change in tax rate	-	-	(12)	-	(12)
Actuarial loss on pensions net of tax:					
Loss on plan assets	-	-	-	(119)	(119)
Decrease in scheme liabilities	-	-	-	206	206
Change in tax rate	-	-	-	(1)	(1)
Change in tax rate on other opening balances	-	-	-	(5)	(5)
<b>Total comprehensive income/(expense)</b>	-	-	13	(805)	(792)
Transaction with owners:					
Dividends paid to Heathrow (DSH) Limited	-	-	-	-	-
<b>Total transaction with owners</b>	-	-	-	-	-
<b>30 June 2021</b>	<b>3,841</b>	<b>(994)</b>	<b>(160)</b>	<b>(6,047)</b>	<b>(3,360)</b>

## Heathrow Finance plc

## Consolidated cash flow statement for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
<b>Operating activities</b>			
Loss before tax	(827)	(1,039)	(1,978)
Exceptional items	-	122	184
Loss before tax and exceptional items	(827)	(917)	(1,794)
<i>Adjustments for:</i>			
Net finance costs	302	314	634
Fair value loss on financial instruments	106	214	202
Depreciation, amortisation and impairment	411	360	816
Fair value (gain)/loss on investment properties	(25)	252	412
<i>Working capital changes:</i>			
Decrease/(increase) in inventories and trade and other receivables	256	131	(237)
(Decrease)/increase in trade and other payables	(51)	(24)	56
Decrease in provisions	(1)	(5)	(5)
Difference between pension charge and cash contributions	11	(10)	(51)
Cash generated from operations before exceptional items	182	315	33
Cash payments in respect of exceptional items	(8)	(20)	(125)
<b>Cash generated from/(used in) continuing operations</b>	<b>174</b>	<b>295</b>	<b>(92)</b>
Corporation tax (paid)/received	-	(5)	67
Taxation – group relief paid	-	-	2
<b>Net cash generated from/(used in) operating activities</b>	<b>174</b>	<b>290</b>	<b>(23)</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(82)	(376)	(521)
Increase in term deposits	(870)	(1,475)	(2,861)
Interest received	4	6	13
<b>Net cash used in investing activities</b>	<b>(948)</b>	<b>(1,845)</b>	<b>(3,369)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to Heathrow (DSH) Limited	-	(107)	(107)
Proceeds from issuance of bonds	1,386	381	1,977
Repayment of bonds	(498)	(400)	(402)
Issuance of term notes	-	710	640
Drawdown of revolving credit facilities	-	1,050	1,050
Repayment of facilities and other items	(6)	(5)	(14)
Decrease in loan to Heathrow (DSH) Limited	-	-	10
Issue of share capital	-	-	731
Settlement of accretion on index-linked swaps	(31)	(193)	(285)
Prepayment of interest on swaps	-	-	(30)
Inflation swap restructuring prepaid	-	-	(47)
Interest paid <sup>1</sup>	(63)	(315)	(622)
Payment of lease liabilities	(16)	(19)	(36)
Prepayment of lease liabilities	-	-	(11)
Consent fee payment	-	-	(2)
<b>Net cash from financing activities</b>	<b>772</b>	<b>1,102</b>	<b>2,852</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2)</b>	<b>(453)</b>	<b>(540)</b>
Cash and cash equivalents at beginning of period	305	845	845
<b>Cash and cash equivalents at end of period</b>	<b>303</b>	<b>392</b>	<b>305</b>
Represented by:			
Cash and cash equivalents	303	392	305
<b>Cash and cash equivalents at end of period</b>	<b>303</b>	<b>392</b>	<b>305</b>

<sup>1</sup> Included within interest paid is £8 million of lease interest paid (June 2020: £8 million and December 2020: £16 million).



## Heathrow Finance plc

## Notes to the consolidated financial information for the six months ended 30 June 2021

## 1 Segment information

Management has determined the reportable segments of the business based on those contained within the monthly reports reviewed and utilised by the relevant Board for allocating resources and assessing performance. These segments relate to the operations of Heathrow and Heathrow Express.

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis, before certain re-measurements and exceptional items. 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.

The comparative financial information for retail and property revenue has been re-presented. The prior year revenue for retail concession fee was classified within *Property (lease-related income)*, this has been reclassified to retail revenue.

Table (a)	Unaudited Six months ended 30 June 2021 £m	Unaudited Six months ended 30 June 2020 £m	Audited Year ended 31 December 2020 £m
<b>Segment Revenue Under IFRS 15</b>			
Aeronautical			
Movement charges	84	148	244
Parking charges	24	28	62
Departing charges	61	222	341
Total Aeronautical revenue	169	398	647
Other regulated charges	57	74	118
Retail services revenue	59	150	234
Property revenue	5	10	20
Rail Income			
Heathrow Express	4	21	26
Other	2	8	23
<i>Revenue reported under IFRS 15</i>	<b>296</b>	661	1,068
Revenue recognised at a point in time	287	635	1,028
Revenue recognised over time	9	26	40
<b>Total revenue reported under IFRS 15</b>	<b>296</b>	661	1,068
<b>Under IFRS 16</b>			
Property (lease-related income)	52	51	107
<b>Total revenue</b>	<b>348</b>	712	1,175
Heathrow	344	691	1,147
Heathrow Express	4	21	28
<b>Adjusted EBITDA</b>			
Heathrow	(21)	107	284
Heathrow Express	(12)	(6)	(14)
Total adjusted EBITDA	(33)	101	270
<b>Reconciliation to statutory information:</b>			
Depreciation and amortisation	(411)	(360)	(816)
<b>Operating loss (before certain re-measurements)</b>	<b>(444)</b>	(259)	(546)
Exceptional items	-	-	(184)
Fair value gain/(loss) on investments properties (certain re-measurements)	25	(252)	(412)
<b>Operating loss</b>	<b>(419)</b>	(511)	(1,142)
Finance income	18	20	40
Finance costs	(426)	(548)	(876)
<b>Loss before tax</b>	<b>(827)</b>	(1,039)	(1,978)
<b>Taxation (charge)/credit</b>	<b>(59)</b>	57	218
<b>Loss for the period</b>	<b>(886)</b>	(982)	(1,760)

# Heathrow Finance plc

## Notes to the consolidated financial information for the six months ended 30 June 2021 *continued*

### 1 Segment information *continued*

Table (b)	Unaudited Six months ended 30 June 2021		Unaudited Six months ended 30 June 2020		Audited Year ended 31 December 2020	
	Depreciation & amortisation <sup>1</sup>	Fair value gain <sup>2</sup>	Depreciation & amortisation <sup>1</sup>	Fair value loss <sup>2</sup>	Depreciation & amortisation <sup>1</sup>	Fair value loss <sup>2</sup>
	£m	£m	£m	£m	£m	£m
Heathrow	(394)	25	(343)	(252)	(773)	(412)
Heathrow Express	(17)	-	(17)	-	(43)	-
<b>Total</b>	<b>(411)</b>	<b>25</b>	<b>(360)</b>	<b>(252)</b>	<b>(816)</b>	<b>(412)</b>

<sup>1</sup> Includes intangible amortisation charge of £17 million (December 2020: £44 million; June 2020: £15 million).

<sup>2</sup> Reflects fair value (loss)/gain on investment properties only.

Table (c)	Unaudited Six months ended 30 June 2021		Audited Year ended 31 December 2020	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Heathrow	13,083	(330)	13,565	(409)
Heathrow Express	604	(35)	647	(13)
<b>Total operations</b>	<b>13,687</b>	<b>(365)</b>	<b>14,212</b>	<b>(422)</b>
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	4,759	(20,259)	3,891	(19,600)
Retirement benefit obligations	116	(30)	12	(31)
Derivative financial instruments	612	(1,488)	802	(1,155)
Deferred and current tax assets and (liabilities)	-	(916)	-	(801)
Amounts owed from group undertakings	629	-	631	-
Right of use assets and lease liabilities	268	(373)	285	(392)
<b>Total</b>	<b>20,071</b>	<b>(23,431)</b>	<b>19,833</b>	<b>(22,401)</b>

### 2 Operating costs

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	£m	£m	£m
Employment	121	149	282
Operational	89	119	224
Maintenance	60	75	140
Rates	60	59	116
Utilities	28	33	62
Other	23	54	81
<b>Total operating costs before depreciation and amortisation</b>	<b>381</b>	<b>489</b>	<b>905</b>
Depreciation and amortisation			
Property, plant and equipment	374	326	734
Intangible assets	17	15	38
Right of Use (RoU) assets	20	19	44
<b>Total operating costs before exceptional items</b>	<b>792</b>	<b>849</b>	<b>816</b>
Exceptional items	-	122	184
<b>Total operating costs</b>	<b>792</b>	<b>971</b>	<b>1,905</b>

## Heathrow Finance plc

### Notes to the consolidated financial information for the six months ended 30 June 2021 *continued*

#### 3 Net debt

	Accounting value 30 June 2021 £m	Accounting value 31 December 2020 £m
Current borrowings – Security Parent and subsidiaries	2,131	1,918
Current lease liabilities	40	43
<b>Total current borrowings<sup>1</sup></b>	<b>2,171</b>	<b>1,961</b>
Non-current borrowings – Issuer		
Bonds	1,120	1,119
Loans	1,235	1,235
Non-current lease liabilities	333	349
<b>Total</b>	<b>2,688</b>	<b>2,703</b>
Non-current borrowings – Security Parent and subsidiaries		
Bonds	13,444	12,997
Loans	2,329	2,331
<b>Total</b>	<b>15,773</b>	<b>15,328</b>
<b>Total non-current borrowings</b>	<b>18,461</b>	<b>18,031</b>
<b>Total debt</b>	<b>20,632</b>	<b>19,992</b>
Cash and cash equivalents and term deposits <sup>2</sup>	(4,759)	(3,891)
<b>Total net debt</b>	<b>15,873</b>	<b>16,101</b>

<sup>1</sup> Current borrowings include interest accrued on debt

<sup>2</sup> Cash and cash equivalents include £4,456 million (December 2020: £3,586 million) in term deposits.

#### 4 Regulatory Asset Base and Nominal Net Debt

Heathrow's RAB was £16,946 million at 30 June 2021 (30 June 2020: £16,516 million; 31 December 2020: £16,492 million).

As at 30 June 2021, nominal Group debt was £19,981 million (30 June 2020: £17,524 million; 31 December 2020: £19,011 million), comprising nominal senior debt of £15,405 million (30 June 2020: £13,344 million; 31 December 2020: £14,796 million), nominal junior debt of £2,212 million (30 June 2020: £1,666 million; 31 December 2020: £1,851 million) and nominal Issuer debt of £2,364 million (30 June 2020: £2,514 million; 31 December 2020: £2,364 million).

As at 30 June 2021, nominal Group net debt was £15,222 million (30 June 2020: £14,932 million; 31 December 2020: £15,120 million), comprising nominal senior and junior net debt of £13,176 million (30 June 2020: £12,860 million; 31 December 2020: £13,131 million) and nominal issuer net debt of £2,046 million (30 June 2020: £2,072 million; 31 December 2020: £1,989 million).