

HEATHROW FUNDING LIMITED

(incorporated with limited liability in Jersey with registered number 99529)

Multicurrency programme for the issuance of Bonds

This prospectus supplement (the *Supplement*) is supplemental to and must be read in conjunction with the base prospectus dated 30 June 2023 (the *Prospectus*) and constitutes a supplementary prospectus for the purposes of Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the *EUWA*) (the *UK Prospectus Regulation*) and is prepared in connection with the £50,000,000,000 multicurrency programme for the issuance of Bonds (the *Programme*) established by Heathrow Funding Limited (the *Issuer*) as described in the Prospectus. Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved as a supplementary prospectus issued in compliance with the UK Prospectus Regulation by the Financial Conduct Authority in its capacity as competent authority under the UK Prospectus Regulation.

The purpose of this Supplement is to:

- a) incorporate by reference the consolidated results of Heathrow (SP) Limited for the six months ended 30 June 2023; and
- b) provide an update on recent regulatory developments involving Heathrow within the regulatory risk factors and business disclosure.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus, and any other supplements to the Prospectus that may be issued by the Issuer.

For so long as the Programme remains in effect or any Bonds remain outstanding, copies of this Supplement may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee.

To the extent that there is any inconsistency between any statement in, or incorporated by reference in, this Supplement and any other statement in, or incorporated by reference in, the Prospectus, the statements in, or incorporated by reference in, this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

Supplement dated 27 October 2023

RESPONSIBILITY STATEMENT

Each of the Obligors and the Issuer accept responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the Obligors (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

No other person has been authorised to give any information or to make representations contained in this Supplement and no other person accepts any responsibility or liability in respect of information contained or incorporated by reference in this Supplement.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HEATHROW (SP) LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2023

On 26 July 2023, Heathrow (SP) Limited (*Heathrow (SP)*) announced the publication of its unaudited consolidated results for the six months ended 30 June 2023 (the *Group Consolidated Financial Statements*). The Group Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK.

By virtue of this Supplement, the Group Consolidated Financial Statements are incorporated by reference in, and form part of, the Prospectus. Accordingly, by way of update to the section headed "Cross Reference List" in the "Documents Incorporated by Reference" section beginning on page 229 of the Prospectus, the following bullet point shall be inserted at the end of the existing list:

- "Unaudited semi-annual consolidated financial statements of Heathrow (SP) for the financial half-year ended 30 June 2023 (pages 11 – 39 inclusive)".

In addition, the first paragraph under the section headed "Presentation of Financial Information" on page 231 of the Prospectus shall be updated to include the following final sentence: "The unaudited semi-annual consolidated financial statements of the Group for the financial half-year ended 30 June 2023 have been prepared in accordance with UK adopted International Accounting Standards."

Finally, the section headed "Documents Available" within the section headed "General Information" on page 218 of the Prospectus shall be updated to include the following new paragraph (d), and the existing paragraph (d) and each subsequent paragraph in that section renumbered accordingly:

- (d) "the unaudited financial statements of the Group for the financial half-year ended 30 June 2023;"

For the avoidance of doubt, any further information or documents incorporated by reference in the Group Consolidated Financial Statements do not form part of the Prospectus. Information contained in the documents incorporated by reference into this Supplement, which is not itself incorporated by reference herein, is not relevant for investors.

Copies of the documents deemed to be incorporated by reference in the Prospectus and this Supplement may be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>. For convenience, copies of the documents deemed to be incorporated by reference in the Prospectus and this Supplement are also available at <https://www.heathrow.com/company/investor-centre> (the *Special Purpose Website*). The information contained on the Special Purpose Website should be considered together with all the information contained elsewhere in the Prospectus and this Supplement, but for the avoidance of doubt, the Special Purpose Website does not form part of Heathrow's website, and Heathrow's website does not form any part of the Prospectus and/or this Supplement. The Special Purpose Website is provided for convenience only, and its content does not form any part of the Prospectus and/or this Supplement for the purpose of the listing rules of the Financial Conduct

Authority. The documents deemed to be incorporated by reference in the Prospectus and this Supplement are listed in the section "Documents Incorporated by Reference" on page 229 of the Prospectus, as supplemented by this Supplement.

There has been no material adverse change in the prospects of Heathrow (SP) since 31 December 2022.

There has been no significant change in the financial position or the financial performance of the Group since 30 June 2023.

UPDATES TO THE DESCRIPTION OF RECENT REGULATORY DEVELOPMENTS

By way of update to the sub-section headed "H7 Developments" (beginning on page 7 of the Prospectus) within the "Overview" section (beginning on page 4 of the Prospectus), the sentence on page 8 which reads "However, there are a number of areas in which Heathrow believes that the CAA has made errors and Heathrow has therefore decided to apply for permission from the Competition and Markets Authority (the "CMA") to appeal some elements of the decision in line with the appeals framework set out in the Civil Aviation Act 2012, such permission being granted on 11 May 2023" shall be replaced by:

"However, there are a number of areas in which Heathrow believes that the CAA made errors and, on 11 May 2023, the Competition and Markets Authority (the "CMA") granted Heathrow permission to appeal some elements of the decision in line with the appeals framework set out in the Civil Aviation Act 2012."

In the same paragraph, the sentence which reads "It is expected that the CMA process will be concluded and a decision published by the CMA before the end of 2023" shall be deleted.

Similarly, by way of update to the sub-section headed "H7" within the "Heathrow Price Regulation" section (each beginning on page 71 of the Prospectus), the final sentence which reads "It is expected that the CMA process will be concluded and a decision published by the CMA before the end of 2023" shall be deleted.

After the sentence on page 8 which reads "The revised deadline for the CMA's determination of the appeals is 17 October 2023" and the sentence on page 71 which reads "At the same time as Heathrow lodged its application to appeal with the CMA, British Airways, Virgin Atlantic Airways and Delta Air Lines also applied for and were granted permission to appeal certain elements of the Final Decision on 11 May 2023", the following paragraphs shall be inserted:

"On 8 September 2023, the CMA issued its provisional determination of the appeals (the "**Provisional Determination**") and published a summary on its website. In the Provisional Determination, the CMA considered that the CAA had erred on three elements of the Final Decision:

- the CAA was wrong in the way it mechanistically implemented the AK Factor, which was introduced by the CAA to claw back revenue which was 'over-recovered' against the maximum allowable yield in 2020 and 2021;
- the CAA made an error in a "relatively minor" aspect of its cost of debt calculation; and
- in the passenger forecast, the CAA was wrong in relation to "one small element within its calculation" of the passenger forecast: the 'the shock factor', which makes an allowance for exceptional events which might reduce passenger numbers.

The CMA provisionally remitted these issues to the CAA for determination. In all other elements of the appeals, the CMA considered that the CAA's Final Decision was not wrong and those elements of the Provisional Determination remain in line with the Final Decision.

Responses to the Provisional Determination were due by 22 September 2023. The CMA issued its final determination of the appeals on 17 October 2023 (the “**Final Determination**”) and upheld the errors from its Provisional Determination and the decision to remit these issues back to the CAA for determination.”

Finally, in the section headed “Glossary of Key Defined Terms” beginning on page 47 of the Prospectus, the following new definition will be added in the appropriate alphabetical order:

“**Final Determination** has the meaning given to it in “*Overview – H7 Developments*”.”

“**Provisional Determination** has the meaning given to it in “*Overview – H7 Developments*”.”

UPDATE TO REGULATORY RISK FACTORS

In addition, by way of updates to the sub-section headed “Appeal of Final Decision” of the risk factor headed “Heathrow is subject to economic regulation by the Civil Aviation Authority, which is subject to change and affects pricing” in the “Regulatory Risks” section beginning on page 27 of the Prospectus:

- a) the first paragraph shall be deleted and replaced with the following:

“Three airlines were granted the right to appeal the CAA’s H7 Final Decision to the CMA requesting higher passenger forecasting, a reduced weighted average cost of capital (“**WACC**”) and no COVID-19-related RAB adjustment. Heathrow was also granted the right to appeal the Final Decision on two of these grounds - an increased WACC and an increased RAB adjustment, as well as removal of the licence modification that introduced the AK factor and to revise the CAA’s new regime for capital incentives to make it simpler and more efficient. In addition Heathrow was granted permission to intervene in relation to the airlines’ appeal grounds of RAB adjustment, WACC and passenger forecasting. Two of the three airline appellants, British Airways Plc and Delta Air Lines Inc, were also granted permission to intervene in relation to Heathrow’s appeal grounds of RAB adjustment, WACC, AK factor and capital incentives.

In its Provisional Determination, the CMA found that the CAA had made errors in the Final Decision and provisionally decided to require the CAA to reconsider certain elements of the Final Decision. In the Final Determination, the CMA upheld the errors from its Provisional Determination and the decision to remit these issues back to the CAA for determination.”

- b) the first sentence of the second paragraph which reads “Given both Heathrow and three airlines will be appealing the Final Decision, it is possible that the H7 2024-2026 tariffs currently set through the Final Decision could be required to be adjusted downwards or upwards depending on the outcome of the appeals to the CMA” shall be deleted and replaced with the following:

“Following the CMA’s Final Determination, it is possible that the H7 2024-2026 tariffs currently set through the Final Decision could be required to be adjusted downwards or upwards depending on the final outcome of the errors identified by the CMA which have been remitted to the CAA for reconsideration.”